



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

**INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS**

**JUNE 30, 2023 AND 2022**

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

## **INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS**

**JUNE 30, 2023 AND 2022**

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## INDEPENDENT AUDITORS' REPORT

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

### *Opinion*

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, 2023 and 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Animal Welfare League of Arlington as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Animal 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  
October 20, 2023

# ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

## STATEMENTS OF FINANCIAL POSITION JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash .....	\$ 210,197	\$ 91,411
Accounts receivable .....	17,233	802
Pledges receivable .....	-	50,000
Inventory .....	5,890	3,772
Prepaid expenses .....	61,632	34,978
Total Current Assets .....	<u>294,952</u>	<u>180,963</u>
 INVESTMENTS .....	<u>7,694,296</u>	<u>7,156,694</u>
 PROPERTY AND EQUIPMENT, AT COST .....	5,324,365	5,303,994
Less: accumulated depreciation .....	(3,286,744)	(3,181,715)
	<u>2,037,621</u>	<u>2,122,279</u>
 <b>TOTAL ASSETS</b>	<u><b>\$ 10,026,869</b></u>	<u><b>\$ 9,459,936</b></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable .....	\$ 87,776	\$ 72,133
Accrued expenses .....	281,594	265,770
Deferred revenue .....	-	8,150
Total Current Liabilities .....	<u>369,370</u>	<u>346,053</u>
 <b>NET ASSETS</b>		
Without donor restrictions .....	9,159,176	8,501,099
With donor restrictions .....	498,323	612,784
	<u>9,657,499</u>	<u>9,113,883</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 10,026,869</b></u>	<u><b>\$ 9,459,936</b></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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>			
Adoptions and educational programs .....	\$ 536,732	\$ -	\$ 536,732
Arlington County appropriation .....	1,510,813	-	1,510,813
Contributions .....	2,429,098	141,789	2,570,887
Contributed services .....	22,123	-	22,123
Special events revenue, net of expenses .....	98,317	-	98,317
Merchandise and other income .....	34,997	-	34,997
Investment income (loss), net of expenses .....	660,701	-	660,701
	5,292,781	141,789	5,434,570
Net assets released from restrictions .....	256,250	(256,250)	-
	5,549,031	(114,461)	5,434,570
<b>Expenses</b>			
<b>Program Services</b>			
County services .....	3,101,706	-	3,101,706
Community services .....	1,088,439	-	1,088,439
<b>Supporting services</b>			
Management and general .....	84,281	-	84,281
Fundraising .....	616,528	-	616,528
	4,890,954	-	4,890,954
<b>CHANGE IN NET ASSETS</b> .....	658,077	(114,461)	543,616
<b>NET ASSETS, BEGINNING OF YEAR</b> .....	8,501,099	612,784	9,113,883
<b>NET ASSETS, END OF YEAR</b> .....	\$ 9,159,176	\$ 498,323	\$ 9,657,499

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 .....	1,530,936	141,933	1,672,869
Contributed services .....	13,663	-	13,663
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>			
<b>Program Services</b>			
County services .....	3,037,024		3,037,024
Community services .....	1,035,644		1,035,644
<b>Support services:</b>			
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 FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2023

