



CPAs & Management Consultants



**ANIMAL WELFARE LEAGUE
OF ARLINGTON, INC.**

**INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS**

JUNE 30, 2018 AND 2017

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ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Animal Welfare League of Arlington, Inc.
Arlington, Virginia

We have audited the accompanying financial statements of Animal Welfare League of Arlington, a not-for-profit organization, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Animal Welfare League of Arlington, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Burdette Smith & Bish, LLC

Fairfax, Virginia
October 3, 2018

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
<hr/>		
CURRENT ASSETS		
Cash	\$ 100,486	\$ 90,050
Accounts receivable, net	3,547	97,724
Inventory	3,203	4,097
Prepaid expenses	22,195	15,653
Total Current Assets	<u>129,431</u>	<u>207,524</u>
INVESTMENTS	<u>5,981,900</u>	<u>4,831,661</u>
PROPERTY AND EQUIPMENT, AT COST	4,876,434	4,856,967
Less: accumulated depreciation	(2,350,528)	(2,140,781)
	<u>2,525,906</u>	<u>2,716,186</u>
TOTAL ASSETS	<u>\$ 8,637,237</u>	<u>\$ 7,755,371</u>
<hr/>		
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 81,840	\$ 26,413
Accrued expenses	145,961	119,408
Deferred revenue	975	18,125
Total Current Liabilities	<u>228,776</u>	<u>163,946</u>
NET ASSETS		
Unrestricted	7,972,622	7,114,927
Temporarily restricted	435,839	476,498
	<u>8,408,461</u>	<u>7,591,425</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,637,237</u>	<u>\$ 7,755,371</u>

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

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
UNRESTRICTED NET ASSETS		
Support and Revenue		
Adoptions and educational programs	\$ 298,067	\$ 282,406
Arlington County appropriation	1,419,517	1,486,053
Contributions	1,677,473	1,169,888
Special events revenue, net of expenses	94,733	103,125
Merchandise and other income	29,627	23,737
Investment income (loss), net of expenses	467,751	471,757
	3,987,168	3,536,966
Net assets released from donor restrictions	130,088	107,556
	4,117,256	3,644,522
Expenses		
Programs	2,804,679	2,759,149
Support services:		
Management and general	44,350	40,126
Fundraising	410,532	377,868
	3,259,561	3,177,143
Increase (decrease) in Unrestricted Net Assets	857,695	467,379
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	89,429	297,874
Net assets released from donor restrictions	(130,088)	(107,556)
Increase(decrease) in Temporarily Restricted Net Assets	(40,659)	190,318
INCREASE (DECREASE) IN NET ASSETS	817,036	657,697
NET ASSETS, BEGINNING OF YEAR	7,591,425	6,933,728
NET ASSETS, END OF YEAR	\$ 8,408,461	\$ 7,591,425

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

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED JUNE 30, 2018 (WITH JUNE 30, 2017 SUMMARIZED)

