



Animal Rescue League
of Berks County, Inc.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

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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, 2018 and 2017, 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 above present fairly, in all material respects, the financial position of Animal Rescue League of Berks County, Inc. as of December 31, 2018 and 2017, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, effective January 1, 2018, the Animal Rescue League of Berks County, Inc. adopted FASB ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Herbein + Company, Inc.

Reading, Pennsylvania
August 19, 2019

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	\$ 222,413	\$ 158,258
Bequests receivable	498,530	-
Other receivables	31,348	45,556
Prepaid expenses	8,039	10,026
	<u>760,330</u>	<u>213,840</u>
TOTAL CURRENT ASSETS	760,330	213,840
INVESTMENTS		
Investments, including stocks held	503,617	518,758
Beneficial interest in perpetual trusts	3,550,873	4,026,941
	<u>4,054,490</u>	<u>4,545,699</u>
TOTAL INVESTMENTS	4,054,490	4,545,699
PROPERTY AND EQUIPMENT		
Land and improvements	84,392	84,392
Buildings and improvements	2,303,974	2,291,938
Vehicles	274,236	270,211
Furniture and equipment	250,461	242,455
Less: accumulated depreciation	(1,608,147)	(1,517,018)
	<u>1,304,916</u>	<u>1,371,978</u>
TOTAL PROPERTY AND EQUIPMENT	1,304,916	1,371,978
	<u>\$ 6,119,736</u>	<u>\$ 6,131,517</u>
TOTAL ASSETS	\$ 6,119,736	\$ 6,131,517
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	\$ -	\$ 30,000
Accounts payable	71,281	73,687
Accrued payroll and taxes	58,582	31,196
Deferred revenue	5,004	-
Current portion of long-term debt	7,888	7,580
	<u>142,755</u>	<u>142,463</u>
TOTAL CURRENT LIABILITIES	142,755	142,463
LONG-TERM DEBT, NET	<u>85,912</u>	<u>93,750</u>
TOTAL LIABILITIES	228,667	236,213
NET ASSETS		
Without donor restrictions	2,315,196	1,868,363
With donor restrictions	3,575,873	4,026,941
	<u>5,891,069</u>	<u>5,895,304</u>
TOTAL NET ASSETS	5,891,069	5,895,304
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,119,736</u>	<u>\$ 6,131,517</u>

See accompanying notes.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

STATEMENTS OF ACTIVITIES

	Years Ended December 31	
	2018	2017
SUPPORT AND REVENUE - WITHOUT DONOR RESTRICTIONS		
Contributions:		
General	\$ 757,770	\$ 491,515
Bequests	1,471,639	349,133
Trust income	175,116	191,533
Corporate grants	41,700	10,500
Special events, net of expenses (\$46,749 in 2018 and \$48,548 in 2017)	130,001	129,459
Program service fees	286,233	248,352
Government contracts	186,528	230,515
Investment income (loss)	(17,471)	67,372
Miscellaneous income	22,799	12,871
Net assets released from restriction	-	25,000
	<hr/>	<hr/>
TOTAL SUPPORT AND REVENUE - WITHOUT DONOR RESTRICTIONS	3,054,315	1,756,250
EXPENSES		
Program services:		
Animal shelter	1,758,216	1,375,561
Spay, neuter, and vaccine services	467,374	365,656
Total program services	<hr/> 2,225,590	<hr/> 1,741,217
Management and general	328,293	244,734
Fundraising	53,599	39,533
	<hr/>	<hr/>
TOTAL EXPENSES	2,607,482	2,025,484
TOTAL TOTAL SUPPORT AND REVENUE - WITHOUT DONOR RESTRICTIONS OVER (UNDER) EXPENSES	446,833	(269,234)
SUPPORT AND REVENUE - WITH DONOR RESTRICTIONS		
Contributions	25,000	-
Net appreciation (depreciation) on beneficial interests - perpetual trusts	(476,068)	302,557
Net assets released from restriction	-	(25,000)
	<hr/>	<hr/>
TOTAL SUPPORT AND REVENUE - WITH DONOR RESTRICTIONS	(451,068)	277,557
INCREASE (DECREASE) IN NET ASSETS	(4,235)	8,323
NET ASSETS AT BEGINNING OF YEAR	<hr/> 5,895,304	<hr/> 5,886,981
NET ASSETS AT END OF YEAR	<hr/> <u>\$ 5,891,069</u>	<hr/> <u>\$ 5,895,304</u>

