

Animal Friends, Inc.
562 Camp Horne Road
Pittsburgh, PA 15237

FINANCIAL REPORT

December 31, 2022 AND 2021

INDEX

INDEPENDENT AUDITOR'S REPORT	PAGE 1
BALANCE SHEET - DECEMBER 31, 2022 WITH SUMMARIZED FINANCIAL INFORMATION AT DECEMBER 31, 2021	PAGE 3
STATEMENT OF ACTIVITIES - YEAR ENDED DECEMBER 31, 2022 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021	PAGE 4
COMPARATIVE STATEMENTS OF CASH FLOWS - YEARS ENDED DECEMBER 31, 2022 AND 2021	PAGE 5
NOTES TO FINANCIAL STATEMENTS	PAGE 6

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Independent Auditor's Report

To the Board of Directors
of Animal Friends, Inc.:

Opinion

We have audited the accompanying financial statements of Animal Friends, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities 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, Inc. as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Animal Friends, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always

detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Report on Summarized Comparative Information

We have previously audited the Animal Friends, Inc.'s 2021 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated July 8, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent in all material respects, with the audited financial statements from which it has been derived.

Frank P. Hess & Co., Inc.

Pittsburgh, PA
June 30, 2023

ANIMAL FRIENDS, INC.

BALANCE SHEET DECEMBER 31, 2022

WITH SUMMARIZED FINANCIAL INFORMATION AT DECEMBER 31, 2021

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>ASSETS</u>				
Cash and Cash Equivalents (Note 2)	\$ 4,557,428	\$ 371,049	\$ 4,928,477	\$ 2,896,675
Receivables (Note 3)	44,612	180,881	225,493	307,904
Board Designated Investments (Note 4)	1,001,370	0	1,001,370	1,000,000
Inventory	33,964	0	33,964	37,171
Prepaid Expenses	90,988	0	90,988	48,789
Investments (Note 5)	2,136,077	3,373,046	5,509,123	6,154,920
Property, Plant and Equipment - Net (Note 6)	11,405,412	0	11,405,412	11,743,006
Assets Held In Trust (Note 7)	0	2,938,262	2,938,262	3,778,716
<u>TOTAL ASSETS</u>	\$ 19,269,851	\$ 6,863,238	\$ 26,133,089	\$ 25,967,181
<u>LIABILITIES AND NET ASSETS</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 149,886	\$ 0	\$ 149,886	\$ 179,095
Accrued Expenses	272,984	0	272,984	358,387
Debt (Note 8)	4,742,844	0	4,742,844	5,009,209
<u>Total Liabilities</u>	5,165,714	0	5,165,714	5,546,691
<u>Net Assets (Note 9)</u>				
Without Donor Restrictions	13,102,767	0	13,102,767	10,833,725
Without Donor Restrictions - Board Designated Investments	1,001,370	0	1,001,370	1,000,000
With Donor Restrictions	0	6,863,238	6,863,238	8,586,765
<u>Total Net Assets</u>	14,104,137	6,863,238	20,967,375	20,420,490
<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$ 19,269,851	\$ 6,863,238	\$ 26,133,089	\$ 25,967,181

See Notes to Financial Statements

ANIMAL FRIENDS, INC.

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2022

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>2022</u>		<u>2021</u>	
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>				
Legacies	\$ 5,288,300	\$ 0	\$ 5,288,300	\$ 1,921,770
Donations and Grants (Note 10)	2,189,175	231,410	2,420,585	3,528,744
Pet Retention Veterinary Services	1,101,601	0	1,101,601	853,632
Fund Raisers (Net of \$564,571 Direct Costs)	688,702	0	688,702	662,239
Investment Income (Note 11)	(133,088)	(655,650)	(788,738)	641,181
Trust Income (Loss) (Note 12)	0	(640,819)	(640,819)	342,641
Miscellaneous Income	12,302	0	12,302	0
Net Assets Released From Restrictions:				
Satisfaction of Donor Restrictions	658,468	(658,468)	0	0
	<u>9,805,460</u>	<u>(1,723,527)</u>	<u>8,081,933</u>	<u>7,950,207</u>
<u>EXPENSES (Note 13)</u>				
Program	6,339,261	0	6,339,261	5,283,021
Administration	559,875	0	559,875	333,883
Fund Raising	635,912	0	635,912	475,845
	<u>7,535,048</u>	<u>0</u>	<u>7,535,048</u>	<u>6,092,749</u>
<u>NET ACTIVITY</u>	2,270,412	(1,723,527)	546,885	1,857,458
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>11,833,725</u>	<u>8,586,765</u>	<u>20,420,490</u>	<u>18,563,032</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 14,104,137</u>	<u>\$ 6,863,238</u>	<u>\$ 20,967,375</u>	<u>\$ 20,420,490</u>

