



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

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

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2020 and 2019**

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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, 2020 and 2019, 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, 2020 and 2019, 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**  
**August 16, 2021**

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

**STATEMENTS OF FINANCIAL POSITION**

December 31

	2020	2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,256,315	\$ 1,016,369
Bequests receivable	352,893	470,522
Other receivables	35,217	92,048
Prepaid expenses	<u>33,914</u>	<u>11,384</u>
<b>TOTAL CURRENT ASSETS</b>	1,678,339	1,590,323
<b>INVESTMENTS</b>		
Investments, including stocks held	264,686	177,353
Beneficial interest in perpetual trusts	<u>4,371,369</u>	<u>4,041,857</u>
<b>TOTAL INVESTMENTS</b>	4,636,055	4,219,210
<b>PROPERTY AND EQUIPMENT</b>		
Land and improvements	100,697	84,392
Buildings and improvements	2,308,219	2,303,974
Furniture and equipment	294,388	272,638
Vehicles	274,236	274,236
Less: accumulated depreciation	<u>(1,788,714)</u>	<u>(1,701,979)</u>
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<u>1,188,826</u>	<u>1,233,261</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 7,503,220</u></u>	<u><u>\$ 7,042,794</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 31,179	\$ 66,349
Accrued payroll and taxes	23,503	65,045
Deferred revenue	4,650	-
Current portion of long-term debt	<u>8,612</u>	<u>8,129</u>
<b>TOTAL CURRENT LIABILITIES</b>	67,944	139,523
<b>NONCURRENT LIABILITIES</b>		
Paycheck Protection Program loan	329,300	-
Note payable, net	<u>69,137</u>	<u>77,828</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>398,437</u>	<u>77,828</u>
<b>TOTAL LIABILITIES</b>	466,381	217,351
<b>NET ASSETS</b>		
Without donor restrictions	2,251,917	2,177,761
With donor restrictions	<u>4,784,922</u>	<u>4,647,682</u>
<b>TOTAL NET ASSETS</b>	<u>7,036,839</u>	<u>6,825,443</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 7,503,220</u></u>	<u><u>\$ 7,042,794</u></u>

See accompanying notes.

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

**STATEMENTS OF ACTIVITIES**

	Years Ended December 31	
	2020	2019
<b>WITHOUT DONOR RESTRICTIONS</b>		
<b>SUPPORT AND REVENUE</b>		
Contributions:		
General	\$ 1,197,320	\$ 1,136,215
Bequests	113,651	401,651
Trust income	179,680	169,904
Grants	66,595	25,747
Special events, net of expenses (\$4,098 in 2020 and \$35,825 in 2019)	48,219	100,146
Program service fees	362,118	346,038
Government contracts	222,088	262,240
Investment income	26,636	73,020
Miscellaneous income	6,792	16,560
Net assets released from restrictions	580,825	-
	<u>2,803,924</u>	<u>2,531,521</u>
<b>TOTAL SUPPORT AND REVENUE</b>		
 <b>EXPENSES</b>		
Program services	2,413,545	2,209,982
Management and general	147,396	395,590
Fundraising	168,827	63,384
	<u>2,729,768</u>	<u>2,668,956</u>
<b>TOTAL EXPENSES</b>		
	74,156	(137,435)
<b>TOTAL SUPPORT AND REVENUE OVER (UNDER) EXPENSES</b>		
 <b>WITH DONOR RESTRICTIONS</b>		
<b>SUPPORT AND REVENUE</b>		
Contributions	35,660	110,303
Bequests	352,893	470,522
Net appreciation on beneficial interests - perpetual trusts	329,512	490,984
Net assets released from restrictions	(580,825)	-
	<u>137,240</u>	<u>1,071,809</u>
<b>TOTAL SUPPORT AND REVENUE</b>		
<b>CHANGE IN NET ASSETS</b>		
	211,396	934,374
<b>NET ASSETS AT BEGINNING OF YEAR</b>		
	<u>6,825,443</u>	<u>5,891,069</u>
<b>NET ASSETS AT END OF YEAR</b>		
	<u><u>\$ 7,036,839</u></u>	<u><u>\$ 6,825,443</u></u>

See accompanying notes.

