

**THE CLEVELAND
ANIMAL PROTECTIVE LEAGUE**

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

THE CLEVELAND ANIMAL PROTECTIVE LEAGUE
FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Cleveland Animal Protective League
Cleveland, Ohio

We have audited the accompanying financial statements of The Cleveland Animal Protective League (the Cleveland APL, a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Cleveland Animal Protective League as of December 31, 2020 and 2019, 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.

Card, Palmer, Sibley & Co.

Cleveland, Ohio
June 3, 2021

FINANCIAL STATEMENTS

THE CLEVELAND ANIMAL PROTECTIVE LEAGUE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,215,059	\$ 1,006,669
Pledges receivable, current portion, net of allowance	180,614	185,626
Accounts receivable	268,193	170,891
Estates receivable	500,750	1,053,951
Prepaid expenses	<u>12,864</u>	<u>14,701</u>
Total current assets	<u>3,177,480</u>	<u>2,431,838</u>
 INVESTMENTS (at fair value)	 <u>17,925,774</u>	 <u>15,434,841</u>
 PROPERTY AND EQUIPMENT:		
Land	243,138	243,138
Building and improvements	7,050,594	7,050,594
Equipment and fixtures	1,033,556	963,424
Motor vehicles	<u>494,742</u>	<u>457,549</u>
	8,822,030	8,714,705
Less accumulated depreciation	<u>(5,203,755)</u>	<u>(4,941,505)</u>
Net property and equipment	<u>3,618,275</u>	<u>3,773,200</u>
 OTHER ASSETS:		
Funds held in trust by others	3,205,945	2,928,141
Pledges receivable, net of current portion	<u>-</u>	<u>150,000</u>
Total other assets	<u>3,205,945</u>	<u>3,078,141</u>
 CAPITAL CAMPAIGN ASSETS (See Note 3):		
Cash and cash equivalents	2,802,122	6,118,509
Pledges, grants, and estates receivable	1,148,891	1,509,150
Construction in progress	<u>11,021,539</u>	<u>1,785,202</u>
Total capital campaign assets	<u>14,972,552</u>	<u>9,412,861</u>
 TOTAL ASSETS	 <u><u>\$ 42,900,026</u></u>	 <u><u>\$ 34,130,881</u></u>

The accompanying notes are an integral part of the financial statements.

LIABILITIES AND NET ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 188,930	\$ 143,550
Accrued wages	155,600	235,993
Other current liabilities	<u>7,287</u>	<u>23,245</u>
 Total current liabilities	 <u>351,817</u>	 <u>402,788</u>
 CAPITAL CAMPAIGN LIABILITIES (See Note 3):		
Accounts payable	<u>4,264,420</u>	<u>436,294</u>
 NET ASSETS:		
Without donor restrictions:		
Operating	4,216,480	6,956,366
Net investment in property and equipment	10,375,394	5,122,108
Board designated	<u>15,494,530</u>	<u>13,176,134</u>
 Total without donor restrictions	 30,086,404	 25,254,608
 With donor restrictions	 <u>8,197,385</u>	 <u>8,037,191</u>
 Total net assets	 <u>38,283,789</u>	 <u>33,291,799</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 42,900,026</u>	 <u>\$ 34,130,881</u>

The accompanying notes are an integral part of the financial statements.

THE CLEVELAND ANIMAL PROTECTIVE LEAGUE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE:			
Program services	\$ 681,263	\$ -	\$ 681,263
Investment return	2,428,773	65,270	2,494,043
In-kind revenue	122,377	-	122,377
Investment income and change in value of trusts	139,245	277,804	417,049
Miscellaneous	209,148	-	209,148
Total operating revenue	<u>3,580,806</u>	<u>343,074</u>	<u>3,923,880</u>
OPERATING EXPENSES:			
Animal admissions, care, and adoptions	3,402,818	-	3,402,818
Fundraising	1,033,051	-	1,033,051
Humane investigations	391,995	-	391,995
Animal welfare clinic/trap-neuter-return	314,823	-	314,823
Management and general	350,272	-	350,272
Total operating expenses	<u>5,492,959</u>	<u>-</u>	<u>5,492,959</u>
INCOME (LOSS) FROM OPERATIONS	(1,912,153)	343,074	(1,569,079)
NON-OPERATING ACTIVITY:			
Estates and bequests	869,142	715,000	1,584,142
Paycheck Protection Program grant	659,100	-	659,100
Grants	5,000	243,050	248,050
Appeals	1,327,459	-	1,327,459
Donations and memorials	1,459,178	-	1,459,178
Fundraising events	496,171	-	496,171
Capital campaign contributions	-	931,155	931,155
Capital campaign expenses	(144,186)	-	(144,186)
Net assets released from restrictions	2,072,085	(2,072,085)	-
Total non-operating activity	<u>6,743,949</u>	<u>(182,880)</u>	<u>6,561,069</u>
CHANGE IN NET ASSETS	4,831,796	160,194	4,991,990
NET ASSETS AT BEGINNING OF YEAR	<u>25,254,608</u>	<u>8,037,191</u>	<u>33,291,799</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 30,086,404</u></u>	<u><u>\$ 8,197,385</u></u>	<u><u>\$ 38,283,789</u></u>

The accompanying notes are an integral part of the financial statements.