See accompanying notes.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2018				Year Ended December 31, 2017			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
SALARIES AND BENEFITS								
Salaries	\$ 891,473	\$ 176,093	\$ 33,018	\$ 1,100,584	\$ 695,019	\$ 137,288	\$ 25,741	\$ 858,048
Payroll taxes	96,671	19,096	3,580	119,347	78,183	15,444	2,896	96,523
Retirement expenses	12,528	2,475	464	15,467	8,497	1,678	315	10,490
Employee benefits	74,285	14,673	2,751	91,709	57,696	11,397	2,137	71,230
Contracted employee	105,300	20,800	3,900	130,000	28,350	5,600	1,050	35,000
TOTAL SALARIES AND BENEFITS	1,180,257	233,137	43,713	1,457,107	867,745	171,407	32,139	1,071,291
Advertising	1,655	-	6,621	8,276	1,201	-	4,802	6,003
Auto expenses	26,924	-	-	26,924	20,098	-	-	20,098
Bank and credit card fees	-	7,439	-	7,439	-	7,154	-	7,154
Clinical subcontractors	98,293	-	-	98,293	114,840	-	-	114,840
Clinical supplies	68,325	-	-	68,325	59,527	-	-	59,527
Computer expense	30,367	3,374	-	33,741	21,784	2,421	-	24,205
Dog licenses	12,566	-	-	12,566	16,004	-	-	16,004
Dues and subscriptions	972	-	-	972	1,127	-	-	1,127
Equipment rental and maintenance	5,223	979	326	6,528	4,856	910	303	6,069
Insurance	63,022	7,162	1,432	71,616	52,960	6,018	1,204	60,182
Interest expense	-	4,533	-	4,533	-	4,952	-	4,952
Kennel supplies	250,621	-	-	250,621	176,634	-	-	176,634
Miscellaneous expense	15,088	1,677	-	16,765	12,458	1,384	-	13,842
Office supplies	8,274	1,551	517	10,342	7,733	1,450	483	9,666
Permits and licenses	1,684	-	-	1,684	1,451	-	-	1,451
Postage and printing	15,846	2,971	990	19,807	9,634	1,806	602	12,042
Professional fees	24,675	38,749	-	63,424	-	22,550	-	22,550
Repairs and maintenance	76,364	8,485	-	84,849	63,453	7,050	-	70,503
Seminars and training	6,759	-	-	6,759	2,515	-	-	2,515
Store supplies	10,969	-	-	10,969	12,093	-	-	12,093
Taxes	463	52	-	515	679	75	-	754
Telephone	13,786	1,532	-	15,318	11,914	1,324	-	13,238
Trash removal	10,574	1,175	-	11,749	9,630	1,070	-	10,700
Uniforms	2,414	268	-	2,682	2,017	224	-	2,241
Utilities	54,867	6,096	-	60,963	44,304	4,923	-	49,227
Veterinary expense	163,586	-	-	163,586	136,416	-	-	136,416
	2,143,574	319,180	53,599	2,516,353	1,651,073	234,718	39,533	1,925,324
Depreciation	82,016	9,113	-	91,129	90,144	10,016	-	100,160
TOTAL EXPENSES	\$ 2,225,590	\$ 328,293	\$ 53,599	\$ 2,607,482	\$ 1,741,217	\$ 244,734	\$ 39,533	\$ 2,025,484

See accompanying notes.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (4,235)	\$ 8,323
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	91,129	100,160
Unrealized (gain) loss on investments	36,934	(44,129)
Change in value of beneficial interest in perpetual trusts	476,068	(302,557)
Change in:		
Bequest and other receivables	(484,322)	19,152
Prepaid expenses	1,987	288
Accounts payable	(2,406)	18,589
Accrued payroll and taxes	27,386	(1,159)
Deferred revenue	5,004	-
	<u>147,545</u>	<u>(201,333)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceed from sale of investments	30,094	272,614
Purchase of investments	(51,887)	(36,298)
Purchase of property and equipment	(24,067)	(128,752)
	<u>(45,860)</u>	<u>107,564</u>
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing (repayment) on revolving line of credit	(30,000)	30,000
Repayment of long-term debt	(7,530)	(7,233)
	<u>(37,530)</u>	<u>22,767</u>
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH	64,155	(71,002)
CASH AT BEGINNING OF YEAR	<u>158,258</u>	<u>229,260</u>
CASH AT END OF YEAR	<u>\$ 222,413</u>	<u>\$ 158,258</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 4,533	\$ 4,952

See accompanying notes.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 spraying, neutering, and vaccine clinics; and grooming and boarding facilities.

