



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

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

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2021 and 2020**



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## INDEPENDENT AUDITOR'S REPORT

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

### **Opinion**

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Animal Rescue League of Berks County, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Animal Rescue League of Berks County, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Animal Rescue League of Berks County, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Animal Rescue League of Berks County, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Animal Rescue League of Berks County, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Herbein + Company, Inc.*

**Reading, Pennsylvania  
September 27, 2022**

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

**STATEMENTS OF FINANCIAL POSITION**

December 31

	2021	2020
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,637,308	\$ 1,256,315
Bequests receivable	31,000	352,893
Other receivables	69,500	35,217
Prepaid expenses	42,476	33,914
	<hr/>	<hr/>
<b>TOTAL CURRENT ASSETS</b>	1,780,284	1,678,339
<b>INVESTMENTS</b>		
Investments, including stocks held	352,879	264,686
Beneficial interest in perpetual trusts	4,694,911	4,371,369
	<hr/>	<hr/>
<b>TOTAL INVESTMENTS</b>	5,047,790	4,636,055
<b>PROPERTY AND EQUIPMENT</b>		
Buildings and improvements	2,325,982	2,308,219
Land and improvements	100,697	100,697
Furniture and equipment	399,397	294,388
Vehicles	307,932	274,236
Deposits on equipment and vehicles	53,651	-
Less: accumulated depreciation	(1,885,874)	(1,788,714)
	<hr/>	<hr/>
<b>TOTAL PROPERTY AND EQUIPMENT</b>	1,301,785	1,188,826
<b>TOTAL ASSETS</b>	<u>\$ 8,129,859</u>	<u>\$ 7,503,220</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 103,956	\$ 31,179
Accrued payroll and taxes	57,933	23,503
Deferred revenue	4,075	4,650
Current portion of long-term debt	9,479	8,612
	<hr/>	<hr/>
<b>TOTAL CURRENT LIABILITIES</b>	175,443	67,944
<b>NONCURRENT LIABILITIES</b>		
Note payable, net	45,583	69,137
Paycheck Protection Program loan	-	329,300
	<hr/>	<hr/>
<b>TOTAL NONCURRENT LIABILITIES</b>	45,583	398,437
<b>TOTAL LIABILITIES</b>	221,026	466,381
<b>NET ASSETS</b>		
Without donor restrictions	2,913,856	2,251,917
With donor restrictions	4,994,977	4,784,922
	<hr/>	<hr/>
<b>TOTAL NET ASSETS</b>	7,908,833	7,036,839
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 8,129,859</u>	<u>\$ 7,503,220</u>

See accompanying notes.

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

**STATEMENTS OF ACTIVITIES**

	Year Ended December 31, 2021			Year Ended December 31, 2020		
	Without Donor	With Donor	Total	Without Donor	With Donor	Total
	Restrictions	Restrictions		Restrictions	Restrictions	
<b>REVENUES AND OTHER SUPPORT</b>						
Contributions:						
General	\$ 969,358	\$ 95,782	\$ 1,065,140	\$ 1,197,320	\$ 35,660	\$ 1,232,980
Bequests	663,975	30,000	693,975	113,651	352,893	466,544
Trust income	174,113	9,518	183,631	179,680	-	179,680
Grants	224,542	138,766	363,308	66,595	-	66,595
Gifts in kind	42,239	-	42,239	-	-	-
Special events, net of expenses (\$55,032 in 2021 and \$4,098 in 2020)	85,654	-	85,654	48,219	-	48,219
Program service fees	595,393	-	595,393	362,118	-	362,118
Government contracts	221,479	-	221,479	222,088	-	222,088
Investment return	37,507	-	37,507	26,636	-	26,636
Net appreciation on beneficial interests - perpetual trusts	-	323,542	323,542	-	329,512	329,512
Miscellaneous income	-	-	-	6,792	-	6,792
Paycheck Protection Program loan forgiveness income	793,933	-	793,933	-	-	-
Net assets released from restrictions	387,553	(387,553)	-	580,825	(580,825)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>\$4,195,746</b>	<b>210,055</b>	<b>4,405,801</b>	<b>2,803,924</b>	<b>137,240</b>	<b>2,941,164</b>
<b>EXPENSES</b>						
Program services	3,084,770	-	3,084,770	2,413,545	-	2,413,545
Management and general	156,607	-	156,607	147,396	-	147,396
Fundraising	292,430	-	292,430	168,827	-	168,827
<b>TOTAL EXPENSES</b>	<b>3,533,807</b>	<b>-</b>	<b>3,533,807</b>	<b>2,729,768</b>	<b>-</b>	<b>2,729,768</b>
<b>CHANGE IN NET ASSETS</b>	<b>661,939</b>	<b>210,055</b>	<b>871,994</b>	<b>74,156</b>	<b>137,240</b>	<b>211,396</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>2,251,917</b>	<b>4,784,922</b>	<b>7,036,839</b>	<b>2,177,761</b>	<b>4,647,682</b>	<b>6,825,443</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 2,913,856</b>	<b>\$ 4,994,977</b>	<b>\$ 7,908,833</b>	<b>\$ 2,251,917</b>	<b>\$ 4,784,922</b>	<b>\$ 7,036,839</b>

