Financial Statements

PET ALLIANCE OF GREATER ORLANDO, INC.

June 30, 2023 and 2022

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(With Independent Auditor's Report Thereon)

PET ALLIANCE OF GREATER ORLANDO, INC.

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Independent Auditor's Report

The Board of Directors
Pet Alliance of Greater Orlando, Inc.

Opinion

We have audited the accompanying financial statements of Pet Alliance of Greater Orlando, Inc. (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years 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 Pet Alliance of Greater Orlando, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Pet Alliance of Greater Orlando, Inc. 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 Pet Alliance of Greater Orlando, Inc.'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 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 Pet Alliance of Greater Orlando, Inc.'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pet Alliance of Greater Orlando, Inc.'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.

Schafer, Tschopp, Whitcomb, Mitchell & Sheridan, LLP

Maitland, Florida
October 17, 2023

PET ALLIANCE OF GREATER ORLANDO, INC.

Statements of Financial Position

June 30, 2023 and 2022

Assets

	2023	2022
Current assets		
Cash and cash equivalents	$ 10,939,749	10,927,001
Accounts receivable	10,100	2,250
Investments (note 5)	4,449,874	1,728,717
Bequests receivable (note 1m)	385,000	167,457
Current portion of pledges receivable (note 3)	304,990	559,569
Inventory	23,368	5,988
Prepaid expenses and other assets	126,196	150,114
Total current assets	16,239,277	13,541,096
Property and equipment, net (note 6)	3,320,027	2,844,717
Pledges receivable, less current portion (note 3)	842,492	127,216
Contribution receivable - split-interest agreement (note 4)	369,373	325,697
Beneficial interest in assets held by a foundation (note 7)	44,362	41,579
Total assets	$ 20,815,531	16,880,305

Liabilities and Net Assets

	2023	2022
Current liabilities:		
Accounts payable	$ 131,839	143,681
Accrued expenses	56,367	47,589
Deferred revenue	211,665	131,126
Total current liabilities	399,871	322,396
Net assets:		
Without donor restrictions	14,503,030	13,119,559
With donor restrictions (note 9)	5,912,630	3,438,350
Total net assets	20,415,660	16,557,909
Total liabilities and net assets	$ 20,815,531	16,880,305

See accompanying notes to financial statements.

PET ALLIANCE OF GREATER ORLANDO, INC.

Statement of Activities

Year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and public support:			
Revenue			
Public medical clinic	$ 1,809,607	-	1,809,607
Adoption and related fees	616,008	-	616,008
Merchandise sales	17,872	-	17,872
Investment income (loss), net	410,592	-	410,592
Gain from insurance proceeds (note 13)	587,176	-	587,176
Other revenue	12,378	-	12,378
Public Support			
Donations and grants (note 12)	1,576,170	2,856,756	4,432,926
Bequest income	500,022	-	500,022
Change in value of split interest agreement	-	43,676	43,676
Change in value of beneficial interest in assets held by a foundation	2,783	-	2,783
Special events	966,961	-	966,961
Less: direct benefit costs to donors	(209,377)	-	(209,377)
Net assets released from restrictions (note 10)	426,152	(426,152)	-
Total revenue and public support	6,716,344	2,474,280	9,190,624
Expenses:			
Program services	4,207,397	-	4,207,397
General administration	484,490	-	484,490
Fundraising and development	640,986	-	640,986
Total expenses	5,332,873	-	5,332,873
Change in net assets	1,383,471	2,474,280	3,857,751
Net assets at beginning of year	13,119,559	3,438,350	16,557,909
Net assets at end of year	$ 14,503,030	5,912,630	20,415,660

See accompanying notes to financial statements.

PET ALLIANCE OF GREATER ORLANDO, INC.