	Program Services				Total Program Services	Management and General	Fundraising	Total
	Shelter Operations	Animal Control	Total County Services	Community Services				
Animal care .....	\$ 218,790	\$ 1,631	\$ 220,422	\$ 31,096	\$ 251,518	\$ -	\$ -	\$ 251,518
Bank/credit card fees.....	-	-	-	-	-	6,677	-	6,677
Communications .....	28,452	28,870	57,323	2,679	60,002	1,276	1,277	62,555
Community programs .....	-	-	-	332,414	332,414	-	-	332,414
Depreciation .....	146,086	36,522	182,608	38,956	221,564	7,304	14,609	243,477
Donated services .....	-	-	-	22,123	22,123	-	-	22,123
Donation appeals and events .....	-	-	-	-	-	-	101,957	101,957
Employee benefits .....	216,793	57,154	273,947	76,480	350,427	2,867	42,547	395,842
Humane education .....	-	-	-	14,339	14,339	-	-	14,339
Insurance .....	16,136	23,258	39,395	19,422	58,817	-	-	58,817
Microchip expense .....	9,651	-	9,651	870	10,521	-	-	10,521
Miscellaneous .....	4,375	3,688	8,063	1,708	9,771	19	876	10,665
Office expense and equipment .....	3,686	3,465	7,151	4,377	11,528	278	1,571	13,378
Payroll processing.....	6,921	2,139	9,060	2,013	11,073	126	1,385	12,584
Payroll taxes .....	110,076	34,024	144,100	32,022	176,122	2,001	22,015	200,139
Printing and postage .....	1,405	665	2,069	4,043	6,113	323	55,310	61,746
Professional services .....	440	136	576	3,203	3,779	30,070	88	33,937
Public relations .....	-	-	-	1,176	1,176	-	2,980	4,156
Repairs and maintenance .....	84,906	27,054	111,960	30,310	142,270	3,051	53,752	199,072
Salaries .....	1,451,474	448,295	1,899,768	424,700	2,324,468	26,355	289,910	2,640,733
Taxes, other .....	13,280	7,003	20,283	6,577	26,860	-	-	26,860
Training .....	22,494	12,596	35,089	17,526	52,615	640	9,461	62,717
Utilities .....	31,973	9,529	41,501	11,650	53,151	2,754	5,509	61,415
Volunteers .....	-	-	-	2,144	2,144	-	-	2,144
Workers compensation .....	29,594	9,147	38,741	8,609	47,350	538	5,919	53,807
Workplace giving .....	-	-	-	-	-	-	7,363	7,363
	<u>\$ 2,396,532</u>	<u>\$ 705,175</u>	<u>\$ 3,101,706</u>	<u>\$ 1,088,439</u>	<u>\$ 4,190,145</u>	<u>\$ 84,281</u>	<u>\$ 616,528</u>	<u>\$ 4,890,954</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, 2022

	Program Services				Total Program Services	Management and General	Fundraising	Total
	Shelter Operations	Animal Control	Total County Services	Community Services				
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
Donation appeals and events .....	-	-	-	-	-	-	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 personnel .....	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 processing .....	6,669	2,061	8,730	1,940	10,670	121	1,334	12,125
Payroll taxes .....	100,872	31,179	132,050	29,345	161,395	1,834	20,174	183,403
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
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
Workplace giving .....	-	-	-	-	-	-	8,958	8,958
	<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.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from the County of Arlington and others .....	\$ 4,768,286	\$ 4,660,392
Dividends and interest received .....	278,385	608,237
Payments to employees and suppliers .....	<u>(4,669,208)</u>	<u>(4,498,954)</u>
Net Cash Provided By (Used In) Operating Activities .....	<u>377,463</u>	<u>769,676</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment .....	(143,407)	(70,491)
Purchase of investments .....	(913,883)	(913,171)
Proceeds from sale of investments .....	798,613	416,866
Net Cash Provided By (Used In) Investing Activities .....	<u>(258,676)</u>	<u>(566,796)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from loan .....	-	(941,131)
Net Cash Provided By (Used In) Financing Activities .....	<u>-</u>	<u>(941,131)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS .....	118,786	(738,251)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR .....	91,411	829,662
CASH AND CASH EQUIVALENTS, END OF YEAR .....	<u>\$ 210,197</u>	<u>\$ 91,411</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>		
Change in net assets .....	\$ 543,616	\$ (1,664,537)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation .....	243,477	247,816
Unrealized (gain) loss on investments .....	(394,913)	2,032,736
Realized (gain) loss on investments .....	(27,420)	221,306
Net (gain) loss on disposals of property and equipment ..	(15,411)	-
Decrease (increase) in:		
Accounts receivable .....	(16,431)	983
Other asset .....	-	9,586
Pledges receivable .....	50,000	(50,000)
Inventory .....	(2,118)	(434)
Prepaid expenses .....	(26,654)	(16,431)
Increase (decrease) in:		
Accounts payable .....	15,643	(18,476)
Accrued expenses .....	15,824	22,743
Deferred revenue .....	<u>(8,150)</u>	<u>(15,616)</u>
	<u>(166,153)</u>	<u>2,434,213</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES .....	<u>\$ 377,463</u>	<u>\$ 769,676</u>
<b>SUPPLEMENTAL NONCASH ACTIVITIES</b>		
In-kind services performed .....	\$ 22,123	\$ 13,663
Donated stock used to purchase investments .....	36,848	41,802
Trade in value on property and equipment .....	20,196	-
Total noncash activities .....	<u>\$ 79,166</u>	<u>\$ 55,465</u>

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

# ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

### 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 and special events revenue 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 contributions 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, 2023 AND 2022

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

#### ***Revenue Recognition, continued***

Animal adoptions, educational programs, merchandise, and other income 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, 2023 AND 2022

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

#### **Accounts and Pledges Receivable**

Account receivables are recognized when 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.

