

ANIMAL WELFARE LEAGUE

FINANCIAL STATEMENTS

**For the Year Ended
September 30, 2024**

ANIMAL WELFARE LEAGUE

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Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

To the Board of Directors
Animal Welfare League
Chicago Ridge, IL

We have audited the accompanying financial statements of Animal Welfare League (a nonprofit organization), which comprise the statement of financial position as of September 30, 2024, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Animal Welfare League as of September 30, 2024 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Animal Welfare League and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Animal Welfare League's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Animal Welfare League's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Animal Welfare League's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Animal Welfare League's September 30, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 25, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Deloitte & Touche, Ltd

February 19, 2025
Chicago, IL

ANIMAL WELFARE LEAGUE
STATEMENT OF FINANCIAL POSITION
September 30, 2024 (with comparative totals for 2023)

	<u>2024</u>	<u>2023</u>
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 2,113,113	\$ 2,311,094
Investments	1,171,807	966,292
Inventory	126,343	141,793
Receivables		
Trade	14,496	16,342
Legacies	964,716	964,716
Employee retention credit	646,590	-
Prepaid expenses	68,034	35,871
Total current assets	<u>5,105,099</u>	<u>4,436,108</u>
Property and equipment	2,312,246	2,471,703
Other Assets		
Beneficial interest in perpetual trust	<u>13,235,213</u>	<u>11,182,208</u>
Total Assets	<u>\$ 20,652,558</u>	<u>\$ 18,090,019</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ 50,369	\$ 72,060
Accrued expenses	48,351	-
Accrued payroll and related expenses	65,767	69,474
Total current liabilities	<u>164,487</u>	<u>141,534</u>
Net Assets		
Without donor restrictions		
General	4,940,612	4,294,574
Net investment in property and equipment	2,312,246	2,471,703
Total net assets without donor restrictions	<u>7,252,858</u>	<u>6,766,277</u>
With donor restrictions		
Perpetual in nature	<u>13,235,213</u>	<u>11,182,208</u>
Total net assets with donor restrictions	<u>13,235,213</u>	<u>11,182,208</u>
Total net assets	<u>20,488,071</u>	<u>17,948,485</u>
Total Liabilities and Net Assets	<u>\$ 20,652,558</u>	<u>\$ 18,090,019</u>

See independent auditor's report and notes to financial statements.

ANIMAL WELFARE LEAGUE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2024 (with comparative totals for 2023)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
<u>Public Support and Revenue</u>				
Contributions, grants and legacies	\$ 308,248	\$ -	\$ 308,248	\$ 699,742
Special Events				
Contributions and special events revenue	32,158	-	32,158	20,908
Animal care services	2,629,337	-	2,629,337	2,727,238
Investment income, net	550,164	-	550,164	467,001
Donated supplies	2,786	-	2,786	17,616
Other, including forfeited deposits	651,640	-	651,640	22,945
Total Public Support and Revenue	4,174,333	-	4,174,333	3,955,450
<u>Expenses</u>				
Program services	3,152,016	-	3,152,016	3,118,907
Management and general	720,018	-	720,018	1,230,744
Fundraising	13,251	-	13,251	4,411
Total Expenses	3,885,285	-	3,885,285	4,354,062
Change in net assets from operations	289,048	-	289,048	(398,612)
Non-operating activity				
Net unrealized/realized gain (loss) on investment	197,533	2,053,005	2,250,538	920,097
Change in Net Assets	486,581	2,053,005	2,539,586	521,485
Net Assets, Beginning of Year	6,766,277	11,182,208	17,948,485	17,427,000
Net Assets, End of Year	\$ 7,252,858	\$ 13,235,213	\$ 20,488,071	\$ 17,948,485

See independent auditor's report and notes to financial statements.

