

**SPRING FARM CENTER
ALTERNATIVE RESEARCH
EDUCATION SANCTUARY**

Financial Statements

December 31, 2023 and 2022

SPRING FARM CENTER ALTERNATIVE RESEARCH EDUCATION SANCTUARY

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 18



INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors
Spring Farm Center Alternative Research Education Sanctuary:

Opinion

We have audited the accompanying financial statements of Spring Farm Center Alternative Research Education Sanctuary (a nonprofit organization) which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years 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 Spring Farm Center Alternative Research Education Sanctuary as of December 31, 2023 and 2022, and the changes in 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Spring Farm Center Alternative Research Education Sanctuary 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 Spring Farm Center Alternative Research Education Sanctuary'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 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 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 judgement made by a reasonable user based on the financial statements.

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 Spring Farm Center Alternative Research Education Sanctuary'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 Spring Farm Center Alternative Research Education Sanctuary'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.



July 30, 2024

SPRING FARM CENTER ALTERNATIVE RESEARCH EDUCATION SANCTUARY

Statements of Financial Position

December 31, 2023 and 2022

<u>Assets</u>	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 631,362	639,355
Interest and dividends receivable	186,209	146,775
Receivables	2,967	215
Prepaid expenses	42,293	49,006
Investments	32,880,252	32,278,200
Property and equipment, net	2,408,092	1,967,742
Artwork	<u>153,604</u>	<u>154,984</u>
Total assets	<u>\$ 36,304,779</u>	<u>35,236,277</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	165,090	33,674
Accrued expenses and other liabilities	<u>26,727</u>	<u>113,327</u>
Total liabilities	<u>191,817</u>	<u>147,001</u>
Net assets:		
Without donor restrictions	17,577,322	16,553,636
With donor restrictions	<u>18,535,640</u>	<u>18,535,640</u>
Total net assets	<u>36,112,962</u>	<u>35,089,276</u>
Commitments (note 5)		
Total liabilities and net assets	<u>\$ 36,304,779</u>	<u>35,236,277</u>

See accompanying notes to the financial statements.

SPRING FARM CENTER ALTERNATIVE RESEARCH EDUCATION SANCTUARY

Statements of Activities

Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Changes in net assets without donor restrictions:		
Revenues, gains (losses) and other support:		
Contributions of cash and other financial assets	\$ 1,526,946	779,375
Contributions of nonfinancial assets	21,796	23,177
Investment income	1,569,108	1,517,383
Net realized and unrealized losses on investments	(189,785)	(2,683,838)
Gain (loss) on sale/disposal of property and artwork	(12,317)	22,204
Workshops	8,750	15,100
Sale items	2,382	1,512
Miscellaneous	29,284	14,468
	<u>2,956,164</u>	<u>(310,619)</u>
Expenses:		
Program services	1,692,808	1,652,563
Management and general	215,831	227,785
Fundraising expenses	23,839	20,385
	<u>1,932,478</u>	<u>1,900,733</u>
Change in net assets without donor restrictions	1,023,686	(2,211,352)
Net assets at beginning of year	<u>35,089,276</u>	<u>37,300,628</u>
Net assets at end of year	<u>\$ 36,112,962</u>	<u>35,089,276</u>

See accompanying notes to the financial statements.

SPRING FARM CENTER ALTERNATIVE RESEARCH EDUCATION SANCTUARY

Statement of Functional Expenses

Year ended December 31, 2023

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>2023 Totals</u>
Accounting service	\$ -	114,300	-	114,300
Advertising and promotion	4,104	-	-	4,104
Animal/nature sanctuary	253,634	-	-	253,634
Compensation of officers	20,000	25,000	5,000	50,000
Conferences, conventions and meetings	2,079	99	-	2,178
Depreciation	98,326	17,352	-	115,678
Grants, donations and other assistance	5,300	-	-	5,300
Information technology	4,546	285	-	4,831
Insurance	97,742	1,934	-	99,676
Occupancy	104,834	-	-	104,834
Office expenses	42,255	1,463	16,314	60,032
Other employee benefits	37,774	21,324	1,828	60,926
Other professional services	8,389	6,136	-	14,525
Other salaries and wages	873,935	23,855	-	897,790
Payroll taxes	76,646	3,484	697	80,827
Pension plan contributions	19,374	599	-	19,973
Travel	2,764	-	-	2,764
Veterinarian - sanctuary service	41,106	-	-	41,106
	\$ 1,692,808	215,831	23,839	1,932,478
Total expenses	\$ 1,692,808	215,831	23,839	1,932,478

See accompanying notes to the financial statements.

