

# **ANIMAL WELFARE LEAGUE OF ALEXANDRIA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**



*Certified Public Accountants*

## Table of Contents

### Independent Auditor's Report

### Financial Statements

Statements of Financial Position .....	5
Statements of Activities .....	6 - 7
Statements of Functional Expenses .....	8 - 9
Statements of Cash Flows .....	10
Notes to Financial Statements .....	11 - 19



*Certified Public Accountants*

## **Independent Auditor's Report**

To the Board of Directors

**Animal Welfare League of Alexandria**

### **Opinion**

We have audited the accompanying financial statements of **Animal Welfare League of Alexandria** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, 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 Alexandria** as of June 30, 2022 and 2021, 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 Alexandria** 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 Alexandria'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 Alexandria'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 Alexandria'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.

*Kositzka, Wicks and Company*

Alexandria, Virginia  
May 10, 2023

# Animal Welfare League of Alexandria

## Statements of Financial Position

June 30,

2022

2021

### Assets

#### Current assets

Cash and cash equivalents	\$ 291,690	\$ 158,117
Accounts and pledges receivable	9,896	39,760
Investments	7,157,090	8,258,141
Inventory	2,826	2,461
Prepaid expenses	27,612	29,844
	<u>7,489,114</u>	<u>8,488,323</u>

#### Property and equipment, net

227,350 278,254

#### Other assets

Beneficial interest in trust	8,123	9,652
Total assets	<u>\$ 7,724,587</u>	<u>\$ 8,776,229</u>

### Liabilities and net assets

#### Current liabilities

Accounts payable	\$ 75,136	\$ 68,974
Accrued expenses	202,589	200,965
Due to City of Alexandria	7,214	9,319
Deferred revenue	53,431	27,949
SBA Paycheck Protection Program loan	-	357,800
Total liabilities	<u>338,370</u>	<u>665,007</u>

#### Net assets

Without donor restrictions	7,213,417	7,975,852
With donor restrictions	172,800	135,370
Total net assets	<u>7,386,217</u>	<u>8,111,222</u>
Total liabilities and net assets	<u>\$ 7,724,587</u>	<u>\$ 8,776,229</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

# Animal Welfare League of Alexandria

## Statement of Activities for the year ended June 30, 2022

	Without donor restrictions	With donor restrictions	Total
<b>Public support and revenue</b>			
Public support			
City of Alexandria funding	\$ 1,172,499	\$ -	\$ 1,172,499
Foundation and corporate contributions	499,641	-	499,641
Individual contributions	1,228,223	65,538	1,293,761
In-kind contributions	103,793	-	103,793
Events and programs	6,757	-	6,757
Trust and bequest funds	740,104	-	740,104
Net assets released from restrictions	26,579	(26,579)	-
	<u>3,777,596</u>	<u>38,959</u>	<u>3,816,555</u>
Program revenue			
Adoptions and educational programs	251,149	-	251,149
Community event income	28,326	-	28,326
Merchandise sales, net of \$2,193 costs	8,105	-	8,105
	<u>287,580</u>	<u>-</u>	<u>287,580</u>
Other revenue			
Investment loss, net	(1,367,437)	(1,529)	(1,368,966)
Total public support and revenue	<u>2,697,739</u>	<u>37,430</u>	<u>2,735,169</u>
<b>Expenses</b>			
Program services			
Community relations	594,574	-	594,574
Adoptions and support services	404,706	-	404,706
Animal services	445,284	-	445,284
Animal care	1,353,808	-	1,353,808
	<u>2,798,372</u>	<u>-</u>	<u>2,798,372</u>
Supporting services			
Management and general	238,258	-	238,258
Fundraising	423,544	-	423,544
	<u>661,802</u>	<u>-</u>	<u>661,802</u>
Total expenses	<u>3,460,174</u>	<u>-</u>	<u>3,460,174</u>
<b>Change in net assets</b>	(762,435)	37,430	(725,005)
<b>Net assets, beginning of year</b>	7,975,852	135,370	8,111,222
<b>Net assets, end of year</b>	<u>\$ 7,213,417</u>	<u>\$ 172,800</u>	<u>\$ 7,386,217</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