See Notes to Financial Statements

ANIMAL FRIENDS, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ 546,885	\$ 1,857,458
Add (Deduct) Items Not Affecting Cash:		
Depreciation	483,010	467,687
Capital (Gains) Losses	1,118,380	(557,788)
Noncash Trust (Income) Loss	640,819	(342,641)
Change in Inventory	3,207	14,136
Change in Prepaid Expenses	(42,199)	(1,195)
Change in Assets Held in Trust	199,635	242,430
Change in Accounts Payable	(29,209)	52,472
Change in Accrued Expenses	(85,403)	(41,037)
 <u>NET CASH FLOWS FROM OPERATIONS</u>	 <u>2,835,125</u>	 <u>1,691,522</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of Marketable Investments	(5,939,159)	(3,367,960)
Sale of Marketable Investments	5,466,576	3,784,092
Purchase of Property, Plant and Equipment	(145,416)	(169,761)
Transfer to Board Designated Investments	(1,370)	(1,000,000)
 <u>NET CASH FLOWS FROM INVESTING ACTIVITIES</u>	 <u>(619,369)</u>	 <u>(753,629)</u>
 <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Change in Receivables	82,411	225,007
Repayment on Loan	(266,365)	(258,696)
 <u>NET CASH FLOWS FROM FINANCING ACTIVITIES</u>	 <u>(183,954)</u>	 <u>(33,689)</u>
 <u>NET CASH FLOWS</u>	 <u>2,031,802</u>	 <u>904,204</u>
 <u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	 <u>2,896,675</u>	 <u>1,992,471</u>
 <u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	 <u>\$ 4,928,477</u>	 <u>\$ 2,896,675</u>
 <u>SUPPLEMENTAL DISCLOSURES</u>		
Cash paid for interest	<u>\$ 142,967</u>	<u>\$ 150,636</u>

Noncash donations valued at \$841,627 and \$458,371 were received in 2022 and 2021, respectively.

See Notes to Financial Statements

ANIMAL FRIENDS, INC.
NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Date of Management's Review

Management has evaluated subsequent events through June 30, 2023, which is the date the financial statements were available for issue.

Organization

Animal Friends, Inc., ("Animal Friends") received its charter as a nonprofit corporation from the Commonwealth of Pennsylvania on June 1, 1943. Since then, it has operated as a public charity exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The purpose of Animal Friends is to ensure a humane and compassionate future for every animal friend. It is the mission of the organization to rescue, rehabilitate and rehome animals in crisis, to ensure healthy pets through education, advocacy, and affordable services, and to inspire a community where the animal-human bond is celebrated and nurtured.

Tax Status

Since incorporation, Animal Friends has operated as a public charity exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Tax form 990, Return of Organization Exempt from Income Tax, for the years ending December 31, 2020, 2021, and 2022 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Accounting For Restrictions

Net assets, revenues, expenses, gains and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of Animal Friends are classified and reported as follows:

Net Assets Without Donor Restrictions- Net assets which are not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions- Net assets which are subject to donor-imposed restrictions which will be satisfied by actions of Animal Friends or by the passage of time.

Animal Friends has adopted the following policies for gifts received with a donor-imposed restriction:

In the absence of donor stipulations specifying how long-lived donated assets must be used, restrictions on long-lived assets and other personal property items, or cash to acquire long-lived assets or personal property items, expire when the assets are placed in service or purchased as the case may be. The sale proceeds (or, in the case of a destroyed item, insurance proceeds) from either a donated asset or an asset purchased with a gift of cash are unrestricted unless specifically delineated otherwise by the original donor. In the absence of donor stipulations, interest income earned on funds with donor restrictions is without restriction and may be used for general operations, programs and services.

Contributions

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a donor restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished) donor restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Volunteer Services

Unpaid volunteers have made significant contributions of their services to develop Animal Friends' programs and assist in its support. The value of these contributions is not reflected in the accompanying financial statements due to the nature of the services rendered. In 2022 1,771 active volunteers donated 336,459 hours of service, which equate to approximately 161.8 full-time equivalent employees.

Basis of Accounting

All transactions of Animal Friends have been accounted for using the accrual basis of accounting. All restricted gifts are separately identified both in the financial statements and in the underlying accounting workpapers.