See accompanying notes.

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

**STATEMENTS OF FUNCTIONAL EXPENSES**

	Year Ended December 31, 2021				Year Ended December 31, 2020			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
<b>SALARIES AND BENEFITS</b>								
Salaries	\$ 1,827,816	\$ 91,615	\$ 156,956	\$ 2,076,387	\$ 1,448,494	\$ 76,968	\$ 120,767	\$ 1,646,229
Payroll taxes	161,190	8,449	13,620	183,259	137,885	6,157	9,661	153,703
Employee benefits	137,186	3,739	10,214	151,139	118,567	864	4,212	123,643
<b>TOTAL SALARIES AND BENEFITS</b>	<b>2,126,192</b>	<b>103,803</b>	<b>180,790</b>	<b>2,410,785</b>	<b>1,704,946</b>	<b>83,989</b>	<b>134,640</b>	<b>1,923,575</b>
Advertising	4,310	-	6,730	11,040	1,529	-	6,116	7,645
Auto expenses	27,424	-	-	27,424	28,373	-	-	28,373
Bank and credit card fees	7,457	9,085	15,267	31,809	17,557	1,094	-	18,651
Clinical supplies	116,394	-	-	116,394	63,831	-	-	63,831
Computer expense	45,094	11,451	15,446	71,991	55,095	2,973	4,665	62,733
Dog licenses	7,827	-	-	7,827	8,102	-	-	8,102
Dues, licenses, taxes	8,371	1,150	1,775	11,296	5,371	290	455	6,116
Insurance	88,484	2,000	1,179	91,663	71,119	3,838	6,022	80,979
Interest expense	560	2,138	-	2,698	2,832	153	240	3,225
Kennel supplies	225,611	-	-	225,611	129,487	-	-	129,487
Miscellaneous expense	6,528	-	13,475	20,003	8,014	1,123	1,763	10,900
Occupancy	62,791	-	-	62,791	47,473	2,562	4,020	54,055
Office expense	31,916	5,377	41,844	79,137	37,221	2,009	3,152	42,382
Private cremations	11,664	-	-	11,664	12,803	-	-	12,803
Professional fees	33,548	15,962	8,800	58,310	21,806	43,793	-	65,599
Repairs and maintenance	101,129	1,239	2,466	104,834	31,309	1,690	2,651	35,650
Staff and board development	20,653	1,446	1,709	23,808	14,231	768	1,205	16,204
Store supplies	13,748	-	-	13,748	2,722	-	-	2,722
Telephone	18,481	1,013	1,006	20,500	25,542	1,379	2,163	29,084
Veterinary expense	33,314	-	-	33,314	40,917	-	-	40,917
	2,991,496	154,664	290,487	3,436,647	2,330,280	145,661	167,092	2,643,033
Depreciation	93,274	1,943	1,943	97,160	83,265	1,735	1,735	86,735
<b>TOTAL EXPENSES</b>	<b>\$ 3,084,770</b>	<b>\$ 156,607</b>	<b>\$ 292,430</b>	<b>\$ 3,533,807</b>	<b>\$ 2,413,545</b>	<b>\$ 147,396</b>	<b>\$ 168,827</b>	<b>\$ 2,729,768</b>

See accompanying notes.