# Animal Welfare League of Alexandria

## Statement of Activities for the year ended June 30, 2021

	Without donor restrictions	With donor restrictions	Total
<b>Public support and revenue</b>			
Public support			
City of Alexandria funding	\$ 1,143,305	\$ -	\$ 1,143,305
Foundation and corporate contributions	185,583	-	185,583
Individual contributions	1,117,138	74,145	1,191,283
In-kind contributions	152,938	-	152,938
Trust and bequest funds	516,270	-	516,270
Net assets released from restrictions	31,007	(31,007)	-
	<u>3,146,241</u>	<u>43,138</u>	<u>3,189,379</u>
Program revenue			
Adoptions and educational programs	286,921	-	286,921
Community event income	14,635	-	14,635
Merchandise sales, net of \$11,399 costs	9,062	-	9,062
	<u>310,618</u>	<u>-</u>	<u>310,618</u>
Other revenue			
Investment income, net	1,697,650	204	1,697,854
Miscellaneous income	540	-	540
	<u>1,698,190</u>	<u>204</u>	<u>1,698,394</u>
Total public support and revenue	<u>5,155,049</u>	<u>43,342</u>	<u>5,198,391</u>
<b>Expenses</b>			
Program services			
Community relations	470,932	-	470,932
Adoptions and support services	411,700	-	411,700
Animal services	392,139	-	392,139
Animal care	1,421,779	-	1,421,779
	<u>2,696,550</u>	<u>-</u>	<u>2,696,550</u>
Supporting services			
Management and general	185,848	-	185,848
Fundraising	557,683	-	557,683
	<u>743,531</u>	<u>-</u>	<u>743,531</u>
Total expenses	<u>3,440,081</u>	<u>-</u>	<u>3,440,081</u>
<b>Change in net assets</b>	<u>1,714,968</u>	<u>43,342</u>	<u>1,758,310</u>
<b>Net assets, beginning of year</b>	<u>6,260,884</u>	<u>92,028</u>	<u>6,352,912</u>
<b>Net assets, end of year</b>	<u>\$ 7,975,852</u>	<u>\$ 135,370</u>	<u>\$ 8,111,222</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

# Animal Welfare League of Alexandria

## Statement of Functional Expenses for the year ended June 30, 2022

	Program services					Supporting services		Total expenses
	Community relations	Adoptions and support services	Animal services	Animal care	Total program services	Management and general	Fundraising	
<b>Expenses</b>								
Advertising and promotion	\$ -	\$ 5	\$ -	\$ -	\$ 5	\$ -	\$ 20	\$ 25
Animal-related expenses	15,687	69	4,527	409,248	429,531	10	-	429,541
Building expenses	3,422	2,982	2,622	23,729	32,755	1,341	2,096	36,192
Community events	2,321	-	-	-	2,321	-	-	2,321
Computer-related	294	2,728	458	1,111	4,591	115	315	5,021
Depreciation	-	-	-	-	-	50,904	-	50,904
Direct mail	15,220	7,011	-	-	22,231	-	66,820	89,051
Dues and subscriptions	7,657	2,649	1,077	2,122	13,505	1,728	6,452	21,685
Equipment	661	478	2,004	9,670	12,813	261	708	13,782
Event and program costs	16,074	-	-	6	16,080	-	2,581	18,661
Fees	1,643	2,039	1,659	3,525	8,866	(160)	28,119	36,825
Human resource expenses	339	149	151	290	929	2,948	435	4,312
Insurance	4,157	5,434	3,676	9,504	22,771	1,591	2,941	27,303
Interest	-	-	-	-	-	4,830	-	4,830
Meetings, meals and entertainment	306	311	274	677	1,568	1,783	450	3,801
Merchandise	-	2,193	-	-	2,193	-	-	2,193
Office	1,046	1,299	686	1,678	4,709	791	902	6,402
Personnel	478,511	352,169	397,621	823,119	2,051,420	151,228	193,569	2,396,217
Postage and delivery	1,217	1,141	1,091	2,355	5,804	534	1,210	7,548
Printing	16,764	538	166	298	17,766	26	7,514	25,306
Professional fees	22,567	23,595	20,801	45,783	112,746	12,336	17,440	142,522
Taxes, licenses and penalties	208	221	315	1,516	2,260	816	156	3,232
Training	996	437	4,772	2,086	8,291	6,843	286	15,420
Travel	184	-	758	-	942	-	30	972
Uniforms and apparel	349	371	2,510	2,036	5,266	153	262	5,681
Vehicle	87	107	109	756	1,059	177	86	1,322
Volunteer expenses	4,112	-	-	912	5,024	-	-	5,024
Website	752	973	7	16	1,748	3	730	2,481
	594,574	406,899	445,284	1,340,437	2,787,194	238,258	333,122	3,358,574
Donated materials	-	-	-	13,371	13,371	-	-	13,371
Donated services	-	-	-	-	-	-	90,422	90,422
<b>Total expenses by function</b>	594,574	406,899	445,284	1,353,808	2,800,565	238,258	423,544	3,462,367
<b>Less expenses included with revenues on the statement of activities</b>								
Product sales cost of goods sold	-	(2,193)	-	-	(2,193)	-	-	(2,193)
<b>Total expenses included in the expense section on the statement of activities</b>	<u>\$ 594,574</u>	<u>\$ 404,706</u>	<u>\$ 445,284</u>	<u>\$ 1,353,808</u>	<u>\$ 2,798,372</u>	<u>\$ 238,258</u>	<u>\$ 423,544</u>	<u>\$ 3,460,174</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.



