



# **Animal Rescue League of Iowa, Inc. and Animal Rescue League of Iowa Foundation**

## **Independent Auditor's Report and Consolidated Financial Statements**

December 31, 2024



**Animal Rescue League of Iowa, Inc. and Animal Rescue League of Iowa Foundation**  
**Contents**  
**December 31, 2024**

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## Independent Auditor's Report

Board of Directors  
Animal Rescue League of Iowa, Inc. and  
Animal Rescue League of Iowa Foundation  
Des Moines, Iowa

### ***Opinion***

We have audited the consolidated financial statements of Animal Rescue League of Iowa, Inc. and Animal Rescue League of Iowa Foundation, which comprise the consolidated statement of financial position as of December 31, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Animal Rescue League of Iowa, Inc. and Animal Rescue League of Iowa Foundation as of December 31, 2024, 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 (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are required to be independent of Animal Rescue League of Iowa, Inc. and its Subsidiary 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.

### ***Emphasis of Matter***

As discussed in Note 17, Animal Rescue League of Iowa, Inc. and Animal Rescue League of Iowa Foundation restated beginning net assets as result of errors identified. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Animal Rescue League of Iowa, Inc. and its Subsidiary's ability to continue as a going concern within one year after the date that these consolidated 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 consolidated 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 judgment made by a reasonable user based on the consolidated 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 consolidated 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 consolidated 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 Rescue League of Iowa, Inc. and its Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Animal Rescue League of Iowa, Inc. and its Subsidiary'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.

***Forvis Mazars, LLP***

**West Des Moines, Iowa  
March 2, 2026**

**Animal Rescue League of Iowa, Inc. and Animal Rescue League of Iowa Foundation**  
**Consolidated Statement of Financial Position**  
**December 31, 2024**

**ASSETS**

Cash	\$ 399,123
Accounts receivable, net	139,666
Contributions receivable	857,901
Inventory	88,567
Prepaid expenses	151,370
Investments	13,596,282
Beneficial interest in assets held at the Community Foundation of Greater Des Moines	359,943
Beneficial interest in perpetual trust	173,782
Right of use asset - operating	271,779
Right of use asset - financing	35,711
Property and equipment, net	<u>11,374,583</u>

**Total Assets** \$ 27,448,707

**LIABILITIES AND NET ASSETS**

**Liabilities**

Line of credit	\$ 800,000
Accounts payable and accrued expenses	581,820
Deferred revenue	6,300
Notes payable	31,897
Operating lease liability	281,526
Finance lease liability	<u>36,515</u>

**Total Liabilities** 1,738,058

**Net Assets**

Without donor restrictions	23,277,801
With donor restrictions	<u>2,432,848</u>

**Total Net Assets** 25,710,649

**Total Liabilities and Net Assets** \$ 27,448,707

**Animal Rescue League of Iowa, Inc. and Animal Rescue League of Iowa Foundation**  
**Consolidated Statement of Activities**  
**Year Ended December 31, 2024**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and Revenue</b>			
Contributions	\$ 6,057,133	\$ 600,000	\$ 6,657,133
Grants	-	619,907	619,907
Contributions of nonfinancial assets	272,368	-	272,368
Adoption revenue	1,002,545	-	1,002,545
Animal care revenue	263,085	-	263,085
Contract revenue	1,545,803	-	1,545,803
Special events	585,373	-	585,373
Merchandise sales	252,325	-	252,325
Rent revenue	34,085	-	34,085
Miscellaneous	20,151	-	20,151
Investment return, net and change in beneficial interest in trusts	1,622,854	213,696	1,836,550
	11,655,722	1,433,603	13,089,325
Net assets released from restrictions	619,350	(619,350)	-
<b>Total Support and Revenue</b>	<u>12,275,072</u>	<u>814,253</u>	<u>13,089,325</u>
<b>Expenses</b>			
Program services	9,332,343	-	9,332,343
Management and general	1,260,128	-	1,260,128
Fundraising	1,635,628	-	1,635,628
<b>Total Expenses</b>	<u>12,228,099</u>	<u>-</u>	<u>12,228,099</u>
<b>Change in Net Assets</b>	<u>46,973</u>	<u>814,253</u>	<u>861,226</u>
<b>Net Assets, Beginning of Year (as Previously Reported)</b>	23,280,508	351,357	23,631,865
<b>Restatement (Note 17)</b>	<u>(49,680)</u>	<u>1,267,238</u>	<u>1,217,558</u>
<b>Net Assets, Beginning of Year (Restated)</b>	<u>23,230,828</u>	<u>1,618,595</u>	<u>24,849,423</u>
<b>Net Assets, End of Year</b>	<u>\$ 23,277,801</u>	<u>\$ 2,432,848</u>	<u>\$ 25,710,649</u>

