



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

**INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS**

JUNE 30, 2021 AND 2020



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ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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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, Inc., a not-for-profit organization, which comprise the statements of financial position as of June 30, 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.

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, 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.

Burdette Smith & Bish, LLC

Fairfax, Virginia
October 25, 2021

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
<hr/>		
CURRENT ASSETS		
Cash	\$ 829,662	\$ 248,962
Accounts receivable, net	1,785	630
Pledges receivable, net	-	64,027
Inventory	3,338	5,265
Prepaid expenses	18,547	29,981
Total Current Assets	<u>853,332</u>	<u>348,865</u>
 INVESTMENTS	<u>8,914,431</u>	<u>6,964,658</u>
 PROPERTY AND EQUIPMENT, AT COST	5,233,503	5,228,651
Less: accumulated depreciation	(2,933,899)	(2,731,719)
	<u>2,299,604</u>	<u>2,496,932</u>
 OTHER ASSETS		
Other Investment	<u>9,586</u>	<u>-</u>
 TOTAL ASSETS	<u>\$ 12,076,953</u>	<u>\$ 9,810,455</u>
<hr/> LIABILITIES AND NET ASSETS <hr/>		
CURRENT LIABILITIES		
Accounts payable	\$ 90,609	\$ 71,539
Accrued expenses	243,027	191,940
Deferred Revenue	23,766	27,046
Paycheck Protection Program loan	941,131	436,325
Total Current Liabilities	<u>1,298,533</u>	<u>726,850</u>
 NET ASSETS		
Without donor restrictions	10,045,491	8,404,130
With donor restrictions	732,929	679,475
	<u>10,778,420</u>	<u>9,083,605</u>
 TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,076,953</u>	<u>\$ 9,810,455</u>

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

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Adoptions and educational programs	\$ 477,806	\$ -	\$ 477,806
Arlington County appropriation	1,445,388	-	1,445,388
Contributions	1,852,661	203,715	2,056,376
Special events revenue, net of expenses	108,414	-	108,414
Merchandise and other income	28,800	-	28,800
Investment income (loss), net of expenses	1,756,772	-	1,756,772
	5,669,841	203,715	5,873,556
Net assets released from restrictions	150,261	(150,261)	-
	5,820,102	53,454	5,873,556
Expenses			
Programs	3,601,134	-	3,601,134
Support services:			
Management and general	51,038	-	51,038
Fundraising	526,569	-	526,569
	4,178,741	-	4,178,741
CHANGE IN NET ASSETS	1,641,361	53,454	1,694,815
NET ASSETS, BEGINNING OF YEAR	8,404,130	679,475	9,083,605
NET ASSETS, END OF YEAR	\$ 10,045,491	\$ 732,929	\$ 10,778,420

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

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Adoptions and educational programs	\$ 402,807	\$ -	\$ 402,807
Arlington County appropriation	1,419,517	-	1,419,517
Contributions	1,464,482	403,336	1,867,818
Special events revenue, net of expenses	39,321	-	39,321
Merchandise and other income	33,693	-	33,693
Investment income (loss), net of expenses	253,807	-	253,807
	3,613,627	403,336	4,016,963
Net assets released from restrictions	121,345	(121,345)	-
	3,734,972	281,991	4,016,963
Expenses			
Programs	3,324,025	-	3,324,025
Support services:			
Management and general	83,296	-	83,296
Fundraising	478,778	-	478,778
	3,886,099	-	3,886,099
CHANGE IN NET ASSETS	(151,127)	281,991	130,864
NET ASSETS, BEGINNING OF YEAR	8,555,257	397,484	8,952,741
NET ASSETS, END OF YEAR	\$ 8,404,130	\$ 679,475	\$ 9,083,605

