



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

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

JUNE 30, 2024 AND 2023

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ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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INDEPENDENT AUDITOR'S 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, 2024 and 2023, and the related statements of activities, 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, Inc. as of June 30, 2024 and 2023, 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, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Animal 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.

Burdette Smith & Bish, LLC

Fairfax, Virginia
November 27, 2024

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2024 AND 2023

| ASSETS | 2024 | 2023 |
|---|----------------------|----------------------|
| CURRENT ASSETS | | |
| Cash | \$ 127,258 | \$ 210,197 |
| Accounts receivable | 158,988 | 17,233 |
| Pledges receivable | 10,000 | - |
| Inventory | 2,506 | 5,890 |
| Prepaid expenses | 11,103 | 61,632 |
| Total Current Assets | 309,855 | 294,952 |
| INVESTMENTS | 7,823,718 | 7,694,296 |
| PROPERTY AND EQUIPMENT, AT COST | 5,418,593 | 5,324,365 |
| Less: accumulated depreciation | (3,501,608) | (3,286,744) |
| | 1,916,985 | 2,037,621 |
| TOTAL ASSETS | \$ 10,050,558 | \$ 10,026,869 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 167,350 | \$ 87,776 |
| Accrued expenses | 1,905,723 | 281,594 |
| Total Current Liabilities | 2,073,073 | 369,370 |
| NET ASSETS | | |
| Without donor restrictions | 7,472,301 | 9,159,176 |
| With donor restrictions | 505,184 | 498,323 |
| | 7,977,485 | 9,657,499 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 10,050,558 | \$ 10,026,869 |

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, 2024

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|--------------|
| Support and Revenue | | | |
| Adoptions and educational programs | \$ 463,242 | \$ - | \$ 463,242 |
| Arlington County appropriation | 1,550,113 | - | 1,550,113 |
| Contributions | 1,631,805 | 162,857 | 1,794,662 |
| Contributed services | 34,435 | - | 34,435 |
| Noncash contributions | 9,416 | - | 9,416 |
| Special events revenue, net of expenses | 139,339 | - | 139,339 |
| Merchandise income, net of expenses | 3,148 | - | 3,148 |
| Investment income (loss), net of expenses | 971,308 | - | 971,308 |
| Gain (loss) on asset disposal | (9,292) | - | (9,292) |
| | 4,793,514 | 162,857 | 4,956,371 |
| Net assets released from restrictions | 155,996 | (155,996) | - |
| | 4,949,510 | 6,861 | 4,956,371 |
| Expenses | | | |
| Program Services | | | |
| County services | 3,201,697 | - | 3,201,697 |
| Community services | 2,711,690 | - | 2,711,690 |
| Support services: | | | |
| Management and general | 91,388 | - | 91,388 |
| Fundraising | 631,610 | - | 631,610 |
| | 6,636,385 | - | 6,636,385 |
| CHANGE IN NET ASSETS | (1,686,875) | 6,861 | (1,680,014) |
| NET ASSETS, BEGINNING OF YEAR | 9,159,176 | 498,323 | 9,657,499 |
| NET ASSETS, END OF YEAR | \$ 7,472,301 | \$ 505,184 | \$ 7,977,485 |

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, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|--------------|
| Support and Revenue | | | |
| 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 |
| Net 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 |
| Expenses | | | |
| Program Services | | | |
| County services | 3,101,706 | - | 3,101,706 |
| Community services | 1,088,439 | - | 1,088,439 |
| Support services: | | | |
| Management and general | 84,281 | - | 84,281 |
| Fundraising | 616,528 | - | 616,528 |
| | 4,890,954 | - | 4,890,954 |
| CHANGE IN NET ASSETS | 658,077 | (114,461) | 543,616 |
| NET ASSETS, BEGINNING OF YEAR | 8,501,099 | 612,784 | 9,113,883 |
| NET ASSETS, END OF YEAR | \$ 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 FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2024