Statement of Activities

Year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and public support:			
Revenue			
Public medical clinic	$ 2,343,383	-	2,343,383
Adoption and related fees	747,988	-	747,988
Merchandise sales	76,929	-	76,929
Investment income (loss), net	(119,757)	-	(119,757)
Gain from insurance proceeds (note 13)	1,598,112	-	1,598,112
Other revenue	10,910	-	10,910
Public Support			
Donations and grants (note 12)	3,267,228	2,720,587	5,987,815
Bequest income	645,927	-	645,927
Change in value of split interest agreement	-	(30,695)	(30,695)
Change in value of beneficial interest in assets held by a foundation	(4,927)	-	(4,927)
Special events	656,250	-	656,250
Less: direct benefit costs to donors	(130,521)	-	(130,521)
Net assets released from restrictions (note 10)	764,695	(764,695)	-
Total revenue and public support	9,856,217	1,925,197	11,781,414
Expenses:			
Program services	4,183,231	-	4,183,231
General administration	524,403	-	524,403
Fundraising and development	620,794	-	620,794
Total expenses	5,328,428	-	5,328,428
Change in net assets	4,527,789	1,925,197	6,452,986
Net assets at beginning of year	8,591,770	1,513,153	10,104,923
Net assets at end of year	$ 13,119,559	3,438,350	16,557,909

See accompanying notes to financial statements.

PET ALLIANCE OF GREATER ORLANDO, INC.

Statements of Functional Expenses

Years ended June 30, 2023 and 2022

	2023				2022			
	Program Services	General Administration	Fundraising and Development	Total	Program Services	General Administration	Fundraising and Development	Total
Salaries and related expenses	$ 2,550,349	387,852	292,823	3,231,024	2,461,368	421,614	330,477	3,213,459
Medical supplies	853,309	-	-	853,309	999,527	-	-	999,527
Shelter animal support costs	72,167	-	-	72,167	60,231	-	-	60,231
Cost of resale merchandise	-	-	-	-	1,782	-	-	1,782
Utilities, security, trash and medical disposal	76,462	1,370	-	77,832	81,376	2,523	2,092	85,991
Repairs and maintenance	41,934	-	71	42,005	36,102	1,091	264	37,457
Insurance	80,892	5,640	11,006	97,538	86,731	14,154	8,307	109,192
Property taxes and maintenance - new site	20,525	-	-	20,525	24,894	-	-	24,894
Rent	45,432	33,900	38,371	117,703	12,600	21,936	23,223	57,759
Depreciation	141,367	1,443	1,443	144,253	127,725	-	-	127,725
Office supplies	21,599	1,382	1,443	24,424	7,285	3,443	2,708	13,436
Telephone expense	46,814	2,403	2,051	51,268	19,526	1,410	879	21,815
Equipment leasing and maintenance	32,838	8	-	32,846	40,908	353	476	41,737
Computer support and website costs	78,940	11,398	25,070	115,408	75,283	9,924	27,711	112,918
Direct mail campaigns and postage	2,095	262	171,262	173,619	497	595	112,095	113,187
Printing	10,004	192	2,421	12,617	6,207	126	11,215	17,548
Advertising	-	-	2,287	2,287	232	-	3,868	4,100
Bank charges and credit card fees	60,359	285	66,817	127,461	62,121	1,583	80,239	143,943
Dues, licenses and subscriptions	5,452	66	6,587	12,105	4,556	1,664	5,549	11,769
Professional fees	6,333	29,620	8,524	44,477	6,400	15,400	6,333	28,133
Travel costs, vehicle expense and repairs	36,969	3,337	426	40,732	31,083	1,394	864	33,341
Miscellaneous expenses	23,557	5,332	10,384	39,273	36,797	27,193	4,494	68,484
Total expenses	$ 4,207,397	484,490	640,986	5,332,873	4,183,231	524,403	620,794	5,328,428

See accompanying notes to financial statements.

PET ALLIANCE OF GREATER ORLANDO, INC.

