



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

**INDEPENDENT AUDITORS' REPORT  
AND FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**



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

## **INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**

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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, 2022 and 2021, and the related statements of activities and change in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### *Basis for Opinion*

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

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Animal Welfare League of Arlington'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 Welfare League of Arlington'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 Welfare League of Arlington'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.

Fairfax, Virginia  
February 17, 2023

# ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

## STATEMENTS OF FINANCIAL POSITION JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash .....	\$ 91,411	\$ 829,662
Accounts receivable, net .....	802	1,785
Pledges receivable, net .....	50,000	-
Inventory .....	3,772	3,338
Prepaid expenses .....	34,978	18,547
<b>Total Current Assets</b> .....	<u>180,963</u>	<u>853,332</u>
 <b>INVESTMENTS</b> .....	 <u>7,156,694</u>	 <u>8,914,431</u>
 <b>PROPERTY AND EQUIPMENT, AT COST</b> .....	 5,303,994	 5,233,503
Less: accumulated depreciation .....	<u>(3,181,715)</u>	<u>(2,933,899)</u>
	<u>2,122,279</u>	<u>2,299,604</u>
 <b>OTHER ASSETS</b>		
Other Investment .....	<u>-</u>	<u>9,586</u>
 <b>TOTAL ASSETS</b>	 <u>\$ 9,459,936</u>	 <u>\$ 12,076,953</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable .....	\$ 72,133	\$ 90,609
Accrued expenses .....	265,770	243,027
Deferred Revenue .....	8,150	23,766
Paycheck Protection Program loan .....	-	941,131
<b>Total Current Liabilities</b> .....	<u>346,053</u>	<u>1,298,533</u>
 <b>NET ASSETS</b>		
Without donor restrictions .....	8,501,099	10,045,491
With donor restrictions .....	<u>612,784</u>	<u>732,929</u>
	<u>9,113,883</u>	<u>10,778,420</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u>\$ 9,459,936</u>	 <u>\$ 12,076,953</u>

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

# ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

## STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>			
Adoptions and educational programs .....	\$ 486,870	\$ -	\$ 486,870
Arlington County appropriation .....	1,454,517	-	1,454,517
Contributions .....	1,544,599	141,933	1,686,532
Special events revenue, net of expenses .....	144,584	-	144,584
Merchandise and other income .....	21,954	-	21,954
Paycheck Protection Program forgiveness .....	941,131	-	941,131
Investment income (loss), net of expenses .....	(1,694,920)	-	(1,694,920)
	2,898,735	141,933	3,040,668
Net assets released from restrictions .....	262,078	(262,078)	-
	3,160,813	(120,145)	3,040,668
<b>Expenses</b>			
Programs .....	4,072,668	-	4,072,668
Support services:			
Management and general .....	50,047	-	50,047
Fundraising .....	582,490	-	582,490
	4,705,205	-	4,705,205
<b>CHANGE IN NET ASSETS</b> .....	(1,544,392)	(120,145)	(1,664,537)
<b>NET ASSETS, BEGINNING OF YEAR</b> .....	10,045,491	732,929	10,778,420
<b>NET ASSETS, END OF YEAR</b> .....	\$ 8,501,099	\$ 612,784	\$ 9,113,883

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

# ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

## STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>			
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
	<u>5,669,841</u>	<u>203,715</u>	<u>5,873,556</u>
Net assets released from restrictions .....	150,261	(150,261)	-
	<u>5,820,102</u>	<u>53,454</u>	<u>5,873,556</u>
<b>Expenses</b>			
Programs .....	3,601,134	-	3,601,134
Support services:			
Management and general .....	51,038	-	51,038
Fundraising .....	526,569	-	526,569
	<u>4,178,741</u>	<u>-</u>	<u>4,178,741</u>
<b>CHANGE IN NET ASSETS .....</b>	<b>1,641,361</b>	<b>53,454</b>	<b>1,694,815</b>
<b>NET ASSETS, BEGINNING OF YEAR .....</b>	<b>8,404,130</b>	<b>679,475</b>	<b>9,083,605</b>
<b>NET ASSETS, END OF YEAR .....</b>	<b>\$ <u>10,045,491</u></b>	<b>\$ <u>732,929</u></b>	<b>\$ <u>10,778,420</u></b>