| | Program Services | | | | | | Total Support | Total 2024 |
|------------------------------------|-----------------------|-------------------|---------------------|-----------------------|---------------------------|-------------------|---------------------|---------------|
| | Shelter Operations | Animal Control | Total | | Management and General | Fundraising | | |
| | | | County Services | Community Services | | | | |
| Animal care | \$ 216,956 | \$ 2,432 | \$ 219,388 | \$ 1,626,805 | \$ 1,846,193 | \$ - | \$ 1,846,193 | |
| Bad debt | - | - | - | - | 1,921 | - | 1,921 | |
| Bank/credit card fees | - | - | - | - | 11,078 | - | 11,078 | |
| Communications | 29,772 | 32,614 | 62,386 | 4,555 | 66,941 | 1,554 | 70,049 | |
| Community programs | - | - | - | 218,562 | 218,562 | - | 218,562 | |
| Depreciation | 147,261 | 36,815 | 184,076 | 39,270 | 223,346 | 14,726 | 245,435 | |
| Donated services | - | - | - | 34,435 | 34,435 | - | 34,435 | |
| Donation appeals and events | - | - | - | - | - | 109,462 | 109,462 | |
| Employee benefits | 246,736 | 65,367 | 312,103 | 97,738 | 409,841 | 3,482 | 463,616 | |
| Humane education | - | - | - | 15,770 | 15,770 | - | 15,770 | |
| Insurance | 16,915 | 20,053 | 36,968 | 21,246 | 58,214 | - | 58,214 | |
| Microchip expense | 9,147 | - | 9,147 | 831 | 9,978 | - | 9,978 | |
| Miscellaneous | 7,204 | 4,684 | 11,888 | 5,581 | 17,469 | 313 | 17,881 | |
| Office expense and equipment | 4,002 | 2,363 | 6,365 | 4,484 | 10,849 | 1,116 | 12,272 | |
| Payroll processing | 6,912 | 2,136 | 9,048 | 2,011 | 11,059 | 1,383 | 12,567 | |
| Payroll taxes | 112,797 | 34,864 | 147,661 | 32,814 | 180,475 | 22,559 | 205,084 | |
| Printing and postage | 1,103 | 318 | 1,421 | 3,564 | 4,985 | 55,339 | 60,639 | |
| Professional services | - | - | - | 72,730 | 72,730 | - | 101,482 | |
| Public relations | - | - | - | 982 | 982 | 2,086 | 3,068 | |
| Repairs and maintenance | 89,568 | 23,868 | 113,436 | 33,151 | 146,587 | 44,979 | 195,114 | |
| Salaries | 1,494,775 | 462,139 | 1,956,914 | 434,844 | 2,391,758 | 298,955 | 2,717,890 | |
| Taxes, other | 16,101 | 6,683 | 22,784 | 7,481 | 30,265 | - | 30,265 | |
| Training | 21,544 | 14,329 | 35,873 | 30,159 | 66,032 | 8,368 | 75,088 | |
| Utilities | 28,520 | 8,497 | 37,017 | 10,353 | 47,370 | 4,883 | 54,695 | |
| Volunteers | - | - | - | 6,531 | 6,531 | - | 6,531 | |
| Workers compensation | 26,787 | 8,435 | 35,222 | 7,793 | 43,015 | 5,357 | 48,859 | |
| Workplace giving | - | - | - | - | - | 10,237 | 10,237 | |
| Total | \$ 2,476,100 | \$ 725,597 | \$ 3,201,697 | \$ 2,711,690 | \$ 5,913,387 | \$ 631,610 | \$ 6,636,385 | |

The accompanying notes are an integral part of these financial statement

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

| | <u>2024</u> | <u>2023</u> |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from the County of Arlington and others | \$ 4,481,943 | \$ 4,768,286 |
| Dividends and interest received | 367,024 | 278,385 |
| Payments to employees and suppliers | (4,668,393) | (4,669,208) |
| Net Cash Provided By (Used In) Operating Activities | <u>180,574</u> | <u>377,463</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (134,091) | (143,407) |
| Net purchase of investments | (896,715) | (913,883) |
| Proceeds from sale of investments | 767,293 | 798,613 |
| Net Cash Provided By (Used In) Investing Activities | <u>(263,513)</u> | <u>(258,677)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (82,939) | 118,786 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 210,197 | 91,411 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 127,258</u> | <u>\$ 210,197</u> |
| RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES: | | |
| Change in net assets | \$ (1,680,014) | \$ 543,616 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 245,435 | 243,477 |
| Unrealized (gain) loss on investments | - | (394,913) |
| Realized (gain) loss on investments | - | (27,420) |
| Net (gain) loss on disposals of property and equipment | 9,292 | (15,411) |
| Decrease (increase) in: | | |
| Accounts receivable | (141,755) | (16,431) |
| Pledges receivable | (10,000) | 50,000 |
| Inventory | 3,384 | (2,118) |
| Prepaid expenses | 50,529 | (26,654) |
| Increase (decrease) in: | | |
| Accounts payable | 79,574 | 15,643 |
| Accrued expenses | 1,624,129 | 15,824 |
| Deferred revenue | - | (8,150) |
| | <u>1,860,588</u> | <u>(166,153)</u> |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>\$ 180,574</u> | <u>\$ 377,463</u> |
| SUPPLEMENTAL NONCASH ACTIVITIES | | |
| In-kind services performed | \$ 34,435 | \$ 22,123 |
| Donated stock used to purchase investments | (25,019) | 36,848 |
| Trade in value on property and equipment | - | 20,196 |
| Total noncash activities | <u>\$ 9,416</u> | <u>\$ 79,167</u> |

