



Alaqua Animal Refuge, Inc.

FINANCIAL STATEMENTS

December 31, 2020

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Carr, Riggs & Ingram, LLC
Certified Public Accountants
500 Grand Boulevard
Suite 210
Miramar Beach, Florida 32550

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members of
Alaqua Animal Refuge, Inc.
Destin, Florida

Opinion

We have audited the accompanying financial statements of Alaqua Animal Refuge, Inc. (a nonprofit organization), which comprise the Balance Sheet as of December 31, 2020, and the related Statement of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alaqua Animal Refuge, Inc. as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Alaqua Animal Refuge, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 condition or events, considered in the aggregate, that raise substantial doubt about Alaqua Animal Refuge, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Alaqua Animal Refuge, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate that raise substantial doubt about Alaqua Animal Refuge, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
June 29, 2022

Alaqua Animal Refuge
Statement of Financial Position

December 31,

2020

Assets

Cash and cash equivalents	\$	2,252,611
Accounts receivable, net		8,250
Prepaid expenses and other assets		24,200
Investments		2,073,327
Beneficial interest in trusts		1,914,317
Property and equipment, net		4,250,790

Total assets	\$	10,523,495
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Liabilities and Net Assets

Accounts payable	\$	74,210
Accrued expenses		13,191

Total liabilities		87,401
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Net assets

Without donor restrictions		9,065,844
With donor restrictions		1,370,250

Total net assets		10,436,094
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Total liabilities and net assets	\$	10,523,495
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The accompanying notes are an integral part of these financial statements.

Alaqua Animal Refuge, Inc.
Statement of Activities

<i>For the years ended December 31,</i>	Without Donor Restrictions	With Donor Restrictions	2020 Total
Revenue and Other Support			
Contributions, gifts and bequests	\$ 3,267,028	\$ 1,356,499	\$ 4,623,527
Grants	568,587	18,770	587,357
Adoption fees	138,920	-	138,920
Investment return, net	37,228	-	37,228
Interest income	27,974	-	27,974
Fundraising	136,899	-	136,899
Paycheck Protection Program funds	164,362	-	164,362
Other income	1,274	-	1,274
Net assets released from restrictions	1,528,159	(1,528,159)	-
Total revenue and other support	5,870,431	(152,890)	5,717,541
Expenses			
<i>Program services</i>			
Animal care and outreach	1,626,901	-	1,626,901
Total program services	1,626,901	-	1,626,901
<i>Supporting services</i>			
General and administrative	179,972	-	179,972
Fundraising	49,801	-	49,801
Total supporting services	229,773	-	229,773
Total expenses	1,856,674	-	1,856,674
Change in net assets	4,013,757	(152,890)	3,860,867
Net assets at beginning of year	5,052,087	1,523,140	6,575,227
Net assets at end of year	\$ 9,065,844	\$ 1,370,250	\$ 10,436,094

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

Alaqua Animal Refuge, Inc.
Statement of Functional Expenses

<i>For the year ended December 31,</i>	<u>Program Services</u>	<u>Supporting Services</u>		<u>2020 Total</u>
	Animal Care and Outreach	General and Administrative	Fundraising	
Salaries and benefits	\$ 669,689	\$ 45,794	\$ 39,010	\$ 754,493
Payroll taxes	102,975	9,088	-	112,063
Advertising and marketing	138,561	-	-	138,561
Animal supplies and medical care	261,015	-	-	261,015
Bank fees	-	18,820	-	18,820
Depreciation	122,072	-	-	122,072
Dues and fees	59,713	-	-	59,713
Fundraising	-	-	10,791	10,791
Insurance	27,295	-	-	27,295
Maintenance	119,832	-	-	119,832
Office	-	71,353	-	71,353
Other	1,015	20,582	-	21,597
Professional services	55,995	-	-	55,995
Rent	30,000	6,000	-	36,000
Telephone & Interest	8,335	8,335	-	16,670
Utilities	30,404	-	-	30,404
Total	\$ 1,626,901	\$ 179,972	\$ 49,801	\$ 1,856,674

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

Alaqua Animal Refuge, Inc.
Statement of Cash Flows

For the year ended December 31,

2020

Operating Activities

Change in net assets	\$ 3,860,867
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	122,072
Contributions from beneficial interest in trusts	(1,914,317)
Unrealized and realized loss (gain) on investments	(37,228)
Changes in operating assets and liabilities	
Accounts receivable	(8,250)
Prepaid expenses and other assets	4,680
Accounts payable	(55,407)
Accrued expenses	(26,390)

Net cash provided by operating activities	1,946,027
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Investing Activities

Purchase of property and equipment	(1,255,094)
Purchase of investments	(213,717)

Net cash used in investing activities	(1,468,811)
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Cash and cash equivalents at beginning of year	1,775,395
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Cash and cash equivalents at end of year	\$ 2,252,611
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The accompanying notes are an integral part of these financial statements.

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.

Investments

Investment income classified as operating revenue consists of interest and dividend income on investments and spending approved for use in operations. All other realized and unrealized gains and losses are classified as nonoperating activities and are available to support operations in future years and to offset potential market declines.

Alaqua reports investments in mutual funds with readily determinable fair values. 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 is recognized.

Alaqua Animal Refuge, Inc. Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

Alaqua Animal Refuge, Inc. Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020 advertising costs totaled \$138,561.

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, 2020. Thus, the organization has no income tax expense for 2020.

