FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

For the Year Ended December 31, 2023

ANIMAL FRIENDS ALLIANCE

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CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Animal Friends Alliance
Fort Collins, Colorado

Opinion

We have audited the accompanying financial statements of Animal Friends Alliance (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2023, 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, the financial statements, referred to above present fairly, in all material respects, the financial position of Animal Friends Alliance as of December 31, 2023, 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 (U.S. GAAP).

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 Animal Friends Alliance 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 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 Animal Friends Alliance's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditors' 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, as promulgated by the Auditing Stands Board, a division of the American Institute of Certified Public Accountants (AICPA), 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 Animal Friends Alliance'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 Animal Friends Alliance'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.

RLR, LLP

Fort Collins, Colorado
April 11, 2024

FINANCIAL STATEMENTS

ANIMAL FRIENDS ALLIANCE
STATEMENT OF FINANCIAL POSITION
As of December 31, 2023

ASSETS	
Current Assets	
Cash and cash equivalents	$ 949,581
Accounts receivable, net of allowance for current expected credit losses ($9,009)	43,565
Inventory	12,150
Prepaid expense	27,131
Total current assets	$ 1,032,427
Non-Current Assets	
Property and equipment, net of accumulated depreciation	4,523,653
Beneficial interest in investments held by the Community Foundation of Northern Colorado - Endowment Fund	59,989
Total non-current assets	4,583,642
Total assets	$ 5,616,069
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	$ 56,408
Accrued payroll liabilities	176,049
Deferred revenue	9,300
Current portion of note payable (Note 4)	27,546
Total current liabilities	269,303
Non-Current Liabilities	
Note payable, less current portion (Note 4)	1,099,115
Total non-current liabilities	1,099,115
Total liabilities	1,368,418
Net Assets	
Without Donor Restrictions	
Invested in property and equipment	3,396,992
Undesignated	756,811
With Donor Restrictions	
Time and/or purpose	47,798
Perpetual in nature	46,050
Total net assets	4,247,651
Total liabilities and net assets	$ 5,616,069

See accompanying notes to financial statements.

ANIMAL FRIENDS ALLIANCE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Clinic income	$ 1,072,685	$ -	$ 1,072,685
Shelter income	838,032	-	838,032
Behavior services	2,180	-	2,180
Merchandise sales, net of costs of goods sold of $21,585	11,541	-	11,541
Investment income	11,446	-	11,446
Other income	22,868	-	22,868
Public Support			
Grants and contributions	1,730,953	80,798	1,811,751
Fundraising income, net of direct benefits to donors of $54,804	255,613	-	255,613
In-kind contributions	295,475	-	295,475
Net assets released from restrictions	80,059	(80,059)	-
Total revenue and public support	4,320,852	739	4,321,591
Expenses			
Program Services:			
Animal care	3,551,715	-	3,551,715
Support Services:			
Management and general	252,043	-	252,043
Fundraising	400,169	-	400,169
Total expenses	4,203,927	-	4,203,927
Change in Net Assets	116,925	739	117,664
Net Assets, Beginning of Year	4,036,878	93,109	4,129,987
Net Assets, End of Year	$ 4,153,803	$ 93,848	$ 4,247,651

See accompanying notes to financial statements.

