



**Animal Rescue League**  
of Berks County, Inc.

***ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.***

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2019 and 2018**

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## **INDEPENDENT AUDITOR'S REPORT**

**To the Board of Directors  
Animal Rescue League of Berks County, Inc.  
Reading, Pennsylvania**

We have audited the accompanying financial statements of Animal Rescue League of Berks County, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, cash flows, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Animal Rescue League of Berks County, Inc. as of December 31, 2019 and 2018, 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.

*Herbein + Company, Inc.*

**Reading, Pennsylvania  
September 11, 2020**

**ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.**

**STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,016,369	\$ 222,413
Bequests receivable	470,522	498,530
Other receivables	92,048	31,348
Prepaid expenses	11,384	8,039
	<u>1,590,323</u>	<u>760,330</u>
<b>TOTAL CURRENT ASSETS</b>	<b>1,590,323</b>	<b>760,330</b>
<b>INVESTMENTS</b>		
Investments, including stocks held	177,353	503,617
Beneficial interest in perpetual trusts	4,041,857	3,550,873
	<u>4,219,210</u>	<u>4,054,490</u>
<b>TOTAL INVESTMENTS</b>	<b>4,219,210</b>	<b>4,054,490</b>
<b>PROPERTY AND EQUIPMENT</b>		
Land and improvements	84,392	84,392
Buildings and improvements	2,303,974	2,303,974
Vehicles	274,236	274,236
Furniture and equipment	272,638	250,461
Less: accumulated depreciation	(1,701,979)	(1,608,147)
	<u>1,233,261</u>	<u>1,304,916</u>
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>1,233,261</b>	<b>1,304,916</b>
	<u>\$ 7,042,794</u>	<u>\$ 6,119,736</u>
<b>TOTAL ASSETS</b>	<b>\$ 7,042,794</b>	<b>\$ 6,119,736</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 66,349	\$ 71,281
Accrued payroll and taxes	65,045	58,582
Deferred revenue	-	5,004
Current portion of long-term debt	8,129	7,888
	<u>139,523</u>	<u>142,755</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>139,523</b>	<b>142,755</b>
<b>LONG-TERM DEBT, NET</b>	<u>77,828</u>	<u>85,912</u>
<b>TOTAL LIABILITIES</b>	<b>217,351</b>	<b>228,667</b>
<b>NET ASSETS</b>		
Without donor restrictions	2,177,761	2,315,196
With donor restrictions	4,647,682	3,575,873
	<u>6,825,443</u>	<u>5,891,069</u>
<b>TOTAL NET ASSETS</b>	<b>6,825,443</b>	<b>5,891,069</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 7,042,794</u>	<u>\$ 6,119,736</u>

See accompanying notes.

**ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.**

**STATEMENTS OF ACTIVITIES**

	Years Ended December 31	
	2019	2018
<b>SUPPORT AND REVENUE - WITHOUT DONOR RESTRICTIONS</b>		
Contributions:		
General	\$ 1,136,215	\$ 757,770
Bequests	401,651	1,471,639
Trust income	169,904	175,116
Grants	25,747	41,700
Special events, net of expenses (\$35,825 in 2019 and \$46,749 in 2018)	100,146	130,001
Program service fees	346,038	286,233
Government contracts	262,240	186,528
Investment income (loss)	73,020	(17,471)
Miscellaneous income	16,560	22,799
	<hr/>	<hr/>
<b>TOTAL SUPPORT AND REVENUE - WITHOUT DONOR RESTRICTIONS</b>	2,531,521	3,054,315
<b>EXPENSES</b>		
Program services:		
Animal shelter	1,745,886	1,758,216
Spay, neuter, and vaccine services	464,096	467,374
Total program services	<hr/>	<hr/>
	2,209,982	2,225,590
Management and general	395,590	328,293
Fundraising	63,384	53,599
	<hr/>	<hr/>
<b>TOTAL EXPENSES</b>	2,668,956	2,607,482
<b>TOTAL SUPPORT AND REVENUE - WITHOUT DONOR RESTRICTIONS OVER (UNDER) EXPENSES</b>	(137,435)	446,833
<b>SUPPORT AND REVENUE - WITH DONOR RESTRICTIONS</b>		
Contributions	110,303	25,000
Bequests	470,522	-
Net appreciation (depreciation) on beneficial interests - perpetual trusts	490,984	(476,068)
	<hr/>	<hr/>
<b>TOTAL SUPPORT AND REVENUE - WITH DONOR RESTRICTIONS</b>	1,071,809	(451,068)
<b>INCREASE (DECREASE) IN NET ASSETS</b>	934,374	(4,235)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<hr/>	<hr/>
	5,891,069	5,895,304
<b>NET ASSETS AT END OF YEAR</b>	<hr/> <hr/>	<hr/> <hr/>
	\$ 6,825,443	\$ 5,891,069

See accompanying notes.

**ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

	Year Ended December 31, 2019				Year Ended December 31, 2018			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
<b>SALARIES AND BENEFITS</b>								
Salaries	\$ 1,185,410	\$ 234,155	\$ 43,904	\$ 1,463,469	\$ 891,473	\$ 176,093	\$ 33,018	\$ 1,100,584
Payroll taxes	122,750	24,247	4,546	151,543	96,671	19,096	3,580	119,347
Retirement expenses	12,778	2,524	473	15,775	12,528	2,475	464	15,467
Employee benefits	75,090	14,833	2,781	92,704	74,285	14,673	2,751	91,709
Contracted employee	52,650	10,400	1,950	65,000	105,300	20,800	3,900	130,000
<b>TOTAL SALARIES AND BENEFITS</b>	<b>1,448,678</b>	<b>286,159</b>	<b>53,654</b>	<b>1,788,491</b>	<b>1,180,257</b>	<b>233,137</b>	<b>43,713</b>	<b>1,457,107</b>
Advertising	1,761	-	7,045	8,806	1,655	-	6,621	8,276
Auto expenses	25,079	-	-	25,079	26,924	-	-	26,924
Bank and credit card fees	-	9,764	-	9,764	-	7,439	-	7,439
Clinical subcontractors	40,247	-	-	40,247	98,293	-	-	98,293
Clinical supplies	67,303	-	-	67,303	68,325	-	-	68,325
Computer expense	44,653	4,961	-	49,614	30,367	3,374	-	33,741
Dog licenses	11,572	-	-	11,572	12,566	-	-	12,566
Dues and subscriptions	1,754	-	-	1,754	972	-	-	972
Equipment rental and maintenance	4,040	757	252	5,049	5,223	979	326	6,528
Insurance	61,754	7,018	1,404	70,176	63,022	7,162	1,432	71,616
Interest expense	-	4,011	-	4,011	-	4,533	-	4,533
Kennel supplies	149,660	-	-	149,660	250,621	-	-	250,621
Miscellaneous expense	19,877	2,209	-	22,086	15,088	1,677	-	16,765
Office supplies	6,688	1,254	418	8,360	8,274	1,551	517	10,342
Permits and licenses	1,225	-	-	1,225	1,684	-	-	1,684
Postage and printing	9,779	1,833	611	12,223	15,846	2,971	990	19,807
Professional fees	-	53,558	-	53,558	24,675	38,749	-	63,424
Repairs and maintenance	47,500	5,278	-	52,778	76,364	8,485	-	84,849
Seminars and training	6,321	-	-	6,321	6,759	-	-	6,759
Store supplies	12,121	-	-	12,121	10,969	-	-	10,969
Taxes	705	78	-	783	463	52	-	515
Telephone	17,845	1,983	-	19,828	13,786	1,532	-	15,318
Trash removal	14,713	1,635	-	16,348	10,574	1,175	-	11,749
Uniforms	2,533	281	-	2,814	2,414	268	-	2,682
Utilities	48,853	5,428	-	54,281	54,867	6,096	-	60,963
Veterinary expense	80,872	-	-	80,872	163,586	-	-	163,586
	2,125,533	386,207	63,384	2,575,124	2,143,574	319,180	53,599	2,516,353
Depreciation	84,449	9,383	-	93,832	82,016	9,113	-	91,129
<b>TOTAL EXPENSES</b>	<b>\$ 2,209,982</b>	<b>\$ 395,590</b>	<b>\$ 63,384</b>	<b>\$ 2,668,956</b>	<b>\$ 2,225,590</b>	<b>\$ 328,293</b>	<b>\$ 53,599</b>	<b>\$ 2,607,482</b>

See accompanying notes.

**ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.**

**STATEMENTS OF CASH FLOWS**

	Years Ended December 31	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 934,374	\$ (4,235)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	93,832	91,129
Unrealized (gain) loss on investments	(18,595)	36,934
Change in value of beneficial interest in perpetual trusts	(490,984)	476,068
Change in:		
Bequest and other receivables	(32,692)	(484,322)
Prepaid expenses	(3,345)	1,987
Accounts payable	(4,932)	(2,406)
Accrued payroll and taxes	6,463	27,386
Deferred revenue	(5,004)	5,004
	<hr/>	<hr/>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	479,117	147,545
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceed from sale of investments	511,658	30,094
Purchase of investments	(166,799)	(51,887)
Purchase of property and equipment	(22,177)	(24,067)
	<hr/>	<hr/>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	322,682	(45,860)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment on revolving line of credit	-	(30,000)
Repayment of long-term debt	(7,843)	(7,530)
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<b>NET CASH USED BY FINANCING ACTIVITIES</b>	(7,843)	(37,530)
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<b>NET INCREASE IN CASH</b>	793,956	64,155
<b>CASH AT BEGINNING OF YEAR</b>	222,413	158,258
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<b>CASH AT END OF YEAR</b>	\$ 1,016,369	\$ 222,413
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<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	\$ 4,011	\$ 4,533

See accompanying notes.



**ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019 and 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**Nature of Activities**

Animal Rescue League of Berks County, Inc. (the "Organization") is a nonprofit organization serving Berks County. It provides shelter and care for unwanted and homeless animals. The services they provide are an adoption program; investigation of animal abuse; educational programs for school children and community groups; a surgery center with spaying, neutering, and vaccine clinics. The Organization strives to continue to perform as a no kill shelter, meaning no animals will be euthanized due to space constraints.

**Basis of Accounting**

The financial statements of Animal Rescue League of Berks County, Inc. have been prepared on the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America.

**Cash**

For purposes of reporting cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

At various times during the year, the Organization had cash balances in excess of the federally insured limit in deposit accounts at one local bank.

**Investments**

The Organization's investments are composed of mutual funds, exchange traded funds, and equity securities carried at fair value. Fair value of securities is determined by quoted market price. Unrealized gains and losses are included in the net gain or loss on investments in the statements of activities. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

Investments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

**Bequest and Other Receivables**

Generally, revenue is recognized and collected at the point of sale so receivables are minimal. The bequests and other receivables are based on realized value. The Organization uses the direct write-off method and only charges off the bequests and other receivables when management determines the receivable will not be collected.

**ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019 and 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**Property and Equipment**

Purchased property and equipment are capitalized at cost. The Organization's policy is to capitalize any assets in excess of \$1,000 with an estimated useful life of more than one year. Donations of property and equipment are recorded as contributions at their fair market value. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Land improvements	10 - 25 years
Buildings and improvements	10 - 40 years
Vehicles	5 years
Furniture and equipment	5 - 10 years

Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and gain or loss is included in operations.

**Long-Lived Assets**

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value of the impaired asset. Fair value estimates are based on assumptions concerning the amount and timing of the estimated future cash flows and the discounted rates reflecting varying degrees of perceived risk. Management has concluded that no impairment adjustments were required during the year ended December 31, 2019.

**Net Assets**

The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions - Net assets without donor restrictions include funds not subject to donor-imposed stipulations. In general, the revenues received, and expenses incurred in conducting the Organization's charitable mission are included in this category.

Net Assets With Donor Restrictions - Net assets with donor restrictions include gifts, grants, and pledges whose use by the Organization has been limited by donors to later periods of time or after specified dates, or to specified purposes.

The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

**ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019 and 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**Net Assets - continued**

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

See Note 7 for more information on the composition of net assets with donor restrictions or the release of restrictions.

**Revenue Recognition**

In accordance with Financial Accounting Standards Board, (FASB) Accountings Standards Codification Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), the Organization recognizes revenue when control of the promised service is transferred to the Organization's outside parties in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. The standard outlines a five-step process whereby revenue is recognized as performance obligations within a contract are satisfied. The Organization records the following exchange transaction revenue in its statements of activities:

Program Service Fees

The Organization's program services include adoption and medical services. The performance obligation is met, and revenue is recognized at the time of service or sale.

Government Contracts

The Organization has contracts with several municipalities in Berks County to provide animal control services. Contracts are annual starting January 1<sup>st</sup>. The contracts are either billed quarterly for those who have a contract with a set fee based on per capita, or are billed monthly based on services provided for those with fee for service agreements. Revenue is recognized over the annual period for per capita contracts or at the time services are provided for fee for service agreements. The accounts receivable balances for these contracts are \$1,395 and \$0 at December 31, 2019 and 2018, respectively, and are included in other receivables on the statements of financial position.

