WASHINGTON HUMANE SOCIETY
D/B/A HUMANE RESCUE ALLIANCE

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

SEPTEMBER 30, 2022 AND 2021

Matthews Carter & Boyce™
CPAs • Advisors

Strategic, Smart and Wonderfully Human

WASHINGTON HUMANE SOCIETY
D/B/A HUMANE RESCUE ALLIANCE

TABLE OF CONTENTS

SEPTEMBER 30, 2022 AND 2021

	Page
Independent Auditors' Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-25

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Washington Humane Society
D/B/A Humane Rescue Alliance
Washington, DC

Opinion

We have audited the financial statements of the Washington Humane Society d/b/a/ Humane Rescue Alliance (the Alliance or Organization), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Alliance as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Alliance and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Alliance's ability to continue as a going concern for one year after the date that the financial statements are issued.

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 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for the 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.

P 703.218.3600 | hello@mcb.cpa | 12500 Fair Lakes Circle, Suite 260, Fairfax, VA 22033

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the 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.

Matthews, Carter and Boyle

Fairfax, Virginia
August 31, 2023

WASHINGTON HUMANE SOCIETY
D/B/A HUMANE RESCUE ALLIANCE

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2022 AND 2021

ASSETS

ASSETS	2022	2021
Cash and cash equivalents	$ 1,138,374	$ 1,306,967
Accounts receivable:		
DCAC contract	430,455	580,474
Pledges receivable, net	2,159,189	2,494,068
Other receivables, net	144,056	190,475
Total Accounts Receivable	$ 2,733,700	$ 3,265,017
Prepaid expenses and supplies	$ 491,976	$ 393,608
Inventory	136,528	136,528
Deposits	144,147	18,349
Investments	13,143,631	17,870,942
Beneficial interest in perpetual trusts	524,951	712,237
Fixed assets:		
Land and building	35,126,683	35,078,239
Improvements	5,411,468	5,411,468
Furniture and equipment	1,954,470	1,556,043
Vehicles	2,436,780	2,355,215
Construction in progress	1,169,239	1,130,612
Total Fixed Assets	$ 46,098,640	$ 45,531,577
Less, accumulated depreciation	13,150,916	12,082,194
Net Fixed Assets	$ 32,947,724	$ 33,449,383
Other asset	$ 14,734	$ 26,015
TOTAL ASSETS	$ 51,275,765	$ 57,179,046

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	$ 3,543,410	$ 3,060,010
Line of credit	300,000	650,000
Charitable gift annuities	28,802	36,980
Deferred revenue	320,231	140,925
Notes payable:		
Notes payable	8,093,821	8,384,705
Deferred financing costs, net	(18,579)	(29,077)
Total Notes Payable	$ 8,075,242	$ 8,355,628
TOTAL LIABILITIES	$ 12,267,685	$ 12,243,543
NET ASSETS		
Without donor restrictions	$ 32,968,733	$ 38,235,122
With donor restrictions	6,039,347	6,700,381
Total Net Assets	$ 39,008,080	$ 44,935,503
TOTAL LIABILITIES AND NET ASSETS	$ 51,275,765	$ 57,179,046

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

WASHINGTON HUMANE SOCIETY
D/B/A HUMANE RESCUE ALLIANCE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Contributions and grants	$ 12,096,796	$ 1,644,072	$ 13,740,868
Contract revenue	5,071,888	-	5,071,888
Gifts in kind	803,699	-	803,699
Special events	394,845	-	394,845
Investment loss, net	(2,368,273)	-	(2,368,273)
Clinic and shelter fees	1,626,952	-	1,626,952
Other income	1,347,872	-	1,347,872
Net assets released from restrictions	2,305,106	(2,305,106)	-
Total Revenue	$ 21,278,885	$ (661,034)	$ 20,617,851
EXPENSES			
Program services:			
DCAC contract	$ 5,162,133	$ -	$ 5,162,133
Medical operations	2,953,173	-	2,953,173
Shelter and animal programs	7,035,773	-	7,035,773
Community programs	1,069,423	-	1,069,423
Humane law enforcement	1,146,912	-	1,146,912
Other programs	3,891,881	-	3,891,881
Total Program Services	$ 21,259,295	$ -	$ 21,259,295
Supporting services:			
General and administrative	$ 2,401,926	$ -	$ 2,401,926
Fundraising and development	2,884,053	-	2,884,053
Total Supporting Services	$ 5,285,979	$ -	$ 5,285,979
Total Expenses	$ 26,545,274	$ -	$ 26,545,274
CHANGE IN NET ASSETS	$ (5,266,389)	$ (661,034)	$ (5,927,423)
NET ASSETS, BEGINNING OF YEAR	38,235,122	6,700,381	44,935,503
NET ASSETS, END OF YEAR	$ 32,968,733	$ 6,039,347	$ 39,008,080

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

WASHINGTON HUMANE SOCIETY
D/B/A HUMANE RESCUE ALLIANCE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Contributions and grants	$ 11,112,201	$ 2,198,404	$ 13,310,605
Contract revenue	4,878,296	-	4,878,296
Gifts in kind	730,830	-	730,830
Special events	70,845	-	70,845
Investment income, net	3,209,974	-	3,209,974
Clinic and shelter fees	1,610,077	-	1,610,077
Other income	1,260,601	-	1,260,601
Net assets released from restrictions	2,830,603	(2,830,603)	-
Total Revenue	$ 25,703,427	$ (632,199)	$ 25,071,228
EXPENSES			
Program services:			
DCAC contract	$ 4,517,980	$ -	$ 4,517,980
Medical operations	2,998,266	-	2,998,266
Shelter and animal programs	6,482,651	-	6,482,651
Humane law enforcement	1,022,047	-	1,022,047
Other programs	4,985,533	-	4,985,533
Total Program Services	$ 20,006,477	$ -	$ 20,006,477
Supporting services:			
General and administrative	$ 2,306,102	$ -	$ 2,306,102
Fundraising and development	2,477,637	-	2,477,637
Total Supporting Services	$ 4,783,739	$ -	$ 4,783,739
Total Expenses	$ 24,790,216	$ -	$ 24,790,216
CHANGE IN NET ASSETS	$ 913,211	$ (632,199)	$ 281,012
NET ASSETS, BEGINNING OF YEAR	37,321,911	7,332,580	44,654,491
NET ASSETS, END OF YEAR	$ 38,235,122	$ 6,700,381	$ 44,935,503

