



LANGE FOUNDATION

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

December 31, 2022 and 2021

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Financial Statements	
Comparative Statement of Assets, Liabilities, and Net Assets as of December 31, 2022 and 2021 - Modified Cash Basis	3
Statement of Support, Revenue, and Expenses, Including Changes in Net Assets for the Year Ended December 31, 2022 - Modified Cash Basis	4
Statement of Support, Revenue, and Expenses, Including Changes in Net Assets for the Year Ended December 31, 2021 - Modified Cash Basis	5
Statement of Functional Expenses for the Year Ended December 31, 2022 - Modified Cash Basis	6
Statement of Functional Expenses for the Year Ended December 31, 2021 - Modified Cash Basis	7
Comparative Statement of Cash Flows - Modified Cash Basis	8
Notes to Financial Statements	9-17

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Lange Foundation

Opinion

We have audited the accompanying financial statements of Lange Foundation (a nonprofit organization), which comprise the statements of assets, liabilities and net assets - modified cash basis as of December 31, 2022 and 2021, and the related statements of support, revenue and expenses - modified cash basis, functional expenses - modified cash basis, and cash flows - modified cash basis 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 Lange Foundation as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Lange Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lange Foundation'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 Lange Foundation'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lange Foundation'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.

Basis of Accounting

We draw attention to Note 3 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Frith-Smith & Archibald, LLP

Woodland Hills, CA

November 14, 2023

LANGE FOUNDATION
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS -
MODIFIED CASH BASIS
DECEMBER 31,

	<u>ASSETS</u>	
	<u>2022</u>	<u>2021</u>
Current assets		
Cash and cash equivalents	\$ 986,082	\$ 3,067,382
Restricted cash	659,031	420,095
Investment in marketable securities	<u>6,498,557</u>	<u>4,785,267</u>
Total Current assets	8,143,670	8,272,744
Property and equipment at cost, net of accumulated depreciation	1,992,259	1,965,956
Operating leases, right-of-use asset, net of accumulated amortization	<u>136,078</u>	<u>-</u>
Total assets	<u><u>\$ 10,272,007</u></u>	<u><u>\$ 10,238,700</u></u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Current Liabilities		
Operating leases, right-of-use liabilities	\$ 61,691	\$ -
Long Term Liabilities		
Operating leases, right-of-use liability, net of current portion	<u>76,437</u>	<u>-</u>
Total Liabilities	<u>138,128</u>	<u>-</u>
Net assets		
Without donor restrictions	\$ 9,474,848	\$ 9,818,605
With donor restrictions	<u>659,031</u>	<u>420,095</u>
Total net assets	<u>10,133,879</u>	<u>10,238,700</u>
Total liabilities and net assets	<u><u>\$ 10,272,007</u></u>	<u><u>\$ 10,238,700</u></u>

See Independent Auditors' Report and accompanying notes

LANGE FOUNDATION
STATEMENT OF SUPPORT, REVENUE, AND EXPENSES - MODIFIED
CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support			
Contributions	\$ 1,638,280	\$ 469,037	\$ 2,107,317
Revenue			
Adoption fees	51,313		51,313
Estate sales, net of expenses	396,656		396,656
Interest and dividend income	41,013		41,013
Investment income - trailer park investment	13,000		13,000
Net unrealized gains/(losses) on investments	18,201		18,201
Other Revenue	17,312		17,312
Net assets released from restrictions	230,101	(230,101)	
Total revenues and other support	<u>2,405,876</u>	<u>238,936</u>	<u>2,644,812</u>
Expenses			
Program services:			
Kennel	1,331,418		1,331,418
Sanctuary	841,480		841,480
Surgery fund	16,000		16,000
Justice fund	14,733		14,733
Safety net	199,368		199,368
Help others	39,400		39,400
Intervention - San Bernardino	189,139		189,139
Total program services	<u>2,631,538</u>		<u>2,631,538</u>
Supporting services:			
Management and general	96,341		96,341
Fundraising	21,754		21,754
Total supporting services	<u>118,095</u>		<u>118,095</u>
Total program and supporting services	<u>2,749,633</u>		<u>2,749,633</u>
Change in net assets	(343,757)	238,936	(104,821)
Net assets, beginning of year	9,818,605	420,095	10,238,700
Net assets, end of year	<u>\$ 9,474,848</u>	<u>\$ 659,031</u>	<u>\$ 10,133,879</u>

