

**THE CLEVELAND
ANIMAL PROTECTIVE LEAGUE**

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

THE CLEVELAND ANIMAL PROTECTIVE LEAGUE
FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Cleveland Animal Protective League
Cleveland, Ohio

Opinion

We have audited the financial statements of The Cleveland Animal Protective League, which comprise the statements of financial position as of December 31, 2021 and 2020, 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 accompanying financial statements present fairly, in all material respects, the financial position of The Cleveland Animal Protective League as of December 31, 2021 and 2020, 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 (GAAS). 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 The Cleveland Animal Protective League and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Cleveland Animal Protective League's ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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 GAAS, 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 The Cleveland Animal Protective League's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Cleveland Animal Protective League's ability to continue as a going concern for a reasonable period of time.

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

Card, Palmer, Sibbison & Co.

Cleveland, Ohio
June 9, 2022

FINANCIAL STATEMENTS

THE CLEVELAND ANIMAL PROTECTIVE LEAGUE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,618,489	\$ 2,215,059
Pledges receivable, net of allowance	24,418	180,614
Accounts receivable	220,320	268,193
Estates receivable	1,471,250	500,750
Prepaid expenses	<u>18,201</u>	<u>12,864</u>
Total current assets	<u>3,352,678</u>	<u>3,177,480</u>
INVESTMENTS (at fair value)	<u>20,472,050</u>	<u>17,925,774</u>
PROPERTY AND EQUIPMENT:		
Land	243,138	243,138
Building and improvements	18,248,399	7,050,594
Equipment and fixtures	1,691,505	1,033,556
Motor vehicles	<u>494,742</u>	<u>494,742</u>
	20,677,784	8,822,030
Less accumulated depreciation	<u>(5,742,833)</u>	<u>(5,203,755)</u>
Net property and equipment	<u>14,934,951</u>	<u>3,618,275</u>
OTHER ASSETS:		
Funds held in trust by others	<u>3,454,571</u>	<u>3,205,945</u>
CAPITAL CAMPAIGN ASSETS (See Note 3):		
Cash and cash equivalents	3,562,935	2,802,122
Pledges, grants, and estates receivable	363,373	1,148,891
Construction in progress	<u>501,122</u>	<u>11,021,539</u>
Total capital campaign assets	<u>4,427,430</u>	<u>14,972,552</u>
TOTAL ASSETS	<u><u>\$ 46,641,680</u></u>	<u><u>\$ 42,900,026</u></u>

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

LIABILITIES AND NET ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 144,995	\$ 188,930
Accrued wages	168,675	155,600
Other current liabilities	<u>4,074</u>	<u>7,287</u>
 Total current liabilities	 <u>317,744</u>	 <u>351,817</u>
 CAPITAL CAMPAIGN LIABILITIES (See Note 3):		
Accounts payable	<u>2,424,540</u>	<u>4,264,420</u>
 NET ASSETS:		
Without donor restrictions:		
Operating	7,073,148	4,216,480
Net investment in property and equipment	13,011,533	10,375,394
Board designated	<u>17,872,871</u>	<u>15,494,530</u>
 Total without donor restrictions	 37,957,552	 30,086,404
 With donor restrictions	 <u>5,941,844</u>	 <u>8,197,385</u>
 Total net assets	 <u>43,899,396</u>	 <u>38,283,789</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 46,641,680</u>	 <u>\$ 42,900,026</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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE:			
Program services	\$ 801,896	\$ -	\$ 801,896
Investment return	2,487,694	58,461	2,546,155
In-kind revenue	149,549	-	149,549
Investment income and change in value of trusts	144,934	248,626	393,560
Miscellaneous	51,084	-	51,084
Total operating revenue	3,635,157	307,087	3,942,244
OPERATING EXPENSES:			
Animal shelter, care, clinic, outreach, and adoptions	4,227,459	-	4,227,459
Fundraising	1,017,114	-	1,017,114
Humane investigations	457,739	-	457,739
Animal welfare clinic/trap-neuter-return	380,991	-	380,991
Management and general	386,692	-	386,692
Total operating expenses	6,469,995	-	6,469,995
INCOME (LOSS) FROM OPERATIONS	(2,834,838)	307,087	(2,527,751)
NON-OPERATING ACTIVITY:			
Estates and bequests	1,694,405	1,112,832	2,807,237
Paycheck Protection Program grant	631,700	-	631,700
Grants	255,000	56,500	311,500
Appeals	1,426,577	-	1,426,577
Donations and memorials	1,443,328	-	1,443,328
Fundraising events	547,740	-	547,740
Capital campaign contributions	-	1,363,351	1,363,351
Capital campaign expenses	(388,075)	-	(388,075)
Net assets released from restrictions	5,095,311	(5,095,311)	-
Total non-operating activity	10,705,986	(2,562,628)	8,143,358
CHANGE IN NET ASSETS	7,871,148	(2,255,541)	5,615,607
NET ASSETS AT BEGINNING OF YEAR	30,086,404	8,197,385	38,283,789
NET ASSETS AT END OF YEAR	<u>\$ 37,957,552</u>	<u>\$ 5,941,844</u>	<u>\$ 43,899,396</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	<u>209,148</u>	<u>-</u>	<u>209,148</u>
Total operating revenue	3,580,806	343,074	3,923,880
OPERATING EXPENSES:			
Animal shelter, care, clinic, outreach, 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	<u>350,272</u>	<u>-</u>	<u>350,272</u>
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	<u>2,072,085</u>	<u>(2,072,085)</u>	<u>-</u>
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>\$ 30,086,404</u>	<u>\$ 8,197,385</u>	<u>\$ 38,283,789</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, 2021