ANIMAL FRIENDS ALLIANCE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2023

	Program Services	Management and General	Fundraising	Total
Salaries and wages	$1,925,617	$ 203,750	$205,431	$ 2,334,798
Payroll taxes	171,378	16,827	16,503	204,708
Employee benefits	88,031	5,059	8,095	101,185
Advertising	21,919	-	20,038	41,957
Animal care and veterinary services	63,150	-	-	63,150
Animal transportation	14,336	-	-	14,336
Bank Charges	65,773	-	3,380	69,153
Credit loss expense	9,009	-	-	9,009
Depreciation	128,731	14,304	-	143,035
Facility maintenance	49,299	58	17,914	67,271
Fundraising expense	5,953	40	109,168	115,161
Insurance	49,344	1,251	-	50,595
Interest expense	49,020	-	-	49,020
Miscellaneous	3,973	162	-	4,135
Postage and printing	3,810	-	1,832	5,642
Professional fees	19,930	4,892	17,000	41,822
Rent and condo fees	56,444	-	55	56,499
Supplies: office	37,199	5,477	632	43,308
Supplies: veterinary and medical	422,175	-	-	422,175
Supplies: clinic and shelter	281,101	-	-	281,101
Telephone and internet	36,175	179	121	36,475
Utilities	37,116	-	-	37,116
Volunteer program	12,232	44	-	12,276
Total expenses	$3,551,715	$ 252,043	$400,169	$ 4,203,927

See accompanying notes to financial statements.

ANIMAL FRIENDS ALLIANCE
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023

Cash Flows From Operating Activities	
Change in net assets	$ 117,664
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	143,035
Credit loss expense	9,009
Net change in beneficial interest in investments held by the Community Foundation of Northern Colorado - Endowment Fund	(6,911)
Donation of property and equipment	(7,298)
Change in operating assets and liabilities:	
Accounts receivable	(30,078)
Capital campaign pledges receivable	24,292
Inventory	(6,525)
Prepaid expense	(4,823)
Accounts payable	4,270
Accrued payroll liabilities	30,603
Deferred revenue	(1,450)
Net cash provided by operating activities	271,788
Cash Flows From Investing Activities	
Purchase of property and equipment	(67,743)
Transfers to beneficial interest in investments held by the Community Foundation of Northern Colorado - Endowment Fur	(33,000)
Net cash (used) by investing activities	(100,743)
Cash Flows From Financing Activities	
Principal payments on notes payable	(17,159)
Net cash (used) by financing activities	(17,159)
Net increase in cash	153,886
Cash and Cash Equivalents, Beginning of Year	795,695
Cash and Cash Equivalents, End of Year	$ 949,581
Supplemental Disclosures of Non-Cash Information:	
Cash paid for interest expense	$ 49,020
In-kind contributions	$ 295,475
In-kind property and equipment	$ (7,298)
In-kind expenses	$ (288,177)

See accompanying notes to financial statements.

Note 1. Summary of Significant Accounting Policies

Organization and Nature of Activities

Animal Friends Alliance (the Organization) is a non-profit organization originally incorporated in 2006 as Fort Collins Cat Rescue and, Spay/Neuter Clinic (FCCRSNC), which was committed to the well-being and prevention of overpopulation of cats in the northern Colorado communities. On January 1, 2020 FCCRSNC merged with Animal House, which was dedicated to decreasing the euthanasia of adoptable animals, and became Animal Friends Alliance. Now their primary emphasis is two-fold: the prevention of pet homelessness through community pet resources such as subsidized spay/neuter, and the sheltering and placement of surrendered or abandoned cats and dogs into loving homes. The mission of the organization is to provide comprehensive companion animal resources, services, and education to the community to prevent homelessness and promote the human-animal bond. The primary sources of funding for Animal Friends Alliance include subsidized veterinary services, adoption fees, individual and business contributions, and grants.

New Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, Financial Instruments-Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, which requires organizations to use a new impairment model: the current expected credit loss (CECL) model.

The model applies to financial instruments that are not measured at fair value. An organization must record an allowance for credit losses, which is a valuation account that should be deducted from, or added to, the financial asset to present the net amount expected to be collected. The valuation account should include expected recoveries of amounts previously written off and expected to be written off. However, expected recoveries cannot exceed the aggregate of amounts previously written off and expected to be written off.

The amendments have been applied retrospectively to all periods presented. There is no effect on the Organization's previously reported net assets.

Basis of Presentation

The financial statements of the Organization 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 Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- Net Assets Without Donor Restrictions—Net assets that are not subject to or are no longer subject to donor-imposed stipulations.
- Net Assets With Donor Restrictions—Net assets whose use is limited by donor-imposed time and/or purpose stipulations or in perpetuity, as fully disclosed in Note 6.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

Note 1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of balance sheet presentation and reporting of cash flows, the Organization considers all cash on hand and unrestricted demand deposits, money market funds and highly liquid debt instruments with an original maturity of 12 months or less to be cash and cash equivalents.