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

**STATEMENTS OF CASH FLOWS**

	Years Ended December 31	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 871,994	\$ 211,396
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	97,160	86,735
Unrealized gain on investments	(29,066)	(22,662)
Change in value of beneficial interest in perpetual trusts	(323,542)	(329,512)
Paycheck Protection Program loan forgiveness income	(793,933)	-
Change in:		
Bequest and other receivables	287,610	174,460
Prepaid expenses	(8,562)	(22,530)
Accounts payable	72,777	(35,170)
Accrued payroll and taxes	34,430	(41,542)
Deferred revenue	<u>(575)</u>	<u>4,650</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	208,293	25,825
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceed from sale of investments	12,840	4,770
Purchase of investments	(71,967)	(69,441)
Purchase of property and equipment	<u>(210,119)</u>	<u>(42,300)</u>
<b>NET CASH USED FOR INVESTING ACTIVITIES</b>	(269,246)	(106,971)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Paycheck Protection Program loan proceeds	464,633	329,300
Repayment of long-term debt	<u>(22,687)</u>	<u>(8,208)</u>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>441,946</u>	<u>321,092</u>
<b>NET INCREASE IN CASH</b>	380,993	239,946
<b>CASH AT BEGINNING OF YEAR</b>	<u>1,256,315</u>	<u>1,016,369</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$ 1,637,308</u></u>	<u><u>\$ 1,256,315</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	\$ 2,698	\$ 3,225
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH FLOW FINANCING ACTIVITIES</b>		
Paycheck Protection Program loan forgiveness	\$ 793,933	\$ -

See accompanying notes.

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2021 and 2020**

**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, 2021 and 2020**

**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:

Buildings and improvements	10 - 40 years
Land improvements	10 - 25 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, 2021.

**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, 2021 and 2020**

**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:

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.

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 at both December 31, 2021 and 2020. The deferred revenue balances for these contracts are \$4,075 and \$4,650 at December 31, 2021 and 2020, respectively, and will be recognized over the period the services are rendered.

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2021 and 2020**

**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, 2021 and 2020, 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, 2021 and 2020**

**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, 2021 and 2020, were \$11,040 and \$7,645, respectively.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses, including functional allocations, during the reporting period. Actual results could differ from those estimates.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition through September 27, 2022, the date the financial statements were available to be issued.

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

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The following table represents investments held at December 31:

	<u>2021</u>	<u>2020</u>
Money market funds	\$ 2,569	\$ 1,464
Mutual funds	184,493	168,457
Equities - common stock	<u>165,817</u>	<u>94,765</u>
	<u>\$ 352,879</u>	<u>\$ 264,686</u>

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

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Investment return is as follows at December 31:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 5,169	\$ 3,306
Realized gain on investments	4,770	1,902
Unrealized gain on investments	29,066	22,662
Investment fees	<u>(1,498)</u>	<u>(1,234)</u>
Total investment return	<u>\$ 37,507</u>	<u>\$ 26,636</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, 2021 and 2020**

**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, 2021 and 2020.

**Long-Term Investments**

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

**Beneficial Interest in Perpetual Trusts**

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:

	2021			Total
	Level 1	Level 2	Level 3	
Mutual funds	\$ 184,493	\$ -	\$ -	\$ 184,493
Equities - common stock	165,817	-	-	165,817
Beneficial interest in perpetual trusts	-	-	4,694,911	4,694,911
	<u>\$ 350,310</u>	<u>\$ -</u>	<u>\$ 4,694,911</u>	<u>\$ 5,045,221</u>

  

	2020			Total
	Level 1	Level 2	Level 3	
Mutual 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>

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

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2021 and 2020**

**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	
	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 4,371,369	\$ 4,041,857
Net appreciation	<u>323,542</u>	<u>329,512</u>
Balance, end of year	<u>\$ 4,694,911</u>	<u>\$ 4,371,369</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 and amounted to \$183,631 and \$179,680 for the years ended December 31, 2021 and 2020, respectively. The value of the trusts recorded were \$4,694,911 and \$4,371,369 at December 31, 2021 and 2020, respectively. The change in market value has been recorded as net appreciation in beneficial interest in trusts for the years ended December 31, 2021 and 2020 of \$323,542 and \$329,512, 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, 2021) with a floor of 3.25%. There was no outstanding balance at both December 31, 2021 and 2020. 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, 2021 and 2020

NOTE 5 - LONG-TERM DEBT

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

	<u>2021</u>	<u>2020</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, 2021) with monthly payments of \$949 beginning June 1, 2020. Final payment is due May 1, 2027. The note is unsecured.	\$ 55,062	\$ 77,749
Less: current portion	<u>(9,479)</u>	<u>(8,612)</u>
Note payable, net	<u>\$ 45,583</u>	<u>\$ 69,137</u>