# Animal Welfare League of Alexandria

## Statement of Functional Expenses for the year ended June 30, 2021

	Program services					Supporting services		Total expenses
	Community relations	Adoptions and support services	Animal services	Animal care	Total program services	Management and general	Fundraising	
<b>Expenses</b>								
Advertising and promotion	\$ 8	\$ 7	\$ -	\$ -	\$ 15	\$ -	\$ 45	\$ 60
Animal-related expenses	10,017	1,590	4,623	501,667	517,897	4	3	517,904
Building expenses	4,835	4,444	3,808	29,440	42,527	2,673	4,143	49,343
Community events	51,767	-	-	-	51,767	-	-	51,767
Computer-related	551	4,074	484	490	5,599	375	202	6,176
Depreciation	-	-	-	-	-	27,310	-	27,310
Direct mail	17,495	2,835	-	-	20,330	-	102,643	122,973
Dues and subscriptions	8,262	1,401	1,574	2,041	13,278	1,877	13,097	28,252
Equipment	1,115	872	1,640	1,738	5,365	787	918	7,070
Event and program costs	-	-	-	-	-	-	16,337	16,337
Fees	1,289	3,850	1,281	2,910	9,330	879	26,181	36,390
Human resource expenses	187	219	257	446	1,109	1,524	252	2,885
Insurance	4,546	5,294	4,508	9,966	24,314	1,809	3,537	29,660
Meetings, meals and entertainment	308	207	381	1,392	1,288	1,787	188	3,263
Merchandise	-	6,095	-	-	6,095	-	-	6,095
Office	542	1,083	791	1,230	3,646	629	858	5,133
Personnel	337,554	369,239	341,965	785,985	1,834,743	134,099	271,565	2,240,407
Postage and delivery	1,505	599	1,153	1,132	4,389	498	1,112	5,999
Printing	8,884	69	664	43	9,660	15	8,638	18,313
Professional fees	18,172	10,763	15,723	19,355	64,013	10,377	7,156	81,546
Taxes, licenses and penalties	356	456	577	1,971	3,360	944	301	4,605
Training	244	278	5,412	2,277	8,211	-	79	8,290
Travel	-	-	1,082	289	1,371	4	8	1,383
Uniforms and apparel	316	197	5,854	775	7,142	106	83	7,331
Vehicle	271	138	276	2,199	2,884	114	170	3,168
Volunteer expenses	157	-	-	-	157	-	-	157
Website	2,551	4,085	86	67	6,789	37	4,595	11,421
	470,932	417,795	392,139	1,364,413	2,645,279	185,848	462,111	3,293,238
Donated materials	-	-	-	29,361	29,361	-	-	29,361
Donated services	-	-	-	28,005	28,005	-	95,572	123,577
<b>Total expenses by function</b>	470,932	417,795	392,139	1,421,779	2,702,645	185,848	557,683	3,446,176
<b>Less expenses included with revenues on the statement of activities</b>								
Product sales cost of goods sold	-	(6,095)	-	-	(6,095)	-	-	(6,095)
<b>Total expenses included in the expense section on the statement of activities</b>	<u>\$ 470,932</u>	<u>\$ 411,700</u>	<u>\$ 392,139</u>	<u>\$ 1,421,779</u>	<u>\$ 2,696,550</u>	<u>\$ 185,848</u>	<u>\$ 557,683</u>	<u>\$ 3,440,081</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