The Organization maintains its cash and cash equivalent balances at financial institutions. At times, cash balances at financial institutions may exceed federally insured limits guaranteed by the Federal Deposit Insurance Corporation (FDIC). The Organization has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on cash accounts.

Accounts Receivable and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for services. In accordance with Topic 326, management determines the current expected credit losses based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At December 31, 2023, the Organization recognized an allowance for current expected credit losses of $9,009.

Pledges Receivable

Unconditional contributions that are pledged, but not received, prior to year-end are recorded as contributions receivable at year-end. All contributions receivable are recorded as current income; however, if restrictions are attached to the funds to be received, they will be reported as net assets with donor restrictions on the statement of financial position. The Organization uses the allowance method to estimate uncollectible promises to give based on prior years' experience and management's analysis of specific pledges made. At December 31, 2023, the Organization had no pledges receivable.

Inventory

Inventory consists of pet supplies at the Organization's shelter and public veterinary clinic and is stated at the lower of cost or market using the first-in-first-out method of inventory valuation.

Fair Value Measurements

Fair value is the price that would be received from the sale of an asset or settlement of a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities which are required to be recorded at fair value, the Organization considers the principal or most advantageous market in which a hypothetical sale or transfer would take place and consider assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of non-performance.

The fair value hierarchy is made up of three levels of inputs which may be used to measure fair value: Level 1—observable inputs such as quoted prices for identical instruments in active markets; Level 2—observable inputs such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model derived valuations in which all significant inputs are observable in active markets; and Level 3—unobservable inputs for which there is little or no market data and which require us to develop our own assumptions. The Organization categorizes fair value measurements within the fair value hierarchy based upon the lowest level of the most significant inputs used to determine such fair value measurement.

Deferred Revenue

Recognition of revenue for sponsorships for events made in advance is deferred until the period in which the event is performed by the Organization.

Note 1. Summary of Significant Accounting Policies (continued)

Beneficial Interest in Investments Held by the Community Foundation of Northern Colorado – Endowment Fund

The Organization executed an agreement with the Community Foundation of Northern Colorado (the Community Foundation) in 2016, whereby the Organization transferred assets to the Community Foundation in order to establish The Jane Seik Memorial Agency Endowment Fund (the Fund). The Fund was established through external donations. The contributions remain to be held as net assets with donor restrictions, to be held in perpetuity in an endowment fund. In accordance with the agreement, the primary purpose of the Fund is to provide operating support to the Organization to carry out its role and mission as described in its governing documents, and the principal of the fund shall be held by the Community Foundation in support of the Organization.

Distributions from the earnings of the Fund beyond the restricted corpus are made available to the Organization at an annual rate established by the Community Foundation. It is the policy of the Organization, as well as the Community Foundation, that spending of the Fund in, or into, an underwater position is not permitted.

The Fund is considered to be "underwater" when the fair value of the fund is less than the carrying value of the fund's endowed corpus. The agreement states that the Fund is not a separate trust, and that all assets of the Fund are assets of the Community Foundation. The agreement also provides that the Fund shall continue for as long as the Organization continues as a public charity, with the intent to make distributions to the Organization in accordance with the Organization's designations.

As the Organization has specified itself as the beneficiary of the funds and the transfers are not equity transactions, the Organization has accounted for the funds as assets in accordance ASC 958-605-25-33, *Transfers that Are Not Contributions Because They Are Revocable, Repayable, or Reciprocal*. The endowment fund is presented as Beneficial interest in investments held by the Community Foundation of Northern Colorado – Endowment Fund on the Organization's statement of financial position.