Statements of Cash Flows

Years ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 3,857,751	6,452,986
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	144,253	127,725
Gain from insurance proceeds	(587,176)	(1,598,112)
Net unrealized (gains) losses on investments	(155,888)	168,973
Donated securities	-	(65,854)
Change in operating assets and liabilities:		
Accounts receivable	(7,850)	1,153
Bequests receivable	(217,543)	622,543
Pledges receivable	(460,697)	(539,227)
Contribution receivable - split interest agreement	(43,676)	795,390
Inventory	(17,380)	(5,988)
Prepaid expenses and other assets	23,918	(20,411)
Beneficial interest in assets held by a foundation	(2,783)	4,927
Accounts payable	(11,842)	101,664
Accrued expenses	8,778	2,693
Deferred revenue	80,539	64,468
Net cash provided by operating activities	2,610,404	6,112,930
Cash flows from investing activities:		
Proceeds from insurance company due to fire	587,176	2,786,277
Purchases of investments	(2,813,485)	(1,026,655)
Proceeds from sales of investments	248,216	540,339
Purchases of property and equipment	(619,563)	(388,080)
Net cash provided by (used in) investing activities:	(2,597,656)	1,911,881
Net increase in cash and cash equivalents	12,748	8,024,811
Cash and cash equivalents at beginning of year	10,927,001	2,902,190
Cash and cash equivalents at end of year	$ 10,939,749	10,927,001

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) General

Pet Alliance of Greater Orlando, Inc. (the "Organization") is a not-for-profit organization incorporated in Orange County, Florida. The Organization educates, shelters, places, and heals pets and their families with compassionate, responsible care maintained to the highest professional standards. The vision of the Organization is to create more caring communities by promoting happier, healthier pets and their families.

Pet Alliance of Greater Orlando, Inc. currently services Orange, Osceola and Seminole counties. Our focus is to create life-saving programs that reduce the number of homeless dogs and cats and identify solutions to end pet homelessness in Central Florida. Each year, thousands of dogs and cats will be surrendered to our shelters. Additionally, our experienced veterinarians help tens of thousands of pets through our clinics. Pet Alliance has achieved many successes since opening in 1937 and embarked on a strategic plan to increase the number of rental communities that accept all dogs regardless of breed and introduced a Community Cat initiative to reduce the number of unwanted kittens born and increase the number of cats that can be saved. Visit PetAllianceOrlando.org for more information.

(b) Basis of Presentation

The accompanying financial statements are presented on the accrual basis and represent the financial position and results of operations of the Organization.

The Organization has adopted the provisions of FASB Accounting Standards Codification Topic 958, Not-for-Profit Entities.

The Organization prepares its financial statements on an entity wide basis, focusing on the organization as a whole and presents balances and transactions according to the existence or absence of donor-imposed restrictions. Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Net assets without donor restrictions---Net assets that are not subject to donor-imposed stipulations.
- Net assets with donor restrictions---Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used after a specified date, for particular programs or services, or to acquire buildings or equipment. Other donor-imposed restrictions that are perpetual in nature, for example, stipulating that resources be maintained in perpetuity. Laws may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, those laws extend donor-imposed restrictions.

(1) Organization and Summary of Significant Accounting Policies (Continued)

(b) Basis of Presentation (Continued)

Under generally accepted accounting principles, contributions are generally recognized as revenue when the gift is made and are recorded as with or without donor restrictions, depending on the presence or absence and type of donor-imposed restrictions or conditions.

The Organization displays revenue in the following two natural classifications:

- Revenue---Fees earned for the performance of Organization services.
- Public Support---Unconditional gifts to the Organization of cash or other assets in a voluntary nonreciprocal transfer by another entity.

Revenue and public support are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expirations with donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as support without donor restrictions.