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

WASHINGTON HUMANE SOCIETY
D/B/A HUMANE RESCUE ALLIANCE

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	DCAC Contract	Medical Operations	Shelter and Animal Programs	Community Programs	Humane Law Enforcement	Other Programs	Total Program Services	General and Administrative	Fundraising and Development	Total
Advertising, promotion and website	$ 499	$ -	$ 491	$ 412	$ -	$ 34,286	$ 35,688	$ 1,161	$ 3,842	$ 40,691
Animal feed, litter, and supplies	59,874	16,441	314,305	75,529	-	6,400	472,549	-	-	472,549
Bank and credit card fees	984	5,257	46,951	908	-	17,373	71,473	19,250	99,767	190,490
Benefits and taxes	674,884	270,281	891,773	151,475	70,233	470,013	2,528,659	248,860	190,229	2,967,748
Boarding expense	-	-	1,106	-	217,019	-	218,125	-	-	218,125
Catering (events)	-	144	34	-	-	-	178	-	53,433	53,611
Cost of goods sold - retail	-	-	4,402	7,547	-	-	11,949	136,558	-	148,507
Depreciation and amortization	137,968	54,604	596,896	10,068	31,270	11,506	842,312	224,824	12,084	1,079,220
Dues and subscriptions	5,504	859	91	600	4,671	5,469	17,194	12,326	3,768	33,288
Equipment rental	-	-	37,962	9,539	-	-	47,501	83,604	-	131,105
Event production and audio visual	-	483	2,817	2,277	-	20,116	25,693	-	40,891	66,584
Fuel	56,314	-	10,744	4,755	12,191	58,343	142,347	957	902	144,206
Insurance	68,320	591	38,034	11,421	22,052	74,280	214,698	224,792	-	439,490
Interest expense	-	18	976	-	-	-	994	397,807	-	398,801
Medical testing and supplies	3,278	250,611	83,784	2,568	14,416	-	354,657	-	-	354,657
Office and field equipment	20,171	4,068	6,240	2,583	2,953	3,605	39,620	23,903	239	63,762
Office supplies	19,485	7,575	18,107	2,706	1,078	2,012	50,963	18,406	1,125	70,494
Other expenses	1,627	10,882	30,989	12,530	4,910	976	61,914	4,938	-	66,852
Other personnel costs	46,966	16,504	25,638	1,911	3,483	47,817	142,319	70,270	4,881	217,470
Overhead allocation	687,441	311,073	790,854	103,802	69,133	448,416	2,410,719	(2,608,440)	197,721	-
Pharmaceuticals/medication	2,160	262,579	121,935	13,866	2,707	4,635	407,882	-	-	407,882
Printing, postage and design	1,883	168	3,583	6,848	1,210	316,636	330,328	17,256	501,150	848,734
Professional fees and consultants	419	98,094	61,558	47,274	-	117,090	324,435	325,484	736,978	1,386,897
Professional fees - pro bono legal	201,686	-	-	-	323,128	40,059	564,873	238,826	-	803,699
Real estate property taxes	-	-	-	2,823	-	-	2,823	405,448	-	408,271
Repairs and maintenance	45,867	18,200	88,863	985	8,525	12,617	175,057	403,043	-	578,100
Salaries and wages	3,068,933	1,391,533	3,530,599	459,945	308,628	2,001,857	10,761,495	1,192,012	882,689	12,836,196
Software maintenance and licenses	2,970	7,647	5,078	2,931	-	10,384	29,010	70,492	131,209	230,711
Telecom and internet	19,065	8,192	15,790	7,723	5,313	12,395	68,478	105,003	5,067	178,548
Travel and meals	351	4,344	5,341	12,559	2,456	29,243	54,294	36,819	16,500	107,613
Uniforms	3,933	654	8,012	-	1,032	6,511	20,142	17,432	-	37,574
Utilities and other occupancy costs	26,619	22,087	168,582	3	2,863	1,365	221,519	730,895	1,578	953,992
Veterinarian expense	4,932	190,284	122,690	113,835	37,641	-	469,382	-	-	469,382
Way Station giveback and transport costs	-	-	1,548	-	-	138,477	140,025	-	-	140,025
Total	$ 5,162,133	$ 2,953,173	$ 7,035,773	$ 1,069,423	$ 1,146,912	$ 3,891,881	$ 21,259,295	$ 2,401,926	$ 2,884,053	$ 26,545,274

