

**THE CLEVELAND  
ANIMAL PROTECTIVE LEAGUE**

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

**THE CLEVELAND ANIMAL PROTECTIVE LEAGUE**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

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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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Cleveland Animal Protective League as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 14, 2024

FINANCIAL STATEMENTS

**THE CLEVELAND ANIMAL PROTECTIVE LEAGUE**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2023 AND 2022**

ASSETS

	<u>2023</u>	<u>2022</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 5,444,909	\$ 4,647,192
Pledges receivable, net of allowance	9,932	14,825
Accounts receivable	297,641	245,793
Employee retention tax credit receivable	259,872	-
Estates receivable	603,365	716,918
Prepaid expenses	<u>10,849</u>	<u>16,194</u>
Total current assets	<u>6,626,568</u>	<u>5,640,922</u>
 INVESTMENTS (at fair value)	 <u>19,884,524</u>	 <u>17,010,844</u>
 <b>PROPERTY AND EQUIPMENT:</b>		
Land	243,138	243,138
Building and improvements	18,669,046	18,452,561
Equipment and fixtures	2,380,485	1,909,947
Motor vehicles	<u>545,336</u>	<u>494,742</u>
	21,838,005	21,100,388
Less accumulated depreciation	<u>(7,198,031)</u>	<u>(6,436,309)</u>
Net property and equipment	<u>14,639,974</u>	<u>14,664,079</u>
 <b>OTHER ASSETS:</b>		
Funds held in trust by others	<u>3,347,081</u>	<u>3,064,479</u>
 <b>CAPITAL CAMPAIGN ASSETS (See Note 3):</b>		
Cash and cash equivalents	-	1,730,727
Pledges receivable	7,500	31,982
Construction in progress	<u>-</u>	<u>589,682</u>
Total capital campaign assets	<u>7,500</u>	<u>2,352,391</u>
 <b>TOTAL ASSETS</b>	 <u><u>\$ 44,505,647</u></u>	 <u><u>\$ 42,732,715</u></u>

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

LIABILITIES AND NET ASSETS

	<u>2023</u>	<u>2022</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 137,881	\$ 172,762
Accrued wages	278,054	195,644
Deferred grant revenue	48,115	36,000
Other current liabilities	<u>4,100</u>	<u>3,012</u>
 Total current liabilities	 <u>468,150</u>	 <u>407,418</u>
 CAPITAL CAMPAIGN LIABILITIES (See Note 3):		
Accounts payable	 <u>-</u>	 <u>589,682</u>
 NET ASSETS:		
Without donor restrictions:		
Operating	7,481,139	8,255,928
Net investment in property and equipment	14,639,974	14,664,079
Board designated	<u>17,289,952</u>	<u>14,352,808</u>
 Total without donor restrictions	 39,411,065	 37,272,815
 With donor restrictions	 <u>4,626,432</u>	 <u>4,462,800</u>
 Total net assets	 <u>44,037,497</u>	 <u>41,735,615</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 44,505,647</u>	 <u>\$ 42,732,715</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, 2023**