SPRING FARM CENTER ALTERNATIVE RESEARCH EDUCATION SANCTUARY

Statement of Functional Expenses

Year ended December 31, 2022

	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>2022 Totals</u>
Accounting service	\$ -	114,300	-	114,300
Advertising and promotion	2,468	-	-	2,468
Animal/nature sanctuary	268,176	-	-	268,176
Compensation of officers	27,500	17,500	5,000	50,000
Conferences, conventions and meetings	3,694	98	-	3,792
Depreciation	91,293	16,110	-	107,403
Fundraising	-	-	347	347
Grants, donations and other assistance	5,000	300	-	5,300
Information technology	2,280	208	-	2,488
Insurance	95,799	1,807	-	97,606
Miscellaneous expenses	569	774	-	1,343
Occupancy	78,842	-	-	78,842
Office expenses	52,812	931	10,173	63,916
Other employee benefits	32,846	24,899	2,068	59,813
Other professional services	9,418	5,890	-	15,308
Other salaries and wages	829,515	39,566	2,199	871,280
Temporary staffing	6,264	-	-	6,264
Payroll taxes	63,338	4,218	532	68,088
Pension plan contributions	15,071	1,184	66	16,321
Travel	9,536	-	-	9,536
Veterinarian - sanctuary service	58,142	-	-	58,142
	\$ 1,652,563	227,785	20,385	1,900,733
Total expenses	\$ 1,652,563	227,785	20,385	1,900,733

See accompanying notes to the financial statements.

SPRING FARM CENTER ALTERNATIVE RESEARCH EDUCATION SANCTUARY

Statements of Cash Flows

Years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,023,686	(2,211,352)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	115,678	107,403
Net realized and unrealized losses on investments	189,785	2,683,838
Noncash contribution of investments	(278,438)	(317,155)
Loss (gain) on sale and disposal of property and artwork	12,317	(22,204)
Changes in:		
Receivables	(2,752)	(204)
Interest and dividends receivable	(39,434)	(56,617)
Prepaid expenses	6,713	(4,358)
Accounts payable	11,229	(22,442)
Accrued expenses and other liabilities	2,852	2,970
	<u>1,041,636</u>	<u>159,879</u>
Cash flows from investing activities:		
Purchase of property and equipment	(536,230)	(374,355)
Proceeds from sale and disposal of property and equipment	-	24,189
Purchase of investments	(9,126,864)	(10,065,893)
Proceeds from sales of investments	8,613,465	6,385,683
	<u>(1,049,629)</u>	<u>(4,030,376)</u>
Decrease in cash and cash equivalents	(7,993)	(3,870,497)
Cash and cash equivalents - beginning of year	<u>639,355</u>	<u>4,509,852</u>
Cash and cash equivalents - end of year	<u>\$ 631,362</u>	<u>639,355</u>
Supplemental cash flow disclosure:		
Noncash operating and investing activity for the years ended December 31:		
Construction costs included in accounts payable, accrued expenses and other liabilities	<u>\$ 120,187</u>	<u>89,452</u>

See accompanying notes to the financial statements.

SPRING FARM CENTER ALTERNATIVE RESEARCH EDUCATION SANCTUARY

Notes to Financial Statements

December 31, 2023 and 2022

(1) Nature of Operations

Spring Farm Center Alternative Research Education Sanctuary (Organization), located in Clinton, New York, is a nonprofit organization which is a retirement/rehabilitation sanctuary for abused, abandoned, unwanted, or homeless domestic and farm animals. On its over 300 acres, the Organization offers interspecies communication consultations, workshops and lectures, a nature sanctuary, an animal sanctuary, memorial gardens, volunteer program and tours.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting and Presentation

The financial statements of Spring Farm Center Alternative Research Education Sanctuary have been prepared in conformity with accounting principles generally accepted in the United States of America.

(b) New Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Statements*, which provides guidance for accounting for credit losses on financial instruments. The ASU, including associated amendments, introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments and modifies the impairment model for available-for-sale debt securities. The Organization adopted the ASU on January 1, 2023 using a modified retrospective approach. The adoption of the ASU, including associated amendments, did not have a material impact on the financial statements.

(c) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenditures, as well as the disclosure of contingencies. Actual results could differ from those estimates.

SPRING FARM CENTER ALTERNATIVE RESEARCH EDUCATION SANCTUARY

Notes to Financial Statements

(2) Summary of Significant Accounting Policies, Continued

(d) Cash and Cash Equivalents

For purposes of these financial statements, the Organization considers all checking, savings, and money market accounts with an original maturity of three months or less to be cash and cash equivalents, which exceeds federally insured limits. The Organization maintains its cash with high quality financial institutions which the Organization believes mitigates the risk.