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

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2021

	Program Services				Total Program Services	Management and General	Fundraising	Total
	Shelter Operations	Animal Control	Total County Services	Community Services				
Animal care	\$ 207,929	\$ 1,531	\$ 209,460	\$ 33,779	\$ 243,239	\$ -	\$ -	\$ 243,239
Bank/Credit Card Fees.....	-	-	-	-	-	8,121	-	8,121
Communications	29,004	30,629	59,632	1,977	61,610	860	1,117	63,587
Community programs	-	-	-	174,288	174,288	-	-	174,288
Depreciation	149,536	37,471	187,007	39,876	226,883	7,477	14,954	249,314
Donated services	-	-	-	13,788	13,788	-	-	13,788
Donation appeals	-	-	-	-	-	-	102,371	102,371
Employee benefits	186,112	48,762	234,874	70,427	305,301	2,537	32,802	340,640
Humane education	-	-	-	44,506	44,506	-	-	44,506
Insurance	13,976	21,638	35,614	17,582	53,197	-	-	53,197
Microchip expense	10,553	-	10,553	667	11,219	-	-	11,219
Miscellaneous Personnel.....	2,270	5,131	7,401	1,616	9,017	26	393	9,436
Office expense and equipment	10,231	5,561	15,793	8,908	24,700	131	3,064	27,896
Payroll taxes	91,035	28,138	119,173	26,333	145,507	1,655	18,207	165,369
Payroll Processing.....	4,962	1,534	6,495	1,443	7,939	90	992	9,021
Printing and postage	1,230	516	1,745	4,345	6,091	271	42,237	48,599
Professional services	43,817	14,484	58,302	18,356	76,658	2,926	9,438	89,022
Public relations	-	-	-	2,119	2,119	-	1,234	3,354
Repairs and maintenance	58,214	22,451	80,664	22,524	103,189	2,292	35,115	140,595
Salaries	1,237,260	381,587	1,618,847	358,342	1,977,190	22,098	244,898	2,244,186
Taxes, other	12,917	5,501	18,417	6,103	24,520	-	-	24,520
Training	4,830	9,929	14,760	5,500	20,260	244	3,149	23,653
Workplace Giving	-	-	-	-	-	-	9,347	9,347
Utilities	24,525	7,296	31,821	8,663	40,484	2,018	4,036	46,538
Volunteers	-	-	-	3,702	3,702	-	-	3,702
Workers compensation	16,084	4,971	21,055	4,675	25,730	292	3,214	29,236
	<u>\$ 2,104,484</u>	<u>\$ 627,129</u>	<u>\$ 2,731,613</u>	<u>\$ 869,521</u>	<u>\$ 3,601,134</u>	<u>\$ 51,038</u>	<u>\$ 526,569</u>	<u>\$ 4,178,741</u>

