



Animal Rescue League
of Berks County, Inc.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Animal Rescue League of Berks County, Inc.
Reading, Pennsylvania**

We have audited the accompanying financial statements of Animal Rescue League of Berks County, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, cash flows, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Animal Rescue League of Berks County, Inc. as of December 31, 2016 and 2015, 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.

Herbein + Company, Inc.

Reading, Pennsylvania
June 19, 2017

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	\$ 229,260	\$ 201,391
Other receivables	64,708	31,816
Prepaid expenses	10,314	11,045
	<u>304,282</u>	<u>244,252</u>
TOTAL CURRENT ASSETS	304,282	244,252
INVESTMENTS		
Investments	689,967	662,608
Stocks	20,978	19,379
Beneficial interest in perpetual trusts	3,724,384	3,715,739
	<u>4,435,329</u>	<u>4,397,726</u>
TOTAL INVESTMENTS	4,435,329	4,397,726
PROPERTY AND EQUIPMENT		
Land and improvements	73,164	73,164
Buildings and improvements	2,224,149	2,210,354
Vehicles	231,056	231,056
Furniture and equipment	231,875	219,702
Less: accumulated depreciation	(1,416,858)	(1,320,450)
	<u>1,343,386</u>	<u>1,413,826</u>
TOTAL PROPERTY AND EQUIPMENT	1,343,386	1,413,826
TOTAL ASSETS	<u>\$ 6,082,997</u>	<u>\$ 6,055,804</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 55,098	\$ 29,775
Accrued payroll and taxes	32,355	24,205
Current portion of long-term debt	7,285	6,989
	<u>94,738</u>	<u>60,969</u>
TOTAL CURRENT LIABILITIES	94,738	60,969
LONG-TERM DEBT, NET	<u>101,278</u>	<u>107,903</u>
TOTAL LIABILITIES	196,016	168,872
NET ASSETS		
Unrestricted	2,137,597	2,171,193
Temporarily restricted	25,000	-
Permanently restricted	3,724,384	3,715,739
	<u>5,886,981</u>	<u>5,886,932</u>
TOTAL NET ASSETS	5,886,981	5,886,932
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,082,997</u>	<u>\$ 6,055,804</u>