THE CLEVELAND ANIMAL PROTECTIVE LEAGUE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE:			
Program services	\$ 941,643	\$ -	\$ 941,643
Investment return	2,343,956	72,523	2,416,479
In-kind revenue	169,798	-	169,798
Investment income and change in value of trusts	141,130	381,149	522,279
Miscellaneous	<u>118,819</u>	<u>-</u>	<u>118,819</u>
Total operating revenue	3,715,346	453,672	4,169,018
OPERATING EXPENSES:			
Animal admissions, care, and adoptions	3,689,940	-	3,689,940
Fundraising	1,060,305	-	1,060,305
Humane investigations	474,152	-	474,152
Animal welfare clinic/trap-neuter-return	352,570	-	352,570
Management and general	<u>315,519</u>	<u>-</u>	<u>315,519</u>
Total operating expenses	<u>5,892,486</u>	<u>-</u>	<u>5,892,486</u>
INCOME (LOSS) FROM OPERATIONS	(2,177,140)	453,672	(1,723,468)
NON-OPERATING ACTIVITY:			
Estates and bequests	555,400	1,378,376	1,933,776
Grants	55,000	153,669	208,669
Appeals	1,094,572	-	1,094,572
Donations and memorials	1,080,704	10,000	1,090,704
Fundraising events	588,639	-	588,639
Capital campaign contributions	250,000	1,057,825	1,307,825
Capital campaign expenses	(135,789)	-	(135,789)
Net assets released from restrictions	<u>2,381,720</u>	<u>(2,381,720)</u>	<u>-</u>
Total non-operating activity	<u>5,870,246</u>	<u>218,150</u>	<u>6,088,396</u>
CHANGE IN NET ASSETS	3,693,106	671,822	4,364,928
NET ASSETS AT BEGINNING OF YEAR	<u>21,561,502</u>	<u>7,365,369</u>	<u>28,926,871</u>
NET ASSETS AT END OF YEAR	<u>\$ 25,254,608</u>	<u>\$ 8,037,191</u>	<u>\$ 33,291,799</u>

The accompanying notes are an integral part of the financial statements.

THE CLEVELAND ANIMAL PROTECTIVE LEAGUE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program				Management and General	Fundraising	Total
	Animal admissions, care, and adoptions	Animal welfare clinic/trap- neuter-return	Humane investigations	Total Program			
Salaries and wages	\$ 1,799,283	\$ 196,591	\$ 225,975	\$ 2,221,849	\$ 214,776	\$ 348,747	\$ 2,785,372
Other employee benefits	210,630	8,342	22,339	241,311	26,136	23,638	291,085
Payroll taxes	154,920	16,910	19,044	190,874	17,904	28,825	237,603
Retirement plan	36,497	5,366	5,504	47,367	16,277	10,237	73,881
Animal care supplies	453,273	63,058	57,262	573,593	-	-	573,593
Occupancy	68,766	4,813	8,485	82,064	7,872	7,803	97,739
Building and maintenance	65,520	55	904	66,479	1,228	1,168	68,875
Professional fundraising	-	-	-	-	-	249,584	249,584
Special events	-	-	-	-	-	76,085	76,085
Fundraising expense	-	-	-	-	157	45,226	45,383
Other professional fees	59,645	344	464	60,453	5,123	13,303	78,879
Lobbying fees	72,000	-	-	72,000	-	-	72,000
Legal fees	-	-	8,596	8,596	-	-	8,596
Accounting fees	-	-	-	-	10,000	-	10,000
Postage	691	168	8	867	1,072	138,959	140,898
Other expense	47,826	214	10,043	58,083	1,421	16,514	76,018
Office expenses	44,380	2,012	5,474	51,866	6,881	34,075	92,822
Information technology	39,566	2,127	3,551	45,244	8,548	15,549	69,341
Insurance	26,830	1,073	4,973	32,876	10,454	1,615	44,945
Conferences, conventions, and meetings	9,088	638	853	10,579	1,443	743	12,765
Travel	83	-	2,785	2,868	-	-	2,868
Depreciation	191,443	13,112	15,735	220,290	20,980	20,980	262,250
In-kind donation expense	122,377	-	-	122,377	-	-	122,377
Capital campaign expenses	-	-	-	-	-	144,186	144,186
	<u>\$ 3,402,818</u>	<u>\$ 314,823</u>	<u>\$ 391,995</u>	<u>\$ 4,109,636</u>	<u>\$ 350,272</u>	<u>\$ 1,177,237</u>	<u>\$ 5,637,145</u>

The accompanying notes are an integral part of the financial statements.