# Animal Welfare League of Alexandria

## Statements of Cash Flows for the years ended June 30,

**2022**
**2021**

### Cash flows from operating activities

Change in net assets	\$ (725,005)	\$ 1,758,310
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	50,904	27,310
Realized and unrealized loss (gain) on investments	1,775,408	(1,429,853)
Donated investments	(1,886)	(1,987)
Proceeds from donated investments	1,886	1,987
SBA Paycheck Protection Program loan forgiveness	(357,800)	-
(Increase) decrease in operating assets		
Accounts and pledges receivable	29,864	877,975
Inventory	(365)	1,631
Prepaid expenses	2,232	(3,699)
Increase (decrease) in operating liabilities		
Accounts payable	6,162	12,396
Accrued expenses	1,624	12,647
Due to City of Alexandria	(2,105)	7,219
Deferred revenue	25,482	3,199
Net cash provided by operating activities	806,401	1,267,135

### Cash flows from investing activities

Purchase of property and equipment	-	(268,875)
Purchase of investments and reinvestments	(957,036)	(1,920,687)
Proceeds from sale of investments	284,208	620,726
Net cash used in investing activities	(672,828)	(1,568,836)

### Net change in cash and cash equivalents

### Cash and cash equivalents, beginning of year

### Cash and cash equivalents, end of year

133,573	(301,701)
158,117	459,818
\$ 291,690	\$ 158,117

### Supplemental cash flow information

Cash paid for interest	\$ 4,830	\$ -
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The accompanying independent auditor's report and notes are an integral part of the financial statements.

# Animal Welfare League of Alexandria

## Notes to Financial Statements June 30, 2022 and 2021

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### 1. Organization

The Animal Welfare League of Alexandria, Inc. (AWLA) is a non-profit charitable organization founded in 1946. AWLA provides animal sheltering and welfare with a focus on community responsiveness, professional animal care, dynamic education, compatible adoptions and a philosophy of compassion. AWLA operates the City of Alexandria-owned Vola Lawson Animal Shelter and provides residents with animal control services under a contract with the City of Alexandria.

In conjunction with operating the shelter, AWLA organizes animal welfare education efforts in the community, runs an adoption program, and provides animal care and services. These efforts are funded primarily by appropriations and charitable contributions.

### 2. Significant accounting policies

#### Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are net assets available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Cash and cash equivalents

For purposes of the statement of cash flows, AWLA considers all cash and unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. It is AWLA's policy not to classify certificates of deposit as cash and cash equivalents. FDIC insurance on interest-bearing accounts is \$250,000 per depositor, per insured bank. At year-end and throughout the year, AWLA's cash balances may exceed federally insured limits. Cash and cash equivalents are maintained at high-quality financial institutions. At June 30, 2021, the cash balance did not exceed federally insured limits. At June 30, 2022, the cash balance exceeded federally insured limits by \$87,380. AWLA has not experienced any losses on its cash equivalents and management does not believe this will result in any significant credit risk.

#### Accounts and pledges receivable

Pledged contributions are recognized when the donor makes a written promise to give that is, in substance, unconditional. AWLA uses the allowance method for recording bad debt expense. Allowances are based on past loss experience and current economic conditions. Management periodically reviews the aged receivables and adjusts the allowance to reflect the current estimate of bad debt expense. Receivables are written off when deemed uncollectible. In the opinion of management, all receivables outstanding are considered collectible; accordingly, an allowance for doubtful accounts has not been recorded. Pledges are expected to be collected within one year.

See independent auditor's report.

# Animal Welfare League of Alexandria

## Notes to Financial Statements June 30, 2022 and 2021

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### **Inventory**

Inventory is stated at cost using primarily the first-in, first-out method. Inventory consists principally of items for resale such as collars, leashes, and educational material.