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

WASHINGTON HUMANE SOCIETY
D/B/A HUMANE RESCUE ALLIANCE

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	DCAC Contract	Medical Operations	Shelter and Animal Programs	Humane Law Enforcement	Other Programs	Total Program Services	General and Administrative	Fundraising and Development	Total
Advertising, promotion and website	$ -	$ -	$ -	$ -	$ 44,134	$ 44,134	$ 2,794	$ 245	$ 47,173
Animal feed, litter, and supplies	47,198	18,149	220,099	1,351	49,394	336,191	-	-	336,191
Bad debt expense	-	-	-	-	-	-	-	49,566	49,566
Bank and credit card fees	1,179	3,329	32,731	-	20,799	58,038	16,326	85,477	159,841
Benefits and taxes	672,128	319,641	740,560	63,925	692,604	2,488,858	197,891	168,180	2,854,929
Boarding expense	-	-	175	215,548	-	215,723	-	-	215,723
Catering (events)	-	-	-	-	-	-	-	1,921	1,921
Cleaning and laundry	7,430	7,302	126,188	-	8,372	149,292	1,464	64	150,820
Cost of goods sold - retail	-	-	1,269	-	1,079	2,348	84,948	-	87,296
Depreciation and amortization	140,968	61,739	608,654	31,728	17,120	860,209	231,406	14,484	1,106,099
Dues and subscriptions	369	1,659	728	34	1,375	4,165	10,157	2,704	17,026
Equipment rental	2,772	-	14,545	-	9,136	26,453	87,735	-	114,188
Event production and audio visual	45	-	35	-	3,833	3,913	266	43,498	47,677
Fuel	41,604	30	4,837	11,315	42,731	100,517	965	-	101,482
Insurance	78,856	713	37,704	22,053	72,471	211,797	277,447	-	489,244
Interest expense	-	-	774	-	39	813	417,445	-	418,258
Medical testing and supplies	-	152,916	95,102	20,463	2,712	271,193	-	-	271,193
Office and field equipment	13,813	5,727	12,565	3,567	9,750	45,422	44,590	210	90,222
Office supplies	16,197	3,304	13,851	1,034	2,015	36,401	9,202	671	46,274
Other expenses	2,947	5,691	34,064	1,157	6,331	50,190	300	-	50,490
Other personnel costs	29,259	15,620	5,955	1,319	5,477	57,630	119,882	1,381	178,893
Overhead allocation	562,256	308,397	728,818	55,774	562,151	2,217,396	(2,379,704)	162,308	-
Pharmaceuticals/medication	-	209,843	105,322	2,502	23,502	341,169	-	-	341,169
Printing, postage and design	1,415	164	355	894	227,693	230,521	10,646	554,912	796,079
Professional fees and consultants	599	111,483	35,592	12,504	243,464	403,642	209,669	487,226	1,100,537
Professional fees - pro bono legal	91,828	-	-	189,210	-	281,038	449,792	-	730,830
Real estate property taxes	-	-	-	-	-	-	332,105	-	332,105
Repairs and maintenance	37,161	9,954	23,179	7,633	20,375	98,302	298,106	-	396,408
Salaries and wages	2,742,553	1,498,540	3,511,847	293,228	2,624,637	10,670,805	1,082,818	784,839	12,538,462
Software maintenance and licenses	2,970	4,621	2,227	-	12,341	22,159	51,803	115,591	189,553
Telecom and internet	-	-	7,111	518	10,902	18,531	161,893	-	180,424
Travel and meals	2,961	2,770	134	74	7,695	13,634	10,145	3,360	27,139
Uniforms	3,719	3,354	1,958	905	11,739	21,675	14,985	-	36,660
Utilities and other occupancy costs	17,753	1,750	4,590	2,000	2,026	28,119	561,026	1,000	590,145
Veterinarian expense	-	251,570	111,682	83,311	25,954	472,517	-	-	472,517
Way Station giveback and transport costs	-	-	-	-	223,682	223,682	-	-	223,682
Total	$ 4,517,980	$ 2,998,266	$ 6,482,651	$ 1,022,047	$ 4,985,533	$ 20,006,477	$ 2,306,102	$ 2,477,637	$ 24,790,216

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

WASHINGTON HUMANE SOCIETY
D/B/A HUMANE RESCUE ALLIANCE

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (5,927,423)	$ 281,012
Adjustments to reconcile change in net assets to net cash - operating activities:		
Amortization of deferred financing costs	10,498	10,499
Depreciation	1,068,722	1,095,600
Investment (income) loss, net	2,618,342	(2,875,112)
Unrealized (gain) loss on perpetual trusts	104,815	(20,375)
Change in allowance for bad debts	-	(248,783)
Change in present value discount on pledges receivable	(104,985)	(90,439)
Change in assets and liabilities:		
Accounts receivable	636,302	693,166
Prepaid expenses and supplies	(98,368)	(6,514)
Inventory	-	(28)
Deposits	(125,798)	-
Other asset	11,281	-
Accounts payable and accrued expenses	483,400	(328,895)
Charitable gift annuities	(8,178)	5,879
Deferred revenue	179,306	50,754
Net Cash - Operating Activities	$ (1,152,086)	$ (1,433,236)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	$ (567,062)	$ (245,737)
Purchases of investments	(650,031)	(559,501)
Proceeds from sales of investments	2,759,000	2,763,000
Distribution from perpetual trust	-	-
Net Cash - Investing Activities	$ 1,541,907	$ 1,957,762
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	$ (290,884)	$ (281,988)
Advances (repayments) on lines of credit, net	(350,000)	(100,084)
Net Cash - Financing Activities	$ (640,884)	$ (382,072)
NET CHANGE IN CASH AND CASH EQUIVALENTS	$ (251,063)	$ 142,454
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,306,967	1,164,513
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,055,904	$ 1,306,967
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash payments for interest	$ 398,801	$ 418,258
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Vehicles acquired through notes payable	$ -	$ 63,578

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

Note 1. Summary of Significant Accounting Policies:

Organization
The Washington Humane Society d/b/a Humane Rescue Alliance (the Alliance or Organization) is a not-for-profit organization founded in 1870 to provide and promote animal welfare in the District of Columbia (the District). Since 1980, the Alliance has also operated the District's Animal Control program under a contract with the City. As the largest animal protection agency in the District, the Alliance shelters stray, mistreated, and abandoned animals, reunites owners with lost companion animals, places animals in responsible homes, rescues sick and injured domestic and wild animals, offers affordable spay and neuter procedures as well as weekly low-cost vaccination clinics for cats and dogs, and transports wild animals to licensed rehabilitators.