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

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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. The Board of Directors may designate assets without donor restrictions for specific purposes. See note 6 for additional information on Board designated net assets.

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. At June 30, 2024 and 2023, the League has no net assets with donor restrictions that require resources to be maintained in perpetuity.

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.

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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

Revenue Recognition, continued

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.

In accordance with FASB ASU 2014-09, Revenue from Contracts with Customers (Topic 606), the League recognizes revenue when control of the promised goods or services is transferred to the League's outside parties in an amount that reflects the consideration the League expects to be entitled to in exchange for those goods or services. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. 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, contingency liability and accrued expenses approximate fair value because of the short-term maturity of these instruments.

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, 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.

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. Receivables are reported at the amount management expects to collect less an estimate for credit losses if deemed necessary.

Credit Losses

The current expected credit loss (CECL) model requires financial instruments, including accounts receivable, to be carried at amortized cost to reflect the net amount expected to be collected. This is achieved via an allowance for credit losses, a valuation account that is deducted from the amortized cost basis of the financial asset to present the net amount expected to be collected on the financial asset(s).

Management periodically reviews the aged accounts receivables and adjusts the allowance to reflect the current estimate of future bad debt expense, while taking historical information of customers, current conditions and forecasts as applicable into consideration. When all collection efforts have been exhausted, the account is written off against bad debt expense. Management estimates that all receivables are fully collectible. Therefore, no allowance for credit losses has been recorded. 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.

Contract Assets and Liabilities

Differences in timing between revenue recognition and cash collection result in contract assets and contract liabilities. During the years ended June 30, 2024 and 2023, the League had no contract assets nor contract liabilities.

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.

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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

Investments, continued

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, 2024 and 2023 of approximately \$34,435 and \$22,123, respectively. Donated materials are reported at fair value at the date of the donation.

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. However, income from certain activities not directly related to the League's tax-exempt purpose may be subject to taxation as unrelated business income.

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 2021 are no longer subject to examination by tax authorities.

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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

Adoption of New Accounting Policies

On July 1, 2023, the League adopted ASU No. 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments”, which provides updated guidance for the accounting of credit losses for financial instruments. The updated guidance replaces the incurred loss methodology and applies a new credit loss model (current expected credit losses or CECL) for determining credit-related impairments for certain financial instruments and premium receivables and requires an entity to estimate the credit losses expected over the life of an exposure or pool of exposures. The estimate of expected credit losses should consider historical information, current information, as well as reasonable and supportable forecasts. The expected credit losses, and subsequent adjustments to such losses, are recorded through an allowance account that is deducted from the amortized cost basis of the financial asset, with the net carrying value of the financial asset presented on the balance sheet at the amount expected to be collected.

NOTE 2 – ACCOUNTS AND PLEDGES RECEIVABLE

Accounts receivable for the years ended June 30, 2024 and 2023 totaled \$158,988 and \$17,235, respectively and were classified as current for both years.

Pledges receivable for the years ended June 30, 2024 and 2023 totaled \$10,000 and \$-, respectively.

Management estimates that all receivables are fully collectible, thus no allowance for credit losses has been recorded. There was no bad debt expense for the year ended June 30, 2023. During the year ended June 30, 2024, the League recorded bad debt expense totaling \$1,921 related to a bequest not received in full.