ANIMAL WELFARE LEAGUE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2024 (with comparative totals for 2023)

	Program Services	Management and General	Fundraising	2024 Total	2023 Total
Salaries and wages	\$ 1,479,566	\$ 75,185	\$ -	\$ 1,554,751	\$ 1,614,575
Employee benefits and related taxes	246,886	47,077	-	293,963	298,597
	<u>1,726,452</u>	<u>122,262</u>	<u>-</u>	<u>1,848,714</u>	<u>1,913,172</u>
Professional fees	158,860	476,579	-	635,439	1,006,470
Animal care supplies and maintenance	590,248	-	-	590,248	595,823
Donated supplies	2,786	-	-	2,786	17,616
Animal disposal	63,308	-	-	63,308	47,402
Repairs and maintenance	139,107	7,069	-	146,176	131,096
Utilities	119,124	6,053	-	125,177	129,127
Telephone	21,662	1,101	-	22,763	21,256
Insurance	79,151	4,022	-	83,173	85,626
Office and computer supplies	71,271	3,622	-	74,893	71,369
Bank fees	-	56,260	-	56,260	58,664
Employee training	408	-	-	408	529
Recruitment	270	45	-	315	660
Special events	-	-	13,080	13,080	3,347
Advertising and promotion	-	22,035	-	22,035	65,204
Printing	-	-	-	-	3,510
Postage and shipping	718	4,977	171	5,866	5,732
Membership dues	2,221	6,952	-	9,173	5,766
Interest	-	-	-	-	4,636
Miscellaneous	609	107	-	716	976
Depreciation and amortization	175,821	8,934	-	184,755	186,081
Total Expenses	<u>\$ 3,152,016</u>	<u>\$ 720,018</u>	<u>\$ 13,251</u>	<u>\$ 3,885,285</u>	<u>\$ 4,354,062</u>

See independent auditor's report and notes to financial statements.

ANIMAL WELFARE LEAGUE
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2024 (with comparative totals for 2023)

	<u>2024</u>	<u>2023</u>
<u>Cash Flows from Operating Activities</u>		
Change in net assets	\$ 2,539,586	\$ 521,485
Adjustment to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	184,755	186,081
Realized and unrealized (gain) loss on investments	(197,533)	(94,971)
Realized and unrealized (gain) loss on perpetual trusts	(2,053,005)	(825,126)
Change in assets - decrease (increase)		
Inventory	15,450	59,204
Receivables	(644,744)	12,996
Prepaid expenses	(32,163)	81,343
Change in liabilities - increase (decrease)		
Accounts payable	(21,691)	(42,861)
Accrued expenses	48,351	(52,359)
Accrued payroll and related expenses	(3,707)	3,981
Net cash used in operating activities	<u>(164,701)</u>	<u>(150,227)</u>
<u>Cash Flows from Investing Activities</u>		
Purchase of property and equipment	(25,298)	(92,054)
Purchase of investments	(1,016,299)	(34,687)
Proceeds from sale of investments	1,008,317	-
Net cash used in investing activities	<u>(33,280)</u>	<u>(126,741)</u>
Net decrease in cash and cash equivalents	(197,981)	(276,968)
Cash and cash equivalents, beginning of year	2,311,094	2,588,062
Cash and cash equivalents, end of year	<u>\$ 2,113,113</u>	<u>\$ 2,311,094</u>
<u>Supplementary Information</u>		
Cash paid for interest	<u>\$ -</u>	<u>\$ 4,636</u>

See independent auditor's report and notes to financial statements.

ANIMAL WELFARE LEAGUE
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

League

The Animal Welfare League (the “League”), an Illinois not-for-profit corporation incorporated on September 30, 1935, was chartered to prevent cruelty to animals by the advancement of humane education and maintenance of animal shelters. The Animal Welfare League also provides animal adoption programs, veterinary and clinical services. Funds are raised from service revenue, legacies, grants, fundraising, and investment activities.

Basis of Accounting

The accounts and financial statements are maintained on the accrual basis of accounting and accordingly, reflect all significant accounts receivable, payable, and other liabilities.

Basis of Presentation

The League is required to report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions, as required by Generally Accepted Accounting Principles. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Items that affect this net asset category principally consist of gifts without restrictions, including those designated by the Board, fees for service and related expenses associated with the core activities of the League.

With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the League or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met, endowment gifts, pledges, and investment returns on endowment funds. Expirations of restrictions on net assets with donor restrictions, including reclassification of restricted gifts and grants for buildings and equipment when the associated long-lived asset is placed in service, are reported as net assets released from restrictions.

Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the League, including gifts and pledges wherein donors stipulate that the corpus of the gift be held in perpetuity and that only the income be made available for program operations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

ANIMAL WELFARE LEAGUE
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Comparative Information

The financial statements include certain prior-year summarized information in total but not detailed by function. Such information does not include sufficient detail to constitute a presentation of the prior year financial statements in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the League's financial statements for the year ended September 30, 2023, from which the summarized information was derived.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank deposits in direct federally insured accounts and uninsured money market and re-purchase agreement account balances. The federally insured accounts may, at times, exceed the federally insured limit. The League has never experienced such losses in these accounts and does not believe that significant risk exists at this time.

For purposes of the Statement of Cash Flows, the League considers all highly liquid debt instruments, if any, purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments are carried at fair value. Realized and unrealized gains and losses are reflected in the Statement of Activities.

Inventory

Inventory, which primarily consists of prescription pharmaceuticals for the League's clinic operations, is valued on the first-in, first-out method.

Receivables and Allowance for credit losses

Unconditional promises to give are recognized as revenue in the period the pledge is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions receivable consist of unconditional promises to give that have not yet been received.

The Organization reviews its receivables on a periodic basis to estimate an Allowance for Credit Losses in accordance with ASC 326, Current Expected Credit Losses (CECL). This allowance represents management's estimate of expected credit losses over the life of the receivables, based on historical collection experience, current conditions, and reasonable and supportable forecasts about future economic conditions that may affect the collectability of outstanding balances. The allowance is reviewed and adjusted as necessary at each reporting date to reflect any changes in management's expectations. As of September 30, 2024, the League reported no credit allowance deemed necessary. Management believes all contribution receivables to be collectible.

ANIMAL WELFARE LEAGUE
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Legacy Income Receivables

Legacy income receivables represent amounts due to the League from estates, trusts, or bequests in which the League has been named as a beneficiary. These receivables are recognized when the League has sufficient evidence of its entitlement to the gift, the proceeds are measurable, and collection is reasonably assured.

Legacy income receivables are recorded at their estimated fair value based on information available at the reporting date. Changes in fair value, including adjustments for estimated collectability and time value of money, are recorded as contribution revenue in the period of change.

The League evaluates the collectability of these receivables on an ongoing basis, and an allowance for uncollectible amounts is established if necessary. As of September 30, 2024, no credit allowance was deemed necessary.

Property and Equipment

Expenditures for property and equipment, and items which substantially increase the useful lives of existing assets are capitalized at cost, when the cost exceeds \$500. The League provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives as follows:

Buildings and improvements	10 - 40 years
Land improvements	4 - 15 years
Furniture and equipment	4 - 10 years
Vehicles	4 - 7 years
Software	3 - 7 years

Beneficial Interest in Perpetual Trusts (Permanently Restricted Assets)

Vivian B. Porch Trust – The League is a legatee of an irrevocable charitable remainder trust established by Vivian B. Porch. The League receives all of the net income from the trust and has a limited right to request payments of principal from this trust. The trust funds are classified as permanently restricted as the League is generally limited to receipt of income only.

Harry E. Chamberlain and Adrienne S. Chamberlain Memorial Fund – The League receives sixteen percent of the net income from this split-interest trust. All income from the trust is unrestricted. The trust is perpetual and the principal is recorded as a permanently restricted net asset.

Leona S. Teel and Susan H. Teel Foundation – The League is the legatee of one hundred percent of the net income from the Foundation established by Leona S. Teel and Susan H. Teel. All income from the trust is unrestricted. As the trust is intended to qualify as a charitable trust in perpetuity, the principal is recorded as permanently restricted assets.

Caroline Cepek Trust – The League is a legatee of twenty percent of the net income of this split-interest charitable endowment trust. The trust income is unrestricted and the principal is recorded as a permanently restricted asset.

ANIMAL WELFARE LEAGUE
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Virginia W. Little Charitable Trust – The League receives one-twelfth of the net income of this split-interest charitable trust. Income received from this trust is unrestricted. The principal is recorded as a permanently restricted net asset.