Estimates

These financial statements use estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and Cash Equivalents consist of cash, certificates of deposit, and other highly liquid investments with maturities of three months or less.

Fair Value Accounting

Investments and Assets Held in Trust are reported at fair value. Fair values are classified according to a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 - Securities traded in an active market with available quoted prices for identical assets as of the reporting date.

Level 2 - Securities not traded in an active market but for which market inputs are readily available.

Level 3 - Securities not traded in an active market and for which no significant observable market inputs are available as of the reporting date.

All Assets Held in Trust are Level 1 securities. See footnote 3 for Investment Levels.

Receivables

Receivables are recorded at net realizable value. A present value discount rate of 5% is used valuing pledges receivable to the capital campaign.

Inventory

Inventory is comprised of food, clothing, veterinary products, and gift items held for sale in the gift shop. Proceeds from the sale of donated food are recorded as Donations. Net proceeds from the sale of purchased items are recorded as a Fund Raiser. Inventory also includes animal supplies (primarily food) for use in the facility. Inventory is accounted for at the lower of cost or market, using the specific identification cost method.

Property, Plant and Equipment

All Property, Plant and Equipment are being depreciated using the straight-line method over each asset's useful life. Useful lives assigned are five years for transportation equipment; three to ten years for furniture and equipment; and twenty to forty years for buildings. Repairs and maintenance, which do not extend the lives of the applicable assets, are charged to expense as incurred. Gain or loss from the retirement or other disposition of these assets is included in the statement of activities.

Revenue Recognition

Donations and Grants are recognized as revenue when a donor makes an unconditional promise to give.

Legacies are recognized as cash is received.

Pet Retention Veterinary Services are recognized on a cash basis due to the inability to reasonably estimate bad debts.

Fundraisers are recognized on the day the event is held. Sponsorships and donations for the event are included as part of the fundraiser.

Allocations

Animal Friends allocates expenses to Program, Administration, and Fund Raising as follows:

Payroll and Related Costs – time sheets, position responsibilities and management estimates

Depreciation, Utilities, Repairs and Maintenance, Interest, Liability Insurance – square footage consumed by each activity

Publicity and Bank Fees – 50% program and 50% fund raising

Other Costs – management’s best estimates using professional judgment

Prior Year Amounts

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization’s financial statements for the year ended December 31, 2021, from which the summarized information was derived.

2. LIQUIDITY

Financial Assets (Cash and Receivables)	\$ 5,153,970
Less Donor Restricted Assets	<u>(551,930)</u>
Financial Assets available to meet cash needs for general expenditures within one year	<u>\$ 4,602,040</u>

Animal Friends is supported by donor restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, Animal Friends must maintain sufficient resources to meet those responsibilities to its donors. Thus certain financial assets may not be available for general expenditure within one year. As part of its liquidity management, Animal Friends has a policy to structure its financial assets on hand to meet sixty days of normal operating expense, which are, on average, approximately \$1,200,000, plus \$400,000 annual debt service costs. In the event of an unanticipated liquidity need, Animal Friends would draw on its available line of credit (Note 8), or draw down on Board Designated Investments (Note 4).

3. RECEIVABLES

In 2013 Animal Friends initiated an \$8,500,000 Capital Campaign. \$7,500,000 of the Campaign is allocated to construction of a new 18,400 square foot public spay/neuter clinic and Animal Wellness Center. \$1,000,000 of the campaign is allocated to the organization's current and on-going operational funding. A \$7,000 allowance to adjust for present value has been recorded.

Anticipated cash flow from these pledges is as follows:

<u>Year</u>	<u>Cash Collected</u>
2023	\$ 90,500
2024	53,000
2025	<u>37,381</u>
Total	<u>\$ 180,881</u>

4. BOARD DESIGNATED INVESTMENTS

In 2021, the Animal Friends board adopted a policy of segregating excess operating cash into a separate accounting pool to be saved for future outlays. The board wants to ensure the organization is sufficiently capitalized to be able to absorb sudden declines in operating funds due to reduced legacies over an extended period of time. Examples of possible disbursements from this fund include: annual required debt service payments (\$400,000), capital maintenance on a scheduled basis to keep operating assets in good condition, and transfers to operating cash, if needed. Management will assess the needed balance in this fund on an annual basis.