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, 2020 and 2019, 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, June 29, 2022. See Note 15 for relevant disclosure(s). No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Alaqua Animal Refuge, Inc.
Notes to 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 position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

<i>December 31,</i>	2020
Financial assets, at year-end	\$ 6,248,505
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	(1,370,250)
Financial assets available to meet cash needs for general expenditures	\$ 4,878,255

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:

<i>December 31, 2020</i>	Cost	Market Value
Money Market Mutual Fund	\$ 561,226	\$ 561,226
Mutual Funds	1,396,179	1,512,101
Total investments	\$ 1,957,405	\$ 2,073,327

Note 5: BENEFICIAL INTEREST IN TRUSTS

In 2020, Alaqua was notified that it had been named as a beneficiary of a trust created upon the death of the donor consisting of real property assets with a fair market value at the date of death of the benefactor totaling \$2,166,224. The beneficial interest in the trust is recorded at the present value of the estimated future cash receipts from the sale of the assets in the trust. Upon the date of the gift, Alaqua recognized contribution revenue and an asset of \$1,914,317 for Alaqua's portion of beneficial interest in the trust. The discount rate for the present value calculation was 0.5%.

Alaqua Animal Refuge, Inc.
Notes to Financial Statements

Note 6: PROPERTY AND EQUIPMENT

The components of property and equipment at December 31, 2020 are as follows:

<i>December 31</i>	Estimated Useful Lives (in years)	2020
Buildings and improvements	15 - 28	\$ 2,600,432
Furniture, Fixtures, Equipment	5 - 7	59,881
Automobiles	5	40,877
		<u>2,701,190</u>
Less accumulated depreciation		<u>(512,691)</u>
		2,188,499
Land		579,998
Construction in progress		<u>1,482,293</u>
Property and equipment, net		<u>\$ 4,250,790</u>

Depreciation expense for the years ended December 31, 2020 amounted to \$122,072.

Note 7: LINE OF CREDIT

Alaqua renewed a revolving line of credit agreement with a financial institution on February 21, 2022. Alaqua may draw on the line of credit up to \$400,000 for working capital if needed. The revolving line of credit has a variable interest rate with a minimum of 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, 2020, was \$0.

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, 2021. The outstanding balance as of December 31, 2020, was \$-0-.

Alaqua has access to a revolving line of credit with a financial institution on May 17, 2022. Alaqua may utilize the line of credit up \$100,000. The line of credit has a variable interest rate determined when funds are utilized and a minimum of 5.25%. 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, 2020, was \$-0-.

Alaqua Animal Refuge, Inc.
Notes to Financial Statements

Note 8: NET ASSETS

A summary of net assets with donor restrictions follows:

With donor restrictions

<i>December 31,</i>	2020
Purpose restricted	
Education grant	\$ 14,560
Expansion	1,353,449
SNAP	2,241
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Total net assets with donor restrictions	\$ 1,370,250

Note 9: REVENUE

Approximately 94% of Alaqua's revenue consists of contributions, grants, and donated services or assets. These items are not subject to ASC Topic 606. The remaining amount of revenue is primarily investment gains and interest income which are also not subject to ASC Topic 606.

Note 10: 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.

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.

Alaqua Animal Refuge, Inc.
Notes to Financial Statements

Note 10: FAIR VALUE MEASUREMENTS (Continued)

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, 2020.

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, 2020:

<i>December 31, 2020</i>	<i>NAV</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Money Market Mutual Fund	\$ 561,226	\$ -	\$ -	\$ -	\$ 561,226
Mutual Funds	-	1,512,101	-	-	1,512,101
Total investments	\$ 561,226	\$ 1,512,101	\$ -	\$ -	\$ 2,073,327

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, 2020, there were no significant transfers in or out of Levels 1, 2 or 3.

Note 11: PAYCHECK PROTECTION PROGRAM (PPP)

In response to reduced operations for COVID-19, Alaqua received a grant of \$164,362 under the Paycheck Protection Program (PPP) in April 2020 pursuant to the CARES Act. Alaqua subsequently applied for forgiveness of the loan in November 2020. In August 2021, Alaqua received notice that the \$164,362 loan and related interest had been forgiven therefore Alaqua reported revenues in the accompanying Statement of Activities for the year ended December 31, 2020.

Note 12: CONCENTRATIONS

Alaqua maintains cash with a financial institution in excess of the FDIC limit of \$250,000 by \$1,736,403 at December 31, 2020.

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 50% of its contribution revenue and support in the current year from one individual donor and one estate donor.

Note 13: RELATED PARTY TRANSACTIONS

Portland Pastures LLC - On May 1, 2014, Alaqua entered into a lease agreement with Portland Pastures, 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 2020. On November 13, 2020, the lease was renewed with the same terms through October 31, 2022. Minimum lease payments to the related party \$36,000 for 2021 and \$36,000 for 2022.

Note 14: 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 including a new welcome center and other facilities for the refuge. Alaqua records expansion project costs initially to construction in progress until construction is complete and placed into service (Note 5).

In February 2020, Alaqua entered into a construction contract with anticipated costs of approximately \$1.2 million to build a new dog adoption center on the animal refuge. As of December 31, 2020 Alaqua has incurred \$69,261 of costs related to this project, which is included in construction in progress.

Note 15: SUBSEQUENT EVENTS

Paycheck Protection Program (PPP) Second Draw

In response to reduced operations for COVID-19, Alaqua received a second grant of \$164,362 under the Paycheck Protection Program (PPP) in February 2021 pursuant to the CARES Act. In October 2021, Alaqua received notice that the loan and related interest had been forgiven therefore Alaqua will report revenues in the accompanying Statement of Activities for the year ended December 31, 2021.