Alaqua Animal Refuge, Inc. FINANCIAL STATEMENTS

December 31, 2019



Alaqua Animal Refuge, Inc. Table of Contents December 31, 2019

	Page
REPORT Independent Auditors' Report	1
FINANCIAL STATEMENTS Statements of Financial Position	2
Statements of Activities	2
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6



INDEPENDENT AUDITORS' REPORT

To the Board of Directors Alaqua Animal Refuge, Inc. Freeport, Florida Carr, Riggs & Ingram, LLC Certified Public Accountants 500 Grand Boulevard Suite 210 Miramar Beach, Florida 32550

(850) 837-3141 (850) 654-4619 (fax) CRIcpa.com

We have audited the accompanying financial statements of Alaqua Animal Refuge, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019 and the related statement of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Emphasis of Matter

As discussed in Note 13 to the financial statements, certain errors resulting in understatement of amounts previously reported for accrued expenses as of December 31, 2018, were discovered during the current year. Accordingly, an adjustment has been made to retained earnings as of December 31, 2018 to correct the error. Our opinion is not modified with respect to this matter.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alaqua Animal Refuge, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CARR, RIGGS & INGRAM, LLC

Cau, Rigge & Ingram, L.L.C.

Miramar Beach, Florida March 31, 2021

Alaqua Animal Refuge, Inc. Statement of Financial Position

December 31,		2019
Assets		
Current assets		
Cash and cash equivalents	\$	1,775,395
Prepaid expenses and other assets		28,880
Total current assets		1,804,275
Non-current assets		
Investments		1,822,382
Property and equipment, net		3,117,768
Total non-current assets		4,940,150
Total assets	\$	6,744,425
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$	129,617
Accrued expenses	•	39,581
Total current liabilities		169,198
Total liabilities		169,198
Net assets		
Without donor restrictions		5,052,087
With donor restrictions		1,523,140
Total net assets		6,575,227
Total liabilities and net assets	\$	6,744,425

Alaqua Animal Refuge, Inc. Statement of Activities

For the years ended December 31,	Without Donor With Donor Restrictions Restrictions		2019 Total	
Revenue and Other Support				
Donations	\$	1,320,081	\$ 1,220,400	\$ 2,540,481
Grants		258,850	181,858	440,708
Adoption fees		157,935	-	157,935
Interest income		30,466	-	30,466
Investment gains		58,168	-	58,168
Fundraising		367,132	340,783	707,915
Other income		30,239	-	30,239
Net assets released from restrictions		1,567,179	(1,567,179)	
Total revenue and other support		3,790,050	175,862	3,965,912
Expenses Program services				
Animal care and outreach		1,619,995	-	1,619,995
Total program services		1,619,995	-	1,619,995
Supporting services General and administrative		169,550	-	169,550
Fundraising		204,816	-	204,816
Total supporting services		374,366	-	374,366
Total expenses		1,994,361	-	1,994,361
Change in Net Assets		1,795,689	175,862	1,971,551
Net assets at beginning of year, restated		3,256,398	1,347,278	4,603,676
Net assets at end of year	\$	5,052,087	\$ 1,523,140	\$ 6,575,227

Alaqua Animal Refuge, Inc. Statement of Functional Expenses

	Prog	ram Services		Supportin	g Serv	<u>ices</u>		
	Ar	nimal Care	Ger	neral and				
For the year ended December 31,	and	d Outreach	Adm	inistrative	Fu	ndraising		2019 Total
Salaries and benefits	\$	713,881	\$	46,608	\$	37,977	\$	798,466
Payroll taxes	*	81,801	7	9,088	*	-	τ	90,889
Advertising and marketing		82,115		, -		-		82,115
Animal supplies and medical care		327,796		-		-		327 <i>,</i> 796
Bank fees		-		16,679		-		16,679
Depreciation		58,309		-		-		58,309
Dues and fees		58,212		-		-		58,212
Fundraising		-		-		166,839		166,839
Insurance		35,638		-		-		35,638
Maintenance		120,555		-		-		120,555
Office		-		69,707		-		69,707
Other		20,384		13,529		-		33,913
Professional services		32,840		-		_		32,840
Retail		14,940		-		-		14,940
Rent		30,000		6,000		-		36,000
Telephone & Interest		7,939		7,939		-		15,878
Utilities		35,585		-				35,585
Total	\$	1,619,995	\$	169,550	\$	204,816	\$	1,994,361

Alaqua Animal Refuge, Inc. Statement of Cash Flows

For the year ended December 31,	2019
Operating Activities	
Change in net assets	\$ 1,971,551
Adjustments to reconcile change in net assets to	, , , , , , , ,
net cash provided by (used in) operating activities	
Depreciation	229,517
Changes in operating assets and liabilities	
Accounts receivable	4,749
Prepaid expenses and other assets	2,754
Accounts payable	97,989
Accrued expenses	4,918
Net cash provided by (used in) operating activities	2,311,478
	_
Investing Activities	(1 452 421)
Purchase of property and equipment Purchase of investments	(1,452,421) (1,822,382)
T dichase of investments	(1,022,302)
Net cash provided by (used in) investing activities	(3,274,803)
Net change in cash and cash equivalents	(963,325)
Cash and cash equivalents at beginning of year	2,738,720
Cash and cash equivalents at end of year	\$ 1,775,395