Animal Care Services Revenue

The League recognizes contract revenue at an amount that reflects consideration to which the League expects to be entitled to in exchange for transferring goods or services to a customer. To determine the appropriate amount of revenue to be recognized for arrangements determined to be within the scope of ASC 606 (under ASU No. 2014-09), the League performs the following five steps: (i) identification of the promised goods or services in the contract; (ii) determination of whether the promised goods or services are performance obligations including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the League satisfies each performance obligation. The League only applies the five-step model to contracts when it is probable that the League will collect consideration it is entitled to in exchange for the goods or services it transfers to the customer.

Revenue from animal care services consists mostly of clinic income. Clinic income is recognized at the time the services are provided. Revenue from clinic services, including spaying/neutering, vaccinations, and other veterinary treatments, is recognized when the performance obligation is satisfied, which occurs at the point in time when the service is provided to the customer (i.e., pet owner). The Organization's performance obligations consist of providing veterinary care and related services. These obligations are satisfied at a single point in time when services are rendered. Payments are generally received at the time of service, and no significant financing components are included in the transaction price. The transaction price is determined based on standard service fees charged for each procedure. Revenue is recognized net of any discounts provided at the time of service. Payments received in advance for services not yet performed are recorded as deferred revenue until the services are provided. As of September 30, 2024, the League recognized \$2,629,337 for animal care services.

Support and Revenue

The League reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the League reports the support as unrestricted.

The League reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the League reports

ANIMAL WELFARE LEAGUE
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The League monitors legacy revenue from the time when notification is received to its final receipt. Legacy revenue is recognized only when the amounts have been received or if before receipt, there is sufficient evidence to prove it is more likely than not that the legacy will be received and the value of the income can be measured with sufficient reliability. Receipt is probable when there has been a grant of probate, the executors have established that there are sufficient assets in the estate, after settling any liabilities to pay the legacy and any conditions attached to the legacy are either within the control of the League or have been met.

Donated Services

Contributions of services are required to be recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the year ended September 30, 2024, the League did not receive any services meeting these criteria.

There were, however, a substantial number of volunteers who donated their time towards the activities of the League, the value of which was not required to be disclosed in the financial statements. These volunteers contributed an estimated 4,748 hours during the year ended September 30, 2024.

In-Kind Contributions

In addition to receiving cash contributions, the League receives in-kind contributions from various donors. It is the policy of the League to record the estimated fair value of certain in-kind donations as an asset if applicable or as an expense in its financial statements, and similarly increase donations by a like amount. For the year ended September 30, 2024, the League received \$2,786 of donated supplies.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Directly identifiable expenses are charged to the specific program or supporting services. Expenses related to more than one function are allocated to program expenses and supporting services on the basis of time incurred and reported by staff.

Income Tax Status

Animal Welfare League was granted an exemption from federal income taxes by the Internal Revenue Service pursuant to the provisions of Internal Revenue Code Section 501(c)(3). The League qualifies for the charitable contribution deduction under Section 170 and has been classified as an organization that is not a private Foundation under Section 509(a)(2). The tax-exempt purpose of the League and the nature in which it operates is described above. The League continues to operate in compliance with its tax-exempt purpose. The League's annual informational returns filed

ANIMAL WELFARE LEAGUE
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

with the federal and state governments are subject to examination generally for three years after they are filed.

The League has adopted the requirements for accounting for uncertain tax positions and management has determined that the League was not required to record a liability related to uncertain tax positions as of September 30, 2024.

Adoption of New Accounting Standard

On October 1, 2023, the League adopted FASB Accounting Standards Update 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including accounts receivable. There was no material impact on the League’s results of operations or financial condition upon adoption of the new standard.

Subsequent Events

Accounting principles generally accepted in the United States of America establish general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The League has evaluated subsequent events through, February 19, 2025, which is the date the statements were available to be issued. No subsequent events have been identified that are required to be disclosed as of that date.

