

**TONY LA RUSSA'S ANIMAL
RESCUE FOUNDATION
DBA JOYBOUND PEOPLE & PET
ALLIANCE**

(A California Nonprofit Public Benefit Corporation)

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
YEARS ENDED JUNE 30, 2024 AND 2023**

TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION
DBA JOYBOUND PEOPLE & PET ALLIANCE
(A California Nonprofit Public Benefit Corporation)
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023

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LINDQUIST
VON HUSEN
& JOYCE llp

Certified Public Accountants

CHARLOTTE SIEW-KUN TAY

CATHY L. HWANG

RITA B. DELA CRUZ

SCOTT K. SMITH

CRISANTO S. FRANCISCO

JOE F. HUIE

KYLE F. GANLEY

SHERMAN G. LEONG

To the Board of Directors
Tony La Russa's Animal Rescue Foundation
dba Joybound People & Pet Alliance
Walnut Creek, California

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of Tony La Russa's Animal Rescue Foundation dba Joybound People & Pet Alliance, a California nonprofit public benefit corporation, which comprise the statements of financial position as of June 30, 2024 and 2023, 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 Tony La Russa's Animal Rescue Foundation dba Joybound People & Pet Alliance as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Tony La Russa's Animal Rescue Foundation dba Joybound People & Pet Alliance and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – New Accounting Standard

As discussed in Note 2 to the financial statements, Tony La Russa's Animal Rescue Foundation dba Joybound People & Pet Alliance adopted the new accounting guidance required by accounting principles generally accepted in the United States of America on current expected credit losses. 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 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 Tony La Russa's Animal Rescue Foundation dba Joybound People & Pet Alliance'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 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 Tony La Russa's Animal Rescue Foundation dba Joybound People & Pet Alliance's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tony La Russa's Animal Rescue Foundation dba Joybound People & Pet Alliance's ability to continue as a going concern for a reasonable period of time.

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

Sindqvist, von Husen and Joyce LLP

April 25, 2025

TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION
DBA JOYBOUND PEOPLE & PET ALLIANCE
(A California Nonprofit Public Benefit Corporation)
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

	2024	2023
ASSETS		
Current assets:		
Cash	\$ 676,256	\$ 612,223
Cash savings	1,705,993	3,350,929
Pledges receivable – current portion (Note 3)	781,000	715,000
Accounts receivable – net of allowance for doubtful accounts (Note 2)	24,610	16,564
Employee retention credit receivable (Note 4)	-	1,092,083
Inventory – net (Note 7)	53,907	28,261
Prepaid expenses	307,708	221,561
Total current assets	3,549,474	6,036,621
Investments (Note 5)	54,541,443	50,205,204
Beneficial interest in assets held by Trustee (Note 5)	106,453	101,864
Pledges receivable – net of current portion and discount (Note 3)	1,163,769	2,156,924
Deposits and other assets	4,885	11,285
Construction in progress (Note 6)	5,940	-
Property and equipment – net (Note 6)	26,633,416	26,457,969
Intangible asset – net (Note 8)	2,965,841	3,250,562
Total assets	<u>\$ 88,971,221</u>	<u>\$ 88,220,429</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 295,628	\$ 105,749
Accrued compensation	771,456	533,805
Deferred revenue	411,219	219,925
Total current liabilities	1,478,303	859,479
Net assets:		
Without donor restrictions (Note 5 and 12)	80,137,751	78,345,814
With donor restrictions (Note 11)	7,355,167	9,015,136
Total net assets	87,492,918	87,360,950
Total liabilities and net assets	<u>\$ 88,971,221</u>	<u>\$ 88,220,429</u>

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

TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

DBA JOYBOUND PEOPLE & PET ALLIANCE

(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2024 AND 2023

	2024			2023		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Operating revenues and other support:						
Contributions	\$ 7,130,324	\$ 1,011,903	\$ 8,142,227	\$ 4,799,986	\$ 3,620,531	\$ 8,420,517
Special events – net of expenses of \$73,418 and \$174,696, respectively, for 2024 and 2023	154,752	-	154,752	950,471	-	950,471
Corporate sponsorships	453,315	-	453,315	508,449	-	508,449
Program fees	627,961	-	627,961	566,344	-	566,344
Retail sales	531,963	-	531,963	509,267	-	509,267
Other revenue	366,841	-	366,841	171,375	-	171,375
Net assets released from restrictions (Note 11)	2,892,549	(2,892,549)	-	1,651,380	(1,651,380)	-
Total operating revenues and other support	12,157,705	(1,880,646)	10,277,059	9,157,272	1,969,151	11,126,423
Operating expenses:						
Program services	13,006,857	-	13,006,857	8,866,528	-	8,866,528
Supportive services:						
Management and general	1,315,151	-	1,315,151	852,614	-	852,614
Fundraising	1,444,105	-	1,444,105	859,974	-	859,974
Total operating expenses	15,766,113	-	15,766,113	10,579,116	-	10,579,116
Change in net assets from operations	(3,608,408)	(1,880,646)	(5,489,054)	(1,421,844)	1,969,151	547,307
Other changes:						
Net investment income (loss) including endowment funds (Note 5, 11 and 12)	5,400,345	220,677	5,621,022	3,869,782	182,724	4,052,506
Total other changes	5,400,345	220,677	5,621,022	3,869,782	182,724	4,052,506
Change in net assets	1,791,937	(1,659,969)	131,968	2,447,938	2,151,875	4,599,813
Net assets, beginning of year	78,345,814	9,015,136	87,360,950	75,897,876	6,863,261	82,761,137
Net assets, end of year	\$ 80,137,751	\$ 7,355,167	\$ 87,492,918	\$ 78,345,814	\$ 9,015,136	\$ 87,360,950

