

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

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

 **ALAN ROSS & COMPANY, PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Animal Rescue League of Berks County, Inc.  
Mohnton, PA

We have audited the accompanying Statement of Financial Position of the Animal Rescue League of Berks County, Inc. (a nonprofit organization), as of December 31, 2011, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Animal Rescue League of Berks County, Inc. as of December 31, 2011 and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Alan Ross & Company, PC*

Reading, Pennsylvania  
September 19, 2012

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2011

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	64,843
Investments		24,763
Promises to give		8,307
Prepaid Expenses		3,959
Total Current Assets		<u>101,872</u>

PROPERTY & EQUIPMENT

Land		35,290
Buildings and improvements		771,894
Vehicles		179,660
Furniture and equipment		185,796
New building addition		1,220,012
		<u>2,392,652</u>
Less accumulated depreciation		<u>(1,019,302)</u>
Total Property & Equipment		<u>1,373,350</u>

OTHER ASSETS

Loan origination fee, net of amortization		<u>794</u>
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TOTAL ASSETS \$ 1,476,016

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$	37,567
Accrued Payroll & Payroll Tax Liabilities		10,771
Deferred Revenue		30,882
Current maturities of long-term debt		4,353
Total Current Liabilities		<u>83,573</u>

LONG-TERM DEBT, net of current portion 134,846

TOTAL LIABILITIES 218,419

NET ASSETS

Unrestricted		1,257,597
Temporarily restricted		<u>-</u>

TOTAL NET ASSETS 1,257,597

TOTAL LIABILITIES & NET ASSETS \$ 1,476,016

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

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

**STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2011**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT &amp; REVENUE</b>			
Support			
Government agencies	\$ 252,982	\$ -	\$ 252,982
Contributions	797,647	23,310	820,957
Membership dues	15,058	-	15,058
Special events	92,196	6,120	98,316
Total Support	<u>1,157,883</u>	<u>29,430</u>	<u>1,187,313</u>
Revenues			
Program service fees	231,125	785	231,910
Sales of animal supplies	8,164	-	8,164
Miscellaneous Income	64	-	64
Investment Income	(396)	-	(396)
Total Revenue	<u>238,957</u>	<u>785</u>	<u>239,742</u>
Net Assets released from restrictions			
Veterinary Services	<u>30,215</u>	<u>(30,215)</u>	<u>-</u>
Total Support & Revenue	<u>1,427,055</u>	<u>-</u>	<u>1,427,055</u>
<b>EXPENSES</b>			
Program services			
Animal Shelter	818,722	-	818,722
Veterinary Services	212,862	-	212,862
Total program services	<u>1,031,584</u>	<u>-</u>	<u>1,031,584</u>
Support services			
General and administrative	264,397	-	264,397
Fundraising	48,110	-	48,110
Total support services	<u>312,507</u>	<u>-</u>	<u>312,507</u>
Total Expenses	<u>1,344,091</u>	<u>-</u>	<u>1,344,091</u>
CHANGE IN NET ASSETS	82,964	-	82,964
Net Assets at beginning of year	<u>1,174,633</u>	<u>-</u>	<u>1,174,633</u>
Net Assets at end of year	<u>\$ 1,257,597</u>	<u>\$ -</u>	<u>\$ 1,257,597</u>

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

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

**STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended December 31, 2011**

	Program Services	Management and General	Fund-raising	Total
<b>Compensation</b>				
Salaries	\$ 390,569	\$ 155,463	\$ 12,738	\$ 558,770
Payroll taxes	34,623	13,781	1,129	49,533
Retirement expenses	4,393	1,748	143	6,284
Employee Benefits	71,935	28,633	2,346	102,914
Total Compensation	<u>\$ 501,520</u>	<u>\$ 199,625</u>	<u>\$ 16,356</u>	<u>\$ 717,501</u>
<b>Administrative</b>				
Kennel supplies	95,991	-	-	95,991
Repairs and maintenance	22,446	2,494	-	24,940
Utilities	68,492	7,610	-	76,102
Clinic subcontractors	53,017	-	-	53,017
Clinic supplies	57,516	-	-	57,516
Depreciation & amortization	69,831	7,759	-	77,590
Insurance	27,551	3,131	626	31,308
Auto expenses	26,116	2,902	-	29,018
Telephone	9,118	1,013	-	10,131
Dog licenses	21,426	-	-	21,426
Office supplies	1,739	6,958	-	8,697
Equipment rental	486	1,942	-	2,428
Veterinarian expense	26,999	-	-	26,999
Professional fees	-	8,170	-	8,170
Computer Expense	18,439	2,049	-	20,488
Newsletter	10,774	-	-	10,774
Trash removal	4,611	512	-	5,123
Outside Services	3,582	-	-	3,582
Special events	-	-	19,838	19,838
Advertising	-	-	11,290	11,290
Postage and printing	318	1,271	-	1,589
Miscellaneous expense	3,253	361	-	3,614
Store Supplies	4,069	-	-	4,069
Seminars and training	781	-	-	781
Grooming Supplies	649	-	-	649
Dues and subscriptions	688	-	-	688
Banks Service Charge	-	7,270	-	7,270
Taxes	598	67	-	665
Permits and licenses	1,574	-	-	1,574
Interest expense	-	11,263	-	11,263
Total Administrative	<u>\$ 530,064</u>	<u>\$ 64,772</u>	<u>\$ 31,754</u>	<u>\$ 626,590</u>