### **Property and equipment**

Property and equipment are reported at cost. AWLA capitalizes purchases over \$3,000 with an extended useful life. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in revenue or expenses. Expenditures for maintenance and repairs are charged to expenses as incurred.

### **Investments**

Investments are measured at fair value in the statements of financial position based on publicly available market data obtained from services independent of AWLA. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statements of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law. Money market and short-term investment funds, held as a portion of AWLA's investment portfolio, are classified as investments and are not considered to be cash equivalents for purposes of cash flows.

### **Beneficial interests in trusts**

Contributions received from donors that establish and fund a trust administered by a third party are recorded at fair value as net assets with donor restrictions in the accompanying statements of financial position. Proceeds received from the trust are recorded as revenue without donor restrictions when received. Changes in the fair value of the trust asset at the end of each fiscal year are included in the statements of activities as restricted gains or losses.

### **Compensated absences**

Employees of AWLA are entitled to paid vacation depending on job classification, length of service, and other factors. As of June 30, 2022 and 2021, estimated compensated absences of \$116,164 and \$125,551, respectively, and are included in accrued expenses in the accompanying statements of financial position.

### **Support and revenue recognition**

Revenue recognized at a point in time includes adoption fees when the animal is transferred to the new home, community event and educational program revenue when the programs are delivered and merchandise sales at the time of sale. AWLA records special events revenue equal to the fair value of direct benefits to donors, and contribution revenue for the difference. Amounts received in advance of the program or event are included in deferred revenue.

AWLA recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

AWLA also receives appropriations from the City of Alexandria and contributions from wills, trusts, and estates. The appropriations are considered conditional contributions and are recognized when conditions have been met. Wills are recorded as bequests revenue when the probate court declares the wills valid and the proceeds are measurable.

### **Donated goods and services**

Contributed nonfinancial assets include donated professional services, donated materials, and other in-kind contributions which are recorded at the respective fair values of the goods or services received at the date of donation (Note 9). The Organization does not sell donated gifts-in-kind.

See independent auditor's report.

# Animal Welfare League of Alexandria

## Notes to Financial Statements June 30, 2022 and 2021

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AWLA receives significant in-kind contributions of time and pro bono services from members of the community and volunteers related to program operations, special events, and fund-raising campaigns. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by AWLA. AWLA recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation.

In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, and general and administrative; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

### **Functional allocation of expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supported services benefitted. A portion of general and administrative expenses that benefit multiple functional areas have been allocated across the programs and supporting services based on the proportion of time spent by personnel on each activity. The allocated expenses include: building, computer-related, dues and subscriptions, human resources, insurance, office, personnel, vehicle, and website expense.

### **Other financial assets and liabilities**

Financial assets with carrying values approximating fair value include cash and cash equivalents, accounts and pledges receivable, inventory, and prepaid expenses. Financial liabilities with carrying values approximating fair value include accounts payable, accrued expenses, due to City of Alexandria and deferred revenue. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities and any associated interest rates approximate current market rates.

### **Concentrations of credit risk**

Financial instruments that potentially expose AWLA to concentrations of credit and market risk consist primarily of cash equivalents and investments.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect amounts reported in future statements of activities. Management believes that AWLA's investments do not represent significant concentrations of market risk as AWLA's investment portfolio is adequately diversified among issuers.

### **Income taxes**

AWLA is exempt from federal income tax as a non-profit organization described in Section 501(c)(3) of the Internal Revenue Code and is classified as an organization other than a private foundation. AWLA did not have a liability for unrelated business income for the years ended June 30, 2022 and 2021.

The material jurisdictions subject to potential examination by taxing authorities include the U.S. and Virginia. The Board does not believe that the ultimate outcome of any future examinations of open tax years will have a material impact on AWLA's results of operations. Tax years that remain subject to examination by the IRS are fiscal years 2019 through 2022.

# Animal Welfare League of Alexandria

## Notes to Financial Statements June 30, 2022 and 2021

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### Recently adopted accounting pronouncements

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires not-for-profits to present contributed nonfinancial assets as a separate line item in the statements of activities and provide additional disclosures about contributions of nonfinancial assets. ASU 2020-07 is effective for annual reporting periods beginning after June 15, 2021. AWLA adopted the standard on its effective date, which for the organization was July 1, 2021.