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

TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION
DBA JOYBOUND PEOPLE & PET ALLIANCE
(A California Nonprofit Public Benefit Corporation)
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2024 AND 2023

	2024									
	<i>Program Services</i>					<i>Supportive Services</i>				
	<i>Animal Care and Adoptions</i>	<i>Training</i>	<i>Veterinary Clinic</i>	<i>Humane Education</i>	<i>Community Outreach</i>	<i>Total Program</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>	
Personnel	\$ 3,269,581	\$ 605,719	\$ 2,401,771	\$ 71,614	\$ 2,205,983	\$ 8,554,668	\$ 935,500	\$ 817,168	\$ 10,307,336	
Professional services	140,087	18,398	165,258	-	149,674	473,417	156,812	162,671	792,900	
Occupancy	266,896	68,691	213,723	-	154,812	704,122	51,236	33,196	788,554	
Equipment rental, repairs and maintenance	88,027	25,766	66,874	-	39,568	220,235	69,172	21,220	310,627	
Animal care and supplies	163,300	6,745	380,106	-	336,794	886,945	935	-	887,880	
Supplies	20,547	6,289	19,331	-	25,015	71,182	18,821	16,148	106,151	
Printing and publications	130,981	21,467	120,630	-	108,370	381,448	2,026	184,311	567,785	
Postage	1,980	640	1,268	-	1,586	5,474	1,677	5,655	12,806	
Insurance	80,874	19,624	20,366	-	50,628	171,492	10,407	4,326	186,225	
Cost of goods sold	60,941	-	13,585	-	-	74,526	-	-	74,526	
Advertising and promotion	2,923	729	2,250	-	55,057	60,959	3,231	93,826	158,016	
Other expenses	1,425	-	5,274	-	105,613	112,312	3,048	2,053	117,413	
Travel, conferences, and education	23,782	8,278	21,373	-	49,267	102,700	39,845	20,314	162,859	
Taxes, licenses and fees	49,575	4,577	29,465	-	13,634	97,251	2,757	51,091	151,099	
Depreciation	313,632	41,333	75,496	-	386,636	817,097	10,910	24,080	852,087	
Amortization (Note 8)	104,799	13,811	25,227	-	129,192	273,029	3,646	8,046	284,721	
Loss on disposal of inventory	-	-	-	-	-	-	-	-	-	
Loss on disposal of property and equipment	-	-	-	-	-	-	5,128	-	5,128	
Total expenses	\$ 4,719,350	\$ 842,067	\$ 3,561,997	\$ 71,614	\$ 3,811,829	\$ 13,006,857	\$ 1,315,151	\$ 1,444,105	\$ 15,766,113	

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

TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION
DBA JOYBOUND PEOPLE & PET ALLIANCE
(A California Nonprofit Public Benefit Corporation)
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2024 AND 2023

	2023									
	<i>Program Services</i>					<i>Supportive Services</i>				
	<i>Animal Care and Adoptions</i>	<i>Training</i>	<i>Veterinary Clinic</i>	<i>Humane Education</i>	<i>Community Outreach</i>	<i>Total Program</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>	
Personnel	\$ 2,353,471	\$ 310,264	\$ 1,765,633	\$ -	\$ 1,101,003	\$ 5,530,371	\$ 571,622	\$ 393,442	\$ 6,495,435	
Professional services	124,247	22,313	109,367	-	66,104	322,031	9,805	139,228	471,064	
Occupancy	120,248	27,857	161,821	-	66,896	376,822	26,724	14,334	417,880	
Equipment rental, repairs and maintenance	64,206	12,990	66,546	-	27,125	170,867	35,453	16,407	222,727	
Animal care and supplies	184,560	4,053	282,319	-	174,318	645,250	-	-	645,250	
Supplies	5,032	2,694	8,137	-	3,453	19,316	18,876	3,291	41,483	
Printing and publications	102,208	14,428	104,266	-	66,762	287,664	2,755	143,739	434,158	
Postage	2,103	453	3,402	-	851	6,809	204	3,038	10,051	
Insurance	65,311	14,985	15,637	-	35,893	131,826	7,946	3,304	143,076	
Cost of goods sold	64,357	-	1,352	-	-	65,709	-	-	65,709	
Advertising and promotion	75	-	174	-	42,449	42,698	4,456	75,741	122,895	
Other expenses	4,198	64	40	-	81,923	86,225	4,318	-	90,543	
Travel, conferences, and education	12,524	7,635	17,388	-	31,722	69,269	36,795	4,683	110,747	
Taxes, licenses and fees	21,365	2,246	22,825	-	6,541	52,977	2,083	31,872	86,932	
Depreciation	292,083	44,149	83,585	-	367,005	786,822	14,222	22,960	824,004	
Amortization (Note 8)	100,924	15,255	28,881	-	126,812	271,872	4,914	7,935	284,721	
Loss on disposal of inventory	-	-	-	-	-	-	112,441	-	112,441	
Loss on disposal of property and equipment	-	-	-	-	-	-	-	-	-	
Total expenses	\$ 3,516,912	\$ 479,386	\$ 2,671,373	\$ -	\$ 2,198,857	\$ 8,866,528	\$ 852,614	\$ 859,974	\$ 10,579,116	