Through the Community Foundation, the Organization invests in a managed portfolio that contains common stocks and bonds of publicly traded companies, U.S. Government obligations, mutual funds and money market funds. Investments are exposed to various risks such as interest rate, credit and overall market volatility.

Property and Equipment

Property and equipment additions over $2,500 are recorded at cost, or if donated, at fair value on the date of donation using the Level 3 inputs of the fair value hierarchy. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from three to ten years for furniture, 39 years for real property, or in the case of financed leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term.

Lease Accounting

The Organization has adopted FASB issued ASU No. 2016-02, Leases (Topic 842). The Organization determines whether to account for its leases as operating or financing leases depending on the underlying terms of the lease agreement. This determination of classification is complex and requires significant judgment relating to certain information including the estimated fair value and remaining economic life of the leased asset, the Organization's cost of funds, minimum lease payments and other lease terms. The Organization records the value of the right-of-use asset at the present value of future lease payments, discounted at the Organization's estimated risk free borrowing rate, and any direct costs related to the lease. Total lease payments are recognized on a straight-line basis over the term of the lease. The related lease liability is recorded at the present value of any unpaid lease payments.

Note 1. Summary of Significant Accounting Policies (continued)

Lease Accounting (continued)

The Organization elected the optional transition method and adopted ASU No. 2016-02 as of January 1, 2022, using the modified retrospective method permitted under ASU No. 2018-11 for all existing leases, which does not include retrospectively adjusting prior periods presented in the financial statements. As allowed under the accounting standard, the Organization elected to apply practical expedients to carry forward the original lease determinations, leases classifications and accounting of initial direct costs for all asset classes at the time of adoption. The Organization also elected not to separate lease components from non-lease components and to exclude short-term leases from its statement of financial position. As such, the Organization did not recognize a right-of-use asset or correlating lease liability.

Impairment of Long-Lived Assets

The Organization is required to test for asset impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset might not be recoverable. The Organization analyzes assets for impairment when indicators of impairment are present. An impairment loss would be measured by comparing the amount by which the carrying value exceeds the fair value of the long-lived assets. The Organization did not recognize an impairment of long-lived assets during the year and period ending December 31, 2023.

Revenue Recognition

The Organization recognizes revenue from sales of products and services when the products are transferred and the services are provided. The Organization recognizes contributions when cash, other assets, or an unconditional promise to give are received. Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

Advertising Costs

Advertising costs are expensed as incurred and totaled $41,957 for the year ended December 31, 2023.

Functional and Indirect Expense Allocation

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, costs have been allocated among the program and supporting services benefited. Expenses that can be identified with a specific function are directly charged to their natural expenditure classification. Allocated expenses include compensation and benefits, which are allocated on the basis of estimates of time and effort; depreciation, occupancy, and insurance costs, which are allocated based on square footage devoted to various functions.

In-Kind Contributions

The Organization has adopted FASB issued ASU No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The Organization's policy related to in-kind contributions is to utilize the assets given to carry out the mission of the Organization. If an asset is provided that does not allow the Organization to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

Note 1. Summary of Significant Accounting Policies (continued)

In-Kind Contributions (continued)

Donated services and materials are reflected as contributions in the accompanying financial statements at their estimated fair values at the date of receipt determined using Level 3 inputs of the fair value hierarchy. Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Volunteer services are not recorded in the financial statements as these contributions do not meet the requirements to be recorded as revenue and expense.

The Organization received the following in-kind contributions for the year ended December 31, 2023:

Advertising	$ 1,600
Facility Maintenance	385
Fundraising Expense	2,906
Supplies: Office	9,500
Animal Care and Veterinary Services	12,073
Professional Fees	1,292
Supplies: Clinic and Shelter	260,421
Property and Equipment	7,298
Total in-kind contributions	$ 295,475

Income Taxes

The Organization is a not-for-profit corporation and qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is made in these financial statements.

The Organization has adopted the recognition requirements for uncertainty in income taxes as required by ASC 740-10. The standard prescribes a comprehensive model for how an organization should recognize, measure, present and disclose in the financial statements uncertainty in income taxes the organization has taken or expects to take on a tax return. The Organization's income tax filings are subject to audit by various taxing authorities.