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

2022	\$ 9,479
2023	9,842
2024	10,214
2025	10,608
2026	11,013
2027	<u>3,906</u>
	<u>\$ 55,062</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, 2021 and 2020, was \$2,698 and \$3,225, respectively.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

**NOTE 6 - PAYCHECK PROTECTION PROGRAM LOANS**

In April 2020 and February 2021, the Organization received Paycheck Protection Program Loans ("PPP Loans") from a qualified lender totaling \$329,300 and \$464,633, respectively. This loan program was implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act. The PPP Loans are unsecured and guaranteed by the SBA. The principal amounts of the PPP Loans are 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.

The Organization initially recorded a note payable and subsequently recorded forgiveness when the loan obligations were legally released upon notification by the SBA in April 2021 for the first round PPP loan and June 2021 for the second round PPP loan. The \$793,933 forgiven is recognized as PPP Loan forgiveness income in the statements of activities for the year ended December 31, 2021.

**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>2021</u>	<u>2020</u>
Time and purpose:		
Adoption fees for veterans	\$ 3,690	\$ -
Capital improvements and purchases	121,047	25,000
Cat snip program	9,518	5,350
Community cat program	15,000	-
Dog kennel run	-	310
Good pups program	10,000	-
Pet resource center	-	30,000
Support strategic plan initiatives	96,719	-
Surgery costs	13,092	-
Time restricted	31,000	352,893
Total time and purpose	<u>300,066</u>	<u>413,553</u>
Perpetuity:		
Beneficial interest in perpetual trusts	4,694,911	4,371,369
Total net assets with donor restrictions	<u>\$ 4,994,977</u>	<u>\$ 4,784,922</u>

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 7 - NET ASSETS - CONTINUED

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

	2021	2020
Time and purpose:		
Cat snip program	\$ 5,350	\$ -
Dog kennel run	310	-
Pet resource center	30,000	-
Time restricted	351,893	580,825
	<u>\$ 387,553</u>	<u>\$ 580,825</u>

NOTE 8 - SPECIAL EVENTS - REVENUES/EXPENSES

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

	2021		2020	
	Revenues	Expenses	Revenues	Expenses
Festival of Trees	\$ 71,784	\$ 30,380	\$ -	\$ -
Mingle at the Museum	58,174	22,453	-	-
Clues and Brews	10,728	2,199	5,896	1,472
Wines and Whiskers	-	-	26,750	1,181
Calendars	-	-	19,671	1,445
	<u>\$ 140,686</u>	<u>\$ 55,032</u>	<u>\$ 52,317</u>	<u>\$ 4,098</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, 2021 and 2020, were \$33,672 and \$25,934, respectively.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 10 - AVAILABILITY OF FINANCIAL RESOURCES

The following reflects the Organization's financial assets as of December 31, 2021 and 2020, 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>2021</u>	<u>2020</u>
Cash	\$ 1,637,308	\$ 1,256,315
Bequest and other receivables	100,500	388,110
Investments, including stocks held	352,879	264,686
Beneficial interest in perpetual trusts	<u>4,694,911</u>	<u>4,371,369</u>
Total financial assets	6,785,598	6,280,480
Less:		
Amounts unavailable for general expenses within one year, due to:		
Restricted by donors with purpose restrictions	(269,066)	(60,660)
Bequest receivable - time restricted	(31,000)	(352,893)
Donor restricted perpetual trusts	<u>(4,694,911)</u>	<u>(4,371,369)</u>
Total financial assets available to meet cash needs for general expenses within one year	<u>\$ 1,790,621</u>	<u>\$ 1,495,558</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, 2021 and 2020**

**NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS**

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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.

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This update requires an organization to present contributed nonfinancial assets, including fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets, as a separate line item in the statements of activities, apart from contributions of cash and other financial assets. It also requires disclosures of a disaggregation by category of nonfinancial assets, including whether used or monetized, policies and/or a description of the programs or other activities in which those assets were used, a description of any donor restrictions associated with nonfinancial assets, a description of the valuation techniques and inputs used to arrive at the fair value measure for initial recognition, and the principal market used to arrive at the fair value measure if it is a market in which the Organization is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. This standard should be applied on a retrospective basis and is effective for fiscal years beginning after June 15, 2021, with early adoption permitted. The Organization is evaluating the impact this standard will have on the financial statements.