On August 27, 2019, the Alliance and New Jersey based St. Hubert's Giralda d/b/a St. Hubert's Animal Welfare Center (St. Hubert's) merged. The merger has resulted in the largest regional animal welfare organization on the east coast.

Basis of Accounting
The Alliance prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when the obligations are incurred.

Income Tax Status
The Alliance is exempt from the payment of Federal and District of Columbia income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code. The Alliance is required to pay Federal and state taxes on net income generated from unrelated business activities. Unrelated business income for the years ended September 30, 2022 and 2021 pertained to rental income of an Alliance property. There was no tax due for the years ended September 30, 2022 and 2021. The Alliance has a net operating loss carryforward of $67,695 as of September 30, 2022 and 2021.

The Alliance adopted the Financial Accounting Standards Board FASB ASC 740-10, *Income Taxes*, which requires an assessment of uncertainty in income taxes and certain financial statement disclosures relating to unrecognized tax benefits. Management has evaluated the Alliance's tax positions and concluded that the Alliance's financial statements do not include any uncertain tax positions. The Alliance is not under examination by any tax jurisdiction.

Advertising Costs
Advertising costs are expensed as incurred.

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

Note 1. Summary of Significant Accounting Policies: (Continued)

Cash and Cash Equivalents
For financial statement purposes, the Alliance considers all money market accounts and highly liquid investments with a maturity of three months or less from the date of purchase, not included in the investment accounts, to be cash equivalents.

Accounts Receivable
Accounts receivable are recorded at their net realizable value. Accounts 90 days past due are analyzed for collectability and when all collection efforts have been exhausted, the account is written off against bad debt expense. Management has established an allowance for doubtful accounts to cover estimated uncollectible amounts at year-end. The allowance for doubtful accounts was $0 for the years ended September 30, 2022 and 2021.

Inventory
Inventory for hospital, shelter operations, and retail sale consists of pharmaceuticals and other supplies and food for resale and is stated at the lower of cost or market using the first-in, first-out method.

Fixed Assets
Fixed assets purchased are stated at cost. Donated fixed assets are recorded at the estimated fair market value on the date of donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets that range from three to forty years. All purchases of fixed assets that are greater than or equal to $2,000 are capitalized.

Impairment of Long-Lived Assets
The Alliance evaluates the carrying value of its long-lived assets based on whether it is probable that undiscounted future net cash flows from its long-lived assets will be less than its net book value. No impairment adjustments were required according to management for the years ended September 30, 2022 and 2021.

Deferred Financing Costs
Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2015-03, *Interest – Imputation of Interest, Simplifying the Presentation of Debt Issuance Costs* which requires that debt issuance costs related to a note shall be reported in the statement of financial position as a direct deduction from the face amount of that note. The debt issuance costs shall not be classified as a deferred charge or deferred credit. The deferred financing costs are reflected as a direct deduction of the notes payable.

Costs incurred in connection with financing activities are amortized to interest expense over the term of the related debt agreements using the straight-line method that approximates an effective interest method. Accumulated amortization was $36,411 and $25,913 as of September 30, 2022 and 2021, respectively.

Note 1. Summary of Significant Accounting Policies: (Continued)

Beneficial Interest in Perpetual Trusts
The Alliance is named as the beneficiary in perpetual trusts held by third parties. The trusts, which are invested in cash equivalents, equity and fixed income funds, and other assets, are measured at the fair value of the Alliance's share of trust assets.

Gift Annuities
Gift annuities are contracts between the Alliance and a donor in which the Alliance agrees to pay the donor (or other persons named by the donor) a lifetime annuity in return for a gift of cash or marketable securities. The assets received by the Alliance are recorded at fair value at the date of the donation. A liability is recorded for the present value of amounts due to an income beneficiary of a gift annuity during the income beneficiary's expected life. Each year, the liability is re-measured and changes in the liability due to factors other than cash payments, such as changing life expectancies, are recorded as an increase or decrease to revenue and liability. The discount rate ranges from 3% to 4% depending on the discount rate in effect at the time of the gift.

Fair Values
Fair Value Hierarchy
The Alliance has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Financial assets and liabilities recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1
Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Alliance has the ability to access.

Level 2
Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the assets or liability. Level 2 inputs include, among others, quoted prices for similar assets or liabilities in active markets or non-active markets.

Level 3
Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Note 1. Summary of Significant Accounting Policies: (Continued)

Revenue Recognition

During the year ended September 30, 2021, the Alliance adopted FASB Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers,* as amended, which supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time and expand disclosures about revenue.

Contract revenue is recognized when persuasive evidence of an arrangement exists, services have been rendered or goods delivered, the contract price is fixed or determinable, and collectability is reasonably assured. Revenue associated with work performed prior to the completion and signing of contract documents is recognized only when it can be reliably estimated and realization is probable. The transaction price is set in the contract, allocated based on the output method, measuring results achieved and value transferred to the customer. There are no variable considerations. The Alliance bases its estimates on previous experiences with the customer, communications with the customer regarding funding status, and its knowledge of available funding for the contract. Clinic and shelter fees are recognized when services are provided. All services for these programs are transferred and used at the same point in time. Revenue from events is recognized at the gross amounts received when the events are held. Revenue received before events are held is recognized as deferred revenue. Accordingly, the Alliance satisfies the performance obligation and the revenue is recognized when the services/events occur. Contract receivable balances were $430,455, $580,474, and $1,043,836 as of September 30, 2022, 2021, and 2020, respectively.