(e) Investments and Investment Income

Investments are reported at fair value on the statements of financial position. Investment income and losses (including realized gains and losses on investments, unrealized gains and losses on investments, interest and dividends) are included in unrestricted income unless restricted by donor or law.

The Organization evaluates each investment security whose fair value has declined below cost to determine if any of the decline is due to a credit loss. The Organization investments include U.S. Treasury bonds and bills. Management has concluded that there is no risk of nonpayment due to the lack of historical credit losses for U.S. Treasury bonds and bills and consideration of current conditions and reasonable and supportable forecasts.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Investment gains and losses, both realized and unrealized, net of investment management fees, are reported in the statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

The Organization's investments are comprised of a variety of financial instruments and are managed and monitored by management and their investment advisor. The fair values reported in the statements of financial position are subject to various risks including changes in the equity markets, the interest rate environment, and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near future.

Net investment returns reflect fees paid by various investment funds to their affiliated investment advisors, transfer agents, and others as described in each fund prospectus or other published documents. These fees are deducted prior to allocation of investment earnings activity and thus not separately identifiable as an expense.

SPRING FARM CENTER ALTERNATIVE RESEARCH EDUCATION SANCTUARY

Notes to Financial Statements

(2) Summary of Significant Accounting Policies, Continued

(f) Property and Equipment

Property and equipment are stated at cost if purchased, and at fair value if donated and depreciated on a straight-line basis over their estimated useful lives. Estimated useful lives range from three to forty years. The Organization capitalizes all assets over \$2,500.

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

(g) Artwork

The Organization capitalizes various donated art pieces including posters, prints, watercolors, oils, carvings and statuary, almost all representing animals or human-animal relationships. These pieces are displayed in the main hall, public rooms and gardens. Artwork is capitalized at appraised value at date of donation. Gains and losses on the sale of artwork is classified in the statements of activities as support without donor restrictions.

(h) Revenue Recognition

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Contributions are recorded as net assets with donor restrictions and revenue and support if they are received with donor imposed stipulations that limit their use. Donor restrictions expire by either the passage of stipulated time or the accomplishment of the stated purpose. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions with restrictions that are received and expended in the same period are considered net assets without donor restrictions.

Contributions with donor restrictions are those funds whose use is limited by donor imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Board of Directors. Net assets with donor restrictions are comprised of endowed funds, the income from which is to be used for operations.

Revenue and support from sales of goods and other sources are recognized at a point-in-time upon the transfer of the goods to customers, generally at the point of sale.

SPRING FARM CENTER ALTERNATIVE RESEARCH EDUCATION SANCTUARY

Notes to Financial Statements

(2) Summary of Significant Accounting Policies, Continued

(i) Contributions of Nonfinancial Assets

Donated materials and services are reflected as contributions at their estimated values with an offsetting charge to expense. Only those materials and services for which there is an objective basis of valuation are reflected in the financial statements. The Organization received donated services from several veterinarians. The value of donated materials and services are reflected in the accompanying financial statements as contributions of nonfinancial assets.

(j) Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated between program, management and general and fundraising. The costs are functionalized on a direct basis, where possible. Indirect costs are allocated on the basis of time spent, square footage, or some other reasonable basis that is consistently applied.

(k) Income Tax Status

The Organization is a New York nonprofit corporation exempt from federal income taxes as an organization qualified under Section 501(c)(3) of the Internal Revenue Code. The Organization has also been classified by the Internal Revenue Service as an entity that is not a private foundation.

As of December 31, 2023 and 2022, the Organization did not have any unrecognized tax benefits or any related accrued interest or penalties. It is the Organization's policy to recognize any interest and penalties as expenses. The tax years open to examination by federal and New York State taxing authorities are 2020 through 2023.

(l) Subsequent Events

Subsequent events have been evaluated through July 30, 2024, which is the date financial statements were available to be issued.

SPRING FARM CENTER ALTERNATIVE RESEARCH EDUCATION SANCTUARY

Notes to Financial Statements

(3) Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>2023</u>	<u>2022</u>
Financial assets December 31:		
Cash and cash equivalents	\$ 631,362	639,355
Interest and dividend receivables	186,209	146,775
Receivables	2,967	215
Investments	<u>32,880,252</u>	<u>32,278,200</u>
Total financial assets	33,700,790	33,064,545
Less those unavailable for general expenditures within one year, due to:		
Endowment restricted by donor with purpose	<u>(18,235,640)</u>	<u>(18,235,640)</u>
Total financial assets available for general expenditure within one year	\$ <u>15,465,150</u>	<u>14,828,905</u>

The Organization's ability to meet its cash needs is dependent on continued contributions, collections of receivables, and investment market performance. Management regularly monitors liquidity required to meet its operating needs.