	Shelter Operations	Animal Control	Total County Services	Community Services	Total Program Services	Management and General	Fundraising	Total 2018	Total 2017
Animal care	\$ 116,317	\$ -	\$ 116,317	\$ 144,608	\$ 260,925	\$ -	\$ -	\$ 260,925	\$ 221,872
Bad debt	-	-	-	-	-	2,500	-	2,500	-
Communications	15,848	17,115	32,963	2,992	35,955	1,098	1,916	38,969	36,422
Community programs	-	-	-	68,430	68,430	-	-	68,430	77,577
Depreciation	132,332	33,083	165,415	35,142	200,557	6,617	13,233	220,407	216,603
Donated services	-	-	-	15,760	15,760	-	-	15,760	16,180
Employee benefits	162,249	45,484	207,733	57,546	265,279	2,069	31,920	299,268	307,119
Events and appeals	-	-	-	-	-	-	73,402	73,402	67,562
Humane education	-	-	-	25,826	25,826	-	-	25,826	25,361
Insurance	12,600	17,971	30,571	18,634	49,205	-	-	49,205	43,488
Microchip expense	6,878	-	6,878	-	6,878	-	-	6,878	5,029
Miscellaneous	199	(52)	147	249	396	6,487	24	6,907	10,369
Office expense and equipment	30,314	3,884	34,198	9,599	43,797	245	1,061	45,103	39,283
Payroll taxes	72,010	22,258	94,268	20,948	115,216	1,309	14,402	130,927	134,276
Printing and postage	1,890	706	2,596	4,007	6,603	190	29,983	36,776	37,837
Professional services	22,825	8,699	31,524	20,687	52,211	2,448	22,247	76,906	36,521
Public relations	-	-	-	1,610	1,610	-	1,203	2,813	2,489
Repairs and maintenance	18,991	26,580	45,571	15,729	61,300	1,731	21,048	84,079	66,820
Salaries	919,570	283,873	1,203,443	268,322	1,471,765	16,729	184,652	1,673,146	1,706,093
Taxes, other	13,861	5,494	19,355	5,652	25,007	-	-	25,007	22,407
Training	3,742	8,667	12,409	7,110	19,519	297	5,455	25,271	16,873
United Way	-	-	-	-	-	-	1,985	1,985	996
Utilities	29,281	8,701	37,982	10,170	48,152	2,326	4,657	55,135	48,591
Volunteers	-	-	-	3,537	3,537	-	-	3,537	6,364
Workers compensation	16,719	5,168	21,887	4,864	26,751	304	3,344	30,399	31,011
	<u>\$ 1,575,626</u>	<u>\$ 487,631</u>	<u>\$ 2,063,257</u>	<u>\$ 741,422</u>	<u>\$ 2,804,679</u>	<u>\$ 44,350</u>	<u>\$ 410,532</u>	<u>\$ 3,259,561</u>	<u>\$ 3,177,143</u>

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

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from the County of Arlington and others	\$ 3,716,368	\$ 3,305,285
Dividends and interest received	250,430	200,403
Payments to employees and suppliers	<u>(3,195,741)</u>	<u>(3,010,201)</u>
Net Cash Provided By (Used In) Operating Activities	<u>771,057</u>	<u>495,487</u>
<u>CASH FLOW FROM INVESTING ACTIVITIES</u>		
Purchase of property and equipment	(31,090)	(167,765)
Purchase of investments	(1,759,013)	(1,338,006)
Proceeds from sale of investments	<u>864,067</u>	<u>1,034,197</u>
Net Cash Provided By (Used In) Investing Activities	<u>(926,036)</u>	<u>(471,574)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(154,979)	23,913
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>90,050</u>	<u>66,137</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ (64,929)</u>	<u>\$ 90,050</u>
<u>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 817,036	\$ 657,697
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	54,992	216,603
Change in valuation allowance	-	(9,250)
Unrealized (gain) loss on investments	(209,946)	(268,605)
Realized (gain) loss on investments	(45,347)	(37,489)
Net (gain) loss on disposals of property and equipment ..	963	2,348
Decrease (increase) in:		
Accounts receivable	94,177	(70,548)
Pledges receivable	-	10,050
Inventory	894	1,199
Prepaid expenses	(6,542)	2,711
Increase (decrease) in:		
Accounts payable	55,427	(9,554)
Accrued expenses	26,553	(17,800)
Deferred revenue	<u>(17,150)</u>	<u>18,125</u>
	<u>(45,979)</u>	<u>(162,210)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES . \$	<u>771,057</u>	<u>\$ 495,487</u>
<u>SUPPLEMENTAL NONCASH ACTIVITIES</u>		
In-kind services performed	\$ 15,760	\$ 16,180
Donated special event contributions	-	780
Donated stock used to purchase investments	<u>9,652</u>	<u>16,684</u>
Total Noncash Activities	<u>\$ 25,412</u>	<u>\$ 33,644</u>

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

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

The Animal Welfare League of Arlington, Inc. (the League) is a humane society that was organized and incorporated on May 16, 1944 in the Commonwealth of Virginia. The League was formed for the purpose of providing for abandoned animals for the County of Arlington, Virginia (the County). The League provides contractual services to the County for animal control and sheltering and also educates the public on animal issues. These activities are funded primarily through Arlington County appropriations and through contributions.