The following revenue streams are outside the scope of ASC 606:

Contributions and grants are recognized as revenue when received or when the donor makes a promise to give to the Alliance that is, in substance, unconditional. Contributions and grants that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction expires or is otherwise fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions. Restrictions that are met in the same reporting period are reflected as net assets without donor restrictions in the accompanying statements of activities and changes in net assets. Conditional promises to give, that is 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 substantially met.

Note 1. Summary of Significant Accounting Policies: (Continued)

Contributed Services

The Alliance recognizes pro bono legal services as contribution revenue and professional services expense in the period received. No amounts have been recorded in the financial statements to reflect contributed services performed by Alliance volunteers. These hours do not meet the requirements for reporting under accounting standards. Contributions of services shall be recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Services requiring specialized skills are provided by accountants, architects, carpenters, doctors, electricians, lawyers, nurses, plumbers, teachers and other professionals and craftsmen. Contribution services and promises to give services that do not meet the above criteria shall not be recognized. Contributed services in the amounts of $803,699 and $730,830 were recorded for the years ended September 30, 2022 and 2021, respectively, and are included as gifts in kind and professional fees – pro bono legal services expense on the statements of activities and changes in net assets. The contributed services recognized relate to services from attorneys advising the Alliance on various legal matters. These contributed services have no donor imposed restrictions and are reported at the estimated fair value in the financial statements based on current rates for similar legal services.

Bequests Receivable

The Alliance is frequently named as a beneficiary of donors' estates. Bequests from decedents are recognized when the Alliance is notified of the bequest and the amount can reasonably be determined. Amounts expected to be received within one year are recorded at net realizable value, and those expected to be received in more than one year are recorded at the discounted present value. Bequests are included in pledges receivable, net on the statements of financial position.

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the discounted present value of their estimated future cash flows.

The discounts on those amounts for pledges are computed using a discount rate equal to the risk free treasury rate for a term equal to the length of the pledge plus a risk factor of 0.5%-1.0%. Amortization of the discount is included in contribution revenue with donor restrictions.

The Alliance's management periodically reviews the status of these receivables for collectability, which is assessed based on management's knowledge from a relationship with the donor and the age of the receivable. As a result of these reviews, management has estimated that the allowance for doubtful accounts was $0 as of September 30, 2022 and 2021. Conditional promises to give are not included as support until the conditions are substantially met.

Note 1. Summary of Significant Accounting Policies: (Continued)

Financial Statement Presentation
In accordance with U.S. GAAP, the Alliance classifies resources for accounting and reporting purposes into two classes of net assets according to externally (donor) imposed restrictions. Descriptions of the two net asset categories are as follows:

Net Assets without donor restrictions:
Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Alliance's management and the board of directors.

Net Assets with donor restrictions:
Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Alliance or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Allocation of Expenses
The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statements of activities and changes in net assets. Costs that can be identified with a particular program or support function are charged directly to that program or function. Salaries and related costs have been allocated among the programs and supporting services based upon management's best estimates of the proportion of these costs applicable to each program. Other allocable costs have been allocated to program services, general and administrative, and fundraising and development expenses based upon management's best estimates.

Cost of Joint Activities
The Alliance accounts for costs of joint activities which are part fundraising and have elements of one or more other functions, such as program services or management and general expenses, according to certain criteria of purpose, audience and content in order to allocate any portion of the costs of joint activities to a functional area other than fundraising.

Uniform Prudent Management of Institutional Funds Act
During 2009, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) became effective which provides guidance on the classification of endowment fund net assets for states that have enacted versions of the Uniform Prudent Management of Institutional Funds Act, and enhances disclosures for endowment funds. Under UPMIFA all unappropriated endowment fund assets are considered restricted, except for the board designated endowment.

Note 1. Summary of Significant Accounting Policies: (Concluded)

Reclassifications

Certain amounts and descriptions in the prior year financial statements have been modified for comparative purposes to conform to the current year presentation. These modifications had no effect on the previously reported change in net assets.

Recently Adopted Accounting Pronouncements

The FASB has issued ASU 2014-09, *Revenue from Contracts with Customers* (as amended by ASU 2015-14), which provides a single comprehensive accounting standard for revenue recognition for contracts with customers and supersedes current industry-specific guidance. The ASU is effective for annual reporting periods beginning after December 15, 2019. The Alliance adopted the provisions of ASU 2014-09 in the year ended September 30, 2021.There was no effect on net assets in connection with the implementation of ASU 2014-09.

The FASB has issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed and Nonfinancial Assets*, which requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities and changes in net assets, apart from contributions of cash and other financial assets and enhance disclosures related to these contributions. Entities must disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities and changes in net assets by category that depicts the type of contributed nonfinancial assets. For each category of contributed nonfinancial assets, the entity must disclose (a) qualitative information about whether the contributions were monetized or utilized during the period (if utilized, a disclosure of the programs or other activities in which those assets were used); (b) the policy about monetizing rather than utilizing contributed nonfinancial assets; (c) a description of any restrictions imposed by the donor associated with the contribution of nonfinancial assets; (d) a description of the valuation techniques and inputs used to determine the fair value of the nonfinancial assets, in accordance with the requirements in Topic 820, *Fair Value Measurement*, at initial recognition; and (e) the principal market used to arrive at a fair value measure if it is a market in which the entity is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. ASU 2020-07 is effective for annual periods beginning after June 15, 2021. The Alliance adopted the provisions of ASU 2020-07 in the year ended September 30, 2022. Presentation and disclosures related to contributed nonfinancial assets have been enhanced accordingly.