In evaluating The Organization's tax provisions and accruals, interpretations and tax planning strategies are considered. The Organization believes their estimates are appropriate based on current facts and circumstances and have not recorded any reserves, or related accruals for interest and penalties for uncertainty in income taxes at December 31, 2023.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been applied to conform to the current year presentation. These reclassifications have no effect on previously reported results of operations or net assets.

Subsequent Events

Management has evaluated subsequent events through April 11, 2024, the date on which the statements were available to be issued.

Note 2. Property and Equipment

Property and equipment consisted of the following at December 31, 2023:

Land	$	284,528
Buildings and improvements		4,472,150
Furniture and equipment		214,379
Vehicles		111,488
		5,082,545
Less accumulated depreciation		(558,892)
	$	4,523,653

Note 3. Beneficial Interest in Investments Held with the Community Foundation – Endowment Fund

Beneficial Interest in Investments Held with the Community Foundation – Endowment Fund

During the year ended December 31, 2016, the Organization created The Jane Seik Memorial Agency Endowment Fund (the Fund) with the Community Foundation of Northern Colorado. In accordance with ASC 958-205-20, *Endowments and Board Designated Endowments,* the principal portion of the Endowment Fund is comprised of contributions with donor restrictions and invested as a perpetual endowment, which is to provide a permanent source of income. The investment earnings of the Endowment Fund are not externally restricted, and are therefore classified as net assets without donor restrictions when the fair value of the fund is in excess of the restricted principal of the fund.

At December 31, 2023, the Fund consisted of $59,989 in investments held by the Community Foundation. The endowment investments are presented as Beneficial interest in investments held by the Community Foundation Northern Colorado - Endowment Fund on the statement of financial position, as more fully described in Note 1.

Management of endowment funds in Colorado are governed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Organization has interpreted UPMIFA as generally requiring the preservation of the fair value of the original gift as of the gift date of the donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1) The duration and preservation of the fund.
2) The purposes of the organization and the donor-restricted endowment fund.
3) General economic conditions.
4) The possible effect of inflation/deflation.
5) The expected total return from income and the appreciation of investments.
6) Other resources of the organization.
7) The investment policies of the organization.

The Organization’s investment policy goal is to provide a reasonable, predictable, and sustainable amount of funds available for the uses intended by the original endowment. Given the Organization’s commitment to provide for future needs, the Organization advocates to provide for future distribution. The long-term investment focus is to provide growth in assets and income over time through investment of excess income and capital appreciation.

Note 3. Beneficial Interest in Investments Held with the Community Foundation – Endowment Fund

Beneficial Interest in Investments Held with the Community Foundation – Endowment Fund (continued)

The following are changes in the Fund for the year ended December 31, 2023:

	Without Donor Restrictions	With Donor Restrictions - Perpetuity	Total
Balance, December 31, 2022	$ 7,028	$ 13,050	$ 20,078
Gifts received	-	33,000	33,000
Investment income	7,530	-	7,530
Administrative fees	(619)	-	(619)
Balance, December 31, 2023	$ 13,939	$ 46,050	$ 59,989

The fair value of beneficial interest in investments as of December 31, 2023 was determined using Level 3 inputs of the fair value hierarchy.

The fair value of Level 3 beneficial interest in investments held by the Community Foundation is determined by assuming a hypothetical transaction at the measurement date, as there is currently no market in which beneficial interests are traded and no observable exit price exists for a beneficial interest. The Organization has determined the fair value of the beneficial interest by using the fair value of the assets contributed to the fund, adjusted by the changes in fair value and distribution of the assets held in the fund, as reported to The Organization by the Community Foundation.