### Upcoming accounting pronouncements

The FASB issued ASU 2016-02, *Leases*, which requires lessees to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by leases with terms greater than 12 months. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021. AWLA adopted the standard on its effective date, which for AWLA was July 1, 2022. ASU 2016-02 is not expected to have a significant impact on AWLA's financial statements.

### Reclassification of prior year presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

## 3. Investments and fair value measurements

Investments in mutual funds have been measured at fair value and are recorded as such in the statements of financial position. The fair values for mutual funds are based on quoted market prices. Investment gain (loss) consisted of the following during the years ended June 30:

	2022	2021
Interest and dividend income	\$ 440,193	\$ 295,328
Realized and unrealized gains (losses)	(1,775,408)	1,429,853
Investment fees	(33,751)	(27,327)
	<u>\$ (1,368,966)</u>	<u>\$ 1,697,854</u>

AWLA classifies its investments into Level 1, which refers to securities valued using quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements.

# Animal Welfare League of Alexandria

## Notes to Financial Statements June 30, 2022 and 2021

Investments measured at fair value on a recurring basis are summarized below as of June 30:

	2022			
	Level 1	Level 2	Level 3	Total
Cash and money market funds	\$ 77,265	\$ -	\$ -	\$ 77,265
Open end mutual funds	7,079,825	-	-	7,079,825
Beneficial interest in trust	-	-	8,123	8,123
	<u>\$ 7,157,090</u>	<u>\$ -</u>	<u>\$ 8,123</u>	<u>\$ 7,165,213</u>

  

	2021			
	Level 1	Level 2	Level 3	Total
Open end mutual funds	\$ 8,258,141	\$ -	\$ -	\$ 8,258,141
Beneficial interest in trust	-	-	9,652	9,652
	<u>\$ 8,258,141</u>	<u>\$ -</u>	<u>\$ 9,652</u>	<u>\$ 8,267,793</u>

The following table presents AWLA's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30:

	2022	2021
Beginning balance	\$ 9,652	\$ 9,448
Total gains (losses) included in changes in net assets	(1,029)	704
Purchases, issuances, and settlements	(500)	(500)
Ending balance	<u>\$ 8,123</u>	<u>\$ 9,652</u>

Investment balances at June 30, 2022 and 2021 represent funds designated by the Board for use in future AWLA's operations upon Board approval.

### 4. Property and equipment

Property and equipment consists of the following at June 30:

	2022	2021	Useful life
Furniture and equipment	\$ 115,112	\$ 115,112	3 - 5 years
Leasehold improvements	65,408	65,408	3 years
Vehicles	263,537	263,537	7 years
	<u>444,057</u>	<u>444,057</u>	
Less: accumulated depreciation	<u>(216,707)</u>	<u>(165,803)</u>	
	<u>\$ 227,350</u>	<u>\$ 278,254</u>	

Depreciation expense for the years ended June 30, 2022 and 2021 totaled \$50,904 and \$27,310, respectively.

See independent auditor's report.

# Animal Welfare League of Alexandria

## Notes to Financial Statements June 30, 2022 and 2021

The cost of certain City of Alexandria-owned equipment and facilities, which are used by AWLA in connection with its shelter and animal control services under annual agreements with the City, is not reflected in the statements of financial position. AWLA is, however, responsible to the City for such equipment and facilities. AWLA must, at its own cost and expense, provide public liability insurance while using the equipment and facilities.

### 5. Allocation of joint costs and functional expenses

Operating costs have been allocated among the programs, fundraising activities, and administrative functions based on estimates provided by management. AWLA incurs joint costs for informational materials and activities that included fundraising appeals. These costs were allocated based on management's analysis of the content of each mailing. Joint allocated costs were as follows for the years ended June 30:

	2022		2021	
	Fundraising	Programs	Fundraising	Programs
Direct mailings	\$ 66,820	\$ 22,231	\$ 102,643	\$ 20,330

### 6. Donor-restricted net assets

Donor-restricted net assets consist of various funds specifically devoted to promoting medical care to animals and educating the public. A summary of activity for the year ended June 30, 2022, is as follows:

	2021	Additions	Releases	2022
International Rescue Assistance Fund	\$ 3,598	\$ -	\$ -	\$ 3,598
The Catio Fund	4,556	-	-	4,556
Clear the Shelter	6,265	4,696	-	10,961
License Plate Spay/Neuter Fund	8,189	-	-	8,189
Neglected Fund	99	15	-	114
Rosemary's Seniors Fund	-	29,866	(20,042)	9,824
Sarah's Fund	83,011	30,786	(6,362)	107,435
Other temporary restrictions	20,000	-	-	20,000
Beneficial interest in trust	9,652	-	(1,529)	8,123
	<u>\$ 135,370</u>	<u>\$ 65,363</u>	<u>\$ (27,933)</u>	<u>\$ 172,800</u>

A summary of activity for the year ended June 30, 2021, is as follows:

	2020	Additions	Releases	2021
International Rescue Assistance Fund	\$ 3,598	\$ -	\$ -	\$ 3,598
The Catio Fund	4,556	-	-	4,556
Clear the Shelter	2,072	4,193	-	6,265
License Plate Spay/Neuter Fund	8,189	-	-	8,189
Neglected Fund	2,310	20	(2,231)	99
Rosemary's Seniors Fund	-	16,744	(16,744)	-
Sarah's Fund	41,855	53,188	(12,032)	83,011
Other temporary restrictions	20,000	-	-	20,000
Beneficial interest in trust	9,448	704	(500)	9,652
	<u>\$ 92,028</u>	<u>\$ 74,849</u>	<u>\$ (31,507)</u>	<u>\$ 135,370</u>

See independent auditor's report.



# Animal Welfare League of Alexandria

## Notes to Financial Statements June 30, 2022 and 2021

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The International Rescue Assistance Fund was created in January 2017 when AWLA received funding from Polly Mary Theban to provide funding for behavioral and/or medical care for animals transferred in from international locations. The Catio Fund is used to maintain an awning and plastic fencing for a secure outside enclosure to be used by cats. The Clear the Shelter fund is to be used for the Clear the Shelter event held in August after year-end. The License Plate Spay/Neuter fund consists of funds provided by the Department of Motor Vehicles to the City of Alexandria, which in turn are given to AWLA for spay/neuter expenses. The Neglected fund began in fiscal year 2019 to provide funds relating to the care of abandoned animals. Rosemary's Seniors Fund was established to finance diagnostic screening for older dogs or cats who may need additional care. Sarah's Fund was established to provide special medical treatment for pets who need more care than AWLA can routinely provide including emergency surgery, physical therapy, and medication costs.

Donor-restricted net assets subject to perpetual restriction consisted of a beneficial interest in a trust controlled by a third party as a permanent endowment fund. Under the terms of the trust agreement, AWLA will never receive the trust's assets but will receive annual disbursements of the net income generated by the fund. At June 30, 2022 and 2021, the fair value of the trust assets totaled \$8,123 and \$9,652, respectively.

### 7. Funding contract - concentration

In June 2019, AWLA was awarded a contract to continue services with the City of Alexandria to provide animal shelter management and animal control services for the City of Alexandria. Funds received by AWLA are contingent upon the annual appropriation allocated by the Alexandria City Council. The annual increase of funding, as determined by the Council, is limited to a maximum of 5.0 percent annually. The contract period is five years, with five one-year option periods. In connection with the contract, AWLA is required to contribute not less than \$100,000 per year of goods and services to promote animal welfare and care for animals in Alexandria through humane education, adoptions, outreach programs and other services. For the years ended June 30, 2022 and 2021, AWLA received funds from the City totaling \$1,172,499 and \$1,143,305, respectively.

AWLA, under a contract with the City of Alexandria, provides certain state-mandated animal management services to the community, including operating the Vola Lawson Animal Shelter and conducting animal control services. Should the City of Alexandria or AWLA decide to no longer enter in a contract for these statutory services, the scope of AWLA's programs and services would significantly change, as would the costs for providing those services.

### 8. Contract liabilities

Contract liabilities result from the acceptance of funds prior to meeting the performance obligations. Revenue from summer camp is recognized once the session has taken place. Payments typically occurs up to four months in advance of the session. Management tracks the payments when they are received so that they are not recognized as revenue prematurely.