	Program				Management and General	Fundraising	Total
	Animal shelter, care, clinic, outreach, and adoptions	Animal welfare clinic/trap- neuter-return	Humane investigations	Total Program			
Salaries and wages	\$ 2,045,779	\$ 221,383	\$ 250,567	\$ 2,517,729	\$ 208,816	\$ 342,073	\$ 3,068,618
Other employee benefits	247,598	7,594	29,463	284,655	27,507	25,116	337,278
Payroll taxes	170,265	18,206	20,177	208,648	18,234	28,133	255,015
Retirement plan	43,342	5,319	3,722	52,383	16,796	7,623	76,802
Animal care supplies	588,037	80,621	58,468	727,126	-	-	727,126
Occupancy	102,902	7,237	12,271	122,410	11,433	11,433	145,276
Building and maintenance	72,046	156	30	72,232	2,443	1,463	76,138
Professional fundraising	-	-	-	-	-	219,725	219,725
Special events	-	-	-	-	-	67,281	67,281
Fundraising expense	-	-	-	-	125	42,176	42,301
Other professional fees	120,194	306	472	120,972	5,287	495	126,754
Lobbying fees	72,000	-	-	72,000	-	-	72,000
Legal fees	5,775	-	8,055	13,830	-	-	13,830
Accounting fees	-	-	-	-	10,000	-	10,000
Postage	870	211	1	1,082	1,380	149,361	151,823
Other expense	57,405	4,685	13,945	76,035	1,506	13,514	91,055
Office expenses	47,394	1,880	8,418	57,692	6,477	41,705	105,874
Information technology	45,264	2,124	5,904	53,292	11,252	16,734	81,278
Insurance	47,997	2,888	8,691	59,576	20,932	5,178	85,686
Conferences, conventions, and meetings	16,396	1,427	1,506	19,329	1,378	1,978	22,685
Travel	1,119	-	3,704	4,823	-	-	4,823
Depreciation	393,527	26,954	32,345	452,826	43,126	43,126	539,078
In-kind donation expense	149,549	-	-	149,549	-	-	149,549
Capital campaign expenses	-	-	-	-	-	388,075	388,075
	<u>\$ 4,227,459</u>	<u>\$ 380,991</u>	<u>\$ 457,739</u>	<u>\$ 5,066,189</u>	<u>\$ 386,692</u>	<u>\$ 1,405,189</u>	<u>\$ 6,858,070</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 shelter, care, clinic, outreach, 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
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 5,615,607	\$ 4,991,990
Adjustments to reconcile increase in net assets to net cash provided by operations:		
Noncash items included in increase in net assets:		
Depreciation	539,078	262,250
Gain on sale of securities	(844,915)	(445,684)
Unrealized gain on investments	(1,456,852)	(1,686,450)
Change in value of split-interest trusts	(393,560)	(417,049)
Change in allowance for doubtful accounts	2,422	978
Decrease in operating assets	11,328	972,029
Increase (decrease) in operating liabilities	<u>(1,873,953)</u>	<u>3,777,155</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,599,155</u>	<u>7,455,219</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(1,335,337)	(9,343,662)
Distributions received from split-interest trusts	144,934	139,245
Proceeds from sale of securities	3,515,219	2,987,874
Purchase of securities	<u>(3,759,728)</u>	<u>(3,346,673)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(1,434,912)</u>	<u>(9,563,216)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	164,243	(2,107,997)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>5,017,181</u>	<u>7,125,178</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 5,181,424</u></u>	<u><u>\$ 5,017,181</u></u>
AS PRESENTED ON THE STATEMENTS OF FINANCIAL POSITION:		
Operating cash and cash equivalents	\$ 1,618,489	\$ 2,215,059
Capital campaign cash and cash equivalents	<u>3,562,935</u>	<u>2,802,122</u>
TOTAL CASH AND CASH EQUIVALENTS	<u><u>\$ 5,181,424</u></u>	<u><u>\$ 5,017,181</u></u>