THE CLEVELAND ANIMAL PROTECTIVE LEAGUE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program				Management and General	Fundraising	Total
	Animal admissions, care, and adoptions	Animal welfare clinic/trap- neuter-return	Humane investigations	Total Program			
Salaries and wages	\$ 1,858,632	\$ 197,566	\$ 236,257	\$ 2,292,455	\$ 185,546	\$ 327,003	\$ 2,805,004
Other employee benefits	203,574	8,568	24,137	236,279	21,655	18,029	275,963
Payroll taxes	157,980	16,533	19,200	193,713	15,716	27,140	236,569
Retirement plan	31,503	4,856	5,950	42,309	14,849	11,316	68,474
Animal care supplies	513,883	97,652	106,894	718,429	-	-	718,429
Occupancy	76,501	5,193	7,478	89,172	8,149	8,534	105,855
Building and maintenance	85,169	296	1,611	87,076	1,403	1,443	89,922
Professional fundraising	-	-	-	-	-	226,124	226,124
Special events	-	-	-	-	-	108,729	108,729
Fundraising expense	-	-	-	-	30	47,054	47,084
Other professional fees	86,506	253	320	87,079	4,595	42,921	134,595
Lobbying fees	65,000	-	-	65,000	-	-	65,000
Legal fees	-	-	22,987	22,987	-	-	22,987
Accounting fees	-	-	-	-	10,000	-	10,000
Postage	788	193	2	983	28	151,600	152,611
Other expense	93,913	319	13,111	107,343	3,585	11,425	122,353
Office expenses	47,572	2,010	7,881	57,463	5,508	34,930	97,901
Information technology	51,114	2,044	3,008	56,166	11,046	16,590	83,802
Insurance	27,253	1,517	5,481	34,251	10,347	2,511	47,109
Conferences, conventions, and meetings	12,496	985	863	14,344	863	1,363	16,570
Travel	5,688	710	2,322	8,720	-	1,394	10,114
Depreciation	202,570	13,875	16,650	233,095	22,199	22,199	277,493
In-kind donation expense	169,798	-	-	169,798	-	-	169,798
Capital campaign expenses	-	-	-	-	-	135,789	135,789
	<u>\$ 3,689,940</u>	<u>\$ 352,570</u>	<u>\$ 474,152</u>	<u>\$ 4,516,662</u>	<u>\$ 315,519</u>	<u>\$ 1,196,094</u>	<u>\$ 6,028,275</u>

The accompanying notes are an integral part of the financial statements.

THE CLEVELAND ANIMAL PROTECTIVE LEAGUE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 4,991,990	\$ 4,364,928
Adjustments to reconcile increase in net assets to net cash provided by operations:		
Depreciation	262,250	277,493
Gain on sale of securities	(445,684)	(1,111,542)
Unrealized gain on investments	(1,686,450)	(984,688)
Change in value of split-interest trusts	(417,049)	(522,279)
Change in allowance for doubtful accounts	978	(2,400)
Decrease in operating assets	972,029	328,184
Increase in operating liabilities	<u>3,777,155</u>	<u>447,960</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>7,455,219</u>	<u>2,797,656</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(9,343,662)	(1,533,249)
Distributions received from split-interest trusts	139,245	141,130
Proceeds from sale of securities	2,987,874	6,894,031
Purchase of securities	<u>(3,346,673)</u>	<u>(7,214,376)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(9,563,216)</u>	<u>(1,712,464)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,107,997)	1,085,192
CASH AND CASH EQUIVALENTS, BEGINNING	<u>7,125,178</u>	<u>6,039,986</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 5,017,181</u>	<u>\$ 7,125,178</u>
AS PRESENTED ON THE STATEMENTS OF FINANCIAL POSITION:		
Operating cash and cash equivalents	\$ 2,215,059	\$ 1,006,669
Capital campaign cash and cash equivalents	<u>2,802,122</u>	<u>6,118,509</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 5,017,181</u>	<u>\$ 7,125,178</u>

The accompanying notes are an integral part of the financial statements.