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, 2022

	Shelter Operations	Animal Control	Total County Services	Community Services	Total Program Services	Management and General	Fundraising	Total
Animal care .....	\$ 252,146	\$ 1,748	\$ 253,895	\$ 53,629	\$ 307,524	\$ -	\$ -	\$ 307,524
Bank/credit card fees.....	-	-	-	-	-	2,849	-	2,849
Communications .....	24,802	26,941	51,743	1,954	53,697	977	977	55,650
Community programs .....	-	-	-	274,327	274,327	-	-	274,327
Depreciation .....	148,689	37,172	185,862	39,650	225,512	7,434	14,869	247,816
Donated services .....	-	-	-	13,663	13,663	-	-	13,663
Employee benefits .....	227,680	59,532	287,212	83,580	370,791	2,892	42,658	416,341
Events and appeals .....	-	-	-	-	-	-	87,278	87,278
Humane education .....	-	-	-	12,325	12,325	-	-	12,325
Insurance .....	14,755	23,029	37,785	20,318	58,102	-	-	58,102
Microchip expense .....	11,444	-	11,444	778	12,222	-	-	12,222
Miscellaneous .....	6,191	4,473	10,664	5,255	15,919	91	941	16,951
Office expense and equipment ....	3,944	4,722	8,666	6,945	15,611	450	966	17,028
Payroll taxes .....	100,872	31,179	132,050	29,345	161,395	1,834	20,174	183,403
Payroll processing.....	6,669	2,061	8,730	1,940	10,670	121	1,334	12,125
Printing and postage .....	1,580	942	2,522	3,139	5,662	242	48,651	54,554
Professional services .....	14,622	5,544	20,166	9,547	29,712	2,603	3,659	35,975
Public relations .....	-	-	-	1,662	1,662	-	3,020	4,682
Repairs and maintenance .....	82,019	28,704	110,723	24,630	135,353	2,236	52,488	190,077
Salaries .....	1,370,090	423,201	1,793,291	400,632	2,193,923	24,605	271,355	2,489,882
Taxes, other .....	13,926	6,191	20,116	7,054	27,170	-	-	27,170
Training .....	24,060	18,203	42,262	25,949	68,211	1,142	16,947	86,300
Workplace giving .....	-	-	-	-	-	-	8,958	8,958
Utilities .....	27,189	8,087	35,276	9,616	44,892	2,229	4,458	51,579
Volunteers .....	-	-	-	4,241	4,241	-	-	4,241
Workers compensation .....	18,806	5,812	24,618	5,466	30,084	342	3,758	34,183
	<u>\$ 2,349,483</u>	<u>\$ 687,541</u>	<u>\$ 3,037,024</u>	<u>\$ 1,035,644</u>	<u>\$ 4,072,668</u>	<u>\$ 50,047</u>	<u>\$ 582,490</u>	<u>\$ 4,705,205</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, 2021