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

THE CLEVELAND ANIMAL PROTECTIVE LEAGUE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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 34,000-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 to reduce the number of animals coming into shelters, promotes compassionate and responsible pet guardianship, enforces local and state animal protection laws, assists prosecutors with the prosecution of those charged with 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 2021 and 2020, the Cleveland APL assisted more than 11,000 and 10,000 animals, respectively.

The Cleveland APL is the humane society for Cuyahoga County. It is not governed by and does not receive regular operating support from national animal welfare organizations. The Cleveland APL does not receive government funding in support of its operations, so it relies on the generosity of private donors and volunteers to make this work possible. Each year, thousands of animals 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 an overall 91% save rate and places 100% of healthy, friendly, treatable animals. This has been achieved by providing veterinary care, often extensive, to animals with humanely and safely treatable illnesses and injuries and by working with animals that have modifiable behavioral issues. The Cleveland APL does not turn companion animals in need away due to their age, health, or temperament. There is no arbitrary limit to the amount of time a homeless animal may stay at the Cleveland APL. Healthy, friendly, treatable animals remain in the Cleveland APL's care until they find their new home. Through the hard work and commitment of the Cleveland APL team, the APL is recognized as a progressive leader in animal welfare.

Animal Sheltering, Care & Outreach: The Cleveland APL operates a 34,000 square foot resource center and shelter for animals that have been surrendered by their owners, impounded by our humane agents, transferred in from other overcrowded shelters or in response to emergency situations, and for stray cats brought in by Good Samaritans. Once at the Cleveland APL, they receive the care and treatment they need until they can be placed up for adoption. When the shelter is full or when animals have special needs that will be better met in a home, they are sent to volunteer foster families until they can come back to the Cleveland APL for adoption. Through "project CARE" (Community Animal Retention Effort), the Cleveland APL helps income-qualified pet owners in Cleveland by providing them with access to care and resources, such as pet food, grooming, and basic veterinary care, that they want and need for their pets.

THE CLEVELAND ANIMAL PROTECTIVE LEAGUE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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 society 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; it is funded solely by donations. The Cleveland APL's humane agents work with prosecutors to convict people who have been charged with animal cruelty or neglect. Under Ohio law, humane agents are mandated reporters for child and elder abuse and neglect.

Shelter Veterinary Services: The Cleveland APL veterinary clinic provides spay/neuter, medical, and 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 care (medical and/or surgical) that 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, 2021 AND 2020

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, 2021 and 2020, \$24,418 and \$180,614, respectively, of general operating pledges receivable are expected to be collected currently. Management has elected to set up an allowance for doubtful accounts of \$5,000 and \$2,578 within the pledges receivable for the years ended December 31, 2021 and 2020, 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, 2021 and 2020 amounted to \$9,117 and \$9,968, respectively.

The Cleveland APL also has pledges, grants, and estates receivable related to the capital campaign described in Note 3. As of December 31, 2021 and 2020, respectively, \$311,373 and \$1,069,557 of receivables are expected to be collected currently. The remaining \$52,000 and \$79,334 as of December 31, 2021 and 2020, respectively, are expected to be collected within one to two 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, 2021 AND 2020

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.