THE CLEVELAND ANIMAL PROTECTIVE LEAGUE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

1. ORGANIZATION

Incorporated in 1913, the Cleveland Animal Protective League (the Cleveland APL) is a private, 501(c)(3), nonprofit humane society that operates a 30,000-square-foot animal shelter in the Tremont neighborhood of Cleveland. The Cleveland APL's mission is to foster compassion and end animal suffering. The Cleveland APL offers shelter to homeless pets, works to prevent animal homelessness and reduce the number of animals coming into shelters, promotes compassionate and responsible guardianship, enforces local and state animal protection laws, assists prosecutors with the prosecution of those suspected of animal cruelty, rescues abused and neglected animals, offers support that preserves the human-animal bond, and strives to elevate the status of companion animals in our society. In 2020 and 2019, the Cleveland APL assisted more than 10,000 and 13,000 animals, respectively.

The Cleveland APL is the humane society for Cuyahoga County. The Cleveland APL is not governed by and does not receive regular operating support from national animal welfare organizations. The Cleveland APL does not receive government funding for operations, so it relies on the support of private donors and volunteers to make this work possible. The Cleveland APL does not turn companion animals in need away due to their age, health, or temperament. Each year, thousands of animals come through the Cleveland APL's doors. Once inside, they receive the food, shelter, and medical care they so desperately need. For some, it is the only human kindness they have known.

The Cleveland APL has achieved 100% placement of healthy, friendly animals by providing veterinary care, at times extensive, to animals with humanely and safely treatable illnesses and injuries, and working with animals that have modifiable behavioral issues. THERE IS NEVER A LIMIT to the amount of time a homeless animal can stay at the Cleveland APL. Friendly and healthy or treatable animals will stay in the Cleveland APL's care until they find their new home. Through the hard work and commitment of the Cleveland APL team, the Cleveland APL is now recognized as a progressive leader in animal welfare and has achieved an overall 91% save rate.

Animal Sheltering, Care & Outreach: The Cleveland APL operates a 30,000 square foot shelter and animal care facility for animals that have been surrendered by their owners, stray cats brought in by Good Samaritans, animals transferred in from other overcrowded shelters or in response to other emergency situations, or seized by Cleveland APL's humane investigators. Once at the Cleveland APL, they receive shelter and all of the care and treatment they need until they can be placed for adoption. When the shelter is full or when animals have special needs that will be better met in a home, they are placed with temporary, volunteer foster families until they can come back to the Cleveland APL for adoption. Through "project CARE" (Community Animal Retention Effort), the Cleveland APL is also working to help income-qualified pet owners in Cleveland by providing them with access to the care and resources they want and need to provide for their pets, keeping pets with the people they love.

THE CLEVELAND ANIMAL PROTECTIVE LEAGUE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

1. ORGANIZATION (Continued)

Humane Investigations: The Cleveland APL is the lead agency in Cuyahoga County for investigating animal cruelty, neglect, and abandonment. Under Ohio law, the Cleveland APL's Board of Directors is authorized to appoint humane agents to enforce local and state animal protection laws. Those appointments must then be approved by the Cuyahoga County Probate Court. The Cleveland APL does not receive public funding in support of this program which is funded solely by donations. The Cleveland APL's humane agents also seek justice for animal victims of abuse by working with prosecutors to obtain criminal conviction of the people who hurt them. Under Ohio law, humane agents are also mandated reporters for child abuse and neglect.

Shelter Veterinary Services: The Cleveland APL veterinary clinic provides spay/neuter, medical, and other surgical services for animals that have been surrendered to the Cleveland APL for rehoming. All cats, dogs and rabbits are sterilized prior to being adopted. Through donations to the Second Chance Program, animals that have been admitted and have injuries or illnesses that can be safely and humanely treated will receive the medical and/or surgical care they need so they, too, can find a new home.

Animal Welfare Clinic (AWC): The Cleveland APL's AWC provides spay/neuter services for community cats through Trap-Neuter-Return (TNR) and spay/neuter services for adoptable animals from other partner shelters and rescue groups.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Cleveland APL is presented to assist in understanding these financial statements. The financial statements and notes are representations of the Cleveland APL's management, which is responsible for their integrity and objectivity.

Basis of accounting

The Cleveland APL's financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

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.

Cash and cash equivalents

For purposes of the statement of cash flows, the Cleveland APL considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

THE CLEVELAND ANIMAL PROTECTIVE LEAGUE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of credit risk

The Cleveland APL maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The Cleveland APL has not experienced nor does it expect any losses in such accounts.