Contributions, including unconditional promises to give, are recognized as revenue in the period made or received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets, materials, and facilities are recorded at their estimated fair value at the date of gift. Such values are recorded in the financial statements as an asset or expense and revenue. In addition, the Organization receives a significant amount of contributed time related to various program services and fundraising campaigns. These contributed services are recorded at their estimated fair value at the date of service if they meet the following criteria: (a) the services would have otherwise been purchased by the Organization, and (b) the services required specialized skills.

From time to time, the Organization is informed of intentions to give by prospective donors. Such expressions of intent are revocable and unenforceable. The ultimate value of these expressions has not been established nor have they been recognized in the accompanying financial statements.

The Organization adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* This standard requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods and services to customers. ASU 2014-09 replaces

(1) Organization and Summary of Significant Accounting Policies (Continued)

(b) Basis of Presentation (Continued)

most existing revenue recognition guidance in generally accepted accounting principles (GAAP). This standard also requires expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. Based on the Organization's review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard.

(c) Property and Equipment

Property and equipment are stated at cost, or estimated market value at the date of receipt if donated, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. All property expenditures in excess of $1,000 are capitalized; maintenance and renewals are charged to expense as incurred.

(d) Inventories

Inventories consist of monthly prevention for resale and are stated at the lower of cost or market. Cost is determined under the first-in, first-out method.

(e) Long-Lived Assets

The Organization follows the policy of lifting restrictions on contributions of cash and other assets received for the acquisition of long-lived assets when the long-lived assets are acquired.

In accordance with "Property, Plant and Equipment – Impairment or Disposal of Long-Lived Assets," FASB Codification Topic 360-10 (Topic 360-10) long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be evaluated for possible impairment, the Organization first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market value and third-party independent appraisals, as considered necessary. No impairment charges have been recorded in the accompanying financial statements related to long-lived assets.

(1) Organization and Summary of Significant Accounting Policies (Continued)

(f) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(g) Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, bank charges, and office and occupancy, which are allocated by full-time equivalents, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

(h) Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(i) Income Taxes

The Organization is exempt from federal income tax under provision of Section 501(c)(3) of the Internal Revenue Code. The Organization is not aware of any activities that would jeopardize its tax-exempt status or that are subject to tax on unrelated business income, excise, or other taxes. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Consequently, no provision for income taxes has been included in the accompanying financial statements.

In accordance with "Income Taxes" FASB Accounting Standards Codification Topic 740 (Topic 740), all entities are required to evaluate and disclose income tax risks. Topic 740 clarifies the accounting for uncertainty in tax positions and prescribes guidance related to the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is only recognized in the statement of financial position if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Interest and penalties, if any, are included in expenses in the statement of activities. As of June 30, 2023 and 2022, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

(1) Organization and Summary of Significant Accounting Policies (Continued)

(i) Income Taxes (Continued)

The Organization's income tax returns are subject to review and examination by federal authorities. Since the Organization's income tax filings are subject to audit by federal taxing authorities, generally three years after they are filed, the Organization is no longer subject to examinations by federal taxing authorities for the years ended before June 30, 2020. In addition, there are currently no pending income tax examinations by federal taxing authorities.

(j) Financial Instruments Fair Value, Concentration of Business and Credit Risks

The Organization's financial instruments are cash and cash equivalents, investments, short-term contributions receivable, prepaid expenses and other assets, a long-term contribution receivable – split-interest agreement, beneficial interest in assets held by a Foundation, accounts payable, and accrued expenses.

The recorded values of cash and cash equivalents, short-term contributions receivable, prepaid expenses and other assets, accounts payable, and accrued expenses, approximate their fair value based on their short-term nature.

The recorded value of investments approximates fair value based on quoted market prices (Level 1 inputs) in an active market for identical assets or liabilities (see notes 1(k) and 4).

The recorded net present value of a long-term contribution receivable split-interest agreement approximates fair value, as the discount rate approximates market rates (Level 3 inputs) (See notes 1(k) and 3). The fair value of the underlying investments within the trust instruments are based on quoted market prices (Level 1 inputs) in an active market for identical assets or liabilities.

