

ESTABLISHED
1952

ANIMAL RESCUE LEAGUE

OF BERKS COUNTY

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2024

TABLE OF CONTENTS

	Pages
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 19

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 statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year 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 June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 audit. 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

October 28, 2024

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2024

ASSETS

CURRENT ASSETS

Cash	\$ 77,197
Contributions receivable	116,361
Bequests receivable	277,954
Prepaid expenses	27,428
Other assets	<u>3,200</u>

TOTAL CURRENT ASSETS 502,140

NONCURRENT ASSETS

Investments	649,944
Beneficial interest in perpetual trusts	4,194,986

Property and equipment:

Land	25,000
Construction in progress	84,590
Buildings and improvements	2,412,240
Land improvements	75,697
Furniture and equipment	456,528
Vehicles	409,961
Less: accumulated depreciation	<u>(2,019,986)</u>
Net property and equipment	<u>1,444,030</u>

TOTAL NONCURRENT ASSETS 6,288,960

TOTAL ASSETS \$ 6,791,100

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Line of credit	\$ 150,000
Accounts payable	115,452
Accrued payroll and taxes	76,942
Deferred revenue	6,842
Current portion of note payable	<u>6,458</u>

TOTAL CURRENT LIABILITIES 355,694

NONCURRENT LIABILITIES

Note payable, net	<u>27,063</u>
-------------------	---------------

TOTAL LIABILITIES 382,757

NET ASSETS

Without donor restrictions	1,530,154
With donor restrictions	<u>4,878,189</u>

TOTAL NET ASSETS 6,408,343

TOTAL LIABILITIES AND NET ASSETS \$ 6,791,100

See accompanying notes.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions:			
General	\$ 929,219	\$ 48,506	\$ 977,725
Bequests	425,919	277,953	703,872
Trust income	142,337	-	142,337
Grants	160,029	66,271	226,300
Contributed nonfinancial assets	158,937	-	158,937
Special events, net of expenses of \$31,171	96,169	-	96,169
Program service fees	455,245	-	455,245
Government contracts	423,415	-	423,415
Investment return	58,927	-	58,927
Net appreciation on beneficial interest in perpetual trusts	-	337,532	337,532
Net assets released from restrictions	393,096	(393,096)	-
	<u>3,243,293</u>	<u>337,166</u>	<u>3,580,459</u>
EXPENSES			
Program services	3,282,002	-	3,282,002
Management and general	183,894	-	183,894
Fundraising	305,864	-	305,864
	<u>3,771,760</u>	<u>-</u>	<u>3,771,760</u>
CHANGE IN NET ASSETS	(528,467)	337,166	(191,301)
NET ASSETS AT BEGINNING OF YEAR	<u>2,058,621</u>	<u>4,541,023</u>	<u>6,599,644</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,530,154</u>	<u>\$ 4,878,189</u>	<u>\$ 6,408,343</u>

See accompanying notes.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2024

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
SALARIES AND BENEFITS				
Salaries	\$ 1,922,241	\$ 112,856	\$ 204,628	\$ 2,239,725
Payroll taxes	159,119	9,325	16,936	185,380
Employee benefits	140,378	7,006	9,897	157,281
TOTAL SALARIES AND BENEFITS	2,221,738	129,187	231,461	2,582,386
Advertising	5,799	-	139	5,938
Auto expenses	20,327	3	-	20,330
Bank and credit card fees	2,289	351	7,159	9,799
Clinical subcontractors	16,694	-	-	16,694
Clinical supplies	96,875	-	-	96,875
Cremations	15,646	-	-	15,646
Dog licenses	3,638	-	-	3,638
Dues, licenses, taxes	4,231	1,412	1,800	7,443
Extended animal services	3,040	-	-	3,040
Insurance	96,026	1,202	6,206	103,434
Interest expense	5,090	-	-	5,090
Kennel supplies	345,552	-	-	345,552
Miscellaneous expense	889	-	5,313	6,202
Occupancy	62,573	1,360	4,081	68,014
Office expense	39,912	2,445	22,100	64,457
Professional fees	13,703	20,684	-	34,387
Repairs and maintenance	27,130	894	304	28,328
Staff and board development	17,020	13,557	240	30,817
Store supplies	8,643	-	-	8,643
Technology	78,831	9,713	22,952	111,496
Telephone	23,527	511	1,534	25,572
Veterinary expense	49,212	-	-	49,212
	3,158,385	181,319	303,289	3,642,993
Depreciation	123,617	2,575	2,575	128,767
TOTAL EXPENSES	\$ 3,282,002	\$ 183,894	\$ 305,864	\$ 3,771,760

See accompanying notes.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (191,301)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	128,767
Unrealized gain on investments	(43,549)
Change in value of beneficial interest in perpetual trusts	(337,532)
Contributions restricted for long-term capital needs	(62,500)
Change in:	
Contribution, bequest and other receivables	372,845
Prepaid expenses	8,515
Accounts payable	(43,452)
Accrued expenses	(1,083)
Accrued payroll and taxes	3,805
Deferred revenue	(19,335)