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

TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION
DBA JOYBOUND PEOPLE & PET ALLIANCE
(A California Nonprofit Public Benefit Corporation)
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 131,968	\$ 4,599,813
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	852,087	824,004
Amortization	284,721	284,721
Donation of stock	-	(18,653)
Change in beneficial interest in assets held by Trustee	(4,589)	137,677
Unrealized (gain) loss on investments	(2,448,674)	(2,427,212)
Realized gain on sale of investments	(1,598,841)	(181,732)
Loss on disposal of property and equipment	5,128	-
Provision for bad debts	701	670
Loss on disposal of inventory	-	112,441
(Increase) decrease in assets:		
Pledges receivable – net	927,155	(2,413,104)
Accounts receivable – net	(8,747)	23,038
Employee retention credit receivable	1,092,083	702,595
Inventory	(25,646)	(20,793)
Prepaid expenses	(86,147)	22,832
Deposits and other assets	6,400	(8,600)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	189,879	1,580
Accrued compensation	237,651	147,809
Deferred revenue	191,294	17,225
Net cash (used in) provided by operating activities	<u>(253,577)</u>	<u>1,804,311</u>
Cash flows from investing activities:		
Net increase in investments	(288,724)	(1,711,065)
Purchases of property and equipment	(1,038,602)	(154,316)
Net cash used in investing activities	<u>(1,327,326)</u>	<u>(1,865,381)</u>
Net decrease in cash	(1,580,903)	(61,070)
Cash, beginning of year	<u>3,963,152</u>	<u>4,024,222</u>
Cash, end of year	<u><u>\$ 2,382,249</u></u>	<u><u>\$ 3,963,152</u></u>

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

TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION
DBA JOYBOUND PEOPLE & PET ALLIANCE
(A California Nonprofit Public Benefit Corporation)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Tony La Russa's Animal Rescue Foundation dba Joybound People & Pet Alliance was incorporated in California in June 1991 as a nonprofit public benefit corporation to inspire and nurture the human-animal bond and bring people and animals together to enrich each other's lives. Effective March 1, 2023, the Board of Directors formally voted to separate from the La Russa family and began doing business as "ARF." In February 2024, the Organization began doing business as Joybound People & Pet Alliance (the Organization).

With dog and cat rescue and adoption at the heart of its mission, the Organization forms, supports, elevates, and celebrates the human-animal bond through services such as rescue and adoption, pet training and veterinary care, food and supply assistance, therapy and service-animal programs, and rich learning resources for all pet families.

Programs:

Adoptions:

Matching cats and dogs with new families through adoption is the cornerstone of the Organization's work. Each animal rescued is behaviorally and medically evaluated and treated, spayed or neutered, given age-appropriate vaccines, and microchipped. While awaiting adoption, all animals receive ongoing medical care, as well as training and enrichment. The Organization relies on an extensive network of volunteers to assist in this effort.

Veterinary Care:

The Organization's on-site clinic also provides public spay and neuter programs in a continued effort to reduce the growing number of animals surrendered to shelters and to help to break the cycle of companion animal overpopulation.

Financial Support:

The Community Veterinary Care program (formerly known as the Emergency Medical Fund®) provides low-to-no-cost veterinary care for those pet guardians facing financial barriers to veterinary care. The Pet Safety Net program serves families struggling to prevent the surrender of a pet – providing resources, counseling, and financial assistance.

Food Distribution:

The FoodShare program distributes free food and litter for cats and dogs.

Resources:

The Organization's Resource Center hotline responds to calls and emails for animal-related advice and assistance.

Training:

The Organization provides animal training and enrichment classes, as well as individual behavior consultations.

Service Dogs:

The Shelter to Service program, formerly known as Pets and Vets, matches Veterans Administration (VA)-referred veterans who suffer from psychological trauma with specially selected shelter dogs as both emotional support animals (ESAs) and psychiatric service dogs - at no cost.

TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023

Therapy Visits:

The Organization's Pet Hug Pack® therapy animal program - comprised of teams of qualified pets and volunteer handlers - visits hospitals, students, and others in need of the unconditional love and support only an animal can offer.

Grooming Academy:

The Grooming Academy provides hands-on pet grooming training, under the guidance of experienced grooming professionals, to individuals experiencing barriers to employment. The Academy provides grooming services to both shelter dogs and public clients.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method

The Organization uses the accrual method of accounting, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

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

- Net assets without donor restrictions include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization.
- Net assets with donor restrictions include those assets subject to donor restrictions and for which the applicable restrictions were not met as of the end of the current reporting period. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. When a donor restriction expires – that is, when a 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 statements of activities as *net assets released from restrictions*. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity.

Cash, Cash Savings and Cash Equivalents

Cash is defined as cash in demand deposit account as well as cash on hand. The Organization occasionally maintains cash and investments at a brokerage firm in excess of the Security Investor Protection Corporation. The uninsured balance was approximately \$1,805,000 at June 30, 2024. The Organization has not experienced any losses in such accounts.

TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION
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Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash. Generally, only investments with original maturities of three months or less qualify as cash equivalents.

Revenue Recognition

Contributions:

Contributions are recognized as revenue when they are unconditionally communicated. Contributions consist principally of donations from individuals and other organizations. Contributions are recorded at their fair value as support without donor restrictions or support with donor restrictions, depending on the absence or existence of donor-imposed restrictions as applicable. When a restriction expires (that is when a 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 statements of activities as net assets released from restrictions. If donors' restrictions are satisfied in the same period that the contribution is received, the contribution is reported as support without donor restrictions.

Promises to Give:

Unconditional promises to give are recognized as contribution revenue in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Contributions of Long-Lived Assets:

Gifts of long-lived assets, such as equipment, are reported as unrestricted net assets support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire or construct long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Contributed Services and Donated Investments:

Contributed services are stated at their estimated fair value, if ordinarily purchased and of a specialized nature.

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

Revenue from Contracts:

Program fees, including adoption and clinic fees among other programs, and retail sales are primarily comprised of an exchange element based on the value of benefits provided and are recognized as revenue when the related performance obligations are satisfied. Performance obligations represent the specified services provided to customers under such contracts and generally consist of a single performance obligation which is satisfied when the service is provided or the event has occurred.

TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023

Leases

The accounting standard on leases, required by accounting principles generally accepted in the United States of America, amends both lessor and lessee accounting with the most significant change being the requirement for lessees to account for leases as either finance leases or operating leases and to recognize right-of-use (ROU) assets and corresponding lease liabilities on the statement of financial position for all leases other than leases with terms of 12 months or less. For finance leases, lessees would recognize interest expense and amortization of the ROU asset, and for operating leases, lessees would recognize straight-line total rent expense. The accounting standard also requires additional disclosures about the amount, timing, and uncertainty of cash flows arising from leases.

The Organization accounts for the existing Thrift Store lease and other equipment leases as operating leases. Due to the nominal rent amounts, ROU assets and lease liabilities are not recognized. However, the effect of not recognizing ROU assets and lease liabilities is not materially different from the result that would have been obtained had the requirement to recognize been followed.

Deferred Revenue

Deferred revenue primarily includes advance fees received in connection with a contract with Purina for advertisement and media appearances and other funds received in advance for programs in subsequent fiscal years. Revenue will be recognized over the period in which the related performance obligations are satisfied.

New Accounting Standard on Current Expected Credit Losses

A new accounting standards on current expected credit losses, required by accounting principles generally accepted in the United States of America, significantly changed how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses.

The Organization adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the financial statements as of the effective date and primarily resulted in new and enhanced disclosures only.

Accounts receivable are related to income earned from program services. An allowance for credit losses is provided which is an estimate based upon historical account write-off trends, facts about the current financial condition and forecasts of future operating results. Credit quality is monitored through the timing of payments compared to payment terms and known facts about customers. Accounts receivable balances are charged off against the allowance for credit losses after recovery efforts have ceased. The allowance for uncollectible accounts was \$539 and \$1,240 as of June 30, 2024 and 2023, respectively.

Pledges Receivable

Pledges receivable are recorded as support when the pledge is unconditionally communicated. All pledges are valued at their estimated net present value at June 30, 2024 and 2023 and are deemed fully collectible. Accordingly, no allowance for uncollectible pledges has been provided.

TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION
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Inventory

Inventory consists of boutique and clinic products and are recorded at cost. Prior to 2023, inventory also included purchased and donated items for auction or resale and were recorded at cost or fair value at the date of purchase or donation, respectively. Memorabilia items were discounted by 50% to approximate the lower of cost or market based on the estimated fair market value of the items. Memorabilia inventory with an estimated fair value of \$204,412 was returned to the La Russa family in 2023. The loss on disposal of inventory of \$112,441 was included in the accompanying statements of activities. Goods donated to the thrift shop are not reflected in the financial statements since no objective basis is available to measure their values.

Intangible Assets

Intangible assets consist of a donated suite license agreement which is recorded at fair value and amortized on a straight-line basis over the 15-year term of the lease. The donated suite lease is reviewed for impairment at least annually.

Beneficial Interest in Assets Held by the Trustee

Beneficial interests in assets held by the Trustee are recorded with or without donor restrictions dependent on the existence of donor-imposed restrictions. Beneficial interest in assets held by the Trustee are reported at fair value and changes in the value of the beneficial interest are reported as contribution income.

Investments

Investments consist of money market funds, exchange traded funds, common stock, bond funds, and equity funds, and are reported at fair value in the statements of financial position. Realized and unrealized gains and losses on investments are included in net investment return including endowment funds in the statements of activities. Investment income and gains or losses are reflected as increases or decreases in the net assets without donor restrictions if the restrictions are met (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the investment income and gains or losses are recognized.

Under accounting principles generally accepted in the United States of America, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date.

Accounting principles generally accepted in the United States of America establish a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs, if any, reflects the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at measurement date. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on significant inputs that are observable, either directly or indirectly or quoted prices in markets that are not active, that is, markets in which there are few transactions, the prices are not current or price quotations vary substantially either over time or among market makers.

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Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from investment to investment and is affected by a wide variety of factors, including the type of investment, whether the investment is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed.

Property and Equipment

Property and equipment are stated at cost of acquisition or construction. Donated property and equipment are recorded at their estimated fair market values at the date of donation. The costs of maintenance and repairs below \$5,000 that neither significantly add to the permanent value of property nor prolong its intended useful life is charged to expense as incurred. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the respective assets.

The useful lives of the assets are estimated as follows:

Building and improvements	Various to 39 years
Furniture and fixtures	5 to 7 years
Vehicles	10 years
Machinery and equipment	3 to 5 years
Website development costs	3 years
Leasehold improvements	7 years

The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in the statements of activities.

Construction in Progress

The Organization incurs various costs during the construction phase of projects, including the Oak Grove Project and the Solo's Play Yard. Such costs may include architectural fees, permits, construction management fees, as well as other construction costs. The Organization records these costs as assets (construction in progress) until the projects are placed in service. Construction in progress is not depreciated until the completion of the construction.

Advertising and Promotion Costs

Advertising and promotion costs are generally recorded as expenses when the cost is incurred. Such costs totaled \$158,016 and \$122,895 for the years ended June 30, 2024 and 2023, respectively.

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Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and the related California code sections.

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's federal and state information returns for the years 2020 through 2023 are subject to examination by regulatory agencies, generally for three years and four years after they were filed for federal and state, respectively.

Functional Expenses Allocation

The costs of providing program services and supportive services have been summarized on a functional basis in the statements of activities and statements of functional expenses. Salaries and related expenses are allocated based on the actual time spent by employees on various activities. Occupancy and general expenses are allocated based on space usage by each function. Accordingly, certain costs are allocated among program services and supporting services based on estimates of employees' actual time incurred and on usage of resources. Directly identifiable expenses are charged to programs and supporting services.