See accompanying notes.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

STATEMENTS OF ACTIVITIES

	Years Ended December 31	
	2016	2015
UNRESTRICTED SUPPORT AND REVENUE		
Contributions:		
General	\$ 516,260	\$ 501,064
Bequests	499,161	354,871
Trust income	175,572	181,451
Corporate grants	3,354	8,950
Membership dues	-	155
Special events, net of expenses (\$52,125 in 2016 and \$47,385 in 2015)	126,201	90,773
Program service fees	271,019	302,281
Government contracts	185,483	214,870
Investment income (loss)	29,713	(23,825)
Miscellaneous income	16,105	6,525
	<hr/>	<hr/>
TOTAL UNRESTRICTED SUPPORT AND REVENUE	1,822,868	1,637,115
 EXPENSES		
Program services:		
Animal shelter	1,258,719	1,103,133
Spay, neuter, and vaccine services	334,596	293,238
Total program services	<hr/>	<hr/>
	1,593,315	1,396,371
Management and general	226,926	208,816
Fundraising	36,223	37,623
	<hr/>	<hr/>
TOTAL EXPENSES	1,856,464	1,642,810
 TOTAL UNRESTRICTED SUPPORT AND REVENUE OVER (UNDER) EXPENSES	 (33,596)	 (5,695)
 TEMPORARY RESTRICTED SUPPORT AND REVENUE		
Corporate grant	25,000	-
 PERMANENTLY RESTRICTED SUPPORT AND REVENUE		
Net appreciation (depreciation) on beneficial interests - perpetual trusts	8,645	(272,546)
	<hr/>	<hr/>
INCREASE (DECREASE) IN NET ASSETS	49	(278,241)
 NET ASSETS AT BEGINNING OF YEAR	 5,886,932	 6,165,173
	<hr/>	<hr/>
NET ASSETS AT END OF YEAR	\$ 5,886,981	\$ 5,886,932
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See accompanying notes.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2016				Year Ended December 31, 2015			
	Program Services	Management and General	Fund Raising	Total	Program Services	Management and General	Fund Raising	Total
SALARIES AND BENEFITS								
Salaries	\$ 679,828	\$ 134,287	\$ 25,179	\$ 839,294	\$ 634,307	\$ 125,295	\$ 23,493	\$ 783,095
Payroll taxes	73,064	14,432	2,706	90,202	68,645	13,559	2,542	84,746
Retirement expenses	7,155	1,413	265	8,833	6,113	1,208	226	7,547
Employee benefits	46,023	9,091	1,705	56,819	63,535	12,550	2,353	78,438
TOTAL SALARIES AND BENEFITS	806,070	159,223	29,855	995,148	772,600	152,612	28,614	953,826
Advertising	885	-	3,542	4,427	1,687	-	6,748	8,435
Auto expenses	20,126	-	-	20,126	21,164	-	-	21,164
Bank and credit card fees	-	7,189	-	7,189	-	6,147	-	6,147
Clinical subcontractors	85,694	-	-	85,694	57,995	-	-	57,995
Clinical supplies	87,107	-	-	87,107	51,239	-	-	51,239
Computer expense	31,808	3,534	-	35,342	13,713	1,524	-	15,237
Dog licenses	20,018	-	-	20,018	23,266	-	-	23,266
Dues and subscriptions	1,075	-	-	1,075	1,284	-	-	1,284
Equipment rental and maintenance	7,343	1,377	459	9,179	3,959	743	248	4,950
Insurance	51,369	5,837	1,167	58,373	41,747	4,744	949	47,440
Interest expense	-	5,172	-	5,172	-	4,880	-	4,832
Kennel supplies	128,667	-	-	128,667	90,229	-	-	90,229
Miscellaneous expense	16,757	1,862	-	18,619	12,604	1,401	-	14,005
Newsletter	-	-	-	-	2,698	-	-	2,698
Office supplies	9,920	1,860	620	12,400	10,417	1,953	651	13,021
Permits and licenses	2,527	-	-	2,527	1,406	-	-	1,406
Postage and printing	9,286	1,741	580	11,607	6,615	1,240	413	8,268
Professional fees	-	16,826	-	16,826	-	11,496	-	11,496
Repairs and maintenance	46,688	5,188	-	51,876	62,608	6,956	-	69,564
Seminars and training	4,482	-	-	4,482	2,751	-	-	2,751
Store supplies	13,225	-	-	13,225	5,046	-	-	5,046
Taxes	670	75	-	745	662	74	-	736
Telephone	10,489	1,165	-	11,654	8,792	977	-	9,769
Trash removal	8,987	999	-	9,986	6,583	731	-	7,314
Uniforms	2,855	317	-	3,172	1,506	167	-	1,673
Utilities	44,283	4,920	-	49,203	42,862	4,762	-	47,624
Veterinary expense	96,217	-	-	96,217	77,253	-	-	77,253
	1,506,548	217,285	36,223	1,760,056	1,320,686	200,407	37,623	1,558,668
Depreciation	86,767	9,641	-	96,408	75,685	8,409	-	84,094
TOTAL EXPENSES	\$ 1,593,315	\$ 226,926	\$ 36,223	\$ 1,856,464	\$ 1,396,371	\$ 208,816	\$ 37,623	\$ 1,642,762

See accompanying notes.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 49	\$ (278,241)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	96,408	84,094
Amortization of deferred financing costs	603	48
Unrealized loss on investments	17,408	33,856
Change in beneficiary interest in perpetual trusts	(8,645)	272,546
Change in:		
Accounts receivable	(32,892)	2,002
Prepaid expenses	731	(11,045)
Accounts payable	25,323	11,721
Accrued payroll and taxes	8,150	3,049
	<hr/>	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	107,135	118,030
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceed from sale of investments	552,408	83,231
Purchase of investments	(598,774)	(442,174)
Purchase of property and equipment	(25,968)	(127,756)
	<hr/>	<hr/>
NET CASH USED BY INVESTING ACTIVITIES	(72,334)	(486,699)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(6,932)	(6,671)
	<hr/>	<hr/>
NET CASH USED BY FINANCING ACTIVITIES	(6,932)	(6,671)
NET INCREASE (DECREASE) IN CASH	27,869	(375,340)
CASH AT BEGINNING OF YEAR	201,391	576,731
	<hr/>	<hr/>
CASH AT END OF YEAR	\$ 229,260	\$ 201,391
	<hr/>	<hr/>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 4,569	\$ 4,832