The recorded values of beneficial interest in assets held by a Foundation approximate fair value as they are based on these funds being pooled into various investment funds held by the Foundations (Level 3 inputs) (See notes 1(k) and 6). The fair value of the underlying investments within the Foundation's investment funds are based on quoted market prices (Level 1 inputs) in an active market for identical assets or liabilities.

Grants and contracts receivable arise as a result of the agreements with third parties to provide specified services. The grants and contracts are monitored on a monthly basis and are not collateralized.

(1) Organization and Summary of Significant Accounting Policies (Continued)

(j) Financial Instruments Fair Value, Concentration of Business and Credit Risks (Continued)

The Organization maintains its cash balances at certain financial institutions in which balances are insured by the Federal Deposit Insurance Corporation up to $250,000. During the year, the Organization from time to time may have had amounts on deposit in excess of the insured limits. Management believes the associated risk is minimized by placing such assets with quality financial institutions. The Organization has not experienced any losses on such accounts.

(k) Fair Value Measurements

The Organization has adopted accounting standards for fair value measurements, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements of assets and liabilities to include disclosure about inputs used in the determination of fair value using the three categories listed below.

These accounting standards apply under other accounting pronouncements previously issued by the Financial Accounting Standards Board, or FASB, which require or permit fair measurements. The adoption of the new accounting standards did not impact the Organization's financial position or results of operations.

Fair value is defined under "Fair Value Measurements and Disclosures," FASB Accounting Standards Codification Topic 820 (Topic 820) as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. Topic 820 also establishes a three-level hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels of inputs to the valuation methodology are:

- Level 1 quoted prices (unadjusted) for an identical asset or liability in an active market.
- Level 2 quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability.
- Level 3 unobservable and significant to the fair value measurement of the asset or liability.

(1) Organization and Summary of Significant Accounting Policies (Continued)

(k) Fair Value Measurements (Continued)

The Organization's financial instruments measured at fair value on a recurring basis subject to the disclosure requirements of Topic 820 at June 30, 2023 and 2022 were as follows:

2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
Investments	$ 4,449,874	-	-	4,449,874
Contribution receivable – split-interest agreement	-	-	369,373	369,373
Beneficial interest in assets held by a foundation	-	-	44,362	44,362

2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
Investments	$ 1,728,717	-	-	1,728,717
Contribution receivable – split-interest agreement	-	-	325,697	325,697
Beneficial interest in assets held by a foundation	-	-	41,579	41,579

(l) Subsequent Events

In preparing these financial statements, the Organization has evaluated subsequent events and transactions for potential recognition and disclosure through October 17, 2023, which is the date the financial statements were available to be issued.

(m) Bequests Receivable

The Organization records bequests receivable when notification has been received that the Organization has been named as a beneficiary in a will or a trust, the probate courts have declared the will valid, and the amount to be received is known as the value can be reasonably estimated and measurable or an estimate has been provided by the trustee or the executor of the estate. However, if notification is received after year end and the amount is material, a disclosure is made as a subsequent event.

(1) Organization and Summary of Significant Accounting Policies (Continued)

(m) Bequests Receivable (Continued)

If the will or trust provides that the Organization will receive a percentage, but the total realizable amounts are not presently determinable, no entries are recorded.

Certain gifts have not been recorded in the accompanying financial statements because donors' wills have not yet been declared valid by the probate court or the value of the amounts to be received is not yet determinable. The Organization will record and report all such gifts as the value is determined.

The Organization has been named as a beneficiary in several wills or trust agreements where the person has not passed away or is a contingent beneficiary. These are considered intentions to give or conditional promises to give and not unconditional promises to give, and as a result, no entries are recorded and no disclosures are made in the financial statements.