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

**STATEMENTS OF FUNCTIONAL EXPENSES**

	Year Ended December 31, 2020				Year Ended December 31, 2019			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
<b>SALARIES AND BENEFITS</b>								
Salaries	\$ 1,426,123	\$ 76,968	\$ 120,767	\$ 1,623,858	\$ 1,185,410	\$ 234,155	\$ 43,904	\$ 1,463,469
Payroll taxes	137,885	6,157	9,661	153,703	122,750	24,247	4,546	151,543
Retirement expenses	23,450	331	2,153	25,934	12,778	2,524	473	15,775
Employee benefits	95,117	533	2,059	97,709	75,090	14,833	2,781	92,704
Contracted employee	-	-	-	-	52,650	10,400	1,950	65,000
<b>TOTAL SALARIES AND BENEFITS</b>	<b>1,682,575</b>	<b>83,989</b>	<b>134,640</b>	<b>1,901,204</b>	<b>1,448,678</b>	<b>286,159</b>	<b>53,654</b>	<b>1,788,491</b>
Advertising	1,529	-	6,116	7,645	1,761	-	7,045	8,806
Auto expenses	28,373	-	-	28,373	25,079	-	-	25,079
Bank and credit card fees	17,557	1,094	-	18,651	-	9,764	-	9,764
Clinical subcontractors	22,371	-	-	22,371	40,247	-	-	40,247
Clinical supplies	63,831	-	-	63,831	67,303	-	-	67,303
Computer expense	55,095	2,973	4,665	62,733	44,653	4,961	-	49,614
Dog licenses	8,102	-	-	8,102	11,572	-	-	11,572
Dues, licenses, taxes	5,371	290	455	6,116	3,684	78	-	3,762
Insurance	71,119	3,838	6,022	80,979	61,754	7,018	1,404	70,176
Interest expense	2,832	153	240	3,225	-	4,011	-	4,011
Kennel supplies	129,487	-	-	129,487	149,660	-	-	149,660
Miscellaneous expense	20,817	1,123	1,763	23,703	19,877	2,209	-	22,086
Occupancy	47,473	2,562	4,020	54,055	63,566	7,063	-	70,629
Office expense	37,221	2,009	3,152	42,382	23,040	4,125	1,281	28,446
Professional fees	21,806	43,793	-	65,599	-	53,558	-	53,558
Repairs and maintenance	31,309	1,690	2,651	35,650	47,500	5,278	-	52,778
Staff and board development	14,231	768	1,205	16,204	6,321	-	-	6,321
Store supplies	2,722	-	-	2,722	12,121	-	-	12,121
Telephone	25,542	1,379	2,163	29,084	17,845	1,983	-	19,828
Veterinary expense	40,917	-	-	40,917	80,872	-	-	80,872
	2,330,280	145,661	167,092	2,643,033	2,125,533	386,207	63,384	2,575,124
Depreciation	83,265	1,735	1,735	86,735	84,449	9,383	-	93,832
<b>TOTAL EXPENSES</b>	<b>\$ 2,413,545</b>	<b>\$ 147,396</b>	<b>\$ 168,827</b>	<b>\$ 2,729,768</b>	<b>\$ 2,209,982</b>	<b>\$ 395,590</b>	<b>\$ 63,384</b>	<b>\$ 2,668,956</b>

See accompanying notes.

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

**STATEMENTS OF CASH FLOWS**

Years Ended December 31

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 211,396	\$ 934,374
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	86,735	93,832
Unrealized gain on investments	(22,662)	(18,595)
Change in value of beneficial interest in perpetual trusts	(329,512)	(490,984)
Change in:		
Bequest and other receivables	174,460	(32,692)
Prepaid expenses	(22,530)	(3,345)
Accounts payable	(35,170)	(4,932)
Accrued payroll and taxes	(41,542)	6,463
Deferred revenue	4,650	(5,004)
	<hr/>	<hr/>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	25,825	479,117
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceed from sale of investments	4,770	511,658
Purchase of investments	(69,441)	(166,799)
Purchase of property and equipment	(42,300)	(22,177)
	<hr/>	<hr/>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	(106,971)	322,682
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Paycheck Protection Program loan proceeds	329,300	-
Repayment of long-term debt	(8,208)	(7,843)
	<hr/>	<hr/>
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	321,092	(7,843)
	<hr/>	<hr/>
<b>NET INCREASE IN CASH</b>	239,946	793,956
<b>CASH AT BEGINNING OF YEAR</b>	<hr/>	<hr/>
	1,016,369	222,413
	<hr/>	<hr/>
<b>CASH AT END OF YEAR</b>	\$ 1,256,315	\$ 1,016,369
	<hr/>	<hr/>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	\$ 3,225	\$ 4,011

See accompanying notes.