See accompanying notes.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Animal Rescue League of Berks County, Inc. (the "Organization") is a nonprofit organization serving Berks County. It provides shelter and care for unwanted and homeless animals. The services they provide are an adoption program; investigation of animal abuse; educational programs for school children and community groups; a surgery center with spraying, neutering, and vaccine clinics; and grooming and boarding facilities.

Use of 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.

Basis of Accounting

The financial statements of Animal Rescue League of Berks County, Inc. have been prepared on the accrual basis of accounting, which recognizes income in the period it is earned and expenses in the period they are incurred.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Classification of restricted net assets is determined by the nature of any donor imposed restrictions.

- Unrestricted net assets represent expendable funds available for operations which are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

Cash

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

At various times during the year, the Organization had cash balances in excess of the federally insured limit in deposit accounts at one local bank.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments

The Organization's investments are composed of equity securities carried at fair value. Fair value of securities is determined by quoted market price. Unrealized gains and losses are included in the net gain or loss on investments in the statement of activities. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

Investments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Accounts Receivable

Accounts receivable are stated at unpaid balances. The Organization uses the direct write-off method and only charges off the accounts receivable when management determines the receivable will not be collected.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The Organization used the allowance method to determine uncollectible, unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. There were no promises to give at year end.

Contributed Services

During the years ended December 31, 2016 and 2015, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and skills to perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property and Equipment

Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their fair market value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset's purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent of donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Depreciation is computed on the straight-line method over its estimated useful lives ranging from five to 40 years.

Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and gain or loss is included in operations.

Advertising Costs

The Organization expenses advertising costs when the advertising occurs. Advertising expense for the years ended December 31, 2016 and 2015, were \$4,427 and \$8,435, respectively.

Tax-Exempt Status

The Organization has been granted tax-exempt status by the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code. The Organization annually files federal and state information returns as required. There is no current year provision for federal or state income taxes.

In accordance with generally accepted accounting principles, the Organization accounts for uncertain tax positions relative to unrelated business income, if any, as required.

Functional Expense Allocations

The costs of providing various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on the methodology which is most appropriate.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition through June 19, 2017, the date the financial statements were available to be issued.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 2 - PROGRAM SERVICES

Animal shelter - includes the care and boarding of animals in need, providing adoption services for animals, humane treatment of animals education, and assisting municipalities with stray and injured animals.

Spay, neuter, and vaccine services - the clinic provides a low-cost spay and neuter service and vaccine services.

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following table represents investments held at December 31, 2016 and 2015:

	2016		2015	
	Cost	Fair Market Values	Cost	Fair Market Values
Money market funds	\$ 10,670	\$ 10,670	\$ 9,745	\$ 9,745
Mutual funds	679,396	679,297	684,168	652,863
Equities - common stock	17,020	20,978	17,020	19,379
	<u>\$ 707,086</u>	<u>\$ 710,945</u>	<u>\$ 710,933</u>	<u>\$ 681,987</u>

Investment return is as follows at December 31, 2016 and 2015:

	2016	2015
Unrestricted:		
Interest and dividend income	\$ 8,465	\$ 8,901
Realized gain on investments	3,840	1,131
Unrealized gain (loss) on investments	17,408	(33,857)
	<u>\$ 29,713</u>	<u>\$ (23,825)</u>

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

Financial accounting standards require the use of fair value measurement. The Organization, in accordance with generally accepted accounting principles, has applied fair value measurement and disclosure in these financial statements as follows:

That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets;
- Quoted prices for identical or similar assets and liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016 and 2015.