Investment Income

Net investment return on interest bearing cash accounts and beneficial interest in investments held with the Community Foundation – Endowment for the year ended December 31, 2023 is as follows:

Interest from bank accounts	$ 4,535
Net realized and unrealized gains	7,530
Investment administrative fees	(619)
	$ 11,446

Note 4. Notes Payable

The Organization had a 10-year note payable which acted as a construction mortgage line of credit for the first year. On April 18, 2023, the construction note line of credit was converted to a 10-year mortgage note payable with a 25-year amortization, leaving a balance to be refinanced or paid off at the 10-year maturity date. The terms of this note are monthly payments of principal and interest in the amount of $6,237 using 4.25% interest through April 2027. In May 2027, the terms adjust to monthly payments of principal and interest in the amount of $7,252 and a variable rate based on the Federal Home Loan Bank of Topeka 5-year advance rate plus a margin of 2.25%. The interest rate on this loan is subject to change from time to time based on changes in an independent index; however, the interest rate change will not occur more often than each five years. The margin will be adjusted if necessary for the minimum interest rate of 4.00%. The note payable is collateralized by the land, building, and improvements owned by the Organization. The Organization is required to comply with various covenants including adhering to financial statement ratios and providing audited financial statements. The note also dictates the lender is entitled to assess a refinance penalty if the loan is paid off by another institution prior to the maturity date; however, no such penalty shall be applied after the fifth year of the loan. The Organization may otherwise pay all or a portion of the amount owed earlier than it is due. The balance on this note payable was $1,126,661 at December 31, 2023.

Note 4. Notes Payable (continued)

At December 31, 2023, maturities of long-term debt are due during the following years ending December 31:

	Amount
2024	$ 27,546
2025	28,739
2026	29,985
2027	26,479
2028	25,570
Thereafter	988,342
	$ 1,126,661

Note 5. Building Leases and Ownership

All shelter services are now served out of the Taft Hill campus (the feline shelter moved from the Mulberry Street campus to the Taft Hill campus). The community pet resources, fundraising offices, and administrative offices operate out of 11 units located at 2321 E. Mulberry Street in Fort Collins, Colorado. Animal Friends Alliance owns eight total units and leases three. Two of the three remaining leases are renewable one-year leases, while the other is a nominal, month-to-month lease. The two 1-year leases required combined monthly payments of $2,550 in 2023 and have been renewed with a nominal increase through July 2024. Total rent expense related to the three units was $30,600 for the year ended December 31, 2023. Future minimum lease payments for the year ended December 31, 2024 are $16,025. The leases have been excluded from capitalization under Topic 842 due to the short-term lease exclusion election, as disclosed in Note 1.

Note 6. Net Assets with Donor Restrictions

Time and/or Purpose: Net assets with donor restrictions consist of contributions expected to be provided and released in future fiscal years. At December 31, 2023, net assets with donor restrictions were restricted for the following purposes:

Shelter and Adoption Expense	$ 15,000
Spay/Neuter and Community Cat	10,343
Capital Improvements	22,455
	$ 47,798

Perpetual in Nature: These restricted net assets represent the original gifts and required endowed corpus of The Jane Seik Memorial Agency Endowment Fund, as disclosed in Note 3. The Organization had net assets restricted in perpetuity in the amount of $46,050 at December 31, 2023.

Note 7. Liquidity and Availability of Financial Assets

The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Organization has the following financial assets that could readily be made available within one year of the statement of financial position date to fund expenses without limitations:

Cash and cash equivalents	$ 949,581
Accounts receivable, net of allowance for current expected credit losses	43,565
	$ 993,146

Note 7. Liquidity and Availability of Financial Assets (continued)

As part of the liquidity management plans, the Organization expects cash and cash equivalents and cash flows from operations to continue to be sufficient to fund ongoing operating activities. In addition to financial assets available to meet general expenditures over the year, the Organization operates with a balanced budget and anticipates covering its general expenditures by collecting sufficient contributions and other revenues and by utilizing donor-restricted resources from current and prior years gifts. The statement of cash flows identifies the sources and uses of the Organization’s cash and shows net cash and cash equivalents provided by operations of $271,788 during the year ended December 31, 2023.