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

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

**STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2011**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets \$ 82,964

Adjustments to reconcile changes in net assets to cash flows  
from operating activities:

Depreciation and amortization 77,590

Net loss on investments 396

Noncash contribution of stock (25,159)

Change in assets and liabilities

Increase in prepaid expenses (2,134)

Increase in promises to give (1,681)

Decrease in accounts payable and accrued expenses (60,297)

Increase in deferred revenue 8,787

Net cash provided by operating activities 80,466

**CASH FLOWS FROM INVESTING**

Purchases of property and equipment (58,184)

Net cash (used) in investing activities (58,184)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Principle payments on long-term debt (4,073)

Net cash (used) in financing activities (4,073)

**NET INCREASE IN CASH 18,209**

Cash, beginning of year 46,634

Cash, end of year \$ 64,843

**Supplemental Cash Flows Disclosure**

Cash paid during the year for interest \$ 10,395

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

# ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

## Notes to Financial Statements

### Note 1. Summary of Significant Accounting Policies

The summary of significant accounting policies of the Animal Rescue League of Berks County, Inc. is presented to assist in understanding the Organization's financial statements. The financial statements and notes are the representation of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

#### Purpose of the Organization

Animal Rescue League of Berks County, Inc. 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, and grooming and boarding facilities.

#### Contributed Services

During the year ended December 31, 2011, 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.

#### 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.

#### Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increase in temporarily or restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The Organization has no temporarily restricted net assets related to the Building Fund, the Emergency Medical Fund and the Grey Muzzle Fund at year end. There were no permanently restricted net assets at year end.

# ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

## Notes to Financial Statements

### Note 1. Summary of Significant Accounting Policies ( Continued)

#### Promises to Give (Continued)

The Organization used the allowance method to determine uncollectible, unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. In management's opinion there were no uncollectible promises receivable at December 31, 2011.

#### Basis of Accounting

The financial statements are presented on the accrual basis of accounting.

#### Property and Equipment

Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their fair market value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated assets for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated over the estimated useful life of the asset.

#### Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

#### Advertising Costs

Costs for advertising are expensed as incurred.

#### Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

# ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

## Notes to Financial Statements

### Note 1. Summary of Significant Accounting Policies ( Continued)

#### Investments

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.

### Note 2. Income Taxes

The Organization is organized and registered under the Internal Revenue Code Section 501(c)(3) and the Pennsylvania Bureau of Charitable Organization. Under these federal and state regulations, the Organization is exempted from federal and state corporate income taxes.

Accounting principles generally accepted in the United States of America require organization management to evaluate tax positions taken by the organization and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The management has analyzed the positions taken by the organization, and has concluded that as of December 31, 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The management believes it is no longer subject to income tax examinations for years prior to 2009.

### Note 3. Government agencies

The organization receives funds from government agencies and local municipalities in relation to services provided to the general public.

### Note 4. Retirement Plan

The organization established a 401(k) retirement plan in which employees may contribute to the plan through a payroll deduction. A signed 401(k) 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 expense for the current year was \$6,284.

# ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

## Notes to Financial Statements

### Note 5. Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides a framework for measuring fair value. 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 under FASB ASC 820 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 or liabilities in active markets; Quoted prices for identical or similar assets or 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. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or

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

At the measurement date, the Organization estimates fair value of the financial instruments using various valuation techniques. To the extent available, quoted market prices in active markets or observable market inputs in estimating the fair value of the investments are utilized. When quoted market prices or observable market inputs are not available, valuation techniques that rely on unobservable inputs to estimate fair value of investments are used.

There were no significant transfers of investments between levels during the year ended December 31, 2011.

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, 2011.

Common Stock: 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

### Note 5. Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy the organization's assets at fair value December 31, 2011.

	<i>Assets at Fair Value as of December 31, 2011</i>
	Level 1
Common Stock	
Consumer Goods	\$ 24,763
	\$ 24,763

### Note 6. Notes Payable

The Organization's debt consist of the following at December 31, 2011:

Note Payable to Vist Financial with monthly payments of \$1,205.68 including interest at 7.25% per annum until July 2028. The loan is secured by commercial property at Philadelphia Avenue, Mohnton, PA and all business assets.	\$ 139,199
Less Current maturities	4,353
	\$ 134,846

Future maturities of long-term debt are as follows:

2012	\$ 4,353
2013	4,713
2014	5,072
2015	5,457
2016 & thereafter	115,251
	\$ 134,846

### Note 7. Unconditional Promises to Give

The Organization had the following unconditional promise to give at December 31, 2011:

Time Restriction - Less than 1 Year	\$ 8,307
Total Unconditional Promise to Give	\$ 8,307

### Note 8. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 19, 2012, which is the date the financial statements were available to be issued.