Receivables

Receivables consist of accounts receivable, grants receivable, estates receivable, and pledges receivable. As of December 31, 2020 and 2019, \$180,614 and \$185,626, respectively, of general operating pledges receivable are expected to be collected currently. General operating pledges of \$-0- and \$150,000 as of December 31, 2020 and 2019, respectively, are expected to be collected within one to five years. Management has elected to set up an allowance for doubtful accounts of \$2,578 and \$1,600 within the pledges receivable for the years ended December 31, 2020 and 2019, respectively. The allowance is based on historical experience as well as a review of delinquent accounts. It is the APL's policy to charge off uncollectible receivables when management determines the receivable will not be collected. Bad debt expense for the years ended December 31, 2020 and 2019 amounted to \$9,968 and \$4,130, respectively.

The Cleveland APL also has pledges, grants, and estates receivable related to the capital campaign described in Note 3. As of December 31, 2020 and 2019, respectively, \$1,069,557 and \$1,123,333 of receivables are expected to be collected currently. The remaining \$79,334 and \$385,817 as of December 31, 2020 and 2019, respectively, are expected to be collected within one to five years.

The estates receivable fit the criteria for recognition in the financial statements and are estimated based on the circumstances and information available at the time of recognition. They are subject to adjustment if new information becomes available.

Net assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net assets with donor restrictions – Net assets subject to donor or grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained into perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

THE CLEVELAND ANIMAL PROTECTIVE LEAGUE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and revenue recognition

The Cleveland APL recognizes contributions when cash, securities, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been met.

The Cleveland APL recognizes program service income at the point in time in which the adoption or service takes place. There are no performance obligations to be satisfied over time.

Investment income

Investments are reported at fair value. Net investment income is reported on the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Donated services

Donated services are recognized as contributions, in accordance with the Contributions Received and Contributions Topic of the FASB Accounting Standards Codification, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Cleveland APL.

Many volunteers provide services for the Cleveland APL that are not recognized as contributions in the financial statements as they do not fit the recognition criteria. However, the Cleveland APL relies heavily on the volunteers to assist with various programs. Unrecognized donated services revenue and expense is estimated to be \$3,212,538 and \$2,800,174 for the years ended December 31, 2020 and 2019, respectively.

Functional allocation of expenses

The costs of program and supporting services activities have been detailed on both a functional and natural basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, all expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include utilities, depreciation, and insurance.

THE CLEVELAND ANIMAL PROTECTIVE LEAGUE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

3. CAPITAL CAMPAIGN

In recent years, the Cleveland APL's programs and the needs of animals have evolved well beyond the design of the Cleveland APL's existing facility. When the Cleveland APL was last redesigned in the late 1990's, no one could have envisioned the incredible level of lifesaving care, whether veterinary or other types of care and support, the Cleveland APL would be providing more than two decades later. They also could not have envisioned the pressing need for new or expanded programs and services to help pets living in underserved neighborhoods in Cleveland.

Gone are the days when the Cleveland APL's animals had a limited amount of time in our care or when the care we could provide was limited and basic. Gone are the days when animals did not stay at the Cleveland APL long enough for there to be a concern about the impact of stress on their health and well-being. The Cleveland APL of today needs to be able to provide progressive, cutting edge programs and services to pet owners and animals that come to us as victims of abuse or neglect, from other overcrowded shelters, are surrendered by owners or Good Samaritans, or are beloved pets living in underserved neighborhoods in Cleveland. This also means it needs a facility that will support evolving needs, best practices in animal sheltering and welfare, and the growth of innovative programs.

In order to meet and exceed the demands facing animals and pet owners in our community today and offer the most impactful, progressive support for animals, the Cleveland APL's facility needs to be redesigned to align with our lifesaving work of today and allow for program expansion that will meet the needs of tomorrow.

Examples of needed improvements include: (1) transitioning the animal admitting area into an animal resource center where the Cleveland APL can help pet parents make the best possible decisions for their animals in a manner that respects the needs of both the animals and people; (2) redesigning animal housing areas and cages to provide a more enriched and less stressful environment for animals that stay in our care for longer periods of time while they undergo treatment; (3) creating segregated spaces where animals with differing medical or behavioral needs can be safely and effectively treated for their specific concerns; (4) adding flexible space for animal housing that will support large animal cruelty case impounds or enhance ability to provide emergency support in response to other emergencies or disasters; and (5) expanding and redesigning the veterinary clinic so the Cleveland APL can offer care to lower income pet owners, preserve the human-animal bond, and keep pets with the people they love.

After engaging architectural firms, a project manager, and a construction manager and completing extensive redesign work, the renovation of the Cleveland APL's existing facility began in January of 2020. Construction in progress is stated at cost on the statements of financial position, which includes the cost of construction and other direct costs attributable to the construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use. Construction is scheduled to be complete by the end of 2021.