(4) Fair Value Measurements and Investment Income

Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 - Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs are quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, and market-corroborated inputs which are derived principally from or corroborated by observable market data. These include U.S. Government securities notes and bills.

Level 3 - Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

SPRING FARM CENTER ALTERNATIVE RESEARCH EDUCATION SANCTUARY

Notes to Financial Statements

(4) Fair Value Measurements and Investment Income, Continued

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

There have been no significant changes in the methodologies used during the years ended December 31, 2023 and 2022.

The following tables set forth by level, with the fair value hierarchy, the investments at fair value as of December 31:

		2023			
		Level 1	Level 2	Level 3	Totals
	\$	15,939,157	-	-	15,939,157
Common stocks					
Exchange-traded funds		841,025	-	-	841,025
Mutual funds		8,487,982	-	-	8,487,982
U.S. Government					
Securities notes and bills		-	7,612,088	-	7,612,088
	\$	25,268,164	7,612,088	-	32,880,252
		2022			
		Level 1	Level 2	Level 3	Totals
	\$	23,242,894	-	-	23,242,894
Common stocks					
Exchange-traded funds		828,305	-	-	828,305
Mutual funds		8,207,001	-	-	8,207,001
	\$	32,278,200	-	-	32,278,200

SPRING FARM CENTER ALTERNATIVE RESEARCH EDUCATION SANCTUARY

Notes to Financial Statements

(4) Fair Value Measurements and Investment Income, Continued

Investment income is summarized as follows:

	<u>2023</u>	<u>2022</u>
Interest income	\$ 43,486	1,485
Dividend income	1,482,504	1,503,464
Partnership distributions	27,950	11,700
Capital gain distributions	15,168	734
Net realized and unrealized losses on investments	<u>(189,785)</u>	<u>(2,683,838)</u>
	<u>\$ 1,379,323</u>	<u>(1,166,455)</u>

(5) Property and Equipment

Property and equipment consist of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Land	\$ 286,105	286,105
Land improvements (<i>estimated life 5 to 40 years</i>)	201,283	201,283
Buildings (<i>estimated life 10 to 40 years</i>)	842,338	842,338
Building improvements (<i>estimated life 5 to 40 years</i>)	1,408,298	1,119,237
Solar power equipment (<i>estimated life 20 years</i>)	269,483	269,483
Farm equipment (<i>estimated life 5 to 10 years</i>)	136,841	130,459
Presentation equipment (<i>estimated life 10 to 20 years</i>)	44,669	44,669
Automobiles (<i>estimated life 5 to 10 years</i>)	144,872	144,872
Furnishings (<i>estimated life 7 to 10 years</i>)	38,926	38,926
Other (<i>estimated life 5 to 10 years</i>)	<u>111,898</u>	<u>95,930</u>
	3,484,713	3,173,302
Less accumulated depreciation	(1,439,618)	(1,444,622)
Construction in progress	<u>362,997</u>	<u>239,062</u>
Property and equipment, net	<u>\$ 2,408,092</u>	<u>1,967,742</u>

The Organization entered into construction contracts in 2023 for renovations within the existing building, primarily renovation of all cat rooms. At December 31, 2023, approximately \$186,000 of costs to complete remained under the contracts. The construction project will be completed in 2024.

SPRING FARM CENTER ALTERNATIVE RESEARCH EDUCATION SANCTUARY

Notes to Financial Statements

(6) Endowment Funds

Spring Farm Center Alternative Research Education Sanctuary's endowment consists of a donor-restricted fund. As required by GAAP, net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions. These financial assets are reflected in the accompanying statements of financial position as follows at December 31:

	<u>2023</u>	<u>2022</u>
Investments	\$ 18,235,640	18,235,640
Property and equipment	<u>300,000</u>	<u>300,000</u>
Total assets	<u>\$ 18,535,640</u>	<u>18,535,640</u>

Interpretation of Relevant Law

Investments are reported at fair value and gains on net assets with donor restrictions are to be classified according to explicit donor-imposed stipulations. Absent explicit donor-imposed stipulations, applicable state law is to be followed. The Organization has interpreted New York State Law to allow the use of gains on investment net assets with donor restrictions for specific operating purposes, absent explicit donor-imposed stipulations that all or a portion of such gains be restricted. Accordingly, such gains on net assets with donor restrictions are reported as net assets without donor restrictions unless there is a presence of donor-imposed stipulations as to their use. Changes in fair value resulting from realized and unrealized gains and losses are reflected as net realized and unrealized gains (losses) on investments within the statements of activities.