Income Recognition

Contributions are recognized when the donor makes a promise to the League that is, in substance, unconditional. All donor-restricted revenue is reported as an increase in temporarily restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as unrestricted net assets if the restrictions are met in the same period the donation is made.

Wills are recorded as bequests revenue when the probate court declares the wills valid and the proceeds are measurable.

Revenue from Arlington County appropriations is recognized when earned.

Fair Value of Financial Instruments

Accounting principles generally accepted in the United States established a framework for measuring fair value, clarifying the definition of fair value within that framework and expanding disclosure about fair value measurements. U.S. GAAP established a three-tiered fair value hierarchy with Level 1 representing quoted prices for identical assets or liabilities in an active market, Level 2 representing quoted prices for identical assets or liabilities in an active market that is non-active or with other than directly or indirectly observable inputs, and Level 3 representing estimate values based on unobservable inputs. Related disclosures are segregated for assets and liabilities measured at fair value based on the level used within the hierarchy to determine their fair values.

The carrying amounts for cash and cash equivalents, accounts receivable, inventory, prepaid expenses, accounts payable and accrued expenses approximate fair value because of the short term maturity of these instruments.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the League considers all bank accounts, cash on hand and petty cash, not held within their investment portfolio, to be cash and cash equivalents.

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES, continued

Accounts and Pledges Receivable

Program receivables are recognized when veterinary services are provided. Pledges receivable are recognized when the donor makes a written promise to give to the League that is, in substance, unconditional. The League uses the allowance method for recording bad debt expense. Management periodically reviews the aged receivables and adjusts the allowance to reflect the current estimate of future bad debt expense. The League records a valuation allowance for sponsorship pledges receivable which are intended to benefit future years. The change in valuation allowance is reported as unrestricted support and revenue in the accompanying statement of activities.

Inventories

Inventories are stated at cost using primarily the first-in, first-out method. Inventories consist principally of items for resale such as collars, leashes, and pet toys.

Investments

Investments are reflected at fair market value using level 1 valuation methodology and consist of money market accounts held for long-term purposes and mutual funds investing in debt and equity securities. Interest, dividends and realized gains or losses are recorded when earned or sustained. Fluctuations in the market value of the portfolio are recorded as unrealized gains or losses in the accompanying statement of activities. Donated securities are sold upon receipt to establish fair market value.

The League invests in various investment securities which are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of financial position.

Property and Equipment

The League capitalizes property and equipment with a cost of \$1,000 or more. Costs incurred related to future facility renovations are accumulated in property and equipment and not depreciated until the relevant assets are completed and put into operational use. Expenditures for ordinary maintenance and repair items are charged to operations as incurred. Upon sale, or other disposition of property, the cost and the related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in the change in net assets. Depreciation is provided for under the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years.

Donated Services and Equipment

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES, continued

Contributions of donated services that create or enhance non-financial assets, or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated, are recorded at their estimated fair market value as of the date of the donation. Donated services reflected in the accompanying financial statements include the value of donated veterinary, grooming and photography services used as part of the League's community services program.

Classes of Assets

To ensure the observance of limitations and restrictions placed on the use of resources available to the League, resources for various purposes are classified for accounting purposes into classes established according to their nature and purpose.

Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations and includes Board designated funds, i.e. funds that have been segregated by the Board to be spent only on specified purposes.

Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the League pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes.

Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the League. The League has no permanently restricted net assets at June 30, 2018 and 2017.

Income Taxes

The League is a non-profit organization exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code and classified as other than a private foundation.

Management has evaluated the League's tax positions and concluded that the League has taken no uncertain tax positions that require adjustment to the financial statements. With few exceptions, federal and state information returns for years prior to 2014 are no longer subject to examination by tax authorities.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of functional expenses. Accordingly, certain costs have been allocated among the programs, fundraising and management and general activities benefitted based on level of effort.