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 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 statement 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 statement of financial position.

Accounts Receivable

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 accounts receivable when management determines the receivable will not be collected.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2018.

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 consolidated statements of activities as net assets released from restrictions.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 on the release of restrictions.

Revenue Recognition

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, 2018 and 2017, 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 Organizations' 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.

Advertising Costs

The Organization expenses advertising costs when the advertising occurs. Advertising expense for the years ended December 31, 2018 and 2017, were \$8,276 and \$6,003, respectively.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Adoption of FASB ASU No. 2016-14

The Organization adopted FASB ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which makes targeted changes to the not-for-profit financial reporting model. Under the new ASU, the previously existing three-category classification of net assets (i.e. unrestricted, temporarily restricted, and permanently restricted) is replaced with a model that combines temporarily restricted and permanently restricted into a single category called “net assets with donor restrictions.” Differences in the nature of donor restrictions will be disclosed in the notes, with an emphasis on how and when the resources can be used. The guidance for classifying deficiencies in endowment funds (“underwater endowments”) and on accounting for the lapsing of restrictions on gifts to acquire property, plant, and equipment have also been clarified. New disclosures highlight restrictions on the use of resources that make otherwise liquid assets unavailable for meeting near-term financial requirements. Note 10 discloses the extent to which the balance sheet comprises financial assets, the extent to which those assets can be converted to cash within one year, and any limitations that would preclude their current use. This standard is effective for fiscal years beginning after December 15, 2017. The Organization adopted this standard for the year ended December 31, 2018.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, 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 August 19, 2019, the date the financial statements were available to be issued.

NOTE 2 - PROGRAM SERVICES

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.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following table represents investments held at December 31:

	2018		2017	
	Cost	Fair Market Values	Cost	Fair Market Values
Money market funds	\$ 4,387	\$ 4,387	\$ 4,366	\$ 4,367
Mutual funds, ETFs, and closed-end funds	374,586	373,285	350,425	371,015
Mutual funds - equities	34,327	31,643	29,269	33,371
Mutual funds - fixed income	89,545	87,026	87,672	87,967
Mutual funds - alternative investments	1,488	1,347	2,737	2,972
Equities - common stock	6,368	5,929	16,619	19,066
	<u>\$ 510,701</u>	<u>\$ 503,617</u>	<u>\$ 491,088</u>	<u>\$ 518,758</u>

Investment return is as follows at December 31:

	2018	2017
Interest and dividend income	\$ 11,917	\$ 15,879
Realized gain on investments	13,353	13,845
Unrealized gain (loss) on investments	(36,934)	44,129
Investment fees	(5,807)	(6,481)
Total investment income (loss)	<u>\$ (17,471)</u>	<u>\$ 67,372</u>

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.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

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, 2018 and 2017.

Long-Term Investments

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

Equity and fixed income securities: Valued at the closing price reported on the active market on which the individual securities are traded.

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.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

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

	2018			Total
	Level 1	Level 2	Level 3	
Mutual funds, ETFs, and closed-end funds	\$ 373,285	\$ -	\$ -	\$ 373,285
Mutual funds - equities	31,643	-	-	31,643
Mutual funds - fixed income	87,026	-	-	87,026
Mutual funds - alternative investments	1,347	-	-	1,347
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>

	2017			Total
	Level 1	Level 2	Level 3	
Mutual funds, ETFs, and closed-end funds	\$ 371,015	\$ -	\$ -	\$ 371,015
Mutual funds - equities	33,371	-	-	33,371
Mutual funds - fixed income	87,967	-	-	87,967
Mutual funds - alternative investments	2,972	-	-	2,972
Equities - common stock	19,066	-	-	19,066
Beneficial interest in perpetual trusts	-	-	4,026,941	4,026,941
	<u>\$ 514,391</u>	<u>\$ -</u>	<u>\$ 4,026,941</u>	<u>\$ 4,541,332</u>

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	
	2018	2017
Balance, beginning of year	\$ 4,026,941	\$ 3,724,384
Net appreciation (depreciation)	(476,068)	302,557
Balance, end of year	<u>\$ 3,550,873</u>	<u>\$ 4,026,941</u>

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 4 - BENEFICIAL INTEREST IN PERPETUAL TRUSTS

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 \$175,116 and \$191,533 for the years ended December 31, 2018 and 2017, respectively. The value of the trusts recorded were \$3,550,873 and \$4,026,941 at December 31, 2018 and 2017, respectively. The change in market value has been recorded as net appreciation (depreciation) in beneficial interest in trusts for the years ended December 31, 2018 and 2017, of (\$476,068) and \$302,557, respectively.