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<b>OPERATING REVENUE:</b>			
Program services	\$ 1,372,611	\$ -	\$ 1,372,611
Investment income	2,912,076	74,939	2,987,015
In-kind revenue	261,995	-	261,995
Investment income and change in value of trusts	194,025	282,602	476,627
Miscellaneous	<u>179,137</u>	<u>-</u>	<u>179,137</u>
Total operating revenue	4,919,844	357,541	5,277,385
<b>OPERATING EXPENSES:</b>			
Animal sheltering, care & outreach	3,861,727	-	3,861,727
Humane investigations	761,437	-	761,437
Shelter veterinary services	1,307,375	-	1,307,375
Animal welfare clinic	713,837	-	713,837
Community pet clinic	1,066,664	-	1,066,664
Management and general	496,439	-	496,439
Fundraising	<u>1,372,148</u>	<u>-</u>	<u>1,372,148</u>
Total operating expenses	<u>9,579,627</u>	<u>-</u>	<u>9,579,627</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>(4,659,783)</b>	<b>357,541</b>	<b>(4,302,242)</b>
<b>NON-OPERATING ACTIVITY:</b>			
Estates and bequests	684,938	124,900	809,838
Grants	356,150	218,000	574,150
Appeals	1,212,117	-	1,212,117
Donations and memorials	2,188,536	-	2,188,536
Employee retention tax credit	1,081,539	-	1,081,539
Fundraising events	738,040	-	738,040
Capital campaign contributions	-	24	24
Capital campaign expenses	(120)	-	(120)
Net assets released from restrictions	<u>536,833</u>	<u>(536,833)</u>	<u>-</u>
Total non-operating activity	<u>6,798,033</u>	<u>(193,909)</u>	<u>6,604,124</u>
<b>INCREASE IN NET ASSETS</b>	<b>2,138,250</b>	<b>163,632</b>	<b>2,301,882</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b><u>37,272,815</u></b>	<b><u>4,462,800</u></b>	<b><u>41,735,615</u></b>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 39,411,065</u></b>	<b><u>\$ 4,626,432</u></b>	<b><u>\$ 44,037,497</u></b>

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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING REVENUE:</b>			
Program services	\$ 1,090,352	\$ -	\$ 1,090,352
Investment loss	(3,382,251)	(79,471)	(3,461,722)
In-kind revenue	216,662	-	216,662
Investment income (loss) and change in value of trusts	174,508	(867,540)	(693,032)
Gain on sale of land	518,451	-	518,451
Miscellaneous	<u>112,592</u>	<u>-</u>	<u>112,592</u>
Total operating revenue	<u>(1,269,686)</u>	<u>(947,011)</u>	<u>(2,216,697)</u>
<b>OPERATING EXPENSES:</b>			
Animal sheltering, care & outreach	3,424,744	-	3,424,744
Humane investigations	612,741	-	612,741
Shelter veterinary services	1,074,112	-	1,074,112
Animal welfare clinic	601,632	-	601,632
Community pet clinic	641,382	-	641,382
Management and general	405,159	-	405,159
Fundraising	<u>1,265,277</u>	<u>-</u>	<u>1,265,277</u>
Total operating expenses	<u>8,025,047</u>	<u>-</u>	<u>8,025,047</u>
<b>LOSS FROM OPERATIONS</b>	<b>(9,294,733)</b>	<b>(947,011)</b>	<b>(10,241,744)</b>
<b>NON-OPERATING ACTIVITY:</b>			
Estates and bequests	3,150,463	488,117	3,638,580
Grants	6,050	430,600	436,650
Appeals	1,311,417	-	1,311,417
Donations and memorials	2,074,265	-	2,074,265
Fundraising events	694,519	-	694,519
Capital campaign contributions	-	45,693	45,693
Capital campaign expenses	(123,161)	-	(123,161)
Net assets released from restrictions	<u>1,496,443</u>	<u>(1,496,443)</u>	<u>-</u>
Total non-operating activity	<u>8,609,996</u>	<u>(532,033)</u>	<u>8,077,963</u>
<b>DECREASE IN NET ASSETS</b>	<b>(684,737)</b>	<b>(1,479,044)</b>	<b>(2,163,781)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u><b>37,957,552</b></u>	<u><b>5,941,844</b></u>	<u><b>43,899,396</b></u>
<b>NET ASSETS AT END OF YEAR</b>	<u><b>\$ 37,272,815</b></u>	<u><b>\$ 4,462,800</b></u>	<u><b>\$ 41,735,615</b></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, 2023**