**Animal Rescue League of Iowa, Inc. and Animal Rescue League of Iowa Foundation**  
**Consolidated Statement of Functional Expenses**  
**Year Ended December 31, 2024**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
<b>Payroll Expenses</b>				
Salaries and wages	\$ 4,671,825	\$ 759,100	\$ 528,096	\$ 5,959,021
Benefits	444,962	69,798	63,686	\$ 578,446
Payroll taxes	354,491	50,082	39,495	444,068
	<u>5,471,278</u>	<u>878,980</u>	<u>631,277</u>	<u>6,981,535</u>
<b>Other Expenses</b>				
Direct animal care supplies and services	1,934,697	-	-	1,934,697
Bad debt expense (recovery)	411	(500)	-	(89)
Conferences, conventions, and meetings	8,693	5,227	9,090	23,010
Credit card and other service charges	102	86,902	2	87,006
Depreciation	508,694	11,008	36,168	555,870
Membership fees	1,769	1,944	2,118	5,831
Lease expense	241,338	43,672	8,259	293,269
Insurance	126,741	14,088	1,130	141,959
Interest expense	-	29,726	-	29,726
Office supplies	28,788	16,501	2,667	47,956
Other expenses	43,506	59,182	2,788	105,476
Printing and publications	5,440	386	41,456	47,282
Postage and delivery	931	1,454	17,839	20,224
Repairs and maintenance	432,856	2,481	2,491	437,828
Technology	197,598	71,326	133,049	401,973
Utilities	326,146	13,533	8,509	348,188
Professional fees	-	24,067	2,014	26,081
Events and marketing	3,355	151	736,771	740,277
	<u>9,332,343</u>	<u>1,260,128</u>	<u>1,635,628</u>	<u>12,228,099</u>
<b>Total Expenses</b>	<u>\$ 9,332,343</u>	<u>\$ 1,260,128</u>	<u>\$ 1,635,628</u>	<u>\$ 12,228,099</u>

**Animal Rescue League of Iowa, Inc. and Animal Rescue League of Iowa Foundation**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2024**

<b>Operating Activities</b>	
Change in net assets	\$ 861,226
Items not requiring operating activities cash flows	
Depreciation	555,870
Net realized and unrealized gains on investments	(1,389,873)
Change in value of beneficial interest in perpetual trusts	15,412
Change in value of beneficial interest in community foundation	(229,107)
Noncash lease expense	350,185
Changes in	
Accounts receivable	(4,563)
Contributions receivable	(207,259)
Inventory	(8,155)
Prepaid expenses	200,722
Accounts payable and accrued expenses	100,076
Deferred revenue	(18,362)
Lease liabilities	(5,118)
<b>Net Cash Provided by Operating Activities</b>	<u>221,054</u>
<b>Investing Activities</b>	
Proceeds from the sale of investments	9,681,416
Purchase of investments	(9,149,557)
Purchase of property and equipment	<u>(3,780,990)</u>
<b>Net Cash Used in Investing Activities</b>	<u>(3,249,131)</u>
<b>Financing Activities</b>	
Draws on line of credit	800,000
Proceeds from issuance of notes payable	45,675
Principal payments on notes payable	(13,778)
Payments on finance lease liabilities	(28,812)
Proceeds from contributions for capital assets	<u>96,278</u>
<b>Net Cash Provided by Financing Activities</b>	<u>899,363</u>
<b>Decrease in Cash</b>	(2,128,714)
<b>Cash, Beginning of Year</b>	<u>2,527,837</u>
<b>Cash, End of Year</b>	<u>\$ 399,123</u>
<b>Supplemental Cash Flows Information</b>	
Property and equipment in accounts payable	\$ 38,520