Alaqua Animal Refuge, Inc. Notes to Financial Statements

Note 1: DESCRIPTION OF THE ORGANIZATION

Alaqua Animal Refuge, Inc. ("Alaqua") was established April 24, 2007 as a Florida nonprofit organization to advocate the general welfare and humane treatment of animals by providing shelter, prevention of pet overpopulation and adoption services. Alaqua is located in Freeport, Florida and receives financial support primarily through private grants and donations.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items on the Balance Sheet. These items will be expensed over the applicable usage periods.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Alaqua reports investments in mutual funds with readily determinable fair values. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. Estimated useful lives used in computing depreciation are as follows:

Land	Not depreciated
Building and improvements	15 – 28 Years
Furniture and equipment	5 – 7 Years
Automobiles	5 Years

Net Assets

Alaqua reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of Alaqua, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The governing board has not designated any restrictions on net assets without donor restrictions.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Revenue Recognition

Donations, grants, adoption fees, fundraising, and other sources of income are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

Donated Assets

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

Donated Services

Donated services are recognized as contributions 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 organization. Volunteers also provided fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to salaries and benefits are allocated based on actual percentages of time spent in each functional area.

Advertising

Alaqua uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During the year ended December 31, 2019 advertising costs totaled \$82,115.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Under section 501(c)(3) of the Internal Revenue Code, Alaqua is exempt from taxes on income other than unrelated business income. Alaqua had no net unrelated business income for the year ending December 31, 2019. Thus, the organization has no income tax expense for 2019.

Alaqua utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2019 and 2018, Alaqua has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements. Alaqua believes it is no longer subject to income tax examinations for years prior to 2017.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 31, 2021. See Note 12 for relevant disclosure(s). No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Note 3: FINANCIAL ASSET AVAILABILITY

Alaqua maintains its financial assets primarily in cash and cash equivalents to provide liquidity to ensure funds are available as Alaqua's expenditures come due. The following reflects Alaqua's financial assets as of the statement of financial positon date, reduced by amounts not available for general use within one year of the statement of financial positon date because of contractual or donor-imposed restrictions.

December 31,	2019
Financial assets, at year-end	\$ 3,597,777
Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions	
Restricted by donor with time or purpose restrictions	(1,523,140)
Financial assets available to meet cash needs for general expenditures	\$ 2,074,637

Financial assets at year-end as noted in the above schedule exclude prepaid expenses, other assets, and property and equipment.

Note 4: INVESTMENTS

Investments in marketable securities consist of the following:

December 31, 2019	Cost	Ma	rket Value
Money Market Mututal Fund Exchange-Traded, Closed-End Funds - Equities Exchange-Traded, Closed-End Funds - Fixed Income	\$ 516,919 720,727 526,833	\$	516,895 769,180 536,307
Total investments	\$ 1,764,479	\$	1,822,382

Note 5: PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following:

	Estimated Useful		
December 31	Lives (in years)	2019	
Buildings and improvements	15 - 28 \$	2,172,214	
Furniture, Fixtures, Equipment	5 - 7	59,881	
Automobiles	5	8,674	
		2,240,769	
Less accumulated depreciation		(397,294)	
		1,843,475	
Land		579,998	
Construction in progress		694,295	
Property and equipment, net	\$	3,117,768	

Depreciation expense for the year ended December 31, 2019 was \$58,309

Note 6: LINE OF CREDIT

Alaqua renewed a revolving line of credit agreement with a financial institution on March 4, 2020. Alaqua increased the revolving line of credit from \$104,000, as of December 31, 2019, to \$400,000 for working capital if needed. The revolving line of credit has a variable interest rate of 4.75% with a minimum 4.00% stated rate. The loan is secured by real property with a net book value of \$579,998. The outstanding balance as of December 31, 2019, was \$0.

Note 6: LINE OF CREDIT (Continued)

Alaqua maintains a line of credit agreement with a financial institution. Available borrowings related to the agreement are \$100,000, with a variable interest rate (LIBOR) of 4.75% plus 1.00%. The loan is unsecured but guaranteed by Alaqua's president and vice-president personally. The line of credit is due on November 14, 2020. The outstanding balance as of December 31, 2019, was \$-0-.

Alaqua has access to a revolving line of credit with a financial institution. Alaqua may utilize the line of credit up \$100,000. The line of credit has a variable interest rate determined when funds are utilized. The line of credit is unsecured but guaranteed by Alaqua's president and vice-president personally. The credit line does not expire but is due on demand if utilized. The outstanding balance as of December 31, 2019, was \$-0-.

Note 7: NET ASSETS

A summary of net assets with donor restrictions follows:

December 31,	2019
Durnosa restricted	
Purpose restricted Disaster relief	\$ 66,858
Education grant	14,560
Expanison	1,439,481
SNAP	2,241
Total net assets with donor restrictions	\$ 1,523,140

Note 8: FAIR VALUE MEASUREMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

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

Level 2: Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are:
 - observable; or
 - can be corroborated by observable market data.