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4. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,052,266	\$ 783,042
Pledges receivable	180,614	185,626
Accounts receivable	268,193	170,891
Estates receivable	500,750	1,053,951
Unspent appropriations made from board-designated endowment	<u>416,408</u>	<u>309,141</u>
	<u>\$ 3,418,231</u>	<u>\$ 2,502,651</u>

As part of the Cleveland APL's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Cleveland APL has a board-designated endowment of \$15,494,530 as of December 31, 2020. Although the Cleveland APL does not intend to spend from its board-designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary.

The Cleveland APL's endowment funds consist of donor-restricted endowments and a board-designated endowment. Half of the income from donor-restricted endowments is required to remain in perpetuity. The remaining net income generated may be appropriated for expenditure at the discretion of the Board of the Cleveland APL. The board-designated endowment has a spending rate of up to 5%. As of December 31, 2020, the board has appropriated \$416,408 for expenditure from the board-designated endowment that remains unspent.

5. INCOME TAX STATUS

The Cleveland APL is organized under 501(c)(3) of the Internal Revenue Code as a nonprofit, tax-exempt organization. In addition, the State of Ohio has also recognized the Cleveland APL's tax-exempt status.

The Cleveland APL has adopted guidance, as required by the Income Taxes Topic of the FASB Accounting Standards Codification regarding accounting for uncertainty in income taxes. This guidance clarifies the accounting and recognition for income tax positions taken or expected to be taken in the Cleveland APL's income tax returns. As of December 31, 2020, the Cleveland APL has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

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6. PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost and include additions and improvements that extend the useful lives of the assets. Maintenance, repairs, and renewals, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred.

Depreciation is calculated on the double-declining balance and straight-line methods over the estimated useful lives of the respective assets as follows:

Building and improvements	10-40 years
Equipment and fixtures	5-10 years
Motor vehicles	5 years

Depreciation expense for the years ended December 31, 2020 and 2019 was \$262,250 and \$277,493, respectively.

7. LINE OF CREDIT AGREEMENT

During 2020, the Cleveland APL entered into a Securities Based Line of Credit Agreement with the financial institution that holds its investments. The Cleveland APL is able to borrow up to \$9,200,000 on this line of credit. The line of credit has an interest rate of the 30-day LIBOR rate plus 1% (30-day LIBOR was 0.14% as of December 31, 2020) and is collateralized by the investments held at the financial institution. The Cleveland APL did not draw any funds from the line of credit during 2020.

8. RETIREMENT BENEFIT PLAN

Employees working at least twenty hours per week are eligible to participate in the Cleveland APL's 403(b) retirement benefit plan upon hire. Each participant may elect a salary reduction deferral from 1% to the maximum amount allowable by law. Participants who have completed at least one year of service are eligible to receive an employer matching contribution as determined by the Board of Directors. The current discretionary employer matching percentage is 50% of the first 6% of eligible earnings that the participant contributes to the plan through salary deferrals. The 403(b) plan includes a Safe Harbor design that allows for an additional 50% match up to the next 2% of eligible earnings. With a Safe Harbor design, highly compensated employees can contribute up to the maximum amounts each year. Employees are 100% vested in employer matching contributions upon completing twelve months of consecutive service or 1,000 hours of consecutive service. For the years ended December 31, 2020 and 2019, contributions and plan expenses were \$76,487 and \$69,663, respectively.

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9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specific purposes:		
Animal care	\$ 67,889	\$ 57,957
Capital campaign projects	2,713,061	1,781,906
Spay/Neuter programs	<u>94,904</u>	<u>165,670</u>
	<u>2,875,854</u>	<u>2,005,533</u>
Subject to passage of time:		
Estates receivable for general expenditure	1,200,750	1,853,951
Pledges receivable for general expenditure	<u>400,000</u>	<u>800,000</u>
	<u>1,600,750</u>	<u>2,653,951</u>
Subject to Cleveland APL spending policy and appropriation:		
Endowment fund which, once appropriated, is expendable for general use	147,263	92,533
Endowment funds held in investment accounts, required to be held into perpetuity	<u>367,573</u>	<u>357,033</u>
	<u>514,836</u>	<u>449,566</u>
Not subject to spending policy or appropriation:		
Funds held in trust by others required to be held into perpetuity	<u>3,205,945</u>	<u>2,928,141</u>
	<u>\$ 8,197,385</u>	<u>\$ 8,037,191</u>

THE CLEVELAND ANIMAL PROTECTIVE LEAGUE
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9. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2020 and 2019:

	2020	2019
Expiration of time restrictions	\$ 1,768,201	\$ 1,843,637
Satisfaction of purpose restrictions:		
Animal care	3,118	24,225
Capital campaign projects	-	463,735
Spay/Neuter programs	300,766	50,123
	303,884	538,083
	\$ 2,072,085	\$ 2,381,720

10. ENDOWMENT FUNDS

The Cleveland APL's endowment consists of various investments established for a variety of purposes. Its endowment includes both donor-restricted 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.