5. INVESTMENTS

Investments were composed of the following:

<u>Investment</u>	<u>2022</u>	<u>2021</u>	<u>Type</u>
Money Market Funds	\$ 214,135	\$ 71,243	Level 1
Mineral Rights	600,000	0	Level 3
Equity Mutual Funds	3,155,754	4,051,629	Level 1
Debt Mutual Funds	1,539,234	2,032,048	Level 1
Total	<u>\$ 5,509,123</u>	<u>\$ 6,154,920</u>	

6. PROPERTY, PLANT AND EQUIPMENT

At December 31, 2022, Property, Plant and Equipment were composed of the following:

<u>Description</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>2021</u>
Land	\$ 1,032,949	\$ -	\$ 1,032,949	\$ 1,032,949
Building	14,007,322	3,904,421	10,102,901	10,442,150
Furniture and Equipment	1,411,525	1,164,163	247,362	235,618
Transportation Equipment	454,311	432,111	22,200	32,289
	<u>\$ 16,906,107</u>	<u>\$ 5,500,695</u>	<u>\$ 11,405,412</u>	<u>\$ 11,743,006</u>

7. ASSETS HELD IN TRUST

Donor Restricted Assets Held In Trust represents assets held in eleven separate trusts by others. In these trusts, Animal Friends is entitled to receive a percentage of the future income earned as stipulated by the grantor in perpetuity.

8. DEBT

In February, 2020 Animal Friends refinanced its debt to PNC Bank to a 2.925% fixed interest rate, 17 year serial bond with monthly principal and interest payments of \$34,111 maturing February 1, 2037. The loan is secured by the Resource Center and Animal Wellness Center land and buildings.

Future minimum principal payments are as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 274,261
2024	282,392
2025	290,763
2026	299,384
2027	308,258
Thereafter	<u>3,287,786</u>
Total	<u>\$ 4,742,844</u>

Animal Friends has a \$300,000 line of credit with interest at the prime rate expiring October 20, 2023. At December 31, 2022, nothing was drawn on the line.

9. NET ASSETS

Animal Friends currently maintains two separate net asset classifications in order to control in detail all gifts received. These classifications include: 1) Without Donor Restrictions, which is used to account for revenues earned and gifts received without a restricted directive and 2) With Donor Restrictions, which is used to account for gifts received by Animal Friends with donor-restricted directives. A summary of the activity in the open Net Asset With Donor Restrictions class from January 1, 2022 to December 31, 2022 is as follows:

<u>Net Assets With Donor Restrictions</u>	<u>January 1</u>	<u>Support and Revenue</u>	<u>Release of Net Assets</u>	<u>December 31</u>
Endowment	\$ 4,228,769	\$ (655,650)	\$ 200,073	\$ 3,373,046
Assets Held in Trust	3,778,716	(640,819)	199,635	2,938,262
Therapeutic Programming	199,070	100,088	67,490	231,668
Capital Campaign	292,444	0	111,563	180,881
Major Ben Follansbee Memorial	26,623	64,307	27,360	63,570
Yana's	19,804	21,310	20,413	20,701
Reward	17,544	0	0	17,544
Other	23,795	45,705	31,934	37,566
	<u>\$ 8,586,765</u>	<u>\$(1,065,059)</u>	<u>\$ 658,468</u>	<u>\$ 6,863,238</u>

9. NET ASSETS (continued)

A reconciliation of endowment activity is as follows:

	Original Gift	Subsequent Activity	2022 Total	2021 Total
Balance January 1	\$ 3,112,329	\$ 1,116,440	\$ 4,228,769	\$ 3,980,011
Contributions	0	0	0	0
Investment Income	0	123,561	123,561	90,670
Capital Gains/(Losses)	0	(758,758)	(758,758)	383,194
Fees	0	(20,453)	(20,453)	(22,822)
Distributions	0	(200,073)	(200,073)	(202,284)
Balance December 31	<u>\$ 3,112,329</u>	<u>\$ 260,717</u>	<u>\$ 3,373,046</u>	<u>\$ 4,228,769</u>

Animal Friends' endowment fund is governed by Pennsylvania's Principal and Income Act (Act 141) enacted on December 21, 1998.

The Board of Directors has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the real value of the endowment portfolio. Under this policy, the endowment assets are invested in a manner that is intended to emphasize total return (aggregate return from capital appreciation and dividend and interest income) sufficient to preserve the real (inflation-adjusted) value of the portfolio, achieve long-term growth of principal, while avoiding excessive risk and to the extent necessary, provide for the operating needs of Animal Friends. The Board of Directors has adopted a long-term asset allocation policy that identifies the strategic target weights to each of the major asset classes (domestic and international equity, investment grade and high-yield fixed income and cash equivalents). The investment objective for each asset class portfolio is to exceed the rate of return of a relevant benchmark after taking into account all manager fees.