	Shelter Operations	Animal Control	Total County Services	Community Services	Total Program Services	Management and General	Fundraising	Total
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.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from the County of Arlington and others .....	\$ 4,660,392	\$ 4,154,733
Dividends and interest received .....	608,237	454,317
Payments to employees and suppliers .....	<u>(4,498,954)</u>	<u>(3,878,363)</u>
Net Cash Provided By (Used In) Operating Activities .....	<u>769,676</u>	<u>730,687</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment .....	(70,491)	(59,853)
Purchase of investments .....	(913,171)	(858,343)
Proceeds from sale of investments .....	<u>416,866</u>	<u>263,403</u>
Net Cash Provided By (Used In) Investing Activities .....	<u>(566,796)</u>	<u>(654,793)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from loan .....	<u>(941,131)</u>	<u>504,806</u>
Net Cash Provided By (Used In) Financing Activities .....	<u>(941,131)</u>	<u>504,806</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS .....	 (738,252)	 580,700
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR .....	829,662	248,962
CASH AND CASH EQUIVALENTS, END OF YEAR .....	<u>\$ 91,411</u>	<u>\$ 829,662</u>
 <b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>		
Change in net assets .....	\$ (1,664,537)	\$ 1,694,815
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt expense .....	-	-
Depreciation .....	247,816	249,314
Change in valuation allowance .....	-	-
Unrealized (gain) loss on investments .....	2,032,736	(1,231,169)
Realized (gain) loss on investments .....	221,306	(123,664)
Net (gain) loss on disposals of property and equipment .	-	7,867
Decrease (increase) in:		
Accounts receivable .....	983	(1,155)
Other asset .....	9,586	(9,586)
Pledges receivable .....	(50,000)	64,027
Inventory .....	(434)	1,927
Prepaid expenses .....	(16,431)	11,434
Increase (decrease) in:		
Accounts payable .....	(18,476)	19,070
Accrued expenses .....	22,743	51,087
Deferred revenue .....	<u>(15,616)</u>	<u>(3,280)</u>
	<u>2,434,213</u>	<u>(964,128)</u>
 NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES \$	 <u>769,676</u>	 <u>\$ 730,687</u>
 <b>SUPPLEMENTAL NONCASH ACTIVITIES</b>		
In-kind services performed .....	\$ 13,663	\$ 13,788
Donated special event contributions .....	-	-
Donated other investment .....	-	10,063
Donated stock used to purchase investments .....	<u>41,802</u>	<u>91,598</u>
Total noncash activities .....	<u>\$ 55,465</u>	<u>\$ 115,449</u>

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

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

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021**

### **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, 2022 AND 2021**

### **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, 2022 AND 2021**

### **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, 2022 and 2021 of approximately \$13,662 and \$13,788, 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, 2022 AND 2021

### 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. The League sold the funds as per policy during the current year.

#### **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 September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The new standard is effective for annual reporting periods beginning after June 15, 2021. The standard requires separate presentation of contributions of nonfinancial assets (including in-kind contributions) on the statement of activities and changes in net assets, as well as additional disclosures related to how they are valued and used. The League adopted the standard on a retrospective basis for the year ended June 30, 2022. Accordingly, the separate presentation and additional disclosures have also been presented for the year ended June 30, 2021. There was no change in the recognition or measurement of the nonfinancial assets for either year.

On July 1, 2020, the League adopted ASU 2016-2, Leases. Lessees are required to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the Statements of Financial Position for operating leases. Leases are classified as either operating or financing which in turn determines expense recognition. For operating leases, a single lease cost is calculated and allocated over the lease term on a straight-line basis. In July 2018, the FASB provided entities relief from the transition requirements in ASU 2016-02 by allowing them to elect not to recast prior comparative periods. A full retrospective transition approach is not permitted. The League used a modified retrospective approach to adopt the guidance and as such there was no restatement of prior financial statements. As permitted under the transition guidance, the League elected a package of practical expedients which, among other provisions, allowed the League to carry forward historical lease classifications. Short term leases, 12 months or less, are exempt under the guidance and are not capitalized on the Statement of Financial Position. As a result of adoption, the League did not recognize any right of use assets or any operating leases. There was no impact upon the opening net assets as of July 1, 2020. The adoption of ASU 2016-02 did not have a material impact on the Statements of Activities or cash flows for the League.

Additional information and disclosures relating to this accounting change are included within "Note 8 - Leases."

#### **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.

# ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

### NOTE 2 – ACCOUNTS AND PLEDGES RECEIVABLE

Accounts receivable for the years ended June 30, 2022 and 2021 totaled \$802 and \$1,785, respectively and were classified as current for both years.

Pledges receivable for the years ended June 30, 2022 and 2021 totaled \$50,000 and \$-0-, respectively.

There was no bad debt expense for the years ended June 30, 2022 and 2021.