Funds held in trust by others

The Cleveland APL is a beneficiary of perpetual irrevocable trusts held and administered by independent trustees. Under the terms of the trusts, the Cleveland APL has the irrevocable right to receive annual distributions from the trusts. The fair value of the beneficial interest in a trust is recognized as an asset and as a contribution with donor restrictions at the date the trust is established. The Cleveland APL's estimate of fair value at each reporting date is based on fair value information about the trust's assets received from the trustees. Trust assets consist of, but are not limited to, cash and cash equivalents, corporate and government bonds, mutual funds, and equity securities. These assets are not subject to control or direction by the Cleveland APL. Distributions from the trusts and gains and losses are reflected as investment income and change in value of trusts in the statements of activities.

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 \$2,049,914 and \$3,212,538 for the years ended December 31, 2021 and 2020, respectively.

THE CLEVELAND ANIMAL PROTECTIVE LEAGUE
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3. CAPITAL CAMPAIGN

Over the years, the Cleveland APL's programs and the needs of our animals surpassed what the facility was designed to support. When the Cleveland APL was last renovated in the late 1990's, no one could have envisioned the level of lifesaving care, including advanced veterinary care, that the Cleveland APL would be offering or the pressing need to help families with pets living in underserved neighborhoods in Cleveland.

Today's Cleveland APL provides progressive, lifesaving, cutting-edge programs and services to animals that come to us as victims of abuse or neglect and may require medical care and rehabilitation, from other overcrowded shelters, that have been surrendered by owners or Good Samaritans, or are beloved pets living in underserved neighborhoods in Cleveland.

To support the needs of animals and pet owners in our community today and offer the most impactful, humane, progressive support for animals, the Cleveland APL's facility has been renovated to align with best practices, to support our lifesaving work of today, and to allow more flexibility and ability to meet the needs of tomorrow. The renovation began in January of 2020. Most of the work will be complete by the end of March 2022 but due to supply chain issues, a few focused areas of the project will not be complete until Fall.

Examples of improvements include: (1) transitioning the animal admitting area into an animal resource center where the Cleveland APL will support pet parents while they make the best possible decisions for their animals in a respectful environment, (2) redesigning animal housing areas and cages to provide a more enriched and less stressful environment for animals that have longer stays in our care while they undergo treatment, (3) creating segregated spaces where animals with varied 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 the ability to provide emergency or disaster support, and (5) expanding and redesigning the veterinary clinic so the Cleveland APL can offer care to income-qualified pet owners, preserve the human-animal bond, and keep pets with the people they love.

THE CLEVELAND ANIMAL PROTECTIVE LEAGUE
NOTES TO FINANCIAL STATEMENTS
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3. CAPITAL CAMPAIGN (Continued)

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.

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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,539,136	\$ 2,052,266
Pledges receivable	24,418	180,614
Accounts receivable	220,320	268,193
Estates receivable	1,471,250	500,750
Unspent appropriations made from board-designated endowment	<u>525,882</u>	<u>416,408</u>
	<u>\$ 3,781,006</u>	<u>\$ 3,418,231</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 \$17,872,871 and \$15,494,530 as of December 31, 2021 and 2020, respectively. 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, 2021, the board has appropriated \$525,882 for expenditure from the board-designated endowment that remains unspent.

THE CLEVELAND ANIMAL PROTECTIVE LEAGUE
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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, 2021, the Cleveland APL has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

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, 2021 and 2020 was \$539,078 and \$262,250, 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 0.10% and 0.14% as of December 31, 2021 and 2020, respectively) 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 2021 or 2020.

THE CLEVELAND ANIMAL PROTECTIVE LEAGUE
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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, 2021 and 2020, contributions and plan expenses were \$79,710 and \$76,487, respectively.

9. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specific purposes:		
Animal care	\$ 34,617	\$ 67,889
Capital campaign projects	225,541	2,713,061
Spay/Neuter programs	<u>44,736</u>	<u>94,904</u>
	<u>304,894</u>	<u>2,875,854</u>
Subject to passage of time:		
Estates receivable for general expenditure	1,609,082	1,200,750
Pledges receivable for general expenditure	<u>-</u>	<u>400,000</u>
	<u>1,609,082</u>	<u>1,600,750</u>
Subject to Cleveland APL spending policy and appropriation:		
Endowment fund which, once appropriated, is expendable for general use	193,218	147,263
Endowment funds held in investment accounts, required to be held into perpetuity	<u>380,079</u>	<u>367,573</u>
	<u>573,297</u>	<u>514,836</u>
Not subject to spending policy or appropriation:		
Funds held in trust by others required to be held into perpetuity	<u>3,454,571</u>	<u>3,205,945</u>
	<u>\$ 5,941,844</u>	<u>\$ 8,197,385</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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Expiration of time restrictions	\$ 1,104,500	\$ 1,768,201
Satisfaction of purpose restrictions:		
Animal care	57,272	3,118
Capital campaign projects	3,858,371	-
Spay/Neuter programs	65,168	300,766
Veterinary clinic consulting	10,000	-
	<u>3,990,811</u>	<u>303,884</u>
	<u>\$ 5,095,311</u>	<u>\$ 2,072,085</u>

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
DECEMBER 31, 2021 AND 2020

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, 2021 and 2020.

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

Endowment net asset composition by type of fund as of December 31, 2021 and 2020 is as follows:

<u>December 31, 2021</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 17,872,871	\$ -	\$ 17,872,871
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	380,079	380,079
Accumulated investment gains	-	193,218	193,218
	<u>\$ 17,872,871</u>	<u>\$ 573,297</u>	<u>\$ 18,446,168</u>
<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	-	367,573	367,573
Accumulated investment gains	-	147,263	147,263
	<u>\$ 15,494,530</u>	<u>\$ 514,836</u>	<u>\$ 16,009,366</u>

Changes in endowment net assets as of December 31, 2021 and 2020 are as follows:

<u>December 31, 2021</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment assets, beginning of year	\$ 15,494,530	\$ 514,836	\$ 16,009,366
Net investment income	2,487,815	58,461	2,546,276
Appropriated for expenditures	(525,882)	-	(525,882)
Other:			
Prior year unspent appropriations	416,408	-	416,408
Endowment assets, end of year	<u>\$ 17,872,871</u>	<u>\$ 573,297</u>	<u>\$ 18,446,168</u>

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

<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>

During the years ended December 31, 2021 and 2020, the Cleveland APL appropriated \$525,882 and \$416,408, 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 estimates the fair value of financial instruments using available market information and other generally accepted valuation methodologies. Fair value is defined as the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The inputs used to measure fair value are classified into three levels:

- 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.
- 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.

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

Investments and funds held in trust by others are stated at fair value as determined using inputs comprised of the following at December 31, 2021 and 2020:

Assets at Fair Value at December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Funds held in trust by others	\$ -	\$ -	\$ 3,454,571	\$ 3,454,571
Investments:				
Equities	14,959,922	-	-	14,959,922
Fixed income	4,048,744	-	-	4,048,744
Cash and cash equivalents	1,463,384	-	-	1,463,384
	<u>\$ 20,472,050</u>	<u>\$ -</u>	<u>\$ 3,454,571</u>	<u>\$ 23,926,621</u>

Assets at Fair Value at December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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
	<u>\$ 17,925,774</u>	<u>\$ -</u>	<u>\$ 3,205,945</u>	<u>\$ 21,131,719</u>

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

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 May 2020, the Cleveland APL entered into a note payable agreement with a bank under the Paycheck Protection Program (“PPP”) of the H.R. 748, Coronavirus Aid, Relief, and Economic Security (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.

In December 2020, H.R. 133, Consolidated Appropriations Act, 2021 was passed. This act extended the PPP and allowed certain eligible borrowers that previously received a PPP loan to apply for a second draw PPP loan. In February 2021, the Cleveland APL received loan proceeds in the amount of \$631,700 under the second draw PPP. The Cleveland APL used the proceeds for eligible expenses and the entire loan principal and accrued interest was forgiven.

The Cleveland APL recognized the proceeds from these forgiven loans in the statements of activities as Paycheck Protection Program grants included in non-operating activity.

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, 2021 and 2020.

14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 9, 2022, which is the date the financial statements were available to be issued.