Note 8: FAIR VALUE MEASUREMENTS (Continued)

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019.

Exchange-Traded and Closed-End Funds: Valued at the daily closing price as reported on the active market on which the funds are traded.

Money Market Mutual Fund: Valued at the daily closing price as reported by the fund. This investment held by Alaqua is registered with the SEC and is not FDIC insured. The money market mutual fund is required to publish the daily NAV and to transact at that price. Accordingly, the NAV based investments have been excluded from the fair value hierarchy leveling. This investment is deemed to be actively traded and NAV prices readily available on a daily basis.

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

Assets and liabilities measured at fair value on a recurring basis are summarized for the years ended December 31, 2019:

December 31, 2019	NAV Level 1		Level 2	Level 3	Total
Money Market Mutual Fund Exchange-Traded, Closed-End Funds - Equities	\$ 516,895 -	\$ - 769,180	\$ -	\$ - \$	516,895 769,180
Exchange-Traded, Closed-End Funds - Fixed Income	-	536,307	_	-	536,307
Total investments	\$ 516,895	\$ 1,305,487	\$ -	\$ - \$	1,822,382

Alaqua Animal Refuge, Inc. Notes to Financial Statements

Note 8: FAIR VALUE MEASUREMENTS (Continued)

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfer between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the year ended December 31, 2019, there were no significant transfers in or out of Levels 1, 2 or 3.

Note 9: CONCENTRATIONS OF CREDIT RISK

Alaqua maintains cash with a financial institutions in excess of the FDIC limit of \$250,000 by \$1,298,209 at December 31, 2019.

Alaqua receives the majority of its support from individuals and companies located in the Florida Panhandle. Since Alaqua receives a substantial amount of its support from one geographic area, a significant reduction in the level of this support, if it were to occur, may have an effect on its activities.

Alaqua received approximately 25% of its revenue and support in the current year from one individual donor who donated \$1,000,000.

Note 10: LEASE COMMITMENT WITH RELATED PARTY

On May 1, 2014, Alaqua entered into a lease agreement with Portland Pastures LLC, which is owned by the President of Alaqua, to lease land utilized for the animal refuge. The lease ended April 1, 2016 and contained annual renewal options. The lease agreement requires \$3,000 a month and Alaqua maintained the lease on a month-to-month basis during 2019. On November 13, 2020, the lease was renewed with the same terms through October 31, 2022.

Alaqua Animal Refuge, Inc. Notes to Financial Statements

Note 11: EXPANSION PROJECT AND CONSTRUCTION COMMITMENTS

In 2018, Alaqua began a capital campaign to raise cash to relocate the facilities and expansion of the animal refuge. Expansion project costs are recorded initially to construction in progress until the asset is placed in service (Note 5).

During 2019, Alaqua entered into a construction contract with anticipated costs of \$1.2 million to build a new welcome center. As of December 31, 2019, Alaqua incurred \$642,919 construction costs (which includes a retainage payable in the amount of \$32,146). Alaqua incurred the remaining construction costs of \$557,081 during 2020 in order to complete the Welcome Center.

In February 2020, Alaqua entered into a construction contract with anticipated costs of \$1.2 million to build a new dog adoption center on the animal refuge.

Note 12: SUBSEQUENT EVENTS

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the organization. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

In response to reduced operations as noted above, management has applied for and been approved for a SBA Paycheck Protection Program loan in the amount of \$164,362 on April 21, 2020. The note is payable in monthly principal and interest installments starting October 18, 2020, bears interest at 1.0%, and matures April 11, 2022. Management used the funds in accordance with the Paycheck Protection Program and qualifies for loan forgiveness in full by the SBA. The loan forgiveness application may be submitted at any time before the maturity date of the loan, which is either two or five years from the loan origination. Alaqua plans to submit the application for loan forgiveness to SBA before any payments are due on the loan.

On September 15, 2020, Hurricane Sally, a Category 2 storm, negatively affected the operations and structures maintained on Alaqua's animal refuge. The property sustained extensive damage due to approximately four to five feet of floodwaters and high winds, which required the entity to close operations and move animals to higher grounds. Alaqua reopened to the public in October 2020.

Alaqua Animal Refuge, Inc. Notes to Financial Statements

Note 13: NET ASSETS RESTATEMENT

For the year ended December 31, 2018, Alaqua classified \$44,000 in fundraising consulting expenses with construction in progress. In addition, Alaqua did not accrue approximately \$30,000 for the final payroll expenses for the 2018 fiscal year. As a result, consulting, payroll, and other expenses were understated \$78,663 during the fiscal year 2018, therefore, beginning net assets have been reduced by \$78,663 to reflect the adjustment.

Net assets with donor restrictions as of December 31, 2018 included \$775,349 of construction in progress funds expensed during 2018 in accordance to donor-imposed restrictions for the expansion of the animal refuge property. Since donor imposed purpose restrictions were met during 2018, the construction in progress asset is no longer deemed restricted and accordingly net assets with donor restrictions for the beginning of the year 2019 has been reduced by \$775,349.