In March 2018, the FASB issued ASU No. 2016-02, *Leases*. The main difference between the provisions of ASU No. 2016-02 and previous U.S. GAAP is the recognition of right-of-use assets and lease liabilities by lessees for those leases classified as operating leases under previous U.S. GAAP. ASU No. 2016-02 retains a distinction between finance leases and operating leases, and the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous U.S. GAAP. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election, by class of underlying asset, not to recognize right-of-use assets and lease liabilities. The accounting applied by a lessor is largely unchanged from that applied under previous U.S. GAAP. The Alliance adopted the standard during the fiscal year ended September 30, 2022 using the optional transition method, and as a result, did not adjust the prior period financial statements. The Alliance elected the package of practical expedients. There was no effect on these financial statements in connection with the implementation of ASU 2016-02.

Note 2. Financial Risk:

Financial instruments that potentially subject the Alliance to significant concentrations of credit risk consist of cash and investment accounts. The Alliance maintains these cash and investment accounts with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The Alliance has not experienced any credit losses on its cash or investments to date in relation to FDIC and SIPC insurance limits. Management believes that the risk of any credit loss is minimal.

Note 3. Pledges Receivable:

Pledges receivable are recorded at the gross amount of the pledge, and are discounted to present value. Management believes all pledges receivable are fully collectible and are due as follows at September 30, 2022 and 2021:

	2022	2021
Due in less than one year	$ 644,000	$ 844,000
Due between one and five years	954,500	1,104,500
Due after five years	1,707,510	1,797,375
Total	$ 3,306,010	$ 3,745,875
Allowance for doubtful accounts	-	-
Discount	(1,146,821)	(1,251,807)
Pledges receivable, net	$ 2,159,189	$ 2,494,068

Note 4. Investments:

Investments are recorded at fair market value and consisted of the following at September 30, 2022 and 2021:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Investment cash and money market funds	$ 683,397	$ 683,397	$ 822,248	$ 822,248
Equity securities	6,766,205	9,154,693	7,196,096	12,344,377
Corporate bonds	1,395,505	1,258,183	1,965,764	2,097,179
Fixed income and U.S. Treasuries	1,442,671	1,397,094	1,642,042	1,693,985
Government bonds	-	-	50,210	49,414
Mutual funds - equity	544,704	650,264	567,415	863,739
	$ 10,832,482	$ 13,143,631	$ 12,243,775	$ 17,870,942

Note 4. Investments: (Concluded)

The Alliance invests in a variety of investments. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of financial position.

Investment income was comprised of the following for the years ended September 30, 2022 and 2021:

	2022	2021
Interest and dividends	$ 354,884	$ 314,487
Investment income (loss), net	(2,618,342)	2,875,112
	$ (2,263,458)	$ 3,189,599
Investment gain (loss) – Perpetual Trust	(104,815)	20,375
Total	$ (2,368,273)	$ 3,209,974

The following table presents the fair value hierarchy for those assets measured at fair value under accounting standards on a recurring basis as of September 30, 2022:

	Level 1	Level 2	Level 3	Total
Investment cash and money market funds	$ 683,397	$ -	$ -	$ 683,397
Equity securities	9,154,693	-	-	9,154,693
Corporate bonds	-	1,258,183	-	1,258,183
Fixed income and U.S. Treasuries	-	1,397,094	-	1,397,094
Mutual Funds - equity	650,264	-	-	650,264
	$ 10,488,354	$ 2,655,277	$ -	$ 13,143,631

The following table presents the fair value hierarchy for those assets measured at fair value under accounting standards on a recurring basis as of September 30, 2021:

	Level 1	Level 2	Level 3	Total
Investment cash and money market funds	$ 822,248	$ -	$ -	$ 822,248
Equity securities	12,344,377	-	-	12,344,377
Corporate bonds	-	2,097,179	-	2,097,179
Fixed income and U.S. Treasuries	-	1,693,985	-	1,693,985
Government bonds	-	49,414	-	49,414
Mutual Funds - equity	863,739	-	-	863,739
	$ 14,030,364	$ 3,840,578	$ -	$ 17,870,942

Note 5. Liquidity and Availability:

Financial assets available for general, unrestricted expenditure within one year of the statement of financial position date, are comprised of the following on September 30, 2022:

Cash and cash equivalents	$	1,138,374
Accounts receivable		574,511
Pledges receivable, net		2,159,189
Investments		13,143,631
Financial assets, at September 30, 2022	$	17,015,705
Less amounts not available to be used within one year:		
Net assets with donor restrictions		(6,039,347)
Financial assets available to meet general expenditures over the next twelve months	$	10,976,358

Financial assets available for general, unrestricted expenditure within one year of the statement of financial position date, are comprised of the following on September 30, 2021:

Cash and cash equivalents	$	1,306,967
Accounts receivable		770,949
Pledges receivable, net		2,494,068
Investments		17,870,942
Financial assets, at September 30, 2021	$	22,442,926
Less amounts not available to be used within one year:		
Net assets with donor restrictions		(6,700,381)
Financial assets available to meet general expenditures over the next twelve months	$	15,742,545

The Alliance's goal is generally to maintain financial assets to meet 120 days (four months) of operating expenses which is approximately $8,000,000. As part of the Alliance's liquidity plan, excess cash is invested in money market accounts and/or investments. The Alliance also has a $1,500,000 operating line of credit available to meet cash flow needs.

Note 6. Animal Control Contract:

Since 1980, the Alliance has provided animal control services under a contract with the District of Columbia (the District) to operate the District Animal Control (DCAC) facility. On November 19, 2017, the Alliance negotiated a one year contract (along with four one-year options) with the District Department of Health for animal control and the DC Animal Shelter. The contract is a labor rate contract for up to $4,194,441 and allows for up to $370,000 of reimbursable expenses. Subsequent years have rate increases to the contract. On November 18, 2022, the Alliance entered into a month-to-month contract with the District to allow sufficient time for a longer term contract renewal to be negotiated and entered into. In March 2023, the Alliance negotiated a new contract with the District. Similar to the previous contract, the contract is a labor rate contract for up to $3,112,724 and allows for up to $499,000 of reimbursable expenses. Subsequent years have rate increases to the contract.