Contract liabilities consisted of the following for the year ended June 30, 2022:

	<u>2021</u>	<u>Additions</u>	<u>Releases</u>	<u>2022</u>
Summer camp program	<u>\$ 27,949</u>	<u>\$ 53,431</u>	<u>\$ (27,949)</u>	<u>\$ 53,431</u>

See independent auditor's report.

# Animal Welfare League of Alexandria

## Notes to Financial Statements June 30, 2022 and 2021

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Contract liabilities consisted of the following for the year ended June 30, 2021:

	<u>2020</u>	<u>Additions</u>	<u>Releases</u>	<u>2021</u>
Summer camp program	\$ 24,750	\$ 27,949	\$ (24,750)	\$ 27,949

### 9. In-kind contributions and volunteers

The Organization receives various types of in-kind support. The Organization records the value of donated services and skilled labor in the financial statements, which is in accordance with U.S. GAAP. These hours were recorded at market rates valued by the professional service or skilled laborer.

AWLA received donated professional services and materials during the years ended June 30, 2022 and 2021. The revenue and expenses associated with these services have been recorded in the financial statements.

Donated goods and materials are recorded at their fair market value as estimated by management or indicated by the donor upon receipt. Management compares the items to the retail value of similar goods and believes their valuation is appropriate.

The value of donated professional services and materials were as follows for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Animal care and related services	\$ -	\$ 28,005
Animal food and supplies	13,371	29,361
Advertising and related	90,422	95,572
	<u>\$ 103,793</u>	<u>\$ 152,938</u>

A substantial number of volunteers donate time to AWLA's program services and special events. These donated services are not reflected in the financial statements since the services do not require specialized skills as defined by U.S. generally accepted accounting principles.

During the years ended June 30, 2022 and 2021, approximately 768 and 374 volunteers provided an estimated 24,000 and 14,000 hours of volunteer time, respectively. Volunteers perform a range of tasks including helping with laundry and dishes, walking dogs, staffing events, cleaning animal enclosures, maintaining the yards and landscaping, cleaning carriers, transporting animals to vet appointments, stocking supplies, socializing cats, holding animals for exams, feeding cats and small animals, and providing vet care.

A summary of volunteer hours provided to AWLA are as follows for the years ended June 30:

	<u>2022 Hours</u>	<u>2021 Hours</u>
Basic operations and administrative services	6,613	5,318
Socialize, care and transportation for animals	13,458	7,489
Special events	973	502
Training	3,571	975
Total hours	<u>24,615</u>	<u>14,284</u>

See independent auditor's report.

# Animal Welfare League of Alexandria

## Notes to Financial Statements June 30, 2022 and 2021

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### 10. Retirement plan

AWLA sponsors a Section 401(k) plan, under which participants may voluntarily elect to have a portion of their compensation deferred and contributed to the Plan. Participants may start contributing to the Plan upon reaching certain age and working hour requirements. After three months of full-time or qualifying part-time service, the match is 200 percent of the first one percent contributed and 100 percent of the next two percent contributed. Retirement expense for the years ended June 30, 2022 and 2021 was \$63,938 and \$55,947 and is included in personnel expenses on the accompanying statements of functional expenses.

### 11. SBA Paycheck Protection Program and Economic Injury Disaster loans

Under the "Coronavirus Aid, Relief, and Economic Security (CARES) Act" funds were appropriated for the SBA Paycheck Protection Program (PPP) loans that are forgivable in certain situations to promote continued employment. AWLA has obtained a loan through the SBA Paycheck Protection Program of \$357,800 during May 2020. The loan was forgiven in full in September 2021 and treated as income in the statement of activities.

### 12. Liquidity and availability

AWLA strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds, and other short-term investments.

The following table reflects AWLA's financial assets as of June 30, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor or contractual restrictions.

	2022	2021
Cash and cash equivalents	\$ 291,690	\$ 158,117
Accounts and pledges receivable	9,896	39,761
Investments	7,157,090	8,258,141
Beneficial interest in trust	8,123	9,652
	<u>\$ 7,466,799</u>	<u>\$ 8,465,671</u>
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions		
Restricted by donor with time or purpose restrictions	(172,800)	(135,370)
	<u>\$ 7,293,999</u>	<u>\$ 8,330,301</u>

### 13. Subsequent events

AWLA assessed events occurring subsequent to June 30, 2022 through May 10, 2023, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to or disclosure in the financial statements.