Fundraising Cost

Fundraising costs are generally recorded as expenses when the fundraising event takes place which include costs associated with marketing, special events and grant writing. Such costs totaled \$1,517,523 and \$1,034,670 for the years ended June 30, 2024 and 2023, respectively, of which \$73,418 and \$174,696, respectively, was related to special events. The balances of \$1,444,105 and \$859,974 at June 30, 2024 and 2023, respectively, have been reported as fundraising expenses in the statements of activities.

Subsequent Events

Management has evaluated subsequent events through April 25, 2025, the date on which the financial statements were available to be issued.

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NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable at June 30, 2024 and 2023 were expected to be collected in the following periods:

	2024	2023
In one year or less:		
Operations	\$ 781,000	\$ 715,000
Total in one year or less	781,000	715,000
Between one to five years:		
Operations	1,405,405	2,201,499
Total between one to five years	1,405,405	2,201,499
Total pledges receivable	2,186,405	2,916,499
Present value discount	(241,636)	(44,575)
Total	<u>\$ 1,944,769</u>	<u>\$ 2,871,924</u>

At June 30, 2024 and 2023, the discount rate was 8.50% and 8.25%, respectively, based on the federal prime rate.

NOTE 4 – EMPLOYEE RETENTION CREDIT RECEIVABLE

The Organization was eligible for the Employee Retention Credit (“ERC”) under the CARES Act. Grants receivable for the ERC at June 30, 2023 were \$1,092,083, which represented refunds due on the Form 941-X Adjusted Employer’s Quarterly Federal Tax Return or Claim for Refund for the quarters ended March 31, 2021, June 30, 2021, and September 30, 2021. The ERC receivable was collected in full in July 2023.

NOTE 5 – INVESTMENTS

The Organization’s investment funds are managed by a third-party financial advisor. Based on the fund’s time horizon, risk tolerance, performance expectations, and asset class preferences, an optimal portfolio was identified. The Organization’s financial advisors shall pursue a “Diversified Market-Neutral Strategy,” consistent with proven investment practices. Consequently, the strategic asset allocation of the fund assets shall be as follows until the Organization’s board and its financial advisors elect to pursue an alternative strategy:

- Mid/Small and Large Capitalization Equity at 42%
- International equity at 18%
- Taxable bonds at 40%.

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The funds are rebalanced at least on an annual basis to ensure that the funds are adhering to the Organization's investment objectives:

- Objective #1: To obtain the highest level of return for the Investment Committee's desired level of risk in a manner prudent for a non-profit foundation.
- Objective #2: To limit risk exposure through diversification of asset classes and investment vehicles within asset classes.
- Objective #3: To establish policies based on total return rather than current income. This provides the greatest investment flexibility and therefore greatest opportunity for growth of assets.
- Objective #4: To maintain the purchasing power of the fund by achieving appropriate inflation-adjusted returns. The Investment Committee desires to maintain the level of services in relation to average cost increases. This requires establishing a spending rate of no more than 7%.
- Objective #5: Apply a smoothing rule to mitigate the effects of short-term market volatility on spending.
- Objective #6: To control the costs of administering and managing the fund.

Investment balances have been presented as follows on the statements of financial position:

	2024	2023
Cash savings	\$ 1,705,993	\$ 3,350,929
Investments	54,541,443	50,205,204
Total	<u>\$ 56,247,436</u>	<u>\$ 53,556,133</u>

The investment return for 2024 and 2023 consisted of the following:

	2024	2023
Interest and dividend income	\$ 1,640,934	\$ 1,506,962
Net realized gain from sale of securities	1,598,841	181,732
Unrealized gain (loss)	2,448,674	2,427,212
Sub-total	5,688,449	4,115,906
Less: investment fees	(67,427)	(63,400)
Total	<u>\$ 5,621,022</u>	<u>\$ 4,052,506</u>

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The Organization held the following investments at fair value in two brokerage accounts at June 30, 2024 and 2023:

	2024		2023	
	<i>Cost</i>	<i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i>	<i>Cost</i>	<i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i>
Money market funds	\$ 1,705,993	\$ 1,705,993	\$ 3,350,929	\$ 3,350,929
Exchange traded funds	24,643,758	32,897,666	25,007,088	31,508,185
Common stock	92,610	92,610	92,610	92,610
Bond funds	21,688,579	20,229,715	19,468,185	17,455,348
Equity funds	1,060,865	1,321,452	1,030,105	1,149,061
	<u>\$ 49,191,805</u>	<u>\$ 56,247,436</u>	<u>\$ 48,948,917</u>	<u>\$ 53,556,133</u>

Board Designated Endowment Funds

The Organization's Board Investment Committee provides fiduciary oversight of financial reserves to ensure the long-term financial stability of the Organization and the ability to survive serious and/or unexpected negative events. Annual contributions to the board designated endowment fund will consist of bequests in excess of budget, determined annually, and were budgeted at \$2,225,000 and \$1,000,000 for the years ended June 30, 2024 and 2023, respectively. With that goal in mind, the Board of Directors has designated endowments of \$50,516,766 and \$46,292,903, at June 30, 2024 and 2023, respectively, which are held in the Organization's investment accounts and designated for future general programs and operations.