	Program					Management and General	Fundraising	Total	
	Animal Sheltering, Care & Outreach	Humane Investigations	Shelter Veterinary Services	Animal Welfare Clinic	Community Pet Clinic				Total Program
Salaries and wages	\$ 1,979,243	\$ 406,911	\$ 506,763	\$ 379,933	\$ 555,980	\$ 3,828,830	\$ 273,781	\$ 436,117	\$ 4,538,728
Other employee benefits	259,618	46,589	44,784	33,715	49,874	434,580	31,369	25,530	491,479
Payroll taxes	166,345	33,303	39,368	30,596	45,540	315,152	21,595	34,332	371,079
Retirement plan	29,319	4,730	15,990	8,122	9,623	67,784	19,243	12,579	99,606
Animal care supplies	162,549	82,698	617,261	180,954	217,220	1,260,682	-	-	1,260,682
Occupancy	80,073	12,886	9,197	7,348	19,160	128,664	10,996	12,900	152,560
Building and maintenance	130,634	660	380	485	117	132,276	5,193	5,487	142,956
Professional fundraising	-	-	-	-	-	-	-	323,726	323,726
Special events	-	-	-	-	-	-	-	144,219	144,219
Fundraising expense	-	-	-	-	-	-	-	48,137	48,137
Other professional fees	92,622	648	466	408	935	95,079	6,377	651	102,107
Consulting fees	48,000	24,000	-	-	-	72,000	-	5,189	77,189
Legal fees	-	7,847	-	-	-	7,847	4,590	-	12,437
Accounting fees	-	-	-	-	-	-	10,300	-	10,300
Postage	1,033	6	-	142	1	1,182	369	154,021	155,572
Other expense	106,294	40,374	7,926	5,400	23,249	183,243	2,280	30,639	216,162
Office expenses	44,574	11,718	5,015	6,703	17,170	85,180	8,718	43,312	137,210
Information technology	41,662	11,974	8,127	18,460	14,945	95,168	15,167	23,394	133,729
Insurance	50,520	7,030	4,577	3,754	10,609	76,490	26,559	6,686	109,735
Conferences, conventions, and meetings	5,411	1,171	2,475	2,085	1,694	12,836	6,581	483	19,900
Travel	3,454	2,622	1,628	693	-	8,397	-	-	8,397
Depreciation	398,381	66,270	43,418	35,039	100,547	643,655	53,321	64,746	761,722
In-kind donation expense	261,995	-	-	-	-	261,995	-	-	261,995
Capital campaign expenses	-	-	-	-	-	-	-	120	120
	<u>\$ 3,861,727</u>	<u>\$ 761,437</u>	<u>\$ 1,307,375</u>	<u>\$ 713,837</u>	<u>\$ 1,066,664</u>	<u>\$ 7,711,040</u>	<u>\$ 496,439</u>	<u>\$ 1,372,268</u>	<u>\$ 9,579,747</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, 2022**