**Animal Rescue League of Iowa, Inc. and Animal Rescue League of Iowa Foundation**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**

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**Note 1. Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations***

Animal Rescue League of Iowa, Inc. (“ARL”), doing business as the Animal Rescue League, is a not-for-profit organization whose mission and principal activities are conducted for the principal purpose of animal and pet care. The Animal Rescue League of Iowa Foundation was established November 1, 1999. It is a separate organization from the Animal Rescue League of Iowa, Inc. Its primary purpose is to receive and maintain funds to further the mission of the Animal Rescue League of Iowa, Inc.

***Principles of Consolidation***

The Animal Rescue League of Iowa Foundation, a nonprofit organization, was formed with initial funding from donors. The Foundation’s sole purpose is to support the ARL and is wholly controlled by the ARL. The activities of the Foundation have been consolidated with the activities of the ARL. All significant intercompany balances and transactions have been eliminated in consolidation.

***Use of Estimates***

The preparation of consolidated 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 and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

***Cash***

The ARL considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts and assets limited as to use, are not considered to be cash and cash equivalents.

At December 31, 2024, the ARL’s cash accounts exceeded federally insured limits by approximately \$188,000.

***Accounts Receivable***

Accounts receivable are stated at the amount of consideration from customers, of which the ARL has an unconditional right to receive plus any accrued and unpaid interest. The ARL provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts.

Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

***Inventories***

Inventories consist of pet supplies and gifts. Inventories are stated at the lower of cost or net realizable value. Costs of pet supplies and gifts are determined using the first-in, first-out (FIFO) method.

***Investments***

The ARL measures securities, other than investments that qualify for equity method of accounting, at fair value. Investments in private equity funds and hedge funds are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments.

**Animal Rescue League of Iowa, Inc. and Animal Rescue League of Iowa Foundation**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**

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***Net Investment Return***

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the consolidated statement of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

***Property and Equipment***

Property and equipment acquisitions over \$2,500 are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

	<u>Years</u>
Buildings and grounds	10-40
Office furniture, fixtures, and equipment	3-15
Vehicles	3-7

***Leases***

The ARL determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the consolidated statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The ARL determines lease classification as operating or finance at the lease commencement date.

The ARL combines lease and nonlease components, such as common area and other maintenance costs, and accounts for them as a single lease component in calculating the ROU assets and lease liabilities for its office buildings.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The ARL has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the ARL is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The ARL has elected not to record leases with an initial term of 12 months or less on the consolidated statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

**Animal Rescue League of Iowa, Inc. and Animal Rescue League of Iowa Foundation**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**

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***Long-Lived Asset Impairment***

The ARL evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the year ended December 31, 2024.

***Deferred Revenue***

Revenue from fees for services is deferred and recognized over the periods to which the fees relate.

***Net Assets***

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

***Adoption Services, Animal Care, City Contracts and Retail Sales Revenue***

Adoption services, animal care, city contracts, and retail sales revenue is recognized as the ARL satisfies performance obligations under its contracts. Revenue is reported at the estimated transaction price or amount that reflects the consideration to which the ARL expects to be entitled in exchange for providing goods or services. The ARL determines the transaction price based on standard charges for goods and services provided, reduced by implicit and explicit price concessions. The ARL determines its estimates of implicit and explicit price concessions based upon contractual agreements, its discount policies, and historical experience.