Each year, Animal Friends appropriates a percentage of its endowment fund's average fair value over the prior three years preceding the fiscal year in which the distribution is planned. The Board of Directors votes on this appropriation each year. For the fiscal years 2022 and 2021, this percentage was 5%.

10. DONATIONS

Donations are received from a broad base of donors. There is not a significant concentration of risk in large donations except for the Paycheck Protection Program grant received in 2021 for \$654,185.

Contributed Nonfinancial Assets are as follows:

<u>Type of Donation</u>	<u>2022 Amount</u>	<u>2021 Amount</u>	<u>Utilization in Program/Activities</u>	<u>Valuation Techniques and Inputs; Donor Restrictions</u>
Animal Food	\$ 122,217	\$ 160,760	Utilized in Direct Animal Care	Value is the estimated price that would have been paid in the principal market had the item been purchased. No Donor Restriction.
Advertising	29,000	29,000	Fundraiser event billboard	Value is determined by the estimated fair value in the principal market based on current rates for similar services. No Donor Restriction.
Animal Food	1,419	920	For sale in animal care store	Value is determined by the proceeds from the sale of the donated items. No Donor Restriction.
Equipment	0	102,409	Utilized in the building	Value is determined by what the donor would have charged in the principal market based on current rates for similar services. No Donor Restriction.
Animal Care Inventory	0	16,778	For sale in animal care store	Value is determined by the proceeds from the sale of the donated items. No Donor Restriction.
Total	<u>\$ 152,636</u>	<u>\$ 309,867</u>		

11. INVESTMENT INCOME

Investment Income is composed of the following:

<u>Item</u>	<u>2022</u>	<u>2021</u>
Royalties	\$ 171,014	\$ 0
Dividends	118,460	85,912
Interest	71,634	30,630
Expenses	(31,466)	(33,149)
Capital Gains (Losses)	<u>(1,118,380)</u>	<u>557,788</u>
	<u>\$ (788,738)</u>	<u>\$ 641,181</u>

12. TRUST INCOME

Trust Income is composed of the following:

<u>Item</u>	<u>2022</u>	<u>2021</u>
Dividends	\$ 54,388	\$ 91,337
Interest	27,232	27,313
Expenses	(42,688)	(39,457)
Capital Gains (Losses)	<u>(679,751)</u>	<u>263,448</u>
	<u>\$ (640,819)</u>	<u>\$ 342,641</u>

13. EXPENSES

Detail of functional expenses is as follows:

<u>Expense</u>	2022				2021
	<u>Program</u>	<u>Administration</u>	<u>Fund Raising</u>	<u>Total</u>	<u>Total</u>
Payroll & Related Costs*	\$ 3,740,703	\$ 427,377	\$ 423,716	\$ 4,591,796	\$ 3,599,401
Animal Care & Services	1,164,668	0	0	1,164,668	955,814
Depreciation	436,566	22,722	23,722	483,010	467,687
Utilities	232,238	12,087	12,619	256,944	228,609
Software Support	196,870	16,034	14,849	227,753	127,057
Repairs & Maintenance	143,835	7,795	8,138	159,768	140,983
Printing & Postage	62,968	31,484	62,968	157,420	128,910
Interest	129,221	6,725	7,021	142,967	150,636
Office Costs	77,407	6,304	5,838	89,549	88,079
Professional Fees	25,658	25,663	31,437	82,758	53,341
Insurance	58,267	3,033	3,166	64,466	62,329
Bank Fees	24,972	0	24,973	49,945	42,958
Publicity	16,864	0	16,864	33,728	21,275
Local Transportation	21,042	0	0	21,042	20,525
Other	7,982	651	601	9,234	5,145
Total	\$ 6,339,261	\$ 559,875	\$ 635,912	\$ 7,535,048	\$ 6,092,749

* Animal Friends has adopted a defined contribution pension plan covering employees who are twenty-one or over, worked over 1,000 hours, and have completed one year of service. Animal Friends can contribute 0%-15% of employee wages to the plan. Animal Friends' cost for this plan was \$26,185 in 2022 and \$21,090 in 2021.

14. CONCENTRATION OF CREDIT RISK

Although Animal Friends maintains cash balances in excess of federally insured limits, they have not historically experienced any credit loss.