Long-Term Investments

Money market funds: Valued at the net asset value ("NAV") of shares held at the end of the year.

Equity and fixed income securities: Valued at the closing price reported on the active market on which the individual securities are traded.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

The Organization is the beneficiary of several perpetual trusts which are held by banks and trust companies. The banks and trust companies hold the investments in diversified and balanced portfolios consisting of cash and money market funds, corporate and government debt securities, equity securities and mutual funds, fixed income mutual funds, and limited investment partnerships. These investments are valued by the trust managers based on the quoted market prices for shares held or current bid price of held funds.

The methods described previously may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its reliance on the valuation methods of the trust managers is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2016 and 2015:

	2016			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 679,297	\$ -	\$ -	\$ 679,297
Equities - common stock	20,978	-	-	20,978
Beneficial interest in perpetual trusts	-	-	3,724,384	3,724,384
	<u>\$ 700,275</u>	<u>\$ -</u>	<u>\$ 3,724,384</u>	<u>\$ 4,424,659</u>
	2015			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 652,863	\$ -	\$ -	\$ 652,863
Equities - common stock	19,379	-	-	19,379
Beneficial interest in perpetual trusts	-	-	3,715,739	3,715,739
	<u>\$ 672,242</u>	<u>\$ -</u>	<u>\$ 3,715,739</u>	<u>\$ 4,387,981</u>

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended December 31, 2016 and 2015:

	Beneficial Interest in Perpetual Trusts	
	2016	2015
Balance, beginning of year	\$ 3,715,739	\$ 3,988,285
Unrealized gains (losses)	8,645	(272,546)
Balance, end of year	<u>\$ 3,724,384</u>	<u>\$ 3,715,739</u>

NOTE 4 - BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Organization is a beneficiary of several perpetual charitable trusts held by several financial institutions' trust departments. The Organization has recorded its proportionate share of the fair value of the principal of the trusts. Agreement terms provide that the Organization is to receive their proportionate share of the net income earned by the funds which are held in trust. Distributions from the trusts are recorded as trust income in unrestricted net assets and amounted to \$175,572 and \$181,451 for the years ended December 31, 2016 and 2015, respectively. The value of the trusts recorded were \$3,724,384 and \$3,715,739 at December 31, 2016 and 2015, respectively. The change in market value has been recorded as net appreciation (depreciation) in beneficial interest in trusts for the years ended December 31, 2016 and 2015, of \$8,465 and (\$272,546), respectively.

NOTE 5 - LINE OF CREDIT

In May 2015, the Organization opened a business line of credit with VIST Bank in the amount of \$100,000 with an interest rate equal to the bank's prime rate (3.75% at December 31, 2016). There was no balance as of December 31, 2016 and 2015. The line of credit is collateralized by all assets of the Organization and matures on June 30, 2017.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 6 - LONG-TERM DEBT

Long-term debt obligations of the Organization are summarized as follows as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Note payable to VIST Bank with monthly payments of \$958, including interest at 4.0% through May 1, 2020. Thereafter, the interest rate becomes variable at the Wall Street Prime Rate plus 0.50% with monthly payments of \$949 beginning June 1, 2020. Final payment is due November 1, 2028. The note is unsecured.	\$ 108,563	\$ 115,495
Less: current portion	(7,285)	(6,989)
Less: deferred financing fees	<u>-</u>	<u>(603)</u>
	<u>\$ 101,278</u>	<u>\$ 107,903</u>

Maturities on long-term debt are as follows for the years ending December 31:

2017	\$ 7,285
2018	7,583
2019	7,892
2020	8,135
2021	8,426
2022 - 2026	47,573
2027 - 2028	<u>21,669</u>
	<u>\$ 108,563</u>

Maturity of long-term debt is calculated using a rate of four percent through maturity.