**Animal Rescue League of Iowa, Inc. and Animal Rescue League of Iowa Foundation**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**

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**Contributions**

Contributions are provided to the ARL either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<u>Conditional gifts, with or without restriction</u>	
Gifts that depend on the ARL overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor imposed barrier is met
<u>Unconditional gifts, with or without restriction</u>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets with donor restrictions and then released from restrictions.

**Grants**

Support funded by grants is recognized as the ARL meets the conditions prescribed by the grant agreement, performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

**Animal Rescue League of Iowa, Inc. and Animal Rescue League of Iowa Foundation**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**

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***Income Taxes***

The ARL is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the ARL is subject to federal income tax on any unrelated business taxable income.

The ARL files tax returns in the U.S. federal jurisdiction.

***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Certain categories of expenses that are attributable to more than one of the programs or supporting function are allocated. These expenses include depreciation, the administrative office, the facilities, security, information technology, and marketing departments including certain wages, payroll costs and benefits. Depreciation, facilities and security are allocated on square footage. The administrative office and marketing department are allocated based on estimates of time and effort. The information technology department is allocated based on specific technology utilized.

**Note 2. Contributions Receivable**

Contributions receivable consisted of the following:

	<b><u>With Donor Restrictions</u></b>
Due within one year	\$ 222,467
Due within two to five years	715,087
Due in more than five years	<u>15,216</u>
	952,770
Less: unamortized discount	<u>94,869</u>
	<u><u>\$ 857,901</u></u>

Discount rates ranged from 4.63% to 5.37% for 2024. As of December 31, 2024, there was no allowance for uncollectible contributions.

**Note 3. Beneficial Interest in Perpetual Trust**

The ARL has been named as an irrevocable beneficiary of a perpetual trust held and administered by independent trustees. Perpetual trusts provide for the distribution of the net income of the trusts to the Foundation; however, the ARL will never receive the assets of the trusts.

**Animal Rescue League of Iowa, Inc. and Animal Rescue League of Iowa Foundation**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**

At the date the ARL receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the consolidated statement of activities. A beneficial interest in perpetual trust is recorded in the consolidated statement of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts' assets in the consolidated statement of financial position, with trust distributions and changes in fair value recognized in the consolidated statement of activities.

A summary of the fair value of funds held in trust at December 31, 2024 is as follows:

Carol Evans Trust	<u>\$ 173,782</u>
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The estimated value of the expected future cash flows is \$173,782, which represents the fair value of the trust assets at December 31, 2024.

**Note 4. Beneficial Interest in Assets at Community Foundation of Greater Des Moines**

The ARL has transferred assets to Greater Des Moines Community Foundation (CFGDM) and retained a beneficial interest in those assets. The funds are held in a pooled money market portfolio at CFGDM.

The fair value of the retained beneficial interest included in the consolidated statement of financial position was \$359,943 at December 31, 2024.

**Note 5. Property and Equipment**

Property and equipment at December 31, 2024 consists of:

Land	\$ 700,455
Buildings	14,894,389
Office furniture, fixtures, and equipment	1,722,344
Vehicles	729,934
Construction in progress	<u>100,159</u>
	18,147,281
Accumulated depreciation	<u>(6,772,698)</u>
	<u>\$ 11,374,583</u>

**Note 6. Line of Credit**

The ARL entered into a \$2,500,000 revolving line of credit on June 17, 2024. At December 31, 2024, there was \$800,000 borrowed against the line. The line is collateralized by various investments. Interest varies with the prime rate of US Bank, minus 1.25%. The interest rate was 6.40% at December 31, 2024, payable monthly.

**Animal Rescue League of Iowa, Inc. and Animal Rescue League of Iowa Foundation**  
**Notes to Consolidated Financial Statements**  
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**Note 7. Notes Payable**

The ARL signed a note payable to a vendor for various equipment used in operations on March 20, 2024. The \$45,675 note is payable in equal monthly payments of \$1,629 over 30 months at 0% interest. The balance outstanding at December 31, 2024, was \$31,897.