### 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>2022</u>	<u>2021</u>
Mutual funds .....	\$ 6,958,695	\$ 8,602,153
Money market funds .....	<u>197,999</u>	<u>312,278</u>
	<u>\$ 7,156,694</u>	<u>\$ 8,914,431</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>2022</u>	<u>2021</u>
Dividends and interest .....	\$ 608,237	\$ 454,317
Realized gains (losses).....	(221,306)	123,664
Unrealized gains (losses) .....	(2,032,736)	1,231,168
Investment fees .....	<u>(49,115)</u>	<u>(52,377)</u>
	<u>\$ (1,694,920)</u>	<u>\$ 1,756,772</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>2022</u>
Cash and cash equivalents .....	\$ 91,412
Accounts receivable .....	802
Pledge receivable .....	50,000
Investments .....	<u>5,224,391</u>
Net Financial Assets Available Within One Year ....	<u>\$ 5,366,605</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.

# ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

### NOTE 5 – PROPERTY AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
Building and improvements .....	\$ 4,647,413	\$ 4,632,332
Equipment - office .....	108,152	102,563
Trucks and autos .....	310,205	278,068
Equipment - kennel .....	230,974	220,540
Construction in progress .....	7,250	-
	<u>5,303,994</u>	<u>5,233,503</u>
Less accumulated depreciation .....	(3,181,715)	(2,933,899)
	<u>\$ 2,122,279</u>	<u>\$ 2,299,604</u>

Depreciation expense for the years ended June 30, 2022 and 2021 totaled \$247,816 and \$249,314, 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.

Designated funds consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Building Reserve Fund .....	\$ 1,489,487	\$ 1,680,349
Wildlife Resource Center Fund .....	100,000	-
	<u>\$ 1,589,487</u>	<u>\$ 1,680,349</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.



# ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

### NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS, continued

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.
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.
11. Pet Pantry Funds are to be used to keep pets with their families by providing pet care essentials including food, enrichment items, preventatives, and more.
12. Wildlife Resource Center Fund: Funds are to be used to provide wildlife education, outreach, and emergency field response for wildlife in Arlington County, Virginia.

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

	<u>2022</u>	<u>2021</u>
AWLA TNR Program .....	\$ 8,386	\$ 5,798
Bob and Pat Ragan Humane Education Fund .....	20,712	20,708
Healthy Pet Fund .....	156,271	191,989
Dr. Cottey Low-Cost Spay/Neuter Fund .....	66,244	76,919
Ross - Roberts Veterinary Assistance Fund .....	32,225	3,591
Ross - Roberts Kitten Care Fund .....	20,382	26,336
Donor Restricted Grants .....	19,810	13,791
Jean M. Senior Pet Fund .....	99,068	132,354
Gladys Shulaw Cat Fund .....	151,828	180,281
OneHealth Fund .....	21,643	81,162
Pet Pantry Fund .....	9,364	-
Wildlife Resource Center Fund .....	6,851	-
	<u>\$ 612,784</u>	<u>\$ 732,929</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.

# ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

### 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>2022</u>	<u>2021</u>
Revenue .....	\$ 157,934	\$ 137,588
Expenses .....	<u>(13,350)</u>	<u>(29,174)</u>
Net .....	<u>\$ 144,584</u>	<u>\$ 108,414</u>

### NOTE 10 – EXPENSE ALLOCATION

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, 2022 and 2021 totaled \$113,996 and \$108,863, 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, 2022 and 2021 totaled \$1,454,517 and \$1,445,388, respectively. County Service expenses totaled \$3,037,024 and \$2,731,613 for the years ended June 30, 2022 and 2021, 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.

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

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021**

### **NOTE 13 – PAYCHECK PROTECTION LOAN, continued**

The League applied for forgiveness of the PPP Round 1 Loan during the year ended June 30, 2022, and received full forgiveness of \$436,325 from the SBA in July 2021. Accrued interest calculated through this date was also fully forgiven. The amount of loan forgiveness is separately presented on the current year statement of activities.

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 League applied for forgiveness of the PPP Round 2 Loan during the year ended June 30, 2022, and received full forgiveness of \$504,806 from the SBA in February 2022. Accrued interest calculated through this date was also fully forgiven. The amount of loan forgiveness is separately presented on the current year statement of activities.

### **NOTE 14 – SUBSEQUENT EVENTS**

In preparing the accompanying financial statements, the League has evaluated events and transactions for potential recognition or disclosure through the report date, February 17, 2023, the date the financial statements were available for issuance and determined that there are no existing subsequent events to disclose.