	2024	2023
Board designated endowment funds, beginning	\$ 46,292,903	\$ 41,416,755
Dividend income	1,566,425	1,444,035
Net realized and unrealized gains (losses)	3,898,645	2,486,243
Bequests (less than) in excess of budget	(1,176,484)	1,006,366
Investment fees	(64,723)	(60,496)
Board designated endowment funds, ending	<u>\$ 50,516,766</u>	<u>\$ 46,292,903</u>

Beneficial Interest in Assets Held by Trustee

During the year ended June 30, 2021, the Organization was named a 10% beneficiary of certain assets which are held by a third-party trustee (the Trustee) for the benefit of the Organization, and which are currently invested in money-market funds, equities and fixed income securities. The Trustee is authorized in its discretion to use the principal and income of the trust for the payment of any legally enforceable obligations or costs in the administration of the estate. These assets will be held by the Trustee until 2049, at which time the Organization's 10% beneficial interest in the remaining assets will be distributed to the Organization. The Organization reports its 10% beneficial interest in the assets held by the Trustee at fair value net of a present value discount in the statements of financial position and reports changes in the value of the beneficial interest as contribution income in the statements of activities. As of June 30, 2024 and 2023, the discount rate applied was 8.50% and 8.25%, respectively, based on the federal prime rate.

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The Organization's beneficial interest of assets held by the Trustee, which are recorded at fair value, are as follows, at June 30, 2024 and 2023:

	2024		2023	
	<i>Cost</i>	<i>Significant Other Observable Inputs (Level 2)</i>	<i>Cost</i>	<i>Significant Other Observable Inputs (Level 2)</i>
Beneficial interest in cash held by the Trustee – without donor restrictions	\$ 2,651	\$ 2,651	\$ 3,106	\$ 3,106
Beneficial interest in investments held by the Trustee – without donor restrictions	87,913	103,802	88,693	98,758
	<u>\$ 90,564</u>	<u>\$ 106,453</u>	<u>\$ 91,799</u>	<u>\$ 101,864</u>

The beneficial interest in assets held by the Trustee was comprised of the following at June 30, 2024 and 2023:

	2024	2023
Beneficial interest in assets held by the Trustee	\$ 818,279	\$ 800,107
Present value discount	<u>(711,826)</u>	<u>(698,243)</u>
Total	<u>\$ 106,453</u>	<u>\$ 101,864</u>

The Organization is entitled to annual distributions of income (loss) based on the change in the fair value of the beneficial interest in the assets, which totaled \$(4,589) and \$(137,677) for the years ended June 30, 2024 and 2023, respectively, and is included in contribution income in the accompanying statements of activities. Furthermore, the Trustee can make additional distributions in its sole discretion.

The beneficial interest in assets held by the Trustee has been valued, as a practical expedient, at the fair value of the Organization's share of the Trustee's investment pool as of the measurement date, utilizing valuations provided by the Trustee and discounted as applied.

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NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	2024	2023
Land	\$ 10,532,895	\$ 10,532,895
Buildings and improvements	21,848,160	21,743,465
Furniture and fixtures	874,045	957,156
Vehicles	688,546	452,733
Machinery and equipment	478,644	293,132
Website development costs	81,031	81,031
Leasehold improvements	8,560	43,730
	34,511,881	34,104,142
Less: accumulated depreciation and amortization	(7,878,465)	(7,646,173)
Total property and equipment, net	<u>\$ 26,633,416</u>	<u>\$ 26,457,969</u>

NOTE 7 – INVENTORY

Inventories are summarized as follows:

	2024	2023
Joybound wear garments	\$ 3,564	\$ 3,142
Miscellaneous items	50,343	25,119
Total	<u>\$ 53,907</u>	<u>\$ 28,261</u>

In 2023, memorabilia inventory was returned to the La Russa family. The loss on disposal of inventory of \$112,441, at date of return, is included in the accompanying statements of activities.

NOTE 8 – INTANGIBLE ASSET

In December 2019, a donor contributed the rights to a prepaid luxury box-suite on the Owner's Suite Level of the San Francisco 49ers football stadium in Santa Clara, California. No purpose or use restrictions were attached to the donation. The prepaid suite, under terms of a Suite License Agreement and Assumption Agreement (Agreement), included an initial 20-year term covering the period from March 1, 2014 through February 28, 2034. Due to COVID-19, and the Organization's inability to utilize the benefits set forth in the Agreement for the year covering March 1, 2020 through February 28, 2021, the lessor extended the contract term through February 28, 2035 for no further consideration.

The Agreement was recorded at its fair value at date of donation as determined by an appraisal performed specifically for such purpose. The Agreement was valued at \$4,270,811 at date of donation and is amortized on a straight-line basis over the remaining contract term, at date of acquisition, of approximately 15 years.

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	2024	2023
Intangible asset, cost	\$ 4,270,811	\$ 4,270,811
Accumulated amortization	(1,304,970)	(1,020,249)
Total	<u>\$ 2,965,841</u>	<u>\$ 3,250,562</u>

The Organization reviews the Agreement for impairment whenever events or changes in circumstances indicate that the carrying value of such asset may not be recoverable. Impairment is measured by a comparison of the net carrying amount of the asset to the value of the suite based on the value of comparable suites in comparable stadiums, use of the suite for scheduled events, the performance of the 49ers football team, the opportunity to list the suite on the open market, and other relevant factors. If the asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value of such asset. There were no impairment losses recognized in 2024 or 2023.

The Organization accepted the donated stadium suite lease with the intent to use the luxury-suite to provide entertainment to donors, employees, volunteers and other associated individuals and organizations that help to promote and sustain the Organization's mission, fundraising goals and program objectives. The Organization also intends to monetize the asset through short-term rental and possible sale of the suite lease agreement. During the years ended June 30, 2024 and 2023, the Organization recognized \$263,125 and \$113,000, respectively, of suite lease income, which is included in other revenue in the statements of activities. Any transfer or sale of the agreement cannot be made without the approval of Forty-Niners SC Stadium Company LLC, the licensor. The Organization will continue to assess its ability to sell the suite but is currently leasing the suite for various events.