	Program						Management and General	Fundraising	Total
	Animal Sheltering, Care & Outreach	Humane Investigations	Shelter Veterinary Services	Animal Welfare Clinic	Community Pet Clinic	Total Program			
Salaries and wages	\$ 1,723,729	\$ 346,337	\$ 396,116	\$ 320,992	\$ 349,040	\$ 3,136,214	\$ 210,633	\$ 402,541	\$ 3,749,388
Other employee benefits	204,217	35,743	37,014	18,824	22,860	318,658	23,089	22,468	364,215
Payroll taxes	144,426	27,071	32,578	26,024	26,998	257,097	18,442	32,606	308,145
Retirement plan	26,614	4,102	13,407	7,223	4,425	55,771	14,905	10,737	81,413
Animal care supplies	154,082	73,877	499,651	154,910	112,572	995,092	-	-	995,092
Occupancy	71,807	11,079	12,517	8,329	11,776	115,508	11,734	11,524	138,766
Building and maintenance	98,610	486	371	109	2	99,578	3,448	3,745	106,771
Professional fundraising	-	-	-	-	-	-	-	294,023	294,023
Special events	-	-	-	-	-	-	-	124,890	124,890
Fundraising expense	-	-	-	-	-	-	-	48,570	48,570
Other professional fees	111,388	485	607	367	461	113,308	5,722	520	119,550
Consulting fees	72,000	-	-	-	-	72,000	-	-	72,000
Legal fees	1,600	5,583	-	-	-	7,183	350	-	7,533
Accounting fees	-	-	-	-	-	-	10,300	-	10,300
Postage	701	2	-	254	32	989	2,014	171,347	174,350
Other expense	96,610	18,719	4,983	6,672	21,137	148,121	5,410	8,667	162,198
Office expenses	38,700	9,849	4,313	4,277	6,527	63,666	7,918	44,659	116,243
Information technology	40,507	4,954	6,131	9,789	8,927	70,308	9,377	25,482	105,167
Insurance	52,247	9,630	6,667	4,029	6,404	78,977	23,514	5,952	108,443
Conferences, conventions, and meetings	5,001	3,451	1,547	3,079	1,567	14,645	908	681	16,234
Travel	4,168	7,975	651	-	-	12,794	1,224	-	14,018
Depreciation	364,075	53,398	57,559	36,754	68,654	580,440	56,171	56,865	693,476
In-kind donation expense	214,262	-	-	-	-	214,262	-	-	214,262
Capital campaign expenses	-	-	-	-	-	-	-	123,161	123,161
	<u>\$ 3,424,744</u>	<u>\$ 612,741</u>	<u>\$ 1,074,112</u>	<u>\$ 601,632</u>	<u>\$ 641,382</u>	<u>\$ 6,354,611</u>	<u>\$ 405,159</u>	<u>\$ 1,388,438</u>	<u>\$ 8,148,208</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, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ 2,301,882	\$ (2,163,781)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operations:		
Noncash items included in increase (decrease) in net assets:		
Depreciation	761,722	693,476
Gain on sale of securities	(193,949)	(355,693)
Unrealized (gain) loss on investments	(2,293,216)	4,078,096
Contributions of split-interest trust	-	(477,448)
Change in value of split-interest trusts	(476,627)	693,032
Change in allowance for doubtful accounts	313	1,687
(Increase) decrease in operating assets	(163,760)	1,070,163
Decrease in operating liabilities	<u>(528,950)</u>	<u>(1,745,184)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(592,585)</u>	<u>1,794,348</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(147,935)	(511,164)
Distributions received from split-interest trusts	194,025	174,508
Proceeds from sale of securities	1,871,538	3,031,364
Purchase of securities	<u>(2,258,053)</u>	<u>(3,292,561)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(340,425)</u>	<u>(597,853)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(933,010)	1,196,495
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>6,377,919</u>	<u>5,181,424</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 5,444,909</u>	<u>\$ 6,377,919</u>
<b>AS PRESENTED ON THE STATEMENTS OF FINANCIAL POSITION:</b>		
Operating cash and cash equivalents	\$ 5,444,909	\$ 4,647,192
Capital campaign cash and cash equivalents	<u>-</u>	<u>1,730,727</u>
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u>\$ 5,444,909</u>	<u>\$ 6,377,919</u>

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

**THE CLEVELAND ANIMAL PROTECTIVE LEAGUE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**1. ORGANIZATION**

Incorporated in 1913, the Cleveland Animal Protective League (APL) is a private, 501(c)(3), nonprofit humane society located 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 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 2023, the Cleveland APL helped more than 18,000 animals through an array of progressive programs.

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 also does not receive government funding in support of its operations, so 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 93% 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 our team, the Cleveland APL is recognized as a progressive leader in animal welfare.

Animal Sheltering, Care & Outreach: The Cleveland APL operates a 40,000 square foot resource center for pet owners in need of assistance 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 vaccinations, and wellness care that they want and need for their pets.

**THE CLEVELAND ANIMAL PROTECTIVE LEAGUE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**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 medical and/or surgical care 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 and other services for adoptable animals from partner shelters and rescue groups.