SPRING FARM CENTER ALTERNATIVE RESEARCH EDUCATION SANCTUARY

Notes to Financial Statements

(6) Endowment Funds, Continued

Interpretation of Relevant Law, Continued

The Board of Directors of Spring Farm Center Alternative Research Education Sanctuary has interpreted the relevant state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization 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 to 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 in net assets with donor restrictions is classified as net assets without donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the relevant state law. Unless specifically defined, a donor-restricted endowment fund that is required by donor stipulation to accumulate or appropriate endowment funds, the Organization considers the following factors:

- 1) The duration and preservation of the fund
- 2) The purposes of the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and appreciation of investments
- 6) Other resources of the Organization
- 7) The investment policies of the Organization; and where appropriate, alternatives to spending from the endowment fund and the possible effects of those alternatives.

The following is a reconciliation of the activity in the endowment funds for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Endowment net assets, January 1	\$ 18,535,640	18,535,640
Investment income	741,066	-
Amounts appropriated for expenditure	<u>(741,066)</u>	<u>-</u>
Endowment net assets, December 31	\$ <u>18,535,640</u>	<u>18,535,640</u>

SPRING FARM CENTER ALTERNATIVE RESEARCH EDUCATION SANCTUARY

Notes to Financial Statements

(6) Endowment Funds, Continued

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specific period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to preserve capital, considering the impact of inflation, strive for consistent annual total returns, and achieve long-term returns which meet or exceed inflation, and earn the highest possible return given the risk tolerance established by the Organization. The Organization expects its endowment fund, over time, to provide an average rate of return of approximately 5 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives and Spending Policy

The Organization uses the total return concept for Endowment Fund income. Under this concept, endowment income to be utilized was established at 100% for 2023 and 2022 based upon the average of the interest and dividend income of the endowment asset accounts.

The Organization primarily relies on investment in highly rated securities that provide long term stable growth and generate current income that can be used for operations. The Organization limits the number of positions but diversifies among asset classes and utilizes a buy and hold strategy.

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the relevant state law requires the Organization retain as a fund of perpetual duration. If this situation were to occur, the deficiency would be recorded in the Organization's net assets with donor restrictions. There were no deficiencies reported at December 31, 2023 and 2022.

(7) Net Assets with Donor Restrictions

Net assets with donor restriction are restricted for the following purposes or periods at December 31:

	<u>2023</u>	<u>2022</u>
Property restricted by time	\$ 300,000	300,000
Endowment subject to spending policy and appropriations - amounts held in perpetuity, for which earnings may be appropriated to support operations	<u>18,235,640</u>	<u>18,235,640</u>
	<u>\$ 18,535,640</u>	<u>18,535,640</u>

SPRING FARM CENTER ALTERNATIVE RESEARCH EDUCATION SANCTUARY

Notes to Financial Statements

(7) Net Assets with Donor Restrictions, Continued

In 1998, a Board member constructed and donated a residential home on land owned by the Organization. The property donation was recorded as a fixed asset at its fair market value of \$300,000 and is being depreciated on the straight-line basis over forty years. The Board member retained a life interest in the property and maintains the property. Upon the Board member's death, the property will be released from restriction.

(8) Contributions of Nonfinancial Assets

Contributions of nonfinancial assets recognized within the statements of activities are as follows at December 31:

	<u>2023</u>	<u>2022</u>
Donated veterinary services	\$ 1,038	5,273
Food, supplies, and other items	<u>20,758</u>	<u>17,904</u>
Total	<u>\$ 21,796</u>	<u>23,177</u>

All donated materials and services were utilized by the Organization. In valuing the veterinary services, the Organization estimates the fair value of the donation based on the published discount provided for the veterinarian services. The Organization estimates the fair value of food, supplies, and other miscellaneous items on the basis of recent comparable sales prices or gift card values.

(9) Related-Party Transactions

In 2023 and 2022, Board members donated approximately \$342,000 and \$382,000, respectively, towards animal upkeep and general operations, respectively.

The Organization engaged the services of a board member's business to fulfill comptrollership duties for the Organization. Fees totaling \$101,400 were paid during 2023 and 2022.

(10) Pension Plan

The Organization has a Savings Incentive Match Pension Plan (Plan) for all employees who earned \$5,000 in compensation during any two calendar years. Eligible employees may make salary reduction elections three times a year. The Plan provides for a matching contribution equal to the employee salary reduction up to 3% of the employees' compensation. For the years ended December 31, 2023 and 2022, total pension expense was \$19,973 and \$16,321, respectively.