NOTE 9 – CONDITIONAL PROMISES TO GIVE

The Organization periodically receives conditional grants that require grantors' approval of progress toward milestones set forth in the grant agreements. Revenue is recognized upon meeting the specified condition(s). At June 30, 2024 and 2023, the balance of conditional grants was \$209,094 and \$-0-, respectively.

NOTE 10 – LINE OF CREDIT

The Organization had a \$350,000 revolving line of credit with a bank, which bore interest at 0.5% over the bank's prime rate, and approximated 8.50% and 8.25%, respectively, at June 30, 2024 and 2023, and was secured by substantially all assets of the Organization. No amounts were outstanding in connection with the respective line of credit as of June 30, 2024 and 2023. Effective September 8, 2023, the maturity date of the loan was extended to August 5, 2024 and was not renewed upon expiration.

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NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent funds which have not yet been expended for donor-imposed purpose restrictions or time restrictions. Net assets with donor restrictions were available for the following purposes:

	<i>June 30, 2023</i>	<i>Contributions</i>	<i>Investment Income</i>	<i>Releases from Restrictions</i>	<i>June 30, 2024</i>
Endowment funds (Note 12)	\$ 2,124,487	\$ -	\$ 220,677	\$(182,506) ⁽²⁾	\$ 2,162,658
Canine Grooming Academy	2,000,000	-	-	(500,000)	1,500,000
Humane education program	27,054	-	-	-	27,054
Hope fund	108,572	7,829	-	(8,818)	107,583
Shelter to Service program	2,363,523	146,519	-	(1,268,476)	1,241,566
Shelter to Service building maintenance ⁽¹⁾	2,000,000	-	-	-	2,000,000
Solo's play yard	-	300,000	-	-	300,000
Other programs	391,500	557,555	-	(932,749)	16,306
Total	<u>\$ 9,015,136</u>	<u>\$ 1,011,903</u>	<u>\$ 220,677</u>	<u>\$(2,892,549)</u>	<u>\$ 7,355,167</u>

	<i>June 30, 2022</i>	<i>Contributions</i>	<i>Investment Income</i>	<i>Releases from Restrictions</i>	<i>June 30, 2023</i>
Endowment funds (Note 12)	\$ 2,113,385	\$ 25,000	\$ 182,724	\$(196,622) ⁽²⁾	\$ 2,124,487
Canine Grooming Academy	-	2,000,000	-	-	2,000,000
Humane education program	27,054	-	-	-	27,054
Hope fund	99,634	28,341	-	(19,403)	108,572
Shelter to Service program	2,339,820	977,706	-	(954,003)	2,363,523
Shelter to Service building maintenance ⁽¹⁾	2,000,000	-	-	-	2,000,000
Other programs	283,368	589,484	-	(481,352)	391,500
Total	<u>\$ 6,863,261</u>	<u>\$ 3,620,531</u>	<u>\$ 182,724</u>	<u>\$(1,651,380)</u>	<u>\$ 9,015,136</u>

⁽¹⁾ The Board of Directors determined, as part of the assessment of the capital campaign, that \$2,000,000 would be designated for the Shelter to Service program for preservation of the integrity of the Shelter to Service Center maintenance, repairs and upkeep.

⁽²⁾ Releases from restrictions for the endowment funds are appropriations permitted for expenditure.

NOTE 12 – ENDOWMENTS

The Organization's endowment net assets consist of funds whose corpus is to remain intact and includes those assets of donor-restricted funds that the Organization must hold in perpetuity and board designated endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding of programs supported by its endowment while also maintaining the purchasing power of the endowment assets, assuming an average inflation rate of 2.5%. In establishing this policy, the Organization considered the long-term expected investment return on its endowment assets. Approved by its Board of Directors, endowment assets are invested in a manner that is intended to produce results that exceed the respective benchmark while assuming a moderate level of investment risk. Accordingly, over the long term, the Organization expects its endowment assets, over time, to produce the highest level of return, net of investment fees, for the desired level of risk. Actual returns in any given year may vary from this amount.

The Board of Directors of the Organization has full authority and plenary power to manage, invest and reinvest any principal of the fund and any increase or accumulations to it and any income from it; however, the Board of Directors has a fiduciary duty to maintain the corpus of the donor-restricted endowment fund.

Board Designated Endowment Funds

The Organization's Board Investment Committee established the board designated sustainability fund provide future financial stability and use towards its programs and general charitable purpose.

Donor-Restricted Endowment Funds

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), signed into law in California in 2008, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the 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 Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purpose of the Organization and 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 the appreciation and depreciation of investments, and (6) the investment policies of the Organization.

In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable without purpose restriction. Through June 30, 2024, the Organization received one endowment (in 2005), of which the earnings on the corpus balance of \$1,612,549 are restricted as to use. The Organization's donor indicated that the use of the investment income, including net appreciation, resulting from the donor-restricted endowment funds should be used by the Organization exclusively for charitable purposes for the well-being, advancement, preservation and care of small animals in California, with particular emphasis given, but not limited to, dogs and cats and also may be used, but are not limited to, veterinary care, particularly including spaying and neutering, preservation, rescue and placement.

The Board of Directors established a spending rate of no more than 7% of the average annual fair value of the investment balance of the endowment funds for the prior two fiscal year ends. In establishing this policy, the Organization considered the long-term expected return on its endowment assets, the nature and duration of the endowment funds, all of which must be maintained in perpetuity because of donor restrictions and possible effects of inflation. Accordingly, over the long term, the Organization expects their spending policy to allow its endowment to grow at a rate exceeding expected inflation. In the event that the endowment were underwater, the spending rate would be 0%.