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

NOTE 2 – ACCOUNTS AND PLEDGES RECEIVABLE

Accounts receivable is summarized as follows as of June 30:

	<u>2018</u>	<u>2017</u>
Current	\$ 247	\$ 7,587
>30 days	3,300	85,687
>60 days	-	3,500
>90 days	-	500
Allowance for doubtful accounts	-	-
	<u>\$ 3,547</u>	<u>\$ 97,274</u>

Pledges receivable total the following at June 30:

	<u>2018</u>	<u>2017</u>
Pledges receivable	\$ -	\$ (4,500)
Less: valuation allowance	-	-
	<u>\$ -</u>	<u>\$ (4,500)</u>

There was no bad debt expense for the years ended June 30, 2018 and 2017.

NOTE 3 - INVESTMENTS

Investments are carried at fair value based on quoted prices in active markets (all Level 1 measurements) and consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Mutual funds	\$ 5,140,592	\$ 4,307,239
Money market funds	841,308	524,422
	<u>\$ 5,981,900</u>	<u>\$ 4,831,661</u>

Investment income, which is reported as unrestricted income net of related investment expenses in the statement of activities, is comprised of the following for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Dividends and interest	\$ 250,430	\$ 200,404
Realized gains (losses).....	45,347	37,489
Unrealized gains (losses)	209,945	268,605
Investment fees	(37,971)	(34,741)
	<u>\$ 467,751</u>	<u>\$ 471,757</u>

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at cost, and related accumulated depreciation, at June 30 is comprised of the following:

	<u>2018</u>	<u>2017</u>
Building and improvements	\$ 4,320,399	\$ 4,306,577
Equipment - office	94,605	94,625
Trucks and autos	248,371	248,371
Equipment - kennel	208,069	207,394
Construction in progress.....	4,990	-
	4,876,434	4,856,967
Less accumulated depreciation	(2,350,528)	(2,140,781)
	\$ 2,525,906	\$ 2,716,186

Depreciation expense for the years ended June 30, 2018 and 2017 totaled \$54,992 and \$53,948, respectively.

Trucks and autos with a net carrying value of \$78,145 were acquired over time with funds received from the County which will revert back to the County upon termination of the County contract. See Note 7.

NOTE 5 – BOARD DESIGNATED NET ASSETS

Included in unrestricted net assets are certain funds which The Board has segregated and designated for general repairs and maintenance of the League's building. Designated funds consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Building Fund	\$ 1,384,430	\$ 1,260,336
Capital Fund	1,024,445	421,972
	\$ 2,408,875	\$ 1,682,308

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of various funds specifically devoted to promoting medical care to animals and educating the public, as follows:

1. The AWLA TNR program covers the cost of spaying, neutering and rabies vaccinations for feral cats in Arlington County and the City of Falls Church.
2. The Bob Ragan Humane Education Fund provides financial support for League staff to visit schools, scout troops, and many other community organizations to provide guidance on pet overpopulation, responsible pet ownership, preparing pets for a new baby, bite prevention, coexisting with urban wildlife and many other important issues affecting animals and people in the Arlington community.

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS, continued

3. The Healthy Pet Funds are to be used to provide treatment of medical ailments to make animals adoptable as well as provide enrichment in the form of behavioral training or environmental upgrades. The cost of treatment must be outside of the scope of our normal animal medical and behavioral expenses.
4. The Low Cost Spay/Neuter Fund seeks to reduce pet overpopulation by providing low-cost spay and neuter surgery to pets whose owners cannot afford them.
5. The Ross - Roberts Veterinary Assistance Fund provides small contributions to pet owners in order to assist in payment for veterinary fees.
6. The Ross - Roberts Kitten Care Fund supports neonatal kitten care training for volunteers and the public. Funds are also used for capital improvements, consultants, equipment and supplies to operate a neonatal kitten nursery.
7. Temporarily restricted grant funds are used to provide access to low cost veterinary care, behavioral advice and pet wellness resources. Funds are also used to fulfill the requirements of grants received from Maddie’s Fund, Best Friends Animal Society and Banfield Charities.
8. The Capital Improvement Fund will be used to make capital improvements to the League facility as designated by the donor.
9. The Jean M. Senior Pet Fund provides funds to be used to reimburse adopters for medical and behavioral treatment for designated animals after they have been adopted for a set period of time.