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

**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. The Organization's mission is to protect animals, provide a safe haven, and promote innovative programs and services to help both people and animals in need throughout 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 net realizable 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, 2020 and 2019**

**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
Furniture and equipment	5 - 10 years
Vehicles	5 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, 2020.

**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.

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.

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

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

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**Revenue Recognition**

In accordance with Financial Accounting Standards Board (FASB) Accounting 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 \$0 and \$1,395 at December 31, 2020 and 2019, respectively, and are included in other receivables on the statements of financial position. The deferred revenue balances for these contracts are \$4,650 and \$0 at December 31, 2020 and 2019, respectively, and will be recognized within one year over the period the services are rendered.

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, 2020 and 2019**

**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, 2020 and 2019, 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, 2020 and 2019**

**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, 2020 and 2019, were \$7,645 and \$8,806, 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 August 16, 2021, the date the financial statements were available to be issued.

On January 27, 2021, the Organization was approved for a second draw Small Business Administration Paycheck Protection Program Loan in the amount of \$464,633 at a 1.00% fixed interest rate. No payments are due on this loan for 10 months from the last day of the covered period of the first loan (See Note 7). Interest will continue to accrue during the deferment period. The Organization was approved for forgiveness in June 2021.

**NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS**

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The following table represents investments held at December 31:

	<u>2020</u>	<u>2019</u>
Money market funds	\$ 1,464	\$ 2,180
Mutual funds and exchange traded funds (ETFs)	168,457	136,670
Equities - common stock	<u>94,765</u>	<u>38,503</u>
	<u>\$ 264,686</u>	<u>\$ 177,353</u>

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

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Investment return is as follows at December 31:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 3,306	\$ 12,812
Realized gain on investments	1,902	46,549
Unrealized gain on investments	22,662	18,595
Investment fees	<u>(1,234)</u>	<u>(4,936)</u>
Total investment return	<u>\$ 26,636</u>	<u>\$ 73,020</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.

*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.

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

**NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED**

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, 2020 and 2019.

**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.

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:

	2020			
	Level 1	Level 2	Level 3	Total
Mutual funds and exchange traded funds	\$ 168,457	\$ -	\$ -	\$ 168,457
Equities - common stock	94,765	-	-	94,765
Beneficial interest in perpetual trusts	-	-	4,371,369	4,371,369
	<u>\$ 263,222</u>	<u>\$ -</u>	<u>\$ 4,371,369</u>	<u>\$ 4,634,591</u>
	2019			
	Level 1	Level 2	Level 3	Total
Mutual funds and exchange traded funds	\$ 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>

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

**NOTE 2 - 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	
	2020	2019
Balance, beginning of year	\$ 4,041,857	\$ 3,550,873
Net appreciation	329,512	490,984
Balance, end of year	<u>\$ 4,371,369</u>	<u>\$ 4,041,857</u>

**NOTE 3 - 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 \$179,680 and \$169,904 for the years ended December 31, 2020 and 2019, respectively. The value of the trusts recorded were \$4,371,369 and \$4,041,857 at December 31, 2020 and 2019, respectively. The change in market value has been recorded as net appreciation in beneficial interest in trusts for the years ended December 31, 2020 and 2019 of \$329,512 and \$490,984, respectively.

**NOTE 4 - LINE OF CREDIT**

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In May 2015, the Organization opened a business line of credit with a financial institution in the amount of \$100,000 with an interest rate equal to the bank's prime rate. In December 2020, the Organization increased the business line of credit to the amount of \$150,000 with an interest rate equal to the bank's prime rate (4.75% at December 31, 2020) with a floor of 3.25%. There was no outstanding balance at both December 31, 2020 and 2019. 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, 2020 and 2019

NOTE 5 - LONG-TERM DEBT

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

	<u>2020</u>	<u>2019</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% (3.75% at December 31, 2020) with monthly payments of \$949 beginning June 1, 2020. Final payment is due November 1, 2028. The note is unsecured.	\$ 77,749	\$ 85,957
Less: current portion	<u>(8,612)</u>	<u>(8,129)</u>
Note payable, net	<u>\$ 69,137</u>	<u>\$ 77,828</u>

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

2021	\$ 8,612
2022	8,941
2023	9,282
2024	9,632
2025	10,005
2026 - 2028	<u>31,277</u>
	<u>\$ 77,749</u>

Maturity of long-term debt is calculated using a rate of 3.75% through maturity.