NET CASH USED BY OPERATING ACTIVITIES (184,820)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of investments	12,262
Purchase of investments	(27,123)
Purchase of property and equipment	(209,683)

NET CASH USED BY INVESTING ACTIVITIES (224,544)

CASH FLOWS FROM FINANCING ACTIVITIES

Contributions for long-term purposes	62,500
Advances on line of credit	150,000
Repayment of note payable	(5,900)

NET CASH PROVIDED BY FINANCING ACTIVITIES 206,600

NET DECREASE IN CASH (202,764)

CASH AT BEGINNING OF YEAR

279,961

CASH AT END OF YEAR \$ 77,197

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for interest	\$ 5,090
--	----------

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Animal Rescue League of Berks County, Inc. (the "Organization") is a nonprofit organization serving Berks County. 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.

Contribution and Bequest Receivables

Generally, program service revenues are recognized and collected at the point of sale so receivables are minimal. The contribution and bequest receivables are based on net realizable value upon receipt of the contribution or pledge or notification of the bequest beneficiary status and amount. The Organization uses the direct write-off method and only charges off the contribution and bequest receivables when management determines the receivable will not be collected.

Investments

The Organization's investments are composed of mutual 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 statement of activities. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

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

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property and Equipment

Purchased property and equipment are capitalized at cost. The Organization's policy is to capitalize any assets in excess of \$2,500 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.

Construction in progress is stated at cost and consists primarily of costs incurred in the construction of building improvements. No provision for depreciation is made on construction in progress until the assets are complete and placed into service.

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 June 30, 2024.

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.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Assets - continued

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

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.

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 unconditional contributions and conditional contributions in which the conditions have been met or waived by the donor as support with or without donor restrictions, depending on the existence or nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is recognized are recognized as revenues without donor restrictions.

In addition to contributions, bequests, trust income, and grants are considered nonreciprocal transactions and follow the guidance for contributions.

The Organization has deferred revenues related to contributions of \$500 at June 30, 2024.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributed Nonfinancial Assets

Contributed nonfinancial assets are presented as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service (as the assets are used in the Organization's activities). Contributed nonfinancial assets are reflected in the accompanying financial statements at their estimated fair value at the date of receipt.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) required specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. A number of unpaid volunteers, which include the directors of the Organization, have made significant contributions of their time toward developing and achieving the Organization's goals and objectives. However, no amounts have been included in the financial statements for donated director or volunteer services, since they do not meet the criteria for recognition.

Revenue Recognition

The Organization recognizes revenue in accordance with Financial Accounting Standards Board (FASB), Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606), which applies to exchange transactions with customers that are bound by contract or similar arrangement and established a performance obligation approach to revenue recognition. All program revenues are paid in advance or at point of sale and therefore the Organization has no revenue streams resulting in accounts receivable or credit loss measurements applicable. The Organization records the following exchange transaction revenue in its statement 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 statement 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. The deferred revenue balances for special events are \$625 at June 30, 2024 and \$6,000 at July 1, 2023. These revenues will be recognized when the event takes place.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition - continued

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 1st. The contracts are billed quarterly based on a contract with a set fee based on per capita. Revenue is recognized over the annual period of the service. The deferred revenue balances for these contracts are \$5,717 at June 30, 2024 and \$13,347 at July 1, 2023. These revenues will be recognized over the period the services are rendered.

Advertising Costs

The Organization expenses advertising costs when the advertising occurs. Advertising expense for the year ended June 30, 2024 was \$5,938.

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.

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 October 28, 2024, the date the financial statements were available to be issued.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following table represents investments held at June 30:

	<u>2024</u>
Money market funds	\$ 7,264
Mutual funds	638,109
Equity securities	<u>4,571</u>
	<u>\$ 649,944</u>

Investment return is as follows for the year ended June 30:

	<u>2024</u>
Interest and dividend income	\$ 17,291
Realized gain on investments	3,794
Unrealized gain on investments	43,549
Investment fees	<u>(5,707)</u>
Total investment return	<u>\$ 58,927</u>

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

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

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

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

Level 2: Inputs to the valuation methodology include:

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

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

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

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2024.

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.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

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 June 30:

	2024			Total
	Level 1	Level 2	Level 3	
Mutual funds	\$ 638,109	\$ -	\$ -	\$ 638,109
Equity securities	4,571	-	-	4,571
Beneficial interest in perpetual trust	-	-	4,194,986	4,194,986
Total	\$ 642,680	\$ -	\$ 4,194,986	\$ 4,837,666

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the year ended June 30:

	Beneficial Interest in Perpetual Trusts
	2024
Balance, beginning of year	\$ 3,857,454
Net appreciation	337,532
Balance, end of year	\$ 4,194,986

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 3 - BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Organization is a beneficiary of several perpetual charitable trusts held by several financial institutions' trust departments. The Organization has recorded its proportionate share of the fair value of the principal of the trusts. Agreement terms provide that the Organization is to receive their proportionate share of the net income earned by the funds which are held in trust. Distributions from the trusts are recorded as trust income and amounted to \$142,337 for the year ended June 30, 2024. The value of the trusts recorded was \$4,194,986 at June 30, 2024. The change in market value has been recorded as net appreciation in beneficial interest in trusts for the year ended June 30, 2024 of \$337,532.