Temporarily restricted net asset balances at June 30 consist of the following:

	<u>2018</u>	<u>2017</u>
AWLA TNR Program	\$ 10,239	\$ 11,816
Bob Ragan Humane Education Fund	13,060	10,186
Healthy Pet Funds	126,870	149,022
Low Cost Spay/Neuter Fund	13,873	14,903
Ross - Roberts Veterinary Assistance Fund	35,192	42,701
Ross - Roberts Kitten Care Fund	18,989	3,687
Temporarily Restricted Grants	23,484	44,199
Jean M. Senior Pet Fund	193,398	199,249
Capital Improvement Fund	735	735
	<u>\$ 435,839</u>	<u>\$ 476,498</u>

NOTE 7 – CONCENTRATION

The League receives significant funding from the County of Arlington to provide animal shelter management and animal control services for the County of Arlington. The League’s contract with the County of Arlington is comprised of seven annual periods with mutually agreed upon contract amounts in accordance with County Appropriations. The contract expires on June 30, 2021.

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

NOTE 7 – CONCENTRATION, continued

Appropriated funds received from the County for the years ended June 30, 2018 and 2017 totaled \$1,419,517 and \$1,486,053, respectively. County Service expenses totaled \$2,062,061 and \$2,082,031 for the years ended June 30, 2018 and 2017, respectively.

Because the League receives significant funding from the County of Arlington for operations, the programs and activities of the League could be materially affected if the level of funding from the County is substantially reduced.

NOTE 8 – LEASES

Under a lease signed in January 1997, the County allowed the League to construct, operate, and maintain a building and related structures to be used as an animal control and adoption center on a portion of the County property, rent free, over thirty years. The lease is renewable every 10 years until the expiration of the final lease term in 2027. After the expiration of the final lease term, the League’s tenancy on the land will be on a month-to-month basis. The County reserves the right to refuse to recognize such month-to-month tenancy and to seek the League’s eviction from the property. Upon termination of the lease agreement, the County shall pay to the League the depreciated base cost of the improvements erected on the property following the start of the lease. The League plans to enter into a new lease agreement with the County upon expiration of the final lease term in 2027.

The fair value of the rent attributable to the property cannot be reasonably estimated, and accordingly has not been reflected in the accompanying financial statements. The League must, at its own cost and expense, provide public liability insurance for as long as the agreement remains in effect.

NOTE 9 – SPECIAL EVENTS

Special fundraising events are reflected net of costs in the statements of activities. Gross revenues and expenses for the years ended June 30 are as follows:

	<u>2018</u>	<u>2017</u>
Revenue	\$ 145,087	\$ 147,467
Expenses	<u>(50,354)</u>	<u>(44,342)</u>
Net	<u>\$ 94,733</u>	<u>\$ 103,125</u>

NOTE 10 – RETIREMENT PLAN

The League participates in a tax-deferred annuity plan under Section 403(b) of the Internal Revenue Code covering all employees who choose to participate after attaining age 21. Under the terms of the Plan, participants may voluntarily elect to have a portion of their compensation deferred and contributed to the Plan. The League contributes 7% of compensation for all eligible employees. Retirement expense for the years ended June 30, 2018 and 2017 totaled \$63,811 and \$81,419, respectively.

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

NOTE 11 – SUBSEQUENT EVENTS

The League evaluated its June 30, 2018 financial statements for subsequent events through October 3, 2018, the date the financial statements were available to be issued. The League is not aware of any additional subsequent events which would require recognition or disclosure in the financial statements.