The District contract accounted for 20% and 18% of the Alliance's total revenue for the years ended September 30, 2022 and 2021, respectively.

Note 7. Charitable Trusts:

The Alliance is named as a beneficiary of two perpetual trusts administered by financial institutions. The Alliance's value of its interest in the trusts as of September 30, 2022 and 2021 was $146,263 and $173,972 respectively. The trusts are recognized as an asset and as net assets with donor restriction in the accompanying financial statements. The Alliance is entitled to receive quarterly distributions, which are based on the dividend and interest income received on the assets of the trusts during the quarter. The quarterly distributions are recorded as investment income when received.

The Alliance also recognizes two perpetual trusts for which St. Hubert's is named as a beneficiary on the statements of financial position. The value of the interest in the trusts as of September 30, 2022 and 2021 was $378,688 and $538,265, respectively. Similarly, to the trusts mentioned above, these trusts are recognized as an asset and as net assets with donor restrictions in the accompanying financial statements. The Alliance is entitled to receive monthly and quarterly distributions, which are based on the dividend and interest income received on the assets of the trusts during the month or quarter. The monthly and quarterly distributions are recorded as investment income when received.

The Alliance's share of changes in the fair value of the trust assets are recognized as net assets with donor restrictions in perpetual trust value.

Note 8. Net Assets With Donor Restrictions:

The Alliance records certain donor-restricted contributions as net assets with donor restrictions. The Alliance releases these net assets with donor restrictions as it incurs direct expenses related to the restrictions. Net assets with donor restrictions consisted of the following as of September 30, 2022 and 2021:

	2022	2021
Building Fund	$ 405,287	$ 1,084,267
Workforce Development	125,000	125,000
Other purpose restricted, balances < $25,000 each	50,007	39,828
Cat Count	-	72,362
Ann Brody Cove	56,767	61,665
PetCo Foundation	100,000	200,000
Disaster response	79,053	69,944
Humane Education	-	38,969
Pet Resource Center	293,597	243,597
Fournier Foundation	-	125,000
Hope & Pet Pantry	203,723	-
PetSmart Charities Access 2Care	190,979	-
Endowment net assets	4,534,934	4,639,749
Total	$ 6,039,347	$ 6,700,381

The net assets released from restrictions for the years ended September 30, 2022 and 2021 consist of the following:

	2022	2021
Time and Purpose Restriction	$ 2,305,106	$ 2,830,603

Certain net assets with donor restrictions consist of fund bequests from separate donors. The assets are to be held in perpetuity and the net earnings used for general operations.

Note 9. Line of Credit:

The Alliance has available a $1,500,000 revolving line of credit with a financial institution. Interest payments are due monthly and calculated at 4.25%. The final principal and interest payment on the revolving line of credit is due on demand. The outstanding balance at September 30, 2022 and 2021 was $300,000 and $650,000, respectively. This line is secured by the Alliance's investment account at Charles Schwab & Co., Inc. The line matures April 30, 2024.

Note 10. Notes Payable:

The Alliance maintained the following notes payable at September 30, 2022 and 2021:

In March of 2019, the Alliance refinanced its debt with a new lender. The interest rate on the note is 4.22%, payable in monthly payments of principal and interest in the amount of $31,335. The note matures April 24, 2024 and is secured by property at 15 and 71 Oglethorpe Street, Washington, D.C. The balance of the loan was $5,302,090 and $5,447,868 as of September 30, 2022 and 2021, respectively.

In 2016, the Alliance purchased two vehicles with dealer financing at interest rates ranging from 4.24% to 6.95%. The total cost of these vehicles is $58,416. The terms of the two notes include sixty monthly payments totaling $1,038, with maturity dates in October 2020 and March 2022. The balance of the notes at September 30, 2022 and 2021 was $0 and $3,096, respectively.

In 2018, the Alliance purchased four vehicles with dealer financing at interest rates ranging from 3.99% to 5.99%. The total cost of these vehicles is $120,534. The terms of the four notes range from sixty to seventy-two monthly payments of $2,129 with maturity dates in January and February 2023 and February 2024. The balance of the notes at September 30, 2022 and 2021 was $20,935 and $44,109, respectively.

In 2019, the Alliance purchased seven vehicles with dealer financing at interest rates ranging from 5.99% to 6.50%. The total cost of these vehicles was $264,941. The terms of each of the seven notes include sixty monthly payments totaling $4,731 with maturity dates ranging from June 2024 to November 2024. The balance of the notes at September 30, 2022 and 2021 was $100,634, and $149,559, respectively.

In March of 2019, the Alliance entered into a $2.5 million promissory note with United Bank to acquire two real estate properties located adjacent to land already owned by the Alliance. Those parcels were purchased in March and September of 2019, respectively. The terms of the promissory note are monthly interest payments for five years with a balloon payment due in February 2024. The loan has a fixed interest rate of 5.50%. The outstanding balance at September 30, 2022 and 2021 was $2,480,170. The loan is secured by the Charles Schwab investment account.

In 2020, the Alliance purchased nine vehicles with dealer financing at interest rates ranging from 5.99% to 6.50%. The total cost of these vehicles was $297,096. The terms of each of the nine vehicles include sixty monthly payments totaling $5,924 with maturity dates ranging from June 2023 to March 2025. The balance of the notes at September 30, 2022 and 2021 was $146,672 and $206,165, respectively.