(n) New Accounting Pronouncement Adopted

During the year ended December 31, 2022, the Organization adopted the provisions of Accounting Standards Update (ASU) 2016-02, Leases (topic 842). This guidance is intended to increase transparency and comparability among lessees by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. Topic 842 requires lessees to report a right-of-use asset along with a lease liability. Topic 842 also requires lessors to classify leases as a sales-type, direct financing, or operating lease. The Organization's management deemed the applicable standard is immaterial to the financial statements and therefore not presented.

(2) Liquidity and Availability

As of June 30, 2023, the Organization has $11,945,421 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure. Financial assets subject to donor or other restrictions that make them unavailable for general expenditure within one year of the balance sheet date were $5,356,157 as of June 30, 2023. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following table reflects the Organization's financial assets as of June 30, 2023 reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date.

(2) Liquidity and Availability - Continued

Cash and cash equivalents	$ 10,939,749
Accounts receivable	10,100
Pledges receivable – capital campaign	1,147,482
Investments	4,449,874
Bequest receivable	385,000
Contribution receivable - split interest agreement	369,373
Total financial assets	17,301,578
Cash restricted for capital campaign	(4,094,794)
Investments - donor restricted endowment funds	(244,508)
Contribution receivable - split interest agreement	(369,373)
Pledges receivable – capital campaign	(1,147,482)
Board designated endowment funds	(500,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 11,945,421

(3) Contributions Receivable

As of June 30, 2023, contributions are due as follows:

Less than one year	$ 304,990
One to five years	914,969
	1,219,959
Less:	
Unamortized discount	(67,477)
Allowance for uncollectible pledges	(5,000)
Total	$ 1,147,482

Interest was imputed at 3% in discounting long-term promises to give.

(4) Split-Interest Agreement

During 2001, the Organization became a beneficiary to an irrevocable charitable remainder trust. A charitable remainder trust provides for the payment of distributions to beneficiaries over the trust term. The trust term provides that approximately one-third of the trust will be paid at the end of ten, twenty, and thirty years. At the end of the term, the remaining assets are distributed to specified beneficiaries including the Organization. The portion of the trust attributable to the present value of the future benefits to be received by the Organization is recorded in the statement of activities as a temporarily restricted contribution in the period the trust is contributed. The related receivable is shown under split-interest receivable in the statement of financial position. The assets are held

(4) Split-Interest Agreement - Continued

by a third party who administers the gift. During the year ended June 30, 2022, the Organization received $746,695 from this agreement and it was recorded as net assets released from restrictions in the accompanying Statement of Activities. For the years ended June 30, 2023 and 2022, the net present value of the Organization's interest using a 6.5% discount rate is $369,373 and $325,697, respectively, and is considered or classified as restricted net assets due to the passage of time.

(5) Investments

At June 30, 2023 and 2022, the Organization's investment portfolio consisted of marketable equity and fixed income securities carried at fair value. The Organization derives the fair value of its securities based on quoted market prices.

The following table summarizes the Organization's investments at June 30, 2023 and 2022:

	2023		2022	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Mutual funds - equities	$ 1,002,084	1,166,166	670,913	726,070
Mutual funds - fixed income securities	764,141	725,979	529,470	486,353
Money market funds	9,807	9,807	516,294	516,294
U.S. Treasury Bills	2,500,000	2,547,922	-	-
	$ 4,276,032	4,449,874	1,716,677	1,728,717

Investment gains and losses as reported in the accompanying statements of activities include unrealized gains of $155,888 in 2023 and unrealized losses of $168,973 in 2022 associated with the investments reflected herein.