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>2024</u> | <u>2023</u> |
|-----------------------------------|---------------------|---------------------|
| Mutual funds | \$ 7,769,537 | \$ 7,663,205 |
| Money market and cash funds | <u>54,181</u> | <u>31,091</u> |
| | <u>\$ 7,823,718</u> | <u>\$ 7,694,296</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>2024</u> | <u>2023</u> |
|---------------------------------|-------------------|-------------------|
| Dividends and interest | \$ 367,026 | \$ 278,385 |
| Realized gains (losses)..... | 28,261 | 28,881 |
| Unrealized gains (losses) | 605,685 | 393,451 |
| Investment fees | <u>(29,664)</u> | <u>(40,016)</u> |
| | <u>\$ 971,308</u> | <u>\$ 660,701</u> |

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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:

| | | |
|---|----|--------------------|
| Cash and cash equivalents | \$ | 127,258 |
| Accounts receivable | | 158,988 |
| Pledges receivable | | 10,000 |
| Investments | | <u>7,823,718</u> |
| | | 8,119,964 |
| Less restricted amounts unavailable for general expenditures: | | |
| Restriction by donor with time or purpose restrictions..... | | (505,184) |
| Board designation for a specific purpose..... | | <u>(1,897,121)</u> |
| Net Financial Assets Available Within One Year | \$ | <u>5,717,659</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:

| | | | | |
|-------------------------------------|----|--------------------|----|--------------------|
| Building and improvements | \$ | 4,662,891 | \$ | 4,647,414 |
| Equipment - office | | 101,812 | | 104,035 |
| Trucks and autos | | 283,120 | | 231,513 |
| Equipment - kennel | | 289,680 | | 284,726 |
| Construction in progress | | <u>81,090</u> | | <u>56,677</u> |
| | | 5,418,593 | | 5,324,365 |
| Less accumulated depreciation | | <u>(3,501,608)</u> | | <u>(3,286,744)</u> |
| | \$ | <u>1,916,985</u> | \$ | <u>2,037,621</u> |

Depreciation expense for the year ended June 30, 2024 and 2023 totaled \$245,435 and \$243,477, 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>2024</u> | | <u>2023</u> |
|-------------------------------------|----|------------------|----|------------------|
| Building Reserve Fund | \$ | 1,797,121 | \$ | 1,612,309 |
| Wildlife Resource Center Fund | | 100,000 | | 100,000 |
| | \$ | <u>1,897,121</u> | \$ | <u>1,712,309</u> |

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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.
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.
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>2024</u> | | <u>2023</u> |
|---|-------------------|----|----------------|
| AWLA Trap-Neuter-Return Program | 8,456 | \$ | 9,478 |
| Bob and Pat Ragan Humane Education Fund | 28,016 | | 23,921 |
| Healthy Pet Fund | 136,179 | | 140,646 |
| Dr. Cottey Low-Cost Spay/Neuter Fund | 48,052 | | 47,545 |
| Ross - Roberts Veterinary Assistance Fund | 16,384 | | 11,563 |
| Ross - Roberts Kitten Care Fund | 7,043 | | 11,634 |
| Donor Restricted Grants | 41,747 | | 34,473 |
| Jean M. Senior Pet Fund | 60,617 | | 77,699 |
| Gladys Shulaw Cat Fund | 113,312 | | 133,517 |
| Pet Pantry Fund | 39,627 | | 581 |
| Wildlife Resource Center Fund | 5,751 | | 7,266 |
| | <u>\$ 505,184</u> | \$ | <u>498,323</u> |

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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>2024</u> | <u>2023</u> |
|----------------|-------------------|------------------|
| Revenue | \$ 174,398 | \$ 114,593 |
| Expenses | <u>(35,059)</u> | <u>(16,276)</u> |
| Net | <u>\$ 139,339</u> | <u>\$ 98,317</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, 2024 and 2023 totaled \$133,649 and \$121,013, 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 five 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 2025.

ANIMAL WELFARE LEAGUE OF ARLINGTON, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

NOTE 12 – CONCENTRATION, continued

Appropriated funds received from the County for the years ended June 30, 2024 and 2023 totaled \$1,550,113 and \$1,510,813, respectively. County Service expenses totaled \$3,201,697 and \$3,101,706 for the years ended June 30, 2024 and 2023, 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, November 27, 2024, the date the financial statements were available for issuance.

On October 21, 2024, the League issued a payment for a general liability insurance claim pursuant to a confidential settlement agreement. The payment fully resolved the claim. No further funds are required to be dispensed.