The Board of Directors of the Cleveland APL has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 Cleveland APL classifies as net assets with donor restrictions (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 considered restricted into perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Cleveland APL in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Cleveland APL considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Cleveland APL, and (7) the Cleveland APL's investment policies.

THE CLEVELAND ANIMAL PROTECTIVE LEAGUE
NOTES TO FINANCIAL STATEMENTS
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10. ENDOWMENT FUNDS (Continued)

Investment Return Objectives, Risk Parameters, and Strategies: The Cleveland APL has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity securities and fixed income funds, that is intended to provide for the growth of the underlying assets and to protect the long-term purchasing power of the assets. The investment return objectives are to be measured over three to five year market cycles. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy: The Cleveland APL has a spending policy to ensure that sufficient investment return will be retained in the endowment to preserve and grow its economic value as a first priority, and to provide funds for the annual operating budget in an amount that is not subject to large fluctuations from year to year to the extent possible. The current spending policy makes available on an annual basis up to 5% of the 12-quarter rolling average market value of the endowment investment portfolio. The endowment will be subject to donor restrictions, first, then subject to a targeted annual spending rate that should not be lower than 3% or higher than 5% unless specifically approved by the Board. Such planned appropriations should be approved by the Board in conjunction with the approval of the annual budget. Any unexpended funds from the appropriated amount in a given year will be considered designated by the Board and will remain subject to the spending policy.

Underwater endowment policy: From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Cleveland APL has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law. Underwater endowments, if any, will be reflected in net assets with donor restrictions. There were no underwater endowments at December 31, 2020 and 2019.

THE CLEVELAND ANIMAL PROTECTIVE LEAGUE
NOTES TO FINANCIAL STATEMENTS
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10. ENDOWMENT FUNDS (Continued)

Endowment net asset composition by type of fund as of December 31, 2020 and 2019 is as follows:

<u>December 31, 2020</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 15,494,530	\$ -	\$ 15,494,530
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	225,000	225,000
Accumulated investment gains	-	289,836	289,836
	<u>\$ 15,494,530</u>	<u>\$ 514,836</u>	<u>\$ 16,009,366</u>
<u>December 31, 2019</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 13,176,134	\$ -	\$ 13,176,134
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	225,000	225,000
Accumulated investment gains	-	224,566	224,566
	<u>\$ 13,176,134</u>	<u>\$ 449,566</u>	<u>\$ 13,625,700</u>

Changes in endowment net assets as of December 31, 2020 and 2019 are as follows:

<u>December 31, 2020</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment assets, beginning of year	\$ 13,176,134	\$ 449,566	\$ 13,625,700
Net investment income	2,425,663	65,270	2,490,933
Appropriated for expenditures	(416,408)	-	(416,408)
Other:			
Prior year unspent appropriations	309,141	-	309,141
Endowment assets, end of year	<u>\$ 15,494,530</u>	<u>\$ 514,836</u>	<u>\$ 16,009,366</u>

THE CLEVELAND ANIMAL PROTECTIVE LEAGUE
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10. ENDOWMENT FUNDS (Continued)

<u>December 31, 2019</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment assets, beginning of year	\$ 10,803,911	\$ 377,043	\$ 11,180,954
Net investment income	2,344,052	72,523	2,416,575
Appropriated for expenditures	(309,141)	-	(309,141)
Other:			
Prior year unspent appropriations	<u>337,312</u>	<u>-</u>	<u>337,312</u>
Endowment assets, end of year	<u>\$ 13,176,134</u>	<u>\$ 449,566</u>	<u>\$ 13,625,700</u>

During the years ended December 31, 2020 and 2019, the Cleveland APL appropriated \$416,408 and \$309,141, respectively, of endowment funds to be used for general operating purposes. The amount appropriated for expenditures had not been transferred out of the investment account by the respective year-ends.

11. FAIR VALUE MEASUREMENT

The Cleveland APL follows guidance, as required by the Fair Value Measurement Topic of the FASB Accounting Standards Codification, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. The guidance establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The guidance expands disclosures about instruments measured at fair value. The guidance applies to other accounting pronouncements that require or permit fair value measurements and, accordingly, the guidance does not require any new fair value measurements.

The FASB Accounting Standards Codification guidance on the Fair Value Option for Financial Assets and Financial Liabilities Topic, among other things, provides an option to elect fair value as an alternative measurement for selected financial assets and liabilities not previously recorded at fair value. The Cleveland APL did not elect fair value accounting for any assets or liabilities that are not currently required to be measured at fair value.