**Note 8. Leases**

***Nature of Leases***

The ARL has entered into the following lease arrangements:

***Operating Leases***

The ARL has non-cancellable operating leases for office space that expire in October 2031. Leases are typically paid on a monthly basis over the lease term. Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

***Finance Leases***

The Company leases copiers and postage machines through lease arrangements which expire at various years through 2029. Termination of the leases generally are prohibited unless there is a violation under the lease agreement.

Interest expense under finance leases was approximately \$804 for the year ended December 31, 2024.

Assets under finance leases had a cost basis of approximately \$41,633 and accumulated depreciation of approximately \$5,922 as of December 31, 2024. These assets are included in property and equipment, net on the consolidated statement of financial position.

***All Leases***

The ARL has no material related-party leases. The ARL's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

***Quantitative Disclosures***

The lease cost and other required are:

**Lease Cost**

Finance lease cost	
Amortization of right-of-use asset	\$ 5,922
Interest expense	719
Operating lease cost	<u>46,054</u>
Total lease cost	<u><u>\$ 52,695</u></u>

**Animal Rescue League of Iowa, Inc. and Animal Rescue League of Iowa Foundation**  
**Notes to Consolidated Financial Statements**  
**December 31, 2024**

**Other information**

Cash paid for amounts included in the measurement of lease liabilities		
Financing cash flows from finance leases	\$	13,140
Operating cash flows from operating leases		42,234
Right-of-use assets obtained in exchange for new		
Finance lease liabilities		4,634
Operating lease liabilities		-
Weighted-average remaining lease term		
Finance leases		6.84 years
Operating leases		2.98 years
Weighted-average discount rate		
Finance leases		4.07%
Operating leases		4.21%

Future minimum lease payments and reconciliation to consolidated statement of financial position at December 31, 2024 are as follows:

	<b>Operating Leases</b>	<b>Finance Leases</b>
	<u>          </u>	<u>          </u>
2025	\$ 43,501	\$ 13,677
2026	44,806	13,677
2027	46,150	7,895
2028	47,535	2,914
2029	48,961	803
Thereafter	<u>93,500</u>	<u>-</u>
Total future undiscounted lease payments	324,453	38,966
Lease interest	<u>(42,927)</u>	<u>(2,451)</u>
Lease liabilities	<u>\$ 281,526</u>	<u>\$ 36,515</u>

**Lease Revenue**

The ARL leases meeting space to third parties for meetings and events throughout the year. Revenue from leases was \$34,085 for the year ended December 31, 2024.

## **Note 9. Revenue from Contracts with Customers**

### ***Adoption Revenue***

The ARL provides adoption services to customers who want to adopt pets. Each adoption is considered distinct and therefore are accounted for as separate performance obligations. Revenue is earned from adoption fees. Revenue is recognized when ownership of the animal is transferred to the customer and the ARL has an enforceable right to payment.

### ***Animal Care Revenue***

The ARL provides animal care services include veterinary services, vaccines, spaying and neutering, euthanasia, etc. Each unique service performed is considered as a single performance obligation. Revenue is recognized when services are rendered.

### ***Contract Revenue***

The ARL has service contracts with several cities and counties for animal care services. Services provided under these contracts include shelter and impoundment services, vaccine administration, and euthanasia services. Performance obligations are identified on a per animal or service basis (each animal housed, each vaccine administered, etc. are each a single performance obligation). The ARL recognizes revenue as each service is performed. Consideration is based on the contract price for each service provided.

### ***Merchandise Sales***

The ARL sells various pet related products. Each item is considered distinct and therefore are accounted for as separate performance obligations. Revenue is recognized as the goods are provided to the customer and the ARL has an enforceable right to payment.

### ***Transaction Price and Recognition***

The ARL determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided in accordance with the ARL's policy and implicit price concessions provided to customers. The ARL determines its estimates of explicit price concessions based on its discount policies. The ARL determines its estimate of implicit price concessions based on its historical collection experience with this class of customers.