Note 2 – Financial Assets and Liquidity Resources

As of September 30, 2024, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

Financial assets, at year-end:	
Cash and cash equivalents	\$ 2,113,113
Accounts receivable	979,212
Investments	<u>1,171,807</u>
Total financial assets, at year-end	<u><u>4,264,132</u></u>

The League manages its liquidity and reserves following three guiding principles: 1) operating within a prudent range of financial soundness and stability; 2) maintaining adequate liquid assets to fund near-term operating needs; and 3) maintaining sufficient reserves to provide reasonable assurance that programming is continued, and obligations will be adequately discharged in the future. During the year ended September 30, 2024 the level of liquidity and reserves was managed within the policy requirements.

ANIMAL WELFARE LEAGUE
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

Note 3 – Investments

A summary of investments at September 30, 2024 is as follows:

Mutual equity funds	\$ 750,733
Mutual bond funds	147,685
Hedge funds	223,739
Commodities	49,650
Total Investments	<u>\$ 1,171,807</u>

A summary of investment income from general investments and permanently restricted investments for the year ended September 30, 2024 is as follows:

Dividends and interest	\$ 22,054
Income from beneficial interest in perpetual trusts	539,901
Investment expense	<u>(11,791)</u>
Total Investment Income	<u>\$ 550,164</u>

Note 4 – Fair Value Measurements

Generally accepted accounting principles defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in Animal Welfare League’s principal or most advantageous market in an orderly transaction between market participants on the measurement date.

Generally accepted accounting principles establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (adjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The fair value of debt and equity investments that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or by quoted market prices of similar securities with similar due dates or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted

ANIMAL WELFARE LEAGUE
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

Note 4 – Fair Value Measurements (cont.)

prices for the specific securities but rather by relying on securities' relationship to other benchmark quoted securities (Level 2 inputs).

Following is a description of the valuation methodologies used for assets measured at fair value.

Beneficial interest in Perpetual Trusts: Best practice for these investments is to estimate the fair value of the beneficial interest in a perpetual trust using the fair value of the assets held by the trust, without further adjustment.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Assets Measured on a Recurring Basis

Assets measured at fair value on a recurring basis at September 30, 2024 are summarized below:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments	\$ 1,171,807	\$ -	\$ -
Beneficial interest in Perpetual Trust	13,235,213	-	-
Total	<u>\$ 14,407,020</u>	<u>\$ -</u>	<u>\$ -</u>

Note 5 – Property and Equipment

A summary of property and equipment at September 30, 2024 is as follows:

Building and improvements	\$ 4,629,582
Land and land improvements	1,064,575
Furniture and equipment	1,476,319
Vehicles	261,296
Software	115,569
	<u>7,547,341</u>
Less accumulated depreciation and amortization	<u>(5,235,095)</u>
Net property and equipment	<u>\$ 2,312,246</u>

Depreciation and amortization expense was \$184,755 for the year ended September 30, 2024.

ANIMAL WELFARE LEAGUE
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

Note 6 – Net Assets With Donor Restrictions (Perpetual Trusts)

Permanently restricted net assets consist of investments held in perpetuity, the income of which is expendable to support the general activities of the League. Following is a summary for the beneficial interest in perpetual trusts at fair value as of September 30, 2024:

Vivian B. Porch Trust (100%)	\$ 7,772,734
Harry E. Chamberlain and Adrienne S. Chamberlain Memorial Fund (16%)	2,828,610
Leona S. Teel and Susan H. Teel Foundation Trust (100%)	2,367,261
Caroline Cepek Trust (20%)	215,293
Virginia W. Little Charitable Trust (8.33%)	51,315
Total beneficial interest in perpetual trust	<u>\$ 13,235,213</u>

Note 7 – Retirement Plan

The League maintains a 401(k) defined contribution plan for the benefit of substantially all of its employees, which allows for both employee and employer contributions. Contributions to the plan are made for all eligible employees over twenty-one years of age, with at least one year of service. Contributions are at the discretion of the Board of Directors and are based on a percent of each employee's total compensation.

The Board of Directors authorized \$11,913 in contributions for the fiscal year ending September 30, 2024.

Note 8 – Employee Retention Credit

The CARES Act provides an employee retention credit ("CARES Employee Retention credit"), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter. The League qualified for the tax credit under the CARES Act under both provisions.

As of September 30, 2024, the League has a \$646,590 receivable balance from the United States government related to the CARES Act, which is recorded on the Balance Sheet.