



Alaqua Animal Refuge, Inc.

FINANCIAL STATEMENTS

December 31, 2021

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INDEPENDENT AUDITORS' REPORT

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

Qualified Opinion

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Alaqua Animal Refuge, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

We did not obtain sufficient audit evidence for approximately \$24,800 of the \$48,700 telephone and internet expenses reported in the statement of functional expenses because insufficient invoice support was available. In addition, we did not obtain sufficient audit evidence for approximately \$22,000 of \$175,209 maintenance expenses included in the statement of functional expenses because insufficient invoice support was available. We were unable to obtain sufficient appropriate audit evidence about the classification and accuracy of these expenses by other auditing procedures.

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 Auditor's 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 qualified audit opinion.

Responsibilities of Management 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, 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 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.

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 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

May 12, 2023

Alaqua Animal Refuge
Statement of Financial Position

<i>December 31,</i>	2021
Assets	
Cash and cash equivalents	\$ 1,007,171
Prepaid expenses and other assets	39,602
Investments	3,770,980
Property and equipment, net	6,062,738
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Total assets	\$ 10,880,491
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Liabilities and Net Assets	
Accounts payable	\$ 87,991
Accrued expenses	27,154
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Total liabilities	115,145
<hr/>	
Net assets	
Without donor restrictions	10,255,356
With donor restrictions	509,990
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Total net assets	10,765,346
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Total liabilities and net assets	\$ 10,880,491
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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 year ended December 31,</i>	Without Donor Restrictions	With Donor Restrictions	2021 Total
Revenue and Other Support			
Contributions, gifts and bequests	\$ 1,789,991	\$ 339,554	\$ 2,129,545
Grants	418,095	-	418,095
Adoption fees	146,459	-	146,459
Investment return, net	145,890	-	145,890
Dividend and interest income	66,581	-	66,581
Fundraising	14,521	-	14,521
Paycheck Protection Program grant	164,362	-	164,362
Other income	5,456	-	5,456
Net assets released from restrictions	1,199,814	(1,199,814)	-
Total revenue and other support	3,951,169	(860,260)	3,090,909
Expenses			
<i>Program services</i>			
Animal care and outreach	2,262,950	-	2,262,950
Total program services	2,262,950	-	2,262,950
<i>Supporting services</i>			
General and administrative	259,533	-	259,533
Fundraising	239,174	-	239,174
Total supporting services	498,707	-	498,707
Total expenses	2,761,657	-	2,761,657
Change in net assets	1,189,512	(860,260)	329,252
Net assets at beginning of year	9,065,844	1,370,250	10,436,094
Net assets at end of year	\$ 10,255,356	\$ 509,990	\$ 10,765,346

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>2021 Total</u>
	Animal Care and Outreach	General and Administrative	Fundraising	
Salaries and benefits	\$ 1,094,146	\$ 53,168	\$ 45,291	\$ 1,192,605
Payroll taxes	154,360	8,240	7,020	169,620
Advertising and marketing	-	-	177,779	177,779
Animal supplies and medical care	395,193	-	-	395,193
Bank fees	-	17,403	-	17,403
Depreciation	169,767	-	-	169,767
Dues and fees	33,443	-	-	33,443
Fundraising	-	-	9,084	9,084
Insurance	35,372	-	-	35,372
Maintenance	175,209	-	-	175,209
Office	-	143,853	-	143,853
Other	-	6,519	-	6,519
Professional services	107,623	-	-	107,623
Rent	30,000	6,000	-	36,000
Telephone & Internet	24,350	24,350	-	48,700
Utilities	43,487	-	-	43,487
Total	\$ 2,262,950	\$ 259,533	\$ 239,174	\$ 2,761,657

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

Alaqua Animal Refuge, Inc.
Statement of Cash Flows

<i>For the year ended December 31,</i>	2021
Operating Activities	
Change in net assets	\$ 329,252
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	169,767
Contributions from beneficial interest in trusts	1,914,317
Unrealized and realized loss (gain) on investments	(145,890)
Changes in operating assets and liabilities	
Accounts receivable	8,250
Prepaid expenses and other assets	(15,402)
Accounts payable	13,781
Accrued expenses	13,963
Net cash provided by operating activities	2,288,038
Investing Activities	
Purchase of property and equipment	(1,981,715)
Purchase of investments	(1,551,763)
Net cash used in investing activities	(3,533,478)
Net change in cash and cash equivalents	(1,245,440)
Cash and cash equivalents at beginning of year	2,252,611
Cash and cash equivalents at end of year	\$ 1,007,171

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, 2021 advertising costs totaled \$177,779

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, 2021. Thus, the organization has no income tax expense for 2021.