NOTE 4 - LINE OF CREDIT

The Organization has a business line of credit with a financial institution in the amount of \$250,000. The interest rate is equal to the bank's prime rate (8.5% at June 30, 2024) with a floor of 3.25%. The outstanding balance at June 30, 2024 was \$150,000. The line of credit is collateralized by all assets of the Organization. Total interest paid on the line of credit for the year ended June 30, 2024 was \$1,741.

Subsequent to year end the Organization paid off the line of credit in full.

NOTE 5 - NOTE PAYABLE

	<u>June 30, 2024</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% (9.00% at June 30, 2024) with monthly payments of \$949 beginning June 1, 2020. Due to making additional principal payments the monthly payment amount has been adjusted to \$772 as of June 30, 2024. Final payment is due November 1, 2028. The note is unsecured.	\$ 33,521
Less: current portion	<u>(6,458)</u>
Note payable, net	<u>\$ 27,063</u>

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 5 - NOTE PAYABLE - CONTINUED

Maturities on the note payable are as follows for the years ending June 30:

2025	\$	6,458
2026		7,075
2027		7,750
2028		8,489
2029		<u>3,749</u>
	\$	<u>33,521</u>

Maturity of the note payable is calculated using a rate of 9.00% through maturity.

Total interest paid on the note payable for the year ended June 30, 2024 was \$3,349.

NOTE 6 - 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 June 30:

	<u>2024</u>
Time and purpose:	
Adoption fees for veterans	\$ 10,017
Capital improvements and purchases	169,358
Cat snip program	20,765
Dog and cat enrichment	4,097
Good pups program	8,504
Subaru loves pets event	4,000
Staff lunches and wellness	7,412
Surgery costs	28,825
Marian Snyder - special projects	52,271
Time restricted	<u>377,954</u>
Total time and purpose	683,203
Perpetuity:	
Beneficial interest in perpetual trusts	<u>4,194,986</u>
Total net assets with donor restrictions	<u>\$ 4,878,189</u>

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 6 - NET ASSETS - CONTINUED

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes as follows for the year ended June 30:

	<u>2024</u>
Time and purpose:	
Adoption fees for veterans	\$ 4,591
Senior pet adoptions	1,197
Capital improvements and purchases	137,496
Cat snip program	15,785
Good pups program	1,813
Surgery costs	32,524
Time restricted	<u>199,690</u>
	<u>\$ 393,096</u>

NOTE 7 - CONTRIBUTED NONFINANCIAL ASSETS

The value of contributed services and materials provided by local businesses and individuals to benefit the Organization included with revenue in the accompanying financial statements totaled \$158,937 for the year ended June 30, 2024.

Contributed nonfinancial assets consist of the following for the year ended June 30:

	<u>2024</u>
Animal food and supplies	\$ 137,689
Storage space	4,050
Medical supplies	<u>17,198</u>
	<u>\$ 158,937</u>

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 7 - CONTRIBUTED NONFINANCIAL ASSETS - CONTINUED

Valuation Techniques:

Contributed services are recognized as contributed nonfinancial assets at their estimated fair value if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased, if they were not donated. Contributed services are valued using current rates for similar services and contributed materials are valued using current prices for similar items.

Donor Restrictions:

There are no restrictions on contributed nonfinancial assets donations at year end. The Organization does not sell contributed nonfinancial assets and only utilizes the services and materials for their programs.

NOTE 8 - 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 the year ended June 30, 2024 were \$32,824.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE 9 - AVAILABILITY OF FINANCIAL RESOURCES

The following reflects the Organization's financial assets as of June 30, 2024, reduced by amounts not available for general use within one year because of donor-imposed restrictions. The Organization's financial assets include cash, investments, receivables, and beneficial interest in perpetual trusts. The Organization has restricted funds.

	<u>June 30, 2024</u>
Cash	\$ 77,197
Contribution and bequest receivables	394,315
Investments	649,944
Beneficial interest in perpetual trusts	<u>4,194,986</u>
Total financial assets	5,316,442
Less:	
Amounts unavailable for general expenses	
Within one year, due to:	
Restricted by donors with purpose restrictions	(305,249)
Bequest receivable - time restricted	(277,954)
Donor restricted perpetual trusts	<u>(4,194,986)</u>
Total financial assets available to meet cash needs for general expenses within one year	<u>\$ 538,253</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 \$250,000 which it could draw upon. At June 30, 2024 the Organization has drawn \$150,000 on this line of credit.