The ARL has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, customer, governmental programs and others) that have different reimbursement and payment methodologies
- Geography of the service location
- ARL's line of business that provided the service

For the year ended December 31, 2024, the ARL recognized revenue of \$1,545,803, from goods and services that transfer to the customer over time and \$1,538,106, from goods and services that transfer to the customer at a point in time.

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***Contract Balances***

The following table provides information about the ARL's receivables and contract liabilities from contracts with customers:

Accounts receivable, beginning of year	\$	135,103
Accounts receivable, end of year		139,666
Contract liabilities, beginning of year	\$	24,662
Contract liabilities, end of year		6,300

**Note 10. Postretirement Benefit Plans**

***Defined Contribution Plan***

The ARL has a defined contribution pension plan covering substantially all employees. The Board of Directors annually determines the amount, if any, of the ARL's contributions to the plan. Contribution expense was \$35,349 for the year ended December 31, 2024.

**Note 11. Contributed Nonfinancial Assets**

For the year ended December 31, 2024, contributed nonfinancial assets recognized within the consolidated statement of activities included:

Supplies	<u>\$</u>	<u>227,913</u>
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The nonfinancial assets listed above were recognized within revenue on the consolidated statement of activities. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

***Supplies***

The ARL receives donations of various supplies that are used in operations to provide care for animals while at the ARL. The ARL estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

***Nonfinancial Expenses***

The ARL recognized \$305,704 in lease expense related to a nonfinancial pledge for the use of vehicles and a building for operations.

***Vehicles***

The ARL has a contract with the City of Des Moines in which the ARL utilizes City vehicles to carry out operations. These vehicles are leased to the ARL for \$1 per year. As such, that is deemed a contribution of a nonfinancial asset and recorded as a pledge receivable based upon the lease term and the fair market lease value of the underlying vehicles using published market values. The contribution is recognized in the initial year of the lease with a corresponding pledge receivable. The pledge receivable is amortized to lease expense over the lease term.

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*Building*

The ARL has a contract with the City of Des Moines in which the ARL utilizes a City building to carry out operations. The building is leased to the ARL for \$1 per year. As such, that is deemed a contribution of a nonfinancial asset and recorded as a pledge receivable based upon the lease term and the fair market lease value of the building using comparable market lease rates in the area. The contribution is recognized in the initial year of the lease with a corresponding pledge receivable. The pledge receivable is amortized to lease expense over the lease term.

**Note 12. Net Assets**

***Net Assets With Donor Restrictions***

Net assets with donor restrictions at December 31 are restricted for the following purposes or period:

Subject to expenditure for specified purpose	
Strategic shelter services	\$ 575,452
Spay and neuter	47,613
Therapy animals	12,355
Vet assistance	16,390
Animal training	442
Adoption assistance	62,937
Animal reclaim	2,088
Kitten nursery	10,500
Pet supplies	8,225
Pet food assistance	4,487
Public awareness	22,949
Pet inclusive housing	15,000
Horse ranch	28,946
Data collection and collaboration	233,838
Promises to give, the in-kind proceeds from which have restricted by donors for building and equipment leases	<u>857,901</u>
	<u>1,899,123</u>
Subject to spending policy and appropriation	
Spay and neuter	<u>359,943</u>
Not subject to spending policy and appropriation	
Beneficial interest in perpetual trusts held by Carol Evans Trust	<u>173,782</u>
Net assets with donor restrictions	<u><u>\$ 2,432,848</u></u>

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***Net Assets Without Donor Restrictions***

Net assets without donor restrictions at December 31 have been designated for the following purposes:

Undesignated	\$ (821,905)
Designated by the board for operating reserve	13,557,020
Investments in property and equipment, net of related debt	<u>10,542,686</u>
Net assets without donor restrictions	<u>\$ 23,277,801</u>