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

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2020

	Program Services				Total Program Services	Management and General	Fundraising	Total
	Shelter Operations	Animal Control	Total County Services	Community Services				
Animal care	\$ 175,470	\$ -	\$ 175,470	\$ 98,552	\$ 274,022	\$ -	\$ -	\$ 274,022
Communications	23,964	24,695	48,659	3,132	51,791	1,147	1,787	54,725
Community programs	-	-	-	82,143	82,143	-	-	82,143
Depreciation	148,433	37,108	185,541	39,582	225,123	7,422	14,843	247,388
Donated services	-	-	-	9,360	9,360	-	-	9,360
Employee benefits	168,008	46,432	214,440	55,653	270,093	2,966	30,756	303,815
Events and appeals	-	-	-	-	-	-	101,945	101,945
Humane education	-	-	-	61,804	61,804	-	-	61,804
Insurance	12,867	19,941	32,808	18,560	51,368	-	-	51,368
Microchip expense	14,530	-	14,530	-	14,530	-	-	14,530
Miscellaneous	2,231	613	2,844	2,265	5,109	13,311	381	18,801
Office expense and equipment	37,690	6,925	44,615	6,557	51,172	230	1,272	52,674
Payroll taxes	89,323	28,332	117,655	26,146	143,801	1,634	17,975	163,410
Printing and postage	1,994	930	2,924	5,761	8,685	292	39,509	48,486
Professional services	-	1,985	1,985	400	2,385	30,841	-	33,226
Public relations	-	-	-	1,742	1,742	-	1,627	3,369
Repairs and maintenance	38,936	15,415	54,351	21,125	75,476	1,897	19,584	96,957
Salaries	1,161,882	368,241	1,530,123	337,540	1,867,663	21,019	232,520	2,121,202
Taxes, other	12,997	5,415	18,412	6,042	24,454	-	-	24,454
Training	3,913	11,798	15,711	11,343	27,054	6	2,286	29,346
United Way	-	-	-	-	-	-	6,301	6,301
Utilities	27,777	8,251	36,028	9,640	45,668	2,206	4,412	52,286
Volunteers	-	-	-	1,939	1,939	-	-	1,939
Workers compensation	17,902	5,533	23,435	5,208	28,643	325	3,580	32,548
	<u>\$ 1,937,917</u>	<u>\$ 581,614</u>	<u>\$ 2,519,531</u>	<u>\$ 804,494</u>	<u>\$ 3,324,025</u>	<u>\$ 83,296</u>	<u>\$ 478,778</u>	<u>\$ 3,886,099</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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from the County of Arlington and others	\$ 4,154,733	\$ 3,860,778
Dividends and interest received	454,317	340,057
Payments to employees and suppliers	<u>(3,878,363)</u>	<u>(3,602,956)</u>
Net Cash Provided By (Used In) Operating Activities	<u>730,687</u>	<u>597,879</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(59,853)	(75,295)
Purchase of investments	(858,343)	(1,864,561)
Proceeds from sale of investments	<u>263,403</u>	<u>1,107,148</u>
Net Cash Provided By (Used In) Investing Activities	<u>(654,793)</u>	<u>(832,708)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from loan	<u>504,806</u>	<u>436,325</u>
Net Cash Provided By (Used In) Financing Activities	<u>504,806</u>	<u>436,325</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	580,700	201,496
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>248,962</u>	<u>47,466</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 829,662</u>	<u>\$ 248,962</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Change in net assets	\$ 1,694,815	\$ 130,864
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	249,314	247,389
Unrealized (gain) loss on investments	(1,231,169)	29,089
Realized (gain) loss on investments	(123,664)	14,416
Net (gain) loss on disposals of property and equipment	7,867	8,230
Decrease (increase) in:		
Accounts receivable	(1,155)	1,126
Pledges receivable	64,027	121,378
Inventory	1,927	(1,963)
Prepaid expenses	11,434	(1,162)
Increase (decrease) in:		
Accounts payable	19,070	(17,671)
Accrued expenses	51,087	39,137
Deferred revenue	<u>(3,280)</u>	<u>27,046</u>
	<u>(954,542)</u>	<u>467,015</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 740,273</u>	<u>\$ 597,879</u>
SUPPLEMENTAL NONCASH ACTIVITIES		
In-kind services performed	\$ 13,788	\$ 9,360
Donated other investment	10,063	-
Donated stock used to purchase investments	<u>91,598</u>	<u>52,306</u>
Total noncash activities	<u>\$ 115,449</u>	<u>\$ 61,666</u>

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

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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 educates the public on animal issues. These activities are funded primarily through Arlington County appropriations and through contributions.

Basis of Accounting

The accompanying financial statements are presented in accordance with the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America applicable to not-for-profit organizations.

Financial Statement Presentation

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 as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the League’s management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the League or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or law.

Revenue Recognition

Contributions are considered to be available for use without donor restrictions, unless they are specifically restricted by the donor. Contributions are recognized as income, at their fair value, when they become unconditional promises to give. Contributions of securities and other tangible assets are recorded at fair value at the date of gift. Conditional contributions and promises to give are recorded as revenue when the conditions on which they depend have been substantially met.

Bequests are recorded as income when notification of an irrevocable right to receive such assets exists and when a fair value can reasonably be determined. Bequests and contributions receivable are expected to be received within one year. Wills are recorded as bequest revenue when the probate court declares the wills valid and the proceeds are measurable.

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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

Revenue Recognition, continued

Shelter and Veterinary Services fee revenues are primarily recognized at the time services are delivered. The performance obligations in these contracts are distinct and revenue is recognized when the performance obligations are satisfied. Customers are charged based on the corresponding standalone prices.