In 2021, the Alliance purchased two vehicles with dealer financing at interest rates ranging from 5.24% to 5.32%. The total cost of these vehicles was $63,578. The terms of both vehicles include sixty monthly payments totaling $1,086 with maturity dates in May 2026. The balance of the notes at September 30, 2022 and 2021 was $43,320 and $53,738, respectively.

Note 10. Notes Payable: (Concluded)

Future payments are as follows:

Year Ending September 30,	
2023	$ 495,975
2024	7,557,355
2025	35,340
2026 and thereafter	5,151
Total	$ 8,093,821

Note 11. Deferred Revenue:

Revenue received in advance of the period in which it will be earned is reported as deferred revenue. Deferred revenue consists primarily of advance deposits for future fundraising events and prepaid tenant rent.

The following table provides information about significant changes in deferred revenue for the years ended September 30:

	2022	2021
Deferred revenue, beginning of year	$ 140,925	$ 90,171
Revenue recognized that was included in deferred revenue at beginning of year	(140,925)	(88,921)
Deferred revenue received during the year	320,231	139,675
Deferred revenue, end of year	$ 320,231	$ 140,925

Note 12. Retirement Plan:

Effective January 1, 2016, the Alliance restated a defined contribution 401(k) pension plan covering substantially all employees. Effective January 2017, the Alliance adopted a 401(k) safe harbor plan and an employee becomes eligible to participate in the pension plan after three months of service. The Alliance matches 100% of the first 3% of employees' deferrals, and 50% of the next 2% of the employees' deferrals, for a total of 5%. Benefits related to employer contributions are 100% vested when made to the account. Pension expense for the years ended September 30, 2022 and 2021 was $249,945 and $235,722, respectively.

Note 13. Endowment and Net Assets With Donor Restrictions:

The Alliance has a donor-restricted endowment fund established for the purposes of providing income to support specific donor-restricted activities. As required by GAAP, net assets of the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of directors of the Alliance has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Alliance classifies as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations of the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions (previously permanently restricted net assets) is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Alliance in a manner consistent with the standard of prudence prescribed by UPMIFA. The Alliance considered all amounts earned on the endowment fund to be appropriated for current use.

The Alliance's endowment investment policy is focused on preservation of capital and amounts are invested in equities, U.S. and corporate bonds, mutual funds, annuity contracts, and cash.

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, September 30, 2020	$ -	$ 4,619,374	$ 4,619,374
Investment income	777,312	20,375	797,687
Expenditures	(777,312)	-	(777,312)
Endowment net assets, September 30, 2021	$ -	$ 4,639,749	$ 4,639,749
Investment income (loss)	(713,917)	(104,815)	(818,732)
Expenditures/ appropriations	713,917	-	713,917
Endowment net assets, September 30, 2022	$ -	$ 4,534,934	$ 4,534,934

Note 14. Commitments and Contingency:

Commitment

The Alliance hosts a variety of fundraising events throughout the year, in connection with which the Alliance has entered into agreements with various hotels and facilities for these events. If the Alliance withdraws from these contracts, it will pay a cancellation fee based on calculations from the hotels. The amount of the fees cannot be estimated as of September 30, 2022 and 2021. The Alliance has also entered into various other fundraising related contracts. Cancellation of the hotel and other contracts is not expected to occur.

In June 2022, the Alliance entered into a lease agreement, as lessor, with a tenant for the lease of certain property at the St. Hubert's Animal Welfare Center location in Madison, New Jersey. Per the terms of the lease, the tenant is to construct a veterinary general and specialty practice on the first and second floors of the building. The lease commences on the date of opening, but no later than a date that is 30 days after the tenant's receipt of temporary or final certification of occupancy with respect to the first phase of construction and shall continue for five years. As lessor, the Alliance is to contribute to the construction costs including 2.5 times the then current year's base rent or 40% of the actual cost of the tenant's work. The lease also includes a revenue sharing provision in which the tenant will pay the Alliance semi-annually an amount equal to 1% of the tenant's gross sales revenues subject to a net revenue cap of $5 million per year. The tenant will also provide the Alliance with a 20% discount off tenant's veterinary and related services received by the Alliance, to be capped at $250,000 per year, and a 15% discount for such veterinary and related services received in excess of $250,000 per year. Tenant has a right of first refusal to purchase the property if the Alliance decides to sell the property.

Contingency

From time to time, the Alliance is subject to various claims and legal proceedings covering a wide range of matters that arise in the normal course of its business matters. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material effect on the financial condition or results of operations of the Alliance.

The Alliance receives a significant portion of its revenue from grants. The ultimate determination of amounts received under these programs often is based on allowable costs reported to the grantor. In some instances, the grantor reserves the right to audit the program costs. Until the final settlement is reached with each grantor, there exists a contingency to refund any amount received for costs deemed unallowable in an audit conducted by a grantor.

Note 15. Subsequent Events:

The Alliance has evaluated events through August 31, 2023, the date the financial statements were available to be issued. The following events have occurred subsequent to September 30, 2022:

- As mentioned in Note 9, the Alliance renewed its line of credit which expires April 30, 2024.
- As mentioned in Note 6, the Alliance negotiated a new animal control contract with the District of Columbia.
- In fiscal year 2021, the Alliance qualified to receive tax refunds as part of the Employee Retention Tax Credit which was created as part of the Coronavirus Aid, Relief, and Economic Security Act to encourage businesses to continue paying employees by providing a credit to eligible employers for wages paid to eligible employees. The Alliance intends to apply for the credit in which it will receive approximately $1,250,000 in credits related to the first and second quarters of calendar year 2021.

The Alliance determined there were no other events occurring subsequent to September 30, 2022 that require recognition or disclosure in these financial statements.