Total interest paid on long-term debt for the years ended December 31, 2020 and 2019, was \$3,225 and \$3,660, respectively.

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

**NOTE 6 - PAYCHECK PROTECTION PROGRAM LOAN**

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In April 2020, the Organization received a Paycheck Protection Program Loan (the "PPP Loan") from a qualified lender totaling \$329,300. This loan program was implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The PPP Loan was unsecured and guaranteed by the SBA. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program. Subsequent to year end, the Organization applied to the bank for forgiveness of the full amount of the PPP Loan with respect to these covered expenses. The Organization was approved for forgiveness in April 2021.

**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.

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

	<u>2020</u>	<u>2019</u>
Time and purpose:		
Capital improvements	\$ 25,000	\$ 25,000
Pet resource center	30,000	-
Cat snip program	5,350	-
Dog kennel run	310	-
Time restricted	<u>352,893</u>	<u>580,825</u>
Total time and purpose	413,553	605,825
Perpetuity:		
Beneficial interest in perpetual trusts	<u>4,371,369</u>	<u>4,041,857</u>
Total net assets with donor restrictions	<u>\$ 4,784,922</u>	<u>\$ 4,647,682</u>

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 7 - NET ASSETS - CONTINUED

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

	<u>2020</u>	<u>2019</u>
Time and purpose:		
Time restricted	\$ 580,825	\$ -
Total net assets with donor restrictions	<u>\$ 580,825</u>	<u>\$ -</u>

NOTE 8 - SPECIAL EVENTS - REVENUES/EXPENSES

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

	<u>2020</u>		<u>2019</u>	
	<u>Revenues</u>	<u>Expenses</u>	<u>Revenues</u>	<u>Expenses</u>
VIP dinner	\$ -	\$ -	\$ 39,656	\$ 6,100
Mingle at the Museum	-	-	96,315	29,725
Clues and Brews	5,896	1,472	-	-
Wines and Whiskers	26,750	1,181	-	-
Calendars	19,671	1,445	-	-
	<u>\$ 52,317</u>	<u>\$ 4,098</u>	<u>\$ 135,971</u>	<u>\$ 35,825</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, 2020 and 2019, were \$25,934 and \$15,775, respectively.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 10 - AVAILABILITY OF FINANCIAL RESOURCES

The following reflects the Organization's financial assets as of December 31, 2020 and 2019, 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>2020</u>	<u>2019</u>
Cash	\$ 1,256,315	\$ 1,016,369
Bequest and other receivables	388,110	562,570
Investments, including stocks held	264,686	177,353
Beneficial interest in perpetual trusts	<u>4,371,369</u>	<u>4,041,857</u>
Total financial assets	6,280,480	5,798,149
Less:		
Amounts unavailable for general expenses within one year, due to:		
Restricted by donors with purpose restrictions	(60,660)	(25,000)
Bequest receivable - time restricted	(352,893)	(470,522)
Donor restricted perpetual trusts	<u>(4,371,369)</u>	<u>(4,041,857)</u>
Total financial assets available to meet cash needs for general expenses within one year	<u>\$ 1,495,558</u>	<u>\$ 1,260,770</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 \$150,000, which it could draw upon.

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2020 and 2019**

**NOTE 11 - COVID-19 PANDEMIC**

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The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Organization is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization's donors, customers, employees, and vendors, all of which at present, cannot be determined. As a response to the pandemic, during the 2020 year the Organization furloughed certain staff, closed to the public for a period with the exception of specific appointments, and cancelled certain special events. Management is carefully monitoring the impact of the pandemic and taking steps to mitigate this impact.

**NOTE 12 - 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. In July 2019, the FASB deferred the effective date of ASU No. 2016-02 one year, making it effective for fiscal years beginning after December 15, 2021. The Organization is evaluating the impact this standard will have on the financial statements.