The League enters into various grant and sponsorship agreements. Revenue relating to these agreements is recognized in accordance with the terms and conditions included therein. Grants are evaluated to determine if they represent an exchange transaction or contribution. If determined to be an exchange transaction, the grant is recognized as expenses are incurred.

All donor-restricted revenue is reported as an increase in net assets with restrictions, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with restrictions are reclassified to net assets without restriction and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as net assets without restriction if the restrictions are met in the same period the donation is made.

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.

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.

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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.

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.

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.

The League reported contributed services revenue and related expense for the years ended June 30, 2021 and 2020 of approximately \$13,788 and \$9,360, respectively. Donated materials are reported at fair value at the date of the donation.

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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

Other Assets

As of June 30, 2021, the League held \$9,586 in virtual currency. This balance is net of \$477 in processing fees from a third-party vendor. Donated virtual currencies are sold upon receipt to establish fair market value and subsequently recognized as contribution revenue. Balances shown on the statement of financial position are a result of timing differences between sale and receipt dates.

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 2017 are no longer subject to examination by tax authorities.

Recently Adopted Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-19, *Revenue from Contracts with Customers (Topic 606)*. The pronouncement was issued to clarify the principles for recognizing revenue and to develop a common revenue standard and disclosure requirements for U.S. GAAP and International Financial Reporting Standards. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The League adopted ASU No. 2014-19 on July 1, 2020 using the modified retrospective method and elected to apply the standard only to contracts that were not completed as of that date. The amendments did not significantly impact the results of operations or changes in net assets.

On July 1, 2020, the League adopted the FASB ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) subject to other guidance and (2) determining whether a contribution is conditional. The adoption of ASU 2018-08 did not impact the League's revenue recognition methodologies

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications have no effect on change in net assets.

NOTE 2 – ACCOUNTS AND PLEDGES RECEIVABLE

Accounts receivable for the years ended June 30, 2021 and 2020 totaled \$1,785 and \$630, respectively and were classified as current for both years.

Pledges receivable for the years ended June 30, 2021 and 2020 totaled \$-0- and \$64,027, respectively.

There was no bad debt expense for the years ended June 30, 2021 and 2020.

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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>2021</u>	<u>2020</u>
Mutual funds	\$ 8,602,153	\$ 6,604,751
Money market funds	<u>312,278</u>	<u>359,907</u>
	<u>\$ 8,914,431</u>	<u>\$ 6,964,658</u>

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

	<u>2021</u>	<u>2020</u>
Dividends and interest	\$ 454,317	\$ 340,057
Realized gains (losses).....	123,664	(14,416)
Unrealized gains (losses)	1,231,168	(29,090)
Investment fees	<u>(52,377)</u>	<u>(42,744)</u>
	<u>\$ 1,756,772</u>	<u>\$ 253,807</u>

NOTE 4 – AVAILABILITY AND LIQUIDITY OF RESOURCES

The League's financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position, are as follows:

	<u>2021</u>
Cash and cash equivalents	\$ 829,662
Accounts receivable	1,785
Investments	<u>6,982,129</u>
Net Financial Assets Available Within One Year	<u>\$ 7,813,576</u>

As part of liquidity management, the League has a policy to structure its financial assets to be available for general expenditures, liabilities, and other obligations as they come due. The League invests cash in short-term investments, including money market accounts, stocks, and exchange traded funds so sufficient financial assets are available to cover all of its obligations.

NOTE 5 – PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Building and improvements	\$ 4,632,332	\$ 4,629,482
Equipment - office	102,563	102,247
Trucks and autos	278,068	275,198
Equipment - kennel	<u>220,540</u>	<u>221,724</u>
	5,233,503	5,228,651
Less accumulated depreciation	<u>(2,933,899)</u>	<u>(2,731,719)</u>
	<u>\$ 2,299,604</u>	<u>\$ 2,496,932</u>

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

NOTE 5 – PROPERTY AND EQUIPMENT, continued

Depreciation expense for the years ended June 30, 2021 and 2020 totaled \$249,314 and \$247,389, respectively.