As noted above, the FASB Accounting Standards Codification guidance on the Fair Value Measurement Topic establishes a three-level hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities that the Cleveland APL has the ability to access at the measurement date.

THE CLEVELAND ANIMAL PROTECTIVE LEAGUE
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DECEMBER 31, 2020 AND 2019

11. FAIR VALUE MEASUREMENT (Continued)

- Level 2 – quoted prices which are not active, quoted prices for similar assets or liabilities in active markets or inputs other than quoted prices that are observable (either directly or indirectly) for substantially the full term of the asset or liability.
- Level 3 – Significant unobservable prices or inputs (including the Cleveland APL’s own assumptions in determining the fair value of assets or liabilities) where there is little or no market activity for the asset or liability at the measurement date.

A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The carrying values of cash and cash equivalents, accounts receivable and accounts payable are reasonable estimates of fair value due to the short-term nature of these financial instruments.

Investments and funds held in trust by others are stated at fair value as determined using inputs comprised of the following at December 31, 2020 and 2019:

Assets at Fair Value at December 31, 2020

	Level 1	Level 2	Level 3	Total
Assets:				
Funds held in trust by others	\$ -	\$ -	\$ 3,205,945	\$ 3,205,945
Investments:				
Equities	12,376,665	-	-	12,376,665
Fixed income	4,331,474	-	-	4,331,474
Cash and cash equivalents	1,217,635	-	-	1,217,635
	\$ 17,925,774	\$ -	\$ 3,205,945	\$ 21,131,719

Assets at Fair Value at December 31, 2019

	Level 1	Level 2	Level 3	Total
Assets:				
Funds held in trust by others	\$ -	\$ -	\$ 2,928,141	\$ 2,928,141
Investments:				
Equities	10,698,489	-	-	10,698,489
Cash and cash equivalents	3,704,391	-	-	3,704,391
Fixed income	1,031,961	-	-	1,031,961
	\$ 15,434,841	\$ -	\$ 2,928,141	\$ 18,362,982

THE CLEVELAND ANIMAL PROTECTIVE LEAGUE
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11. FAIR VALUE MEASUREMENT (Continued)

Funds held in trust by others – Funds held in trust by others are valued using the fair value of the assets in the trust as a practical expedient unless the facts and circumstances indicate that the fair value of the assets in the trusts differ from the fair value of the beneficial interests. Funds held in trust by others cannot be liquidated or traded in an active market.

Equities – Equities consist of marketable equity securities of domestic and international corporations in a variety of industries that are valued based on quoted prices in active markets.

Fixed income – Fixed income funds consist of investments in mutual funds and exchange-traded products that are based on quoted prices in active markets.

Cash and cash equivalents – Cash and cash equivalents consist of investments in money market accounts that are based on quoted prices in active markets.

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 the Cleveland APL 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 estimate of fair value at the reporting date.

12. PAYCHECK PROTECTION PROGRAM

In December 2019, a novel strain of coronavirus was reported to have surfaced in China and has since spread throughout the world. The spread of the virus has caused significant disruptions in the world. In March 2020, President Donald Trump declared a national emergency in the United States of America due to the virus. H.R. 748, Coronavirus Aid, Relief, and Economic Security (CARES) Act, was also passed to stimulate the economy. As part of the CARES Act, small businesses are eligible for governmental grants and loans with the intention of providing relief for small business and to assist employers in retaining and paying their employees.

In May 2020, the Cleveland APL entered into a note payable agreement with a bank under the Paycheck Protection Program (“PPP”) of the CARES Act. The unsecured loan had a principal amount of \$659,100, accrued interest at 1% and was due to contractually mature in May 2022. The loan proceeds were allowed to be spent on payroll, benefits, and utilities with the intent of applying for loan forgiveness as specified in the CARES Act. The Cleveland APL spent the funds on allowable expenses and received full forgiveness of the loan by the Small Business Administration in May 2021. The Cleveland APL recognized the proceeds in the statement of activities as a Paycheck Protection Program grant included non-operating activity.

The impact of the virus and the Act in the future cannot be reasonably estimated at this time.

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13. PENDING LITIGATION

During the normal course of operations, the Cleveland APL may be named in claims or legal actions. The Cleveland APL follows guidance, as required by the Contingencies Topic of the FASB Accounting Standards Codification, in determining when such a contingency requires recognition or disclosure. The Cleveland APL's management and legal counsel assess such contingent liabilities and have determined that no such claims or legal action fit the criteria for recognition or disclosure for the years ended December 31, 2020 and 2019.

14. RECLASSIFICATIONS

Certain items in the 2019 financial statements have been reclassified to conform to the current year presentation. Such reclassifications had no effect on the increase in net assets.

15. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 3, 2021, which is the date the financial statements were available to be issued.