Special Events

The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event (the exchange component), and a portion represents a contribution to the Organization. The fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Organization, are recorded as costs of direct donor benefits in the statements of activities. The performance obligation is delivery of the event. For special event fees received before year-end for an event to occur after year-end, the Organization treats the inherent contribution as conditioned on the event taking place and is therefore treated as deferred revenue along with the exchange component.

**ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019 and 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**Contribution Revenue**

The Organization recognizes revenue from contributions in accordance with Accounting Standards Update ASU 2018-08, *Not-For-Profit Entities* (Topic 958); *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. In accordance with ASU 2018-08, the Organization evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Organization applies guidance under ASC-606. If the transfer of assets is determined to be a contribution, the Organization evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Organization is entitled to the assets transferred and promised, and (2) a right of return of assets transferred or a right or release of a promisor's obligation to transfer assets.

The Organization recognizes contributions received and made, including unconditional promises to give, as revenue in the period received or made. Contributions received are reported as either revenues without donor restrictions or revenues with donor restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as revenues without donor restrictions. Promises to contribute that stipulate conditions to be met before the contribution is made are not recorded until the conditions are met.

**Contributed Services**

During the years ended December 31, 2019 and 2018, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and skills to perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

**Functional Expense Allocations**

Expenses that can be identified with specific programs and support services are allocated directly to their natural expenditure classification. Expenses relating to more than one function are allocated to program and supporting services based on the Organization's estimate of time spent by key personnel between functions and related expenses incurred for the programs and supporting services benefited.

**Tax-Exempt Status**

The Organization has been granted tax-exempt status by the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code. The Organization annually files federal and state information returns as required. There is no current year provision for federal or state income taxes.

In accordance with generally accepted accounting principles, the Organization accounts for uncertain tax positions relative to unrelated business income, if any, as required.

**ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019 and 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**Advertising Costs**

The Organization expenses advertising costs when the advertising occurs. Advertising expense for the years ended December 31, 2019 and 2018, were \$8,806 and \$8,276, respectively.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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, including functional allocations, during the reporting period. Actual results could differ from those estimates.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition through September 11, 2020, the date the financial statements were available to be issued. In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which has caused major disruptions worldwide. The ongoing pandemic poses increased and unexpected business risks. The specific impact of the pandemic and the duration of the disruption is not determinable as of the report date; therefore, the financial statements do not include any adjustments that might result from the outcome of this uncertainty. Management is carefully monitoring the impact of the pandemic and taking steps to mitigate the impact.

On April 8, 2020, the Organization was approved for a Small Business Administration Paycheck Protection Program Loan totaling \$329,300 at a 1.00% fixed interest rate through the United States Small Business Administration, administered by a local bank, as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). No payments are due on this loan for 6 months from the date of the first disbursement of this loan and the loan matures two years from the date of the note. Interest will continue to accrue during the deferment period. The Organization will apply for forgiveness of the loan if certain requirements regarding qualifying expenses are met. On June 5, 2020, the Paycheck Protection Flexibility Act was signed into law, which allows the Organization and the lender to amend certain terms of the loan in accordance with the Act.

**Adoption of Accounting Pronouncements**

The Organization adopted FASB No. 2014-09, ASU 606, *Revenue from Contracts with Customers* ("Topic 606"), on January 1, 2019. Topic 606 supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The financial statements reflect the application of ASC 606 guidance using the modified retrospective approach with application to all contracts open as of January 1, 2019. There was no impact on the revenue recognized or net assets for the year ended December 31, 2019.

**ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019 and 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**Adoption of Accounting Pronouncements - continued**

During the year, the Organization also adopted the provisions of FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. Topic 958 was applied, with no effect on the financial statements as a result of the adoption.

**NOTE 2 - PROGRAM SERVICES**

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Animal shelter - includes the care and boarding of animals in need, providing adoption services for animals, humane treatment of animals' education, and assisting municipalities with stray and injured animals.

Spay, neuter, and vaccine services - the clinic provides a low-cost spay and neuter service and vaccine services.

**NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS**

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The following table represents investments held at December 31:

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 2,180	\$ 4,387
Mutual funds and ETFs	136,670	493,301
Equities - common stock	<u>38,503</u>	<u>5,929</u>
	<u>\$ 177,353</u>	<u>\$ 503,617</u>

Investment return is as follows at December 31:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 12,812	\$ 11,917
Realized gain on investments	46,549	13,353
Unrealized gain (loss) on investments	18,595	(36,934)
Investment fees	<u>(4,936)</u>	<u>(5,807)</u>
Total investment return	<u>\$ 73,020</u>	<u>\$ (17,471)</u>

**ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019 and 2018**

**NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED**

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Financial accounting standards require the use of fair value measurement. The Organization, in accordance with generally accepted accounting principles, has applied fair value measurement and disclosure in these financial statements as follows:

That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

*Level 1:* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

*Level 2:* Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets;
- Quoted prices for identical or similar assets and liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

*Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

**Long-Term Investments**

*Money market funds:* Valued at the net asset value ("NAV") of shares held at the end of the year.

*Mutual funds, exchange traded funds (ETFs), and equity securities:* Valued at the closing price reported on the active market on which the individual securities are traded.

**ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019 and 2018**

**NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED**

The Organization is the beneficiary of several perpetual trusts which are held by banks and trust companies. The banks and trust companies hold the investments in diversified and balanced portfolios consisting of cash and money market funds, corporate and government debt securities, equity securities and mutual funds, fixed income mutual funds, and limited investment partnerships. These investments are valued by the trust managers based on the quoted market prices for shares held or current bid price of held funds.

The methods described previously may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its reliance on the valuation methods of the trust managers is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31:

	2019			
	Level 1	Level 2	Level 3	Total
Mutual funds and ETFs	\$ 136,670	\$ -	\$ -	\$ 136,670
Equities - common stock	38,503	-	-	38,503
Beneficial interest in perpetual trusts	-	-	4,041,857	4,041,857
	<u>\$ 175,173</u>	<u>\$ -</u>	<u>\$ 4,041,857</u>	<u>\$ 4,217,030</u>
	2018			
	Level 1	Level 2	Level 3	Total
Mutual funds and ETFs	\$ 493,301	\$ -	\$ -	\$ 493,301
Equities - common stock	5,929	-	-	5,929
Beneficial interest in perpetual trusts	-	-	3,550,873	3,550,873
	<u>\$ 499,230</u>	<u>\$ -</u>	<u>\$ 3,550,873</u>	<u>\$ 4,050,103</u>



**ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019 and 2018**

**NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED**

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The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended December 31:

	Beneficial Interest in Perpetual Trusts	
	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 3,550,873	\$ 4,026,941
Net appreciation (depreciation)	<u>490,984</u>	<u>(476,068)</u>
Balance, end of year	<u>\$ 4,041,857</u>	<u>\$ 3,550,873</u>

**NOTE 4 - BENEFICIAL INTEREST IN PERPETUAL TRUSTS**

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The Organization is a beneficiary of several perpetual charitable trusts held by several financial institutions' trust departments. The Organization has recorded its proportionate share of the fair value of the principal of the trusts. Agreement terms provide that the Organization is to receive their proportionate share of the net income earned by the funds which are held in trust. Distributions from the trusts are recorded as trust income in net assets without donor restrictions and amounted to \$169,904 and \$175,116 for the years ended December 31, 2019 and 2018, respectively. The value of the trusts recorded were \$4,041,857 and \$3,550,873 at December 31, 2019 and 2018, respectively. The change in market value has been recorded as net appreciation (depreciation) in beneficial interest in trusts for the years ended December 31, 2019 and 2018 of \$490,984 and \$(476,068), respectively.

**NOTE 5 - LINE OF CREDIT**

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In May 2015, the Organization opened a business line of credit with VIST Bank in the amount of \$100,000 with an interest rate equal to the bank's prime rate (4.75% at December 31, 2019). There was no outstanding balance at both December 31, 2019 and 2018. The line of credit is collateralized by all assets of the Organization.

**ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019 and 2018**

**NOTE 6 - LONG-TERM DEBT**

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Long-term debt obligations of the Organization are summarized as follows as of December 31:

	<u>2019</u>	<u>2018</u>
Note payable to VIST Bank with monthly payments of \$958, including interest at 4.0% through May 1, 2020. Thereafter, the interest rate becomes variable at the Wall Street Prime Rate plus 0.50% with monthly payments of \$949 beginning June 1, 2020. Final payment is due November 1, 2028. The note is unsecured.	\$ 85,957	\$ 93,800
Less: current portion	<u>(8,129)</u>	<u>(7,888)</u>
	<u>\$ 77,828</u>	<u>\$ 85,912</u>

Maturities on long-term debt are as follows for the years ending December 31:

2020	\$ 8,129
2021	8,420
2022	8,763
2023	9,121
2024	9,488
2025 - 2028	<u>42,036</u>
	<u>\$ 85,957</u>

Maturity of long-term debt is calculated using a rate of 4% through maturity.

Total interest paid on long-term debt for the years ended December 31, 2019 and 2018, was \$3,660 and \$3,971, respectively.

**NOTE 7 - NET ASSETS**

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The Organization's net assets without donor restrictions are comprised of undesignated funds. From time to time, the Board may designate funds a portion of net assets for specific purposes which would be included with net assets without donor restrictions.

**ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019 and 2018**

**NOTE 7 - NET ASSETS - CONTINUED**

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Net assets with donor restrictions, are summarized as follows at December 31:

	<u>2019</u>	<u>2018</u>
Time and purpose:		
Capital improvements	\$ 25,000	\$ 25,000
Time restricted	580,825	-
Total time and purpose	<u>605,825</u>	<u>25,000</u>
Perpetuity:		
Beneficial interest in perpetual trusts	<u>4,041,857</u>	<u>3,550,873</u>
Total net assets with donor restrictions	<u>\$ 4,647,682</u>	<u>\$ 3,575,873</u>

The Organization did not incur any expenses satisfying the restricted purposes specified by the donors at December 31, 2019 and 2018.

**NOTE 8 - SPECIAL EVENTS - REVENUES/EXPENSES**

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Special events - revenues/expenses are summarized as follows as of December 31:

	<u>2019</u>		<u>2018</u>	
	<u>Revenues</u>	<u>Expenses</u>	<u>Revenues</u>	<u>Expenses</u>
Annual gala	\$ -	\$ -	\$ 153,160	\$ 41,724
VIP dinner	39,656	6,100	23,590	5,025
Mingle at the Museum	<u>96,315</u>	<u>29,725</u>	<u>-</u>	<u>-</u>
	<u>\$ 135,971</u>	<u>\$ 35,825</u>	<u>\$ 176,750</u>	<u>\$ 46,749</u>

**NOTE 9 - RETIREMENT PLAN**

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The Organization established a SIMPLE IRA retirement plan in which employees may contribute to the Plan through a payroll deduction. A signed SIMPLE IRA salary reduction agreement is on file for each employee who has elected to be in the retirement plan. The Organization will match the employee contribution up to 3% of the employee's salary. The expenses for December 31, 2019 and 2018, were \$15,775 and \$15,467, respectively.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 10 - AVAILABILITY OF FINANCIAL RESOURCES

The following reflects the Organization's financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions and financial liabilities due within one year. The Organization's financial assets include cash, investments, other receivables, and beneficial interest in perpetual trusts. The Organization has restricted funds.

	<u>2019</u>	<u>2018</u>
Cash	\$ 1,016,369	\$ 222,413
Bequest and other receivables	562,570	529,878
Investments and other stocks	177,353	503,617
Beneficial interest in perpetual trusts held by others	<u>4,041,857</u>	<u>3,550,873</u>
Total financial assets	5,798,149	4,806,781
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	(25,000)	(25,000)
Bequest receivable	(470,522)	-
Donor restricted perpetual trusts	<u>(4,041,857)</u>	<u>(3,550,873)</u>
Total financial assets available to meet cash needs for general expenditures within one year	1,260,770	1,230,908
Plus available line of credit	<u>100,000</u>	<u>100,000</u>
Total financial assets and line of credit available to meet cash needs for general expenditures within one year	<u>\$ 1,360,770</u>	<u>\$ 1,330,908</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to become available as its general expenditures, liabilities, and other obligations become due. To help manage unanticipated liquidity needs, the Organization has a line of credit of \$100,000, which it could draw upon.

**ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019 and 2018**

**NOTE 11 - NEW ACCOUNTING PRONOUNCEMENT**

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In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under this guidance, lessees will need to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The guidance requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expire before the earliest comparative period presented. A full retrospective transition approach is not permitted. This standard is effective for fiscal years beginning after December 15, 2021, with early application permitted. The Organization is evaluating the impact this standard will have on the financial statements.