NOTE 6 – BOARD DESIGNATED NET ASSETS

Included in unrestricted net assets are certain funds which The Board has segregated and designated for general repairs and maintenance and replacement of equipment in the League’s building (Building Fund), and for supporting the expansion or improvements of the animal shelter, and/or other facilities operated by the League (Capital Fund).

Designated funds consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Building Reserve Fund	\$ 1,680,349	\$ 1,385,560
Capital Fund	-	137,325
	<u>\$ 1,680,349</u>	<u>\$ 1,522,885</u>

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions 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 and Pat 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.
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 Dr. Cottey 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. Donor restricted contributions 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 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.

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS, continued

9. The Gladys Shulaw Cat Fund is to be used to facilitate the adoption of adult cats, spaying and neutering adult cats, supporting the AWLA Community Cats program (TNR), vet assistance to adult cats, and the Paws & Read program for cats.
10. The OneHealth Fund is to support the collaborative project of Animal Welfare League of Arlington and the Animal Welfare League of Alexandria to facilitate One Health clinic events providing essential veterinary services for companion animals of under-served communities in Arlington and Alexandria, Virginia and neighboring communities at the organization’s discretion. Funds may be used for but are not limited to: staffing, supplies, consumables, equipment, medication, travel and administrative costs.

Net assets with donor restrictions at June 30 consist of the following:

	<u>2021</u>	<u>2020</u>
AWLA TNR Program	\$ 5,798	\$ 5,054
Bob and Pat Ragan Humane Education Fund	20,708	20,667
Healthy Pet Fund	191,989	191,844
Dr. Cottey Low-Cost Spay/Neuter Fund	76,919	72,347
Ross - Roberts Veterinary Assistance Fund	3,591	12,980
Ross - Roberts Kitten Care Fund	26,336	19,473
Donor Restricted Grants	13,791	27,188
Jean M. Senior Pet Fund	132,354	149,922
Gladys Shulaw Cat Fund	180,281	180,000
OneHealth Fund	81,162	-
	<u>\$ 732,929</u>	<u>\$ 679,475</u>

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>2021</u>	<u>2020</u>
Revenue	\$ 137,588	\$ 48,954
Expenses	(29,174)	(9,633)
Net	<u>\$ 108,414</u>	<u>\$ 39,321</u>

NOTE 10 – EXPENSE ALLOCATION

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program, general and administrative and fundraising activities based on level of effort. Such allocations are determined by management on an equitable basis.

NOTE 11 – 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, 2021 and 2020 totaled \$108,863 and \$84,345, respectively.

NOTE 12 – 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 four annual periods with mutually agreed upon contract amounts in accordance with County Appropriations. The contract expires on June 30, 2022.

Appropriated funds received from the County for the years ended June 30, 2021 and 2020 totaled \$1,445,388 and \$1,419,517, respectively. County Service expenses totaled \$2,731,613 and \$2,519,531 for the years ended June 30, 2021 and 2020, 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 13 – PAYCHECK PROTECTION LOAN

On April 22, 2020, the League received loan proceeds in the amount of approximately \$436,325 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The League intends to use the proceeds for purposes consistent with the PPP. While the League currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, there is no assurance that certain events might occur that could cause the League to be ineligible for forgiveness of the loan, in whole or in part.

NOTE 13 – PAYCHECK PROTECTION LOAN, continued

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

On March 17, 2021, the League received a second loan in the amount of approximately \$504,806 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over five years at an interest rate of 1%, with a deferral of payments for the first six months. The League intends to use the proceeds for purposes consistent with the PPP. While the League currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, there is no assurance that certain events might occur that could cause the League to be ineligible for forgiveness of the loan, in whole or in part.

NOTE 14 – SUBSEQUENT EVENTS

The PPP loan issued on April 22, 2020, in the amount of approximately \$436,325 under the Paycheck Protection Program (“PPP”), was fully forgiven on July 14, 2021.

In preparing the accompanying financial statements, the League has evaluated events and transactions for potential recognition or disclosure through the report date, October 25, 2021, the date the financial statements were available for issuance. There are no existing subsequent events for the Animal Welfare League of Arlington.