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, 2021, 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 2018.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued May 12, 2023. See Note 14 for relevant disclosures. 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>	2021
Financial assets, at year-end	\$ 4,778,151
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	(509,990)
Financial assets available to meet cash needs for general expenditures	\$ 4,268,161

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, 2021</i>	Cost	Market Value
Money Market Mutual Fund	\$ 631,397	\$ 631,397
Equities	7,496	11,884
Alternative investments	400,000	437,831
Mutual Funds	2,691,042	2,689,868
Total investments	\$ 3,729,935	\$ 3,770,980

Alaqua Animal Refuge, Inc.
Notes to Financial Statements

Note 5: PROPERTY AND EQUIPMENT

The components of property and equipment at December 31, 2021 are as follows:

<i>December 31</i>	Estimated Useful Lives (in years)	2021
Buildings and improvements	15 - 28	\$ 4,409,992
Furniture, Fixtures, Equipment	5 - 7	159,880
Automobiles	5	40,876
		<u>4,610,748</u>
Less accumulated depreciation		<u>(682,458)</u>
		3,928,290
Land		579,998
Construction in progress		1,554,450
		<u>Property and equipment, net</u>
		<u>\$ 6,062,738</u>

Depreciation expense for the years ended December 31, 2021 amounted to \$169,767.

Note 6: LINE OF CREDIT

Alaqua renewed a revolving line of credit agreement with a financial institution on March 4, 2021. 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 of 4.75% with a minimum 4.00% stated rate. The loan is secured by land with a book value of \$579,998. The outstanding balance as of December 31, 2021, 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, 2021, 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, 2021, was \$-0-.

Alaqua Animal Refuge, Inc.
Notes to Financial Statements

Note 7: NET ASSETS

A summary of net assets with donor restrictions follows:

<i>December 31,</i>	2021
Purpose restricted	
Education grant	14,560
Expansion	493,189
SNAP	2,241
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Total net assets with donor restrictions	\$ 509,990

Note 8: REVENUE

Approximately 95% 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 9: 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.

Note 9: 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, 2021.

Equities: Valued at the daily closing price as reported on the active market on which the equities 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.

Mutual Funds: Valued at the daily closing price as reported on the active market on which the mutual funds are traded.

Alternative Investments: Consists of various investments where market pricing is not readily available. Restriction withdrawals apply.

BlackRock Hedge Fund Guided Portfolio Solution invests in unaffiliated hedge funds using a variety of strategies including event-driven, equity hedge, macro, and relative value. The underlying funds are not categorized within the fair value hierarchy. The Fund may from time to time offer to repurchase shares pursuant to written tender offers from shareholders at such terms as the Fund may determine. The Fund is not required to offer to repurchase shares.

Partners Group Private Equity (Master Fund) invests primarily in unaffiliated funds which invest in private equity. A small portion of the portfolio is invested in direct public equity investments which were used as the basis for testing. The Fund has a credit facility available. At management's sole discretion periodic tender offers may be made for repurchase of shares, up to a limit of 5% of outstanding shares in any quarter.

Starwood Real Estate Income Trust, Inc. Fund invest in real estate securities on a global basis. The Fund offers a share repurchase plan whereby shareholders may request monthly that the fund repurchase their shares; the Fund may choose to repurchase none, some or all shares tendered, subject to the share repurchase plan caps of 2% of monthly NAV or 5% of quarterly NAV. Shares tendered for repurchase less than 1 year after purchase will be subject to a 5% redemption fee. Due to the illiquidity of the Fund's holdings, the Fund may lack sufficient liquidity to repurchase shares tendered and may reject repurchase requests.

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.

Alaqua Animal Refuge, Inc.
Notes to Financial Statements

Note 9: FAIR VALUE MEASUREMENTS (Continued)

Assets and liabilities measured at fair value on a recurring basis are summarized for the years ended December 31, 2021:

<i>December 31, 2021</i>	<i>NAV</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Money Market Mutual Fund	\$ 631,397	\$ -	\$ -	\$ -	\$ 631,397
Equities	-	11,884	-	-	11,884
Alternative Investments	-	-	-	437,831	437,831
Mutual Funds	-	2,689,868	-	-	2,689,868
Total investments	\$ 631,397	\$ 2,701,752	\$ -	\$ 437,831	\$ 3,770,980

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, 2021, there was a transfer of \$400,000 from Level 1 to Level 3.

Note 10: 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 February 2021 pursuant to the CARES Act. 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, 2021.

Note 11: CONCENTRATIONS

Alaqua maintains cash with a financial institution in excess of the FDIC limit of \$250,000 by approximately \$491,000 at December 31, 2021.

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.

Alaqua Animal Refuge, Inc. Notes to Financial Statements

Note 12: RELATED PARTY

Portland Pastures LLC - On November 13, 2020, Alaqua renewed 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 October 31, 2022 and has been renewed. The lease agreement requires \$3,000 a month. Minimum lease payments to the related party \$30,000 for 2022.

Note 13: 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, 2021 Alaqua incurred \$693,979 of costs related to this project, which is included in construction in progress.

Note 14: SUBSEQUENT EVENTS

Investments

Subsequent to the year ended December 31, 2021, the domestic and international stock market indices declined and Alaqua's fair value of investments have declined in correlation. Such declines in fair value have negatively impacted funds held in Alaqua and may affect the amounts reported in subsequent financial statements. As of December 31, 2022, investment balances total approximately \$1.4 million; which includes 2022 contributions, deductions, fees, realized gains/losses, and unrealized gains/losses. Overall, investment account balances have decreased approximately 63% since December 31, 2021.