***Net Assets Released from Restrictions***

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Satisfaction of purpose restrictions	\$ 437,334
Expiration of in-kind pledge receivable	<u>182,016</u>
	<u>\$ 619,350</u>

**Note 13. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2024, comprise the following:

Cash and cash equivalents	\$ 399,123
Accounts receivable, net	139,666
Investments	<u>13,596,282</u>
Total financial assets available within one year	<u>\$ 14,135,071</u>

The ARL receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

**Note 14. Disclosures About Fair Value of Assets and Liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

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- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

**Recurring Measurements**

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying consolidated statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2024:

	Fair Value	Fair Value Measurements Using			Investments Measured at NAV
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments					
Money market funds	\$ 123,592	\$ 123,592	\$ -	\$ -	\$ -
Equity mutual funds	9,449,230	9,449,230	-	-	-
Fixed income mutual funds	3,123,962	3,123,962	-	-	-
Other	124,862	124,862	-	-	-
Alternative investments					
Private equity funds	<u>774,636</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>774,636</u>
Total investments at fair value	13,596,282	12,821,646	-	-	774,636
Beneficial interest in perpetual trust	173,782	-	-	173,782	-
Pooled investment fund, Community Foundation of Greater Des Moines	<u>359,943</u>	<u>-</u>	<u>-</u>	<u>359,943</u>	<u>-</u>
Total assets at fair value	<u>\$ 14,130,007</u>	<u>\$ 12,821,646</u>	<u>\$ -</u>	<u>\$ 533,725</u>	<u>\$ 774,636</u>

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated statement of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2024. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

**Investments**

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

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***Alternative Investments***

Investments in certain entities measured at fair value using the net asset value per share as a practical expedient consist of the following:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Period Notice</u>
Private equity funds (A)	<u>\$ -</u>	<u>\$ -</u>	N/A	N/A

(A) This category includes several private equity funds that consist primarily of non-marketable investments in various venture capital funds and private partnerships. These investments can never be redeemed with the funds. Instead, the nature of the investments in this category is that distributions are received through the liquidation of underlying assets of the fund.

***Beneficial Interest in Perpetual Trust***

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

***Interest in Assets at Greater Des Moines Community Foundation***

Fair value is estimated using discounted cash flow model. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

The ARL invests in a pooled investment fund. As of December 31, 2024, 100% of the investments in this fund are money market funds. Investment income and realized and unrealized gains and losses from securities in the pooled investment fund are allocated monthly to the fund partners based on the relationship of the fair value of the interest of each partners' account to the total fair value of the pooled investment fund, as adjusted for additions to or deductions from those accounts. The ARL has the ability to redeem the pooled investments at any time.

**Note 15. Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

***Contributions***

Approximately 14% of contributions were received from two donors in 2024.

***Investments***

The ARL invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated statement of financial position.

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**Note 16. Related-Party Transactions**

The ARL received contributions from board members in the amount of \$36,098 for the year ended December 31, 2024.

**Note 17. Restatement of Previously Issued Financial Statements**

As part of preparing its 2024 consolidated financial statements, the ARL identified errors in the accounting for in-kind leases and receivables, beneficial interests in trusts, lease liabilities and right of use assets. As a result, beginning net assets with donor restrictions and without donor restrictions were restated.

The effects of the changes were as follows:

	<u>As Originally Reported</u>	<u>Restatements</u>	<u>As Restated</u>
<b>Beginning Net Assets</b>			
With donor restrictions	\$ 351,357	\$ 1,267,238	\$ 1,618,595
Without donor restrictions	23,280,508	(49,680)	23,230,828
	<u>\$ 23,631,865</u>	<u>\$ 1,217,558</u>	<u>\$ 24,849,423</u>

As a result of the restatement, the 2024 change in net assets would have increased by \$42,039.

**Note 18. Subsequent Events**

In October 2025, the ARL purchased two veterinary clinics to expand operations and access to affordable care for animals.

Subsequent events have been evaluated through March 2, 2026, which is the date the consolidated financial statements were available to be issued.