Community Pet Clinic (CPC): The Cleveland APL believes in maintaining the human-animal bond whenever possible and that no owner should have to make a decision about keeping their pet based on their ability to pay for veterinary care. In 2022, the APL opened its Community Pet Clinic to bridge the gap between qualified, low-income pet owners and access to affordable veterinary care. The CPC currently serves pets owned by Cleveland and East Cleveland residents on financial assistance or who can show they have not been able to access veterinary care due to financial hardship. It also serves Cuyahoga County residents seeking humane euthanasia services; those living in a homeless shelter, domestic violence shelter, public housing, or a hotel or motel; those referred by a private veterinary clinic due to an inability to pay; those referred by other social service agencies due to access to veterinary care challenges; Cleveland APL adopters, and residents of the 44113 zip code. Pets owned by qualifying Cleveland APL CPC members receive additional discounts on vaccinations, microchips, preventive treatment for fleas and worms, spay/neuter, and pet food.

**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.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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, employee retention tax credit receivable, and pledges receivable.

Effective January 1, 2023, The Cleveland APL adopted Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments – Credit Losses* (Topic 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren’t measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under this standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity’s exposure to credit risk and the measurement of credit losses. Financial assets held by the Cleveland APL that are subject to the guidance in ASU No. 2016-13 were trade accounts receivable and grants receivable. The impact of the adoption was not considered material to the financial statements and primarily resulted in new and enhanced disclosures only.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Receivables (continued)**

Accounts receivable include receivables from veterinary services and pet insurance providers, contributions receivable at the end of the year, and grants receivable. The employee retention tax credit relates to refundable payroll taxes as described in Note 13. Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses for receivables held at December 31, 2023 and 2022 because the composition of the receivables at those dates are consistent with that used in developing the historical credit-loss percentages (i.e., the similar risk characteristics of its customers and its lending practices have not changed significantly over time). Additionally, management has determined that the current and reasonable and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes. Accordingly, management does not believe that an allowance for credit losses is necessary as of December 31, 2023 and 2022.

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.

Pledges receivable consist of promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. As of December 31, 2023 and 2022, \$9,932 and \$14,825, respectively, of general operating pledges receivable are expected to be collected currently. Allowance for uncollectable pledges is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Pledges are written off when deemed uncollectable. The allowance for uncollectable pledges totaled \$7,000 and \$6,687 within the pledges receivable for the years ended December 31, 2023 and 2022, respectively.

The Cleveland APL also has pledges receivable related to the capital campaign described in Note 3. As of December 31, 2023 and 2022, respectively, \$7,500 and \$21,982 of receivables are expected to be collected currently. The remaining \$-0- and \$10,000 as of December 31, 2023 and 2022, respectively, are expected to be collected within one to two years.

**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:



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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Net assets (continued)**

*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.

**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.

**Disaggregation of program service income**

*Animal adoptions* – revenue from animal adoptions, holds, and surrender fees is recognized at the point in time in which the animal is adopted or surrendered.

*Animal welfare clinic* – revenue from spay/neuter services for community cats and for adoptable animals of other partner shelters is recognized when the procedure takes place. Contract receivables related to these services were \$42,218 and \$57,424 as of December 31, 2023 and 2022, respectively, and are included with accounts receivable in the statement of financial position.

*Community pet clinic* – revenue from veterinary care to qualifying pet owners is recognized at the point in time in which the service is provided.

**Investment income (loss)**

Investments are reported at fair value. Net investment income (loss) 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.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 (loss) 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 \$3,614,929 and \$2,736,292 for the years ended December 31, 2023 and 2022, 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.

**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.

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**3. CAPITAL CAMPAIGN (Continued)**

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 was completed by the end of March 2022 but due to supply chain issues, a few focused areas of the project were not completed until December 2023.

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.

