

ANIMAL CARE SANCTUARY
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
AND
INDEPENDENT AUDITORS' REPORT

ANIMAL CARE SANCTUARY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Animal Care Sanctuary
East Smithfield, Pennsylvania

Opinion

We have audited the accompanying financial statements of Animal Care Sanctuary (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Animal Care Sanctuary as of December 31, 2021 and 2020, 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 ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(Continued)

Auditors' 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 auditors' 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 GAAS 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 GAAS, 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 the Organization'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 the Organization'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.



Philadelphia, Pennsylvania
December 16, 2022

ANIMAL CARE SANCTUARY
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 513,661	\$ 185,977
Accounts receivable, net	7,273	522
Pledges receivable, current, net	39,975	51,187
Prepaid expense and other current assets	9,170	2,557
Total current assets	570,079	240,243
Pledges receivable, long-term, net	147,937	169,262
Property and equipment, net	3,062,222	3,104,474
Intangible asset, net	5,400	7,200
Investments	755,841	851,681
Beneficial interests in perpetual trusts	1,875,668	1,737,027
Total other assets	5,847,068	5,869,644
Total assets	\$ 6,417,147	\$ 6,109,887
LIABILITIES AND NET ASSETS		
Current liabilities		
Line of credit	\$ -	\$ 50,000
Notes payable, current portion	106,933	31,024
Accounts payable and accrued expenses	66,330	223,691
Capital lease obligation, current portion	-	873
Deferred payroll taxes, current portion	23,810	23,055
Total current liabilities	197,073	328,643
Long-term liabilities		
Notes payable, net of current portion	855,645	981,417
Deferred payroll taxes, net of current portion	-	23,055
Total liabilities	855,645	1,004,472
Total liabilities	1,052,718	1,333,115
Net assets		
Without donor restrictions		
Undesignated	3,390,070	2,914,586
Board designated	27,661	27,708
Total net assets without donor restrictions	3,417,731	2,942,294
With donor restrictions	1,946,698	1,834,478
Total net assets	5,364,429	4,776,772
Total liabilities and net assets	\$ 6,417,147	\$ 6,109,887

See notes to financial statements.

ANIMAL CARE SANCTUARY

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2021

(With Comparative Totals for the Year Ended December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Support, revenue and other				
Support				
Grants and contributions	\$ 535,268	\$ -	\$ 535,268	\$ 639,934
Legacies, bequests and trusts	934,445	-	934,445	382,056
Total support	1,469,713	-	1,469,713	1,021,990
Revenue and other				
Adoption	111,728	-	111,728	164,929
Veterinary clinic	488,781	-	488,781	303,447
Retail sales, net of cost of goods sold of \$15,647 in 2021 and \$19,882 in 2020	4,191	-	4,191	16,807
Special events, net of expenses of \$4,608 in 2021 and \$1,661 in 2020	3,389	-	3,389	1,369
Investment income, net of fees of \$3,921 in 2021 and \$1,983 in 2020	21,148	-	21,148	20,363
Net realized and unrealized gains on investments	39,900	-	39,900	49,540
Net change in beneficial interests in perpetual trusts	-	203,641	203,641	162,373
Other income	11,017	-	11,017	11,432
Distributions from perpetual trust	65,000	(65,000)	-	-
Forgiveness of debt - Paycheck Protection Program	209,814	-	209,814	209,000
Net assets released from donor restriction	26,421	(26,421)	-	-
Total support, revenue and other	2,451,102	112,220	2,563,322	1,961,250
Expenses				
Program services				
Kennel	407,759	-	407,759	331,558
Cattery	347,654	-	347,654	371,416
Vet clinic	401,621	-	401,621	309,396
Adoption	76,270	-	76,270	121,835
Total program services	1,233,304	-	1,233,304	1,134,205
Supporting services				
General and administrative				
East Smithfield	486,285	-	486,285	229,764
Wellsboro	122,598	-	122,598	179,782
	608,883	-	608,883	409,546
Fundraising	133,478	-	133,478	273,618
Total supporting services	742,361	-	742,361	683,164
Total expenses	1,975,665	-	1,975,665	1,817,369
Changes in net assets	475,437	112,220	587,657	143,881
Net assets, beginning of year	2,942,294	1,834,478	4,776,772	4,632,891
Net assets, end of year	\$ 3,417,731	\$ 1,946,698	\$ 5,364,429	\$ 4,776,772

See notes to financial statements.

ANIMAL CARE SANCTUARY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support, revenue and other			
Support			
Grants and contributions	\$ 639,934	\$ -	\$ 639,934
Legacies, bequests and trusts	382,056	-	382,056
Total support	1,021,990	-	1,021,990
Revenue and other			
Adoption	164,929	-	164,929
Veterinary clinic	303,447	-	303,447
Retail sales, net of cost of goods sold of \$19,882	16,807	-	16,807
Special events, net of expenses of \$1,661	1,369	-	1,369
Investment income, net of fees of 1,983	20,363	-	20,363
Net realized and unrealized gains on investments	49,540	-	49,540
Net change in beneficial interest in perpetual trust	-	162,373	162,373
Other income	11,432	-	11,432
Distributions from perpetual trust	57,750	(57,750)	-
Gain on forgiveness of debt	209,000	-	209,000.00
Total support, revenue and other	1,856,627	104,623	1,961,250
Expenses			
Program services			
Kennel	331,558	-	331,558
Cattery	371,416	-	371,416
Vet clinic	309,396	-	309,396
Adoption	121,835	-	121,835
Total program services	1,134,205	-	1,134,205
Supporting services			
General and administrative			
East Smithfield	229,764	-	229,764
Wellsboro	179,782	-	179,782
	409,546	-	409,546
Fundraising	273,618	-	273,618
Total supporting services	683,164	-	683,164
Total expenses	1,817,369	-	1,817,369
Changes in net assets	39,258	104,623	143,881
Net assets, beginning of year	2,903,036	1,729,855	4,632,891
Net assets, end of year	\$ 2,942,294	\$ 1,834,478	\$ 4,776,772

See notes to financial statements.

ANIMAL CARE SANCTUARY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program Services				Total Program Services	Supporting Services				
	Kennel	Cattery	Vet Clinic	Adoption		General and Administrative			Fundraising	Total
						East Smithfield	Wellsboro			
Salaries and related taxes	164,891	\$ 247,926	\$ 244,603	\$ 29,764	\$ 687,184	\$ 235,597	\$ 73,854	\$ 102,974	\$ 1,099,609	
Employee benefits	6,265	9,420	9,294	1,131	26,110	8,953	2,806	3,913	41,782	
Advertising	-	-	-	9,221	9,221	4,136	326	951	14,634	
Animal food	8,680	7,407	698	-	16,785	-	148	-	16,933	
Automobile	-	-	-	-	-	6,549	1,748	-	