(6) Property and Equipment

Property and equipment consist of the following at June 30:

	Useful Life	2023	2022
Land	-	$ 946,612	946,612
Buildings and improvements	7-40	2,740,142	2,585,092
Equipment and software	3-7	541,533	434,866
Vehicles	5	453,480	402,525
Construction in progress	-	414,878	108,007
		5,096,645	4,477,102
Less accumulated depreciation		(1,776,618)	(1,632,365)
		$ 3,320,027	2,844,737

(6) Property and Equipment - Continued

The Organization leases the land on which the buildings are located under a long-term lease with Seminole County, Florida, which expires October 5, 2043. Under the terms of the lease, the Organization paid total consideration of $10. The effect of this lease is not reflected in the accompanying statements of activities because the fair value of these leases is not readily determinable. On September 15, 2021, the Organization’s Orange County facilities were significantly damaged by fire which resulted in gross impairment losses of $3,373,453 and a net book loss of $1,188,165 which was recorded as a partial offset to insurance proceeds on the Statement of Activities.

(7) Beneficial Interest in Assets Held by a Foundation

The Organization has an endowment with the Central Florida Foundation (the “CFF”) to provide a permanent source of income for the Organization. Future income can be withdrawn or added to the principal balance of the endowment at the Organization’s discretion. In accordance with accounting standards on the reporting of endowment funds, those funds are classified as unrestricted and are carried as an asset on the accompanying statement of financial position.

(8) Employee Benefit Plan

The Organization’s contributions to a salary savings 401(k) plan for the years ended June 30, 2023 and 2022 amounted to approximately $33,000 and $35,000, respectively.

(9) Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2023 and 2022 consist of the following:

	2023	2022
Capital campaign – restricted cash	$ 4,094,794	2,181,360
Contribution receivable -split-interest agreement	369,373	325,697
Pledges receivable – capital campaign	1,203,955	686,785
Perpetual in nature	244,508	244,508
	$ 5,912,630	3,438,350

(10) Net Assets Released from Restrictions

Net assets were released from restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other assets specified by donors at June 30:

	2023	2022
Time restriction expired	$ -	764,695
Purpose restrictions - new property	426,152	-
	$ 426,152	764,695

(11) Endowments

The Organization's endowment was established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by FUPMIFA. Any amount not appropriated for expenditure will be reclassified, subject to the original endowment restrictions imposed by the donor. In accordance with FUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

Endowment net assets composition by type consists of the following at June 30:

2023	Without Donor Restrictions	Purpose Restricted	Perpetually Restricted	Total
Donor-restricted endowment funds	$ -	-	244,508	244,508
Board-designated endowment funds	500,000	-	-	500,000
Total endowment net assets	$ 500,000	-	244,508	744,508

(11) Endowments (Continued)

2022	Without Donor Restrictions	Purpose Restricted	Perpetually Restricted	Total
Donor-restricted endowment funds	$ -	-	244,508	244,508
Board-designated endowment funds	500,000	-	-	500,000
Total endowment net assets	$ 500,000	-	244,508	744,508

(12) Capital Campaign

In January 2021, the Organization acquired property in Orange County, Florida, to construct a new animal shelter and adoption center. In connection with this project, the Organization has launched a multi-year capital campaign to raise approximately $14,000,000 for the design and construction. As of June 30, 2023, Pet Alliance has received commitments totaling $8,641,079 with $7,437,124 having been received towards the Capital Campaign.

(13) Orange County Property Fire

On September 15, 2021, the Organization's Orange County facilities were significantly damaged by fire. As a result of the fire, assets of the organization, including a significant portion of its property and equipment were destroyed.

Pet Alliance and Orange County entered into a grant agreement on July 26, 2022 which terminated the lease of the property at 2727 Conroy Road as of September 30, 2022 and provided Pet Alliance with a $500,000 grant as well as a $500,000 matching grant based on donations. The grant and matching grant funds were made to Pet Alliance for their Capital Campaign and the construction of their new facility at 4319/4311 S. John Young Parkway.

The Organization received $3,373,453 in insurance proceeds. The net book value of the property and equipment destroyed in the fire was $1,188,165. Disposal of the property and equipment resulted in a gain from the insurance proceeds of $2,185,288. These amounts are reflected in the accompanying statements of activities and cash flows.