Construction in progress is stated at cost on the statements of financial position, which included the cost of construction and other direct costs attributable to the construction. No provision for depreciation was made on construction in progress until such time as the relevant assets were 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 5,171,153	\$ 4,491,598
Pledges receivable	17,432	14,825
Accounts receivable	297,641	245,793
Employee retention tax credit receivable	259,872	-
Estates receivable	603,365	716,918
Unspent appropriations made from board-designated endowment	<u>699,843</u>	<u>664,210</u>
	<u>\$ 7,049,306</u>	<u>\$ 6,133,344</u>

**THE CLEVELAND ANIMAL PROTECTIVE LEAGUE**  
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**4. LIQUIDITY AND AVAILABILITY (Continued)**

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 \$17,289,952 and \$14,352,808 as of December 31, 2023 and 2022, 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, 2023, the board has appropriated \$699,843 for expenditure from the board-designated endowment that remains unspent.

**5. CONTRIBUTED NONFINANCIAL ASSETS**

For the years ended December 31, contributed nonfinancial assets recognized within the statement of activities as in-kind revenue included:

	2023	2022
Animal food	\$ 155,860	\$ 117,190
Computer software	78,335	44,650
Goods and materials	18,330	26,419
Professional services	9,470	21,089
Animal pharmaceuticals and testing supplies	-	4,914
	\$ 261,995	\$ 214,262

The Cleveland APL recognized contributed nonfinancial assets within revenue, including contributions of animal food, computer software, goods and materials, professional services, and animal pharmaceuticals and testing supplies. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. It is the Cleveland APL’s policy to accept and use all contributed nonfinancial assets at its discretion.

Contributions of animal food, goods and materials, and computer software were utilized within the general operations of the Cleveland APL. The values were provided by the donors and represent the fair value of the items donated.

Contributed animal pharmaceuticals and testing supplies include vaccines and testing kits that were utilized within the general operations of the Cleveland APL. The values were provided by the donors and represent the fair value of the items donated.

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**5. CONTRIBUTED NONFINANCIAL ASSETS (Continued)**

Contributed professional services include legal services and design and construction services provided by qualified professionals. Contributed services are valued based on the current rates for similar services.

**6. 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, 2023, the Cleveland APL has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

**7. 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, 2023 and 2022 was \$761,722 and \$693,476, respectively.

**8. LINE OF CREDIT AGREEMENT**

The Cleveland APL has 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 Secured Overnight Financing Rate (SOFR) plus 1% (30-day SOFR was 5.34% and 4.06% as of December 31, 2023 and 2022, 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 2023 or 2022.

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**9. 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, 2023 and 2022, contributions and plan expenses were \$99,606 and \$81,413, respectively.

**10. NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specific purposes:		
Project Care	\$ 215,000	\$ 65,000
Community Pet Clinic	39,267	25,273
Spay/Neuter programs	15,000	20,544
Capital campaign projects	7,500	31,982
Equipment	4,490	-
Animal care	-	44,778
	<u>281,257</u>	<u>187,577</u>
Subject to passage of time:		
Estates receivable for general expenditure	<u>603,365</u>	<u>716,918</u>
Subject to Cleveland APL spending policy and appropriation:		
Endowment fund which, once appropriated, is expendable for general use	-	106,666
Endowment funds held in investment accounts, required to be held into perpetuity	<u>394,729</u>	<u>387,160</u>
	<u>394,729</u>	<u>493,826</u>
Not subject to spending policy or appropriation:		
Funds held in trust by others required to be held into perpetuity	<u>3,347,081</u>	<u>3,064,479</u>
	<u>\$ 4,626,432</u>	<u>\$ 4,462,800</u>

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**10. 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, 2023 and 2022:

	2023	2022
Expiration of time restrictions	\$ 412,489	\$ 1,052,832
Satisfaction of purpose restrictions:		
Equipment	36,010	-
Animal care	27,277	5,440
Capital campaign projects	24,506	239,252
Spay/Neuter programs	20,544	24,192
Community Pet Clinic	16,007	174,727
	124,344	443,611
	\$ 536,833	\$ 1,496,443

**11. 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.

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**11. 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, 2023 and 2022.