NOTE 5 - LINE OF CREDIT

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 (4.50% at December 31, 2018). There was a balance of \$0 and \$30,000 as of December 31, 2018 and 2017, respectively. The line of credit is collateralized by all assets of the Organization.

NOTE 6 - LONG-TERM DEBT

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

	<u>2018</u>	<u>2017</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.	\$ 93,800	\$ 101,330
Less: current portion	<u>(7,888)</u>	<u>(7,580)</u>
	<u>\$ 85,912</u>	<u>\$ 93,750</u>

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 6 - LONG-TERM DEBT - CONTINUED

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

2019	\$	7,888
2020		8,131
2021		8,422
2022		8,766
2023		9,123
2024 - 2028		<u>51,470</u>
	\$	<u>93,800</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, 2018 and 2017, was \$3,971 and \$4,270, respectively.

NOTE 7 - NET ASSETS

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.

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

	<u>2018</u>	<u>2017</u>
Future periods:		
Capital improvements	\$ 25,000	\$ -
Perpetuity:		
Beneficial interest in perpetual trusts	<u>3,550,873</u>	<u>4,026,941</u>
Total net assets with donor restrictions	<u>\$ 3,575,873</u>	<u>\$ 4,026,941</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors as follows at December 31:

	<u>2018</u>	<u>2017</u>
Capital improvements	\$ -	\$ 25,000

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 8 - SPECIAL EVENTS - REVENUES/EXPENSES

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

	2018		2017	
	<u>Revenues</u>	<u>Expenses</u>	<u>Revenues</u>	<u>Expenses</u>
Annual gala	\$ 153,160	\$ 41,724	\$ 125,500	\$ 35,591
VIP dinner	23,590	5,025	31,625	9,000
Doggie Dash	-	-	20,882	3,957
	<u>\$ 176,750</u>	<u>\$ 46,749</u>	<u>\$ 178,007</u>	<u>\$ 48,548</u>

NOTE 9 - RETIREMENT PLAN

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, 2018 and 2017, were \$15,467 and \$10,490, respectively.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 10 - AVAILABILITY OF FINANCIAL RESOURCES

The following reflects the Organization's financial assets as of December 31, 2018 and 2017, 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>2018</u>	<u>2017</u>
Cash	\$ 222,413	\$ 158,258
Bequest and other receivables	529,878	45,556
Investments and other stocks	503,617	518,758
Beneficial interest in perpetual trusts held by others	<u>3,550,873</u>	<u>4,026,941</u>
Total financial assets	4,806,781	4,749,513
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	(25,000)	-
Donor restricted perpetual trusts	<u>(3,550,873)</u>	<u>(4,026,941)</u>
Total financial assets available to meet cash needs for general expenditures within one year	1,230,908	722,572
Plus available line of credit	<u>100,000</u>	<u>70,000</u>
Total financial assets and line of credit available to meet cash needs for general expenditures within one year	<u>\$ 1,330,908</u>	<u>\$ 792,572</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 an unsecured line of credit of \$100,000, which it could draw upon.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS

The FASB has issued the following standards which have not yet been implemented:

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs - Contracts with Customers (Subtopic 340-40)*. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. In August 2015, the FASB issued ASU No. 2015-14 which defers the effective date of ASU No. 2014-09 one year, making it effective for fiscal years beginning after December 15, 2018. The Organization is evaluating the impact of this standard on the financial statements.

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, 2019, with early application permitted. The Organization is evaluating the impact this standard will have on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. The new ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. ASU 2018-08 clarifies that benefits received by the general public is not the same as the resource provider receiving that benefit and that the execution of the resource provider's mission does not equate to commensurate value. The ASU also provides guidance for distinguishing between conditional and unconditional contributions. A conditional contribution must have (1) a barrier that must be overcome AND (2) a right of return or release of the donor obligation. Conditional contributions received are accounted for as a liability, while conditional pledges are unrecognized. In each instance, when the barriers to entitlement are overcome, the related revenue is recognized and classified in the appropriate net asset class. The effective date is for fiscal years beginning after December 15, 2018, with early implementation permitted. The Organization is evaluating the impact of this standard on the financial statements.