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From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions and generally result from unfavorable market fluctuations that occur shortly after the investment of new contributions with donor restrictions and continued appropriation for certain programs that were deemed prudent by the Board. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level are classified as an increase in net assets with donor restrictions. There were no aforementioned deficiencies at June 30, 2024 and 2023.

Net changes in endowment funds are as follows:

	<i>Without Donor Restrictions ⁽¹⁾</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Balance as of June 30, 2022	\$ 143,942	\$ 2,113,385	\$ 2,257,327
Dividend income	-	62,927	62,927
Net realized and unrealized gains on investments	-	122,701	122,701
Appropriations	196,622	(196,622)	-
Contributions	-	25,000	25,000
Investment fees	-	(2,904)	(2,904)
Balance as of June 30, 2023	340,564	2,124,487	2,465,051
Dividend income	-	74,509	74,509
Net realized and unrealized gains on investments	-	148,871	148,871
Appropriations	182,506	(182,506)	-
Investment fees	-	(2,703)	(2,703)
Balance as of June 30, 2024	<u>\$ 523,070</u>	<u>\$ 2,162,658</u>	<u>\$ 2,685,728</u>

⁽¹⁾ Endowment funds without donor restrictions are funds that have been appropriated for use in the Organization's programs and general charitable purpose.

NOTE 13 – RETIREMENT PLAN

The Organization has a 403(b) retirement plan which is offered to all employees who have completed one year of eligible service without regard to minimum age. The Organization contributes a dollar for dollar match up to 2% of the employee's gross compensation. All participating employees may contribute up to the annual IRS limit. Employer contributions for 2024 and 2023 were \$86,417 and \$93,298, respectively.

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NOTE 14 – JOINT COSTS

In 2024 and 2023, the Organization conducted activities that included requests for contributions as well as a program component. Those activities include direct mail campaigns and licensing fees. The costs of conducting those activities included a total of \$480,010 and \$386,927 of joint costs for the years ended June 30, 2024 and 2023, respectively, which are not specifically attributable to particular components of the activities. For the years ended June 30, 2024 and 2023, total joint costs allocated to program was \$307,208 and \$255,372, respectively, and \$172,802 and \$131,555, respectively, was allocated to fundraising.

NOTE 15 – DONATED GOODS AND SERVICES

The Organization relies heavily on donated goods and services to operate its adoption center and thrift store. A substantial number of unpaid volunteers have made significant contributions of times to the Organization. For the years ended June 30, 2024 and 2023, volunteers donated approximately 71,980 and 45,523 hours to the Organization, respectively. These hours included approximately 12,789 and 15,459 hours of foster care for animals, respectively. No amounts have been reflected in the financial statements for donated services since no objective basis is available to measure their value.

Contributed goods are included in the financial statements at their fair value where an objective basis of measurement is available. Such donated goods for the years ended June 30, 2024 and 2023 were reported as contributions of \$387,436 and \$261,621, respectively, with offsetting assets and expenses recorded in the corresponding categories as follows: program services \$230,583 and \$117,786 and fundraising \$156,853 and \$143,835 for the years ended June 30, 2024 and 2023, respectively.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Thrift Store Lease

The Organization's thrift store operates from the Market Street Park and Shop Center in Concord, California, under an operating lease which expired on November 30, 2021. In July 2021, the operating lease was extended with a new expiration date of November 30, 2023. On September 13, 2023, the Organization entered into an agreement for an additional extension through November 30, 2024, after which the lease is on a month-to-month basis. Under the terms of the lease agreement, the base rent increases annually by 3% to 5%. The rental expense under this operating lease agreement was \$103,167 for both 2024 and 2023.

Effective January 2025, the Organization entered into a 62-month lease agreement for the thrift store which expires in March 2030. The lease includes a base rent rate of \$5,211 for the first year, with annual increases based on the current CPI with a minimum and maximum increase of 3% and 6%, respectively.

Other Leases

The Organization also has several other non-cancellable operating lease arrangements for equipment and an operating lease for its storage unit that is currently leased on a month-to-month basis. The rental expense under other operating lease agreements for 2024 and 2023 totaled \$28,746 and \$29,451, respectively.

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The estimated future minimum lease payments for the non-cancellable operating leases are as follows:

	<u>Year Ending June 30,</u>
2025	\$ 50,312
2026	26,952
2027	26,952
2028	26,952
2029	<u>-</u>
	<u>\$ 131,168</u>

NOTE 17 – LIQUIDITY AND AVAILABILITY

Financial assets as of June 30, 2024 and 2023 consist of the following:

	<u>2024</u>	<u>2023</u>
Financial assets at end of year available within one year:		
Cash	\$ 676,256	\$ 612,223
Cash savings	1,705,993	3,350,929
Accounts receivable	24,610	16,564
Employee retention credit receivable	-	1,092,083
Pledges receivable	781,000	715,000
Investments	54,541,443	50,205,204
	<u>57,729,302</u>	<u>55,992,003</u>
Less financial assets not available for general expenditures:		
Pledges receivable for specified purposes	(700,000)	(715,000)
Investments – Endowment with donor-specified restrictions	<u>(2,162,658)</u>	<u>(2,124,487)</u>
Financial assets available for general expenditures within one year	<u>\$ 54,866,644</u>	<u>\$ 53,152,516</u>

Financial assets include amounts that will be used to pay accounts payable, accrued expenses and other distributions from operating cash flow, if any, in the subsequent year.

NOTE 18 – LEGAL CLAIMS AND ASSERTIONS

The Organization was named in civil actions related to employment practices. Those claims have been evaluated by legal counsel and all but one was settled as of June 30, 2023. In January 2024, the last pending claim was settled. The Organization maintains insurance coverage with respect to such claims, and such coverage is sufficient to cover legal costs and provides specified coverage for the liabilities.