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**11. ENDOWMENT FUNDS (Continued)**

Endowment net asset composition by type of fund as of December 31, 2023 and 2022 is as follows:

<u>December 31, 2023</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 17,289,951	\$ -	\$ 17,289,951
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	394,729	394,729
Accumulated investment gains	-	-	-
	<u>\$ 17,289,951</u>	<u>\$ 394,729</u>	<u>\$ 17,684,680</u>
<u>December 31, 2022</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 14,352,808	\$ -	\$ 14,352,808
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	387,160	387,160
Accumulated investment gains	-	106,666	106,666
	<u>\$ 14,352,808</u>	<u>\$ 493,826</u>	<u>\$ 14,846,634</u>

Changes in endowment net assets as of December 31, 2023 and 2022 are as follows:

<u>December 31, 2023</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment assets, beginning of year	\$ 14,352,808	\$ 493,826	\$ 14,846,634
Net investment income	2,798,740	74,939	2,873,679
Appropriated for expenditures	(525,807)	(174,036)	(699,843)
Other:			
Prior year unspent appropriations	664,210	-	664,210
Endowment assets, end of year	<u>\$ 17,289,951</u>	<u>\$ 394,729</u>	<u>\$ 17,684,680</u>

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**11. ENDOWMENT FUNDS (Continued)**

<u>December 31, 2022</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment assets, beginning of year	\$ 17,872,871	\$ 573,297	\$ 18,446,168
Net investment loss	(3,381,735)	(79,471)	(3,461,206)
Appropriated for expenditures	(664,210)	-	(664,210)
Other:			
Prior year unspent appropriations	<u>525,882</u>	<u>-</u>	<u>525,882</u>
Endowment assets, end of year	<u>\$ 14,352,808</u>	<u>\$ 493,826</u>	<u>\$ 14,846,634</u>

During the years ended December 31, 2023 and 2022, the Cleveland APL appropriated \$699,843 and \$664,210, 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.

**12. 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.

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**12. 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, 2023 and 2022:

**Assets at Fair Value at December 31, 2023**

	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Funds held in trust by others	\$ -	\$ -	\$ 3,347,081	\$ 3,347,081
<b>Investments:</b>				
Equities	14,632,417	-	-	14,632,417
Fixed income	3,962,437	-	-	3,962,437
Cash and cash equivalents	1,289,670	-	-	1,289,670
	<u>\$ 19,884,524</u>	<u>\$ -</u>	<u>\$ 3,347,081</u>	<u>\$ 23,231,605</u>

**Assets at Fair Value at December 31, 2022**

	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Funds held in trust by others	\$ -	\$ -	\$ 3,064,479	\$ 3,064,479
<b>Investments:</b>				
Equities	12,479,959	-	-	12,479,959
Fixed income	3,485,530	-	-	3,485,530
Cash and cash equivalents	1,045,355	-	-	1,045,355
	<u>\$ 17,010,844</u>	<u>\$ -</u>	<u>\$ 3,064,479</u>	<u>\$ 20,075,323</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.

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**12. 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.

**13. EMPLOYEE RETENTION TAX CREDIT**

In December 2020, H.R. 133, Consolidated Appropriations Act, 2021 was passed. This act extended and modified certain provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, making the Company eligible for a refundable employee retention credit subject to meeting certain criteria. The APL filed Form 941-X Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund for the quarters ended March 31, 2021, June 30, 2021, and September 30, 2021 and requested refunds. During the year ended December 31, 2023, the APL recorded income of \$1,081,539 and received \$821,667 during the year. The remaining \$259,872 is reported on the statements of financial position as an employee retention tax credit receivable as of December 31, 2023.

**14. 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, 2023 and 2022.

**15. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through June 14, 2024, which is the date the financial statements were available to be issued.