Total interest paid for the years ended December 31, 2016 and 2015, was \$4,569 and \$4,832, respectively.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2016 and 2015, temporarily restricted net assets were available for the following:

	<u>2016</u>	<u>2015</u>
Petco Foundation - capital improvements	\$ 25,000	\$ -

NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of investments to be held indefinitely, the appreciation of which is permanently restricted. Investment income is expendable to support the activities of the Organization. Permanently restricted net assets were classified as follows at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Beneficial interest in perpetual trusts	\$ 3,724,384	\$ 3,715,739

NOTE 9 - SPECIAL EVENTS - REVENUES/EXPENSES

Special events - revenues/expenses are summarized as follows as of December 31, 2016 and 2015:

	<u>2016</u>		<u>2015</u>	
	<u>Revenues</u>	<u>Expenses</u>	<u>Revenues</u>	<u>Expenses</u>
Annual gala	\$ 134,462	\$ 43,150	\$ 98,062	\$ 33,622
Golf outing	-	-	40,096	13,763
VIP dinner	27,350	6,975	-	-
Doggie Dash	16,514	2,000	-	-
	<u>\$ 178,326</u>	<u>\$ 52,125</u>	<u>\$ 138,158</u>	<u>\$ 47,385</u>

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 10 - RETIREMENT PLAN

The Organization established a SIMPLE IRA retirement plan in which employees may contribute to the Plan through a payroll deduction. A signed SIMPLE IRA salary reduction agreement is on file for each employee who has elected to be in the retirement plan. The Organization will match the employee contribution up to three percent of the employee's salary. The expenses for December 31, 2016 and 2015, were \$8,833 and \$7,547, respectively.

NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board ("FASB") has issued the following standards which have been implemented by the Organization for the years ended December 31, 2016 and 2015:

In April 2015, the FASB issued Accounting Standards Update ("ASU") No. 2015-03, *Imputation of Interest - Simplifying the Presentation of Debt Issuance Costs (Subtopic 835-30)*. This standard requires all costs incurred to issue debt to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability. In addition, the amortization of debt issuance costs is now included in interest expense rather than amortization expense. This standard is effective for fiscal years beginning after December 15, 2015. The amendments have been retrospectively applied. As a result, unamortized debt issuance costs of \$603 have been reclassified from assets to a direct deduction of long-term debt in the statements of financial position as of December 31, 2015.

In May 2015, the FASB issued ASU No. 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*, which removes the requirement to categorize investments measured at net assets value within the fair value hierarchy tables. The standard is effective for years beginning after December 15, 2016, and early adoption is permitted. The Organization has elected to early adopt ASU 2015-07 for the year ended December 31, 2016.

The FASB has issued the following standards which have not yet been implemented:

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs - Contracts with Customers (Subtopic 340-40)*. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. In August 2015, the FASB issued ASU No. 2015-14 which defers the effective date of ASU No. 2014-09 one year, making it effective for fiscal years beginning after December 15, 2018.

ANIMAL RESCUE LEAGUE OF BERKS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under this guidance, lessees will need to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The guidance requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expire before the earliest comparative period presented. A full retrospective transition approach is not permitted. This standard is effective for fiscal years beginning after December 15, 2019, with early application permitted.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which makes targeted changes to the not-for-profit financial reporting model. Under the new ASU, the existing three-category classification of net assets (i.e., unrestricted, temporarily restricted, and permanently restricted) will be replaced with a model that combines temporarily restricted and permanently restricted into a single category called "net assets with donor restrictions." Differences in the nature of donor restrictions will be disclosed in the notes, with an emphasis on how and when the resources can be used. The guidance for classifying deficiencies in endowment funds ("underwater endowments") and on accounting for the lapsing of restrictions on gifts to acquire property, plant, and equipment have also been clarified. New disclosures will highlight restrictions on the use of resources that make otherwise liquid assets unavailable for meeting near-term financial requirements. Entities will be required to disclose (on the face of the statement or in notes) the extent to which the balance sheet comprises financial assets, the extent to which those assets can be converted to cash within one year, and any limitations that would preclude their current use. This standard is effective for fiscal years beginning after December 15, 2017, with early application permitted. This standard should be applied on a retrospective basis in the year that the standard is first applied.

The Organization is evaluating the impact of these new standards on the financial statements.