#### **Contributed 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.

Contributed 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, 2023 and 2022 of approximately \$22,122 and \$13,663, 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, 2023 AND 2022

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

#### 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 2019 are no longer subject to examination by tax authorities.

### NOTE 2 – ACCOUNTS AND PLEDGES RECEIVABLE

Accounts receivable for the years ended June 30, 2023 and 2022 totaled \$17,233 and \$802, respectively and were classified as current for both years.

Pledges receivable for the years ended June 30, 2023 and 2022 totaled \$- and \$50,000, respectively.

There was no bad debt expense for the years ended June 30, 2023 and 2022.

### 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>2023</u>	<u>2022</u>
Mutual funds .....	\$ 7,663,205	\$ 6,958,695
Money market and cash funds .....	31,091	197,999
	<u>\$ 7,694,296</u>	<u>\$ 7,156,694</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>2023</u>	<u>2022</u>
Dividends and interest .....	\$ 278,385	\$ 608,237
Realized gains (losses).....	28,881	(221,306)
Unrealized gains (losses) .....	393,451	(2,032,736)
Investment fees .....	(40,016)	(49,115)
	<u>\$ 660,701</u>	<u>\$ (1,694,920)</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>2023</u>
Cash and cash equivalents .....	\$ 210,197
Accounts receivable .....	17,235
Investments .....	5,703,564
Net Financial Assets Available Within One Year .....	<u>\$ 5,930,996</u>

# ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

### NOTE 4 – AVAILABILITY AND LIQUIDITY OF RESOURCES, continued

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>2023</u>	<u>2022</u>
Building and improvements .....	\$ 4,647,414	\$ 4,647,413
Equipment - office .....	104,035	108,152
Trucks and autos .....	231,513	310,205
Equipment - kennel .....	284,726	230,974
Construction in progress .....	56,677	7,250
	5,324,365	5,303,994
Less accumulated depreciation .....	(3,286,744)	(3,181,715)
	\$ 2,037,621	\$ 2,122,279

Depreciation expense for the years ended June 30, 2023 and 2022 totaled \$243,477 and \$247,816, 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>2023</u>	<u>2022</u>
Building Reserve Fund .....	\$ 1,612,309	\$ 1,489,487
Wildlife Resource Center Fund .....	100,000	100,000
	\$ 1,712,309	\$ 1,589,487

### 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 Trap-Neuter-Return 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.

# ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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

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.
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 (Trap-Neuter-Return), 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 consist of the following at June 30:

	<u>2023</u>		<u>2022</u>
AWLA Trap-Neuter-Return Program .....	9,478	\$	8,386
Bob and Pat Ragan Humane Education Fund .....	23,921		20,712
Healthy Pet Fund .....	140,646		156,271
Dr. Cottey Low-Cost Spay/Neuter Fund .....	47,545		66,244
Ross - Roberts Veterinary Assistance Fund .....	11,563		32,225
Ross - Roberts Kitten Care Fund .....	11,634		20,382
Donor Restricted Grants .....	34,473		19,810
Jean M. Senior Pet Fund .....	77,699		99,068
Glady Shulaw Cat Fund .....	133,517		151,828
OneHealth Fund .....	-		21,643
Pet Pantry Fund .....	581		9,364
Wildlife Resource Center Fund .....	7,266		6,851
	<u>498,323</u>	\$	<u>612,784</u>



# ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

### 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 reported net of costs in the statements of activities. Gross revenues and expenses for the years ended June 30 are as follows:

	<u>2023</u>	<u>2022</u>
Revenue .....	\$ 114,593	\$ 157,934
Expenses .....	<u>(16,276)</u>	<u>(13,350)</u>
Net .....	<u>\$ 98,317</u>	<u>\$ 144,584</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, 2023 and 2022 totaled \$121,013 and \$113,996, 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 years with mutually agreed upon contract amounts in accordance with County Appropriations. The contract expired on June 30, 2023 however it was subsequently renewed through June 2024.

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

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022**

### **NOTE 12 – CONCENTRATION, continued**

Appropriated funds received from the County for the years ended June 30, 2023 and 2022 totaled \$1,510,813 and \$1,454,517, respectively. County Service expenses totaled \$3,101,706 and \$3,037,024 for the years ended June 30, 2023 and 2022, 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 – SUBSEQUENT EVENTS**

In preparing the accompanying financial statements, the League has evaluated events and transactions for potential recognition or disclosure through the report date, October 20, 2023, the date the financial statements were available for issuance and determined that there are no existing subsequent events to disclose.