LANGE FOUNDATION
STATEMENT OF SUPPORT, REVENUE, AND EXPENSES - MODIFIED CASH
BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support			
Contributions	\$ 1,790,796	\$ 254,014	\$ 2,044,810
Non-cash contributions	5,713		5,713
Revenue			
Adoption fees	54,475		54,475
Estate sales, net	43,337		43,337
Gain on sale of property held for investment	162,955		162,955
Interest and dividend income	29,802		29,802
Investment income - trailer park investment	13,000		13,000
Net unrealized gains/(losses) on security investments	11		11
Net realized gains/(losses) on security investments	(4,961)		(4,961)
Other Revenue	2,245		2,245
Net assets released from restriction	220,749	(220,749)	-
Total revenues and other support	<u>2,318,122</u>	<u>33,265</u>	<u>2,351,387</u>
Expenses			
Program services:			
Kennel	1,002,524		1,002,524
Sanctuary	903,657		903,657
Surgery fund	19,421		19,421
Justice fund	24,304		24,304
Safety net	177,024		177,024
Help others	21,452		21,452
Intervention - San Bernardino	170,896		170,896
Total program services	<u>2,319,278</u>		<u>2,319,278</u>
Supporting services:			
Management and general	131,934		131,934
Fundraising	16,175		16,175
Total supporting services	<u>148,109</u>		<u>148,109</u>
Total program and supporting services	<u>2,467,387</u>		<u>2,467,387</u>
Change in net assets	(149,265)	33,265	(116,000)
Net assets, beginning of year	9,967,870	386,830	10,354,700
Net assets, end of year	<u>\$ 9,818,605</u>	<u>\$ 420,095</u>	<u>\$ 10,238,700</u>

LANGE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Programs							Supporting Services			
	Kennel	Sanctuary	Justice Fund	Surgery Fund	Safety Net	Help Others	Intervention San Bernardino	Total Program Expenses	Management and General	Fundraising	Total
Advertising/promotion	\$ 1,752	\$ 1,225	\$	\$	\$	\$	\$	\$ 2,977	\$	\$	\$ 2,977
Animal care:											
Dog boarding	4,250						1,060	5,310			5,310
Dog/ horse training	650	5,240						5,890			5,890
Farrier		825						825			825
Foster care	6,266							6,266			6,266
Grooming	9,355	245						9,600			9,600
Horse supplies		15,690						15,690			15,690
Impound fees							22,281	22,281			22,281
Supplies	148,437	123,623			5,606		2,166	279,832			279,832
Expo propane		3,550						3,550			3,550
Microchips	151	393						544			544
Pound fees	419	920			350			1,689			1,689
Spay/ Neuter					112,007		76,428	188,435			188,435
Horse Vet		6,161						6,161			6,161
Veterinarians	629,552	180,510		16,000	40,812		50,768	917,642			917,642
Amortization expense									2,050		2,050
Depreciation expense									39,885		39,885
Payroll											
Employment advertising	3,923							3,923			3,923
Pension plan	3,167							3,167			3,167
Payroll salaries and taxes	331,655	395,064			37,656		31,675	796,050			796,050
Employee benefits	45,900	29,038						74,938			74,938
Helping others						39,400		39,400			39,400
Information technology	9,420	5,313						14,733			14,733
Insurance:											
Auto insurance	106	2,772						2,878			2,878
Workers comp	16,738							16,738	8,427		25,165
Justice fund			14,733					14,733			14,733
Occupancy:											
Animal transport	6,485	525			379			7,389			7,389
Equipment rentals	1,691	897						2,588			2,588
Kennel permits	595	300						895			895
Office rent	42,116							42,116	9,807		51,923
Pest control		1,488						1,488			1,488
Pool service/ repairs		8,741						8,741			8,741
Repairs and maintenance	7,183	5,082						12,265			12,265
Utilities	25,190	29,372						54,562			54,562
Waste management		5,801						5,801			5,801
Telephone	5,994	2,460			592		1,081	10,127			10,127
Office expenses:											
Registry charitable trust	200							200			200
Payroll fees	2,809	3,338						6,147			6,147
Use tax	484							484			484
Bank fees	812	126			78		66	1,082			1,082
Postage	9,482				395		71	9,948			9,948
Office expenses	3,652	693			594		716	5,655	13,665		19,320
Events		80						80			80
USPO/Fedex		75						75			75
Printing	12,421				899		2,827	16,147		21,754	37,901
Property tax	563	503						1,066			1,066
Covid tests		388						388			388
Milage		1,709						1,709			1,709
Van Expense		5,348						5,348			5,348
Professional services											
Management									6,147		6,147
Legal		3,985						3,985			3,985
Accounting									10,500		10,500
Human resources									1,875		1,875
Total	\$ 1,331,418	\$ 841,480	\$ 14,733	\$ 16,000	\$ 199,368	\$ 39,400	\$ 189,139	\$ 2,631,538	\$ 96,341	\$ 21,754	\$ 2,749,633

See Independent Auditors' Report and accompanying notes

LANGE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Programs						Supporting Services			Total	
	Kennel	Sanctuary	Surgery Fund	Justice Fund	Safety Net	Help Others	Intervention San Bernardino	Total Program Expenses	Management and General		Fundraising
Advertising/ promotion	\$						\$ 4,325	\$ 6,231			\$ 6,231
Animal care:		\$ 1,906									
Kennel supplies	112,443	106,362					8,244	227,049			227,049
Dog boarding	4,484	360						4,844			4,844
Grooming	5,172	384						5,556			5,556
Microchips	1,573	1,366						2,939			2,939
Dog/ horse training	500	5,695						6,195			6,195
Foster care	2,686	1,994					1,400	6,080			6,080
Farrier		2,110						2,110			2,110
Physical therapy		10,020						10,020			10,020
Pound fees	231	1,949						2,180			2,180
Pet mortuary	250	1,035						1,285			1,285
Horse supplies		24,800						24,800			24,800
Bank fees	86							86	2,081		2,167
Covid tests									895		895
Depreciation	19,956	15,055						35,011			35,011
Employee benefits									45,469		45,469
Equipment rentals	1,800	200						2,000			2,000
Fundraising										16,175	16,175
Homeless program food					2,164			2,164			2,164
Information technology	1,768	840						2,608	7,496		10,104
Insurance	11,261							11,261	32,469		43,730
Kennel permits	595	300						895			895
Meeting and event expense	200	3,404						3,604			3,604
Occupancy	60,482	12,199						72,681			72,681
Office expenses	10,688				340			11,028	16,106		27,134
Office supplies		4,601			350		4,268	9,219			9,219
Outside services		158						158			158
Part-time help	3,541						26,392	29,933			29,933
Payroll salaries and taxes	313,234	346,441			38,018			697,693			697,693
Payroll processing	2,532	2,949						5,481			5,481
Printing	3,075				1,392		2,616	7,083			7,083
Legal									3,418		3,418
Accounting									24,000		24,000
Repairs and maintenance	9,617	20,833			922			31,372			31,372
Shelter redemptions							18,881	18,881			18,881
Staff entertainment	150							150			150
Travel	943	6,863			1,167			8,973			8,973
Telephone		2,198			592			2,790			2,790
Utilities	18,743	25,040						43,783			43,783
Veterinarians	416,514	299,026	19,421	24,304	132,079	21,452	104,770	1,017,566			1,017,566
Waste management		5,569						5,569			5,569
Total	\$ 1,002,524	\$ 903,657	\$ 19,421	\$ 24,304	\$ 177,024	\$ 21,452	\$ 170,896	\$ 2,319,278	\$ 131,934	\$ 16,175	\$ 2,467,387

See Independent Auditors' Report and accompanying notes

LANGE FOUNDATION
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31,

	2,022.00	2021
Cash flows from operating activities:		
Change in net assets	(104,821.00)	\$ (116,000)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	39,885.00	35,011
Donated stock	-	(5,713)
Gain on sale of property held for investment	-	(162,955)
Net change in Right-of-use assets	2,050.00	-
Net unrealized loss /(gain) on investment	(18,201.00)	4,961
Net realized gain on investments	-	(11)
	(81,087.00)	(244,707)
Cash flows from investing activities:		
Reinvested dividends and interest	(41,014.00)	(121)
Purchase of marketable securities	-	(10,999,816)
Proceeds from sale of marketable securities	-	11,982,000
Net transfers from/(to) investments in marketable securities	(1,654,075.00)	-
Purchase of property and equipment	(66,188.00)	-
Improvements to property held for investment	-	(28,224)
Proceedes from sale of property held for investment	-	391,179
	(1,761,277.00)	1,345,018
Net cash provided by /(used in) investing activities		
Net change in cash	(1,842,364.00)	1,100,311
Cash, beginning of period	3,487,477.00	2,387,166
Cash, end of period	1,645,113.00	\$ 3,487,477

LANGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

1. Foundation

Lange Foundation (the "Foundation"), established in 1993, is a 501(c)(3) nonprofit public benefit corporation organized under the laws of California. The Foundation's mission is to rescue and rehome as many impounded animals as possible, as well as to do all it can to keep pets in the homes where they are loved by taking the lead in the innovative intervention programs, giving pet owners alternatives to impounding their own pets in times of need.

2. Programs

Kennel and Sanctuary - The Foundation's kennel in Los Angeles and sanctuary in Canyon Country are halfway homes for dogs and cats rescued from Los Angeles County's 26 overcrowded public animal shelters, as well as the San Bernardino City Shelter. The Foundation is the only recourse for the majority of the dogs and cats it rescues that require immediate emergency medical care. Prior to their placements, the Foundation's pets are given exceptional medical care and behavior training, if needed. Once adopted, their progress in their new homes is carefully followed. The Foundation stands behind those it rescues even after they find loving homes. During the year ended December 31, 2022, 334 new rescues joined the Foundation's over 100 previously rescued animals and animals in foster homes, 109 of the new rescues required immediate medical care and surgeries and 347 of the Foundation's pets were placed in new homes.

Safety Net - The Foundation contracted 6 years ago with the Los Angeles County Animal Control Department to conduct a Safety Net Program within the overcrowded Palmdale and Lancaster Shelters. The Foundation's staff worked inside these shelters interviewing owners who felt they had no other alternative other than surrendering their pets, even though they were desperate to keep them in the home where they were loved. The Foundation provided medical care including emergency surgeries, training, food, supplies and temporary boarding. This program also included an Antelope Valley spay/neuter program. The Foundation also contracted with the Los Angeles County Homeless Initiative in 2018 to help look after the pets of the homeless by providing medical care, food and grooming.

Surgery Fund - The Foundation rescues pets who had no possible way to be adopted from the shelters as they needed urgent medical care because they were suffering from injuries received through trauma or abuse.

Justice Fund - The Justice Fund is supported by a yearly grant. The Justice Fund is restricted to rescuing dogs over 50 pounds from the South Los Angeles shelter.

LANGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

2. Programs (Continued)

Help Others - The Foundation provides help to individuals who call the Foundation because they are not able to pay for veterinary care for their pets as they are going thru financial difficulties. The Foundation pays directly to the veterinary clinics for the services provided.

Intervention - San Bernardino - The Foundation is at the forefront of the intervention movement designed to give pet owners an alternative to impounding their own pets when they do not have the funds to buy food or seek medical care. The Foundation has its own staff working inside the Lancaster, Palmdale and San Bernardino Shelters. During the years ended December 31, 2022, the Foundation covered redemptions fees for 132 pets whose owners could not afford to get the impound fees required to reclaim their pets. During the year ended December 31, 2022, the Foundation provided regular vet services for 68 pets, paid for life savings surgeries for 77 pets and provided food and supplies to 128 pets of the homeless.

3. Significant Accounting Policies

Basis of Accounting

The financial statements are presented in accordance with principles of accounting for nonprofit Foundations, with consideration given to recent authoritative publications of the American Institute of Certified Public Accountants. The financial statements of the Foundation are prepared on the modified cash basis of accounting. Accordingly, the accompanying financial statements are not intended to present the financial position and activity of the Foundation in conformity with accounting principles generally accepted in the United States of America. Under the modified cash basis, revenue is recognized when received rather than when earned, and expenses are recognized when paid rather than when the related obligation is incurred. Modifications to the cash basis of accounting result from management's decision: (1) to record property and equipment and related depreciation, and (2) to record the unrealized gain/loss on investment in securities in the accompanying statements of assets, liabilities, and net assets - modified cash basis. Accrued income, expenses, and payables, which would be recognized under accounting principles generally accepted in the United States of America and which may be material in amount, are not recognized in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions 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 revenue and expenses during the reporting period.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, Leases (Topic 842). Topic 842 introduces a lessee model that brings most leases on to the balance sheet, aligns certain of the underlying principles of the lessor model with those in ASC 606, the FASB's new revenue recognition standard, and addresses other concerns related to the old leasing model from the previous guidance. The Company adopted the new guidance effective January 1, 2022.

LANGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

3. Significant Accounting Policies (Continued)

Contributions

Contributions received are recorded as support with donor restrictions or support without donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when stipulated time restrictions end or purpose restrictions are 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.

Donated Assets

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair market values at the date of donation.

Donations of property for the Foundation's fundraising events are reported as support without donor restrictions and expensed in the same period.

Functional Expenses

Expenses are classified according to the programs and supporting services for which they were incurred and are reported on a functional basis in the accompanying statement of functional expenses.

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the Foundation. These expenses have been allocated to programs and supporting functions on the basis of management's estimates of time and effort.

Income Taxes

The Foundation is a nonprofit Foundation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. However, the Foundation is still subject to income taxes on any net income that is derived from trade or business regularly carried on and not in the furtherance of the purposes for which it was granted exemption. Management believes that the Foundation has not received income from any unrelated trade or business and, as such, no income provision has been recorded on the Foundation's financial statements.

The Foundation uses the same accounting method for tax and financial reporting.

LANGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

3. Significant Accounting Policies (Continued)

Income Taxes (Continued)

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and believes that all positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Foundation's returns are subject to examination by federal and state taxing authorities, generally for three years after they are filed. The open tax years are: 2019, 2020 and 2021.

Revenue Recognition

The Foundation recognizes revenue upon receipt of cash for contributions, adoption fees, and merchandise sales.

Property and Equipment

Property and Equipment are stated at cost as of the date of acquisition or estimated fair value as of the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated lives for buildings are 25-39 years and improvements are 5-15 years.

Expenditures for renewals and betterment are capitalized, whereas maintenance, repairs, and minor equipment costs are recorded as current expenses.

Advertising

Costs associated with advertising are charged to expense as incurred. Advertising expense was \$6,820 and \$6,231 for the years ended December 31, 2022 and 2021, respectively.

Net Assets

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) no. 117. The Foundation is required to report information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on their use that are placed by its donors: net assets with donor restrictions and net assets without donor restrictions.

Net Assets Without Donor Restrictions—Net assets available for use in general operations and not subject to donor restrictions. The only limits on net assets without donor restrictions are those resulting from the nature of the Foundation and its purposes.

LANGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

3. Significant Accounting Policies (Continued)

Net Assets (Continued)

Net Assets with Donor Restrictions—Net assets subject to donor-imposed restrictions. 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. Other donor-imposed restrictions are perpetual in nature, when the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Fair Value Measurement

The Foundation reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The three levels of inputs used to measure fair value are as follows:

Level 1: Quoted prices for identical assets or liabilities in active markets to which the Foundation has access at the measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in markets that are not active;
- Observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
- Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3: Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

LANGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

4. Cash and Cash Equivalents

Cash and cash equivalents include cash held in bank and short-term, highly liquid investments with original maturities of three months or less at the time of purchase.

5. Concentration of Credit Risk

The Foundation maintains cash balances at several financial institutions. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2022 and 2021, the Foundation's uninsured cash balance was \$282,527 and \$163,346 respectively.

The Foundation holds investments in two brokerage accounts, which are insured by the Securities Investor Protection Corporation (SIPC). The limit of SIPC protection in such an account is \$500,000 per customer for all accounts including a \$250,000 limit for cash. As of December 31, 2022 and 2021, the Foundation's investment in these two brokerage accounts consists of \$1,112,587 and \$2,890,822 in cash equivalents and \$6,498,557 and \$4,785,267 investment in fixed income securities, respectively, which are composed of multiple CD accounts with original maturities over three months. These CD accounts are individually insured. The Foundation's investments in excess of SIPC insured limits totaled \$----- and \$862,215 as of December 31, 2022 and 2021.

6. Investments

As of December 31, 2022 and 2021, the Foundation had investments which consist of equity securities, fixed income investment. The investments are intended to provide investment income to be used for the Foundation's programs. The values presented are based on quoted prices in active markets (level 1 inputs). These investments are presented at fair value and significant information is summarized as follows.

LANGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

6. Investments (Continued)

Investments are summarized as of December 31,

	<u>2022</u>	<u>2021</u>
	Fair Value	Fair Value
Level 1 input: Equity securities	\$ 1,751,106	\$ 36,581
Level 1 input: Fixed income securities	4,747,451	4,748,686
Total Investments at fair market value	<u>\$ 6,498,557</u>	<u>\$ 4,785,267</u>

The composition of the investment return reported in the statement of support, revenue, and expenses for the years ended December 31,

	<u>2022</u>	<u>2021</u>
Interest and dividends income	\$ 41,013	\$ 29,802
Net realized and unrealized gains/(losses) on investments	18,201	(4,950)
Total investment income	<u>\$ 59,214</u>	<u>\$ 24,852</u>

Unrealized loss at December 31, 2022 represents the change in market value of the Organization investments held in brokerage accounts. Gains or losses are not realized until the investments are sold.

7. Investment in property held for sale.

As of December 31, 2020, the Foundation's investment in property held for sale consisted of a house in Lancaster California. Under the modified cash basis of accounting, the investment was carried at cost, which was \$200,000. The house was sold for the amount of \$420,000 less \$28,821 in selling expenses during the year ended December 31, 2021. The Organization recognized a net gain in the sale of the house in the amount of \$191,179 in the sale of the house.

8. Property and Equipment

Property and equipment are summarized as of December 31,

	<u>2022</u>	<u>2021</u>
Buildings	\$ 1,661,253	\$ 1,641,253
Land	1,116,625	1,116,625
Automobiles	46,188	
	<u>2,824,066</u>	<u>2,757,878</u>
Less: accumulated depreciation	(831,807)	(791,922)
	<u>\$ 1,992,259</u>	<u>\$ 1,965,956</u>

For the years ended December 31, 2022 and 2021, depreciation expense was \$39,885 and \$35,011, respectively.

LANGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

9. Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Foundation.

Net Assets With Donor Restrictions

Net assets with donor restrictions represent amounts received or committed with donor restrictions, which have not yet been expended for their designated purposes (purpose-restricted); amounts with donor capital restrictions, which will be recognized when the assets are placed in service (capital restricted); amounts for general use in future periods (time restricted); and amounts received from donors with the stipulation that the principal will be held in perpetuity and only the investment income can be spent.

Net assets were comprised of the following as of December 31,

	2022	2021
Net assets without donor restrictions:		
Undesignated	\$ 9,474,848	\$ 9,818,605
Board designated		
	<u>\$ 9,474,848</u>	<u>\$ 9,818,605</u>
Total net assets without donor restrictions	<u>\$ 9,474,848</u>	<u>\$ 9,818,605</u>
Net assets with donor restrictions		
Temporarily restricted net assets		
Subject to expenditure for specified purpose:		
Justice fund	\$ 477,647	\$ 393,342
Safety net	179,681	9,050
Surgery fund	1,703	17,703
	<u>\$ 659,031</u>	<u>\$ 420,095</u>
Total temporarily restricted net assets	<u>\$ 659,031</u>	<u>\$ 420,095</u>

10. Commitments

As of December 31, 2022, the Foundation was obligated under an operating lease for its kennel space located at 2106 South Sepulveda Boulevard, Los Angeles, CA 90025.

The lease agreement requires monthly payments of \$4,917 through February 25, 2025 with 3 percent increases annually. Rent expense for the years ended December 31, 2022 and 2021, totaled \$66,330 and \$60,479, respectively.

The future minimum lease payments under the operating lease as of December 31, 2022 are as follows:

Year	Total
2023	\$ 64,308
2024	66,246
2025	5,700
Thereafter	
	<u>\$ 136,254</u>

LANGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

11. Liquidity

A part of the Foundation's liquidity management is to invest cash in excess of daily requirements in interest bearing bank accounts and marketable securities. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures. However, the Foundation does not intend to spend from its reserve bank accounts other than for amounts appropriated for general expenditure designated in its annual budget. Amounts from its cash reserves could be made available if necessary.

The Foundation's goal is to keep \$5,000,000 in investments to cover the purchase of their leased kennel and an adjacent property for a resale shop once they are offered for sale. Based on past yearly estate sales, the Organization would be able to cover the kennel's operating expenses from the proceeds.

The Foundation also tries to maintain cash on hand, to meet two years of normal operating expenditures.

The Foundation's financial assets available to meet cash needs for general expenditures within one year of the date of the statement of financial position include:

	2022	2021
Cash and equivalents	\$ 986,082	\$ 3,067,382
Investment in marketable securities	6,498,557	4,785,267
	\$ 7,484,639	\$ 7,852,649

12. Subsequent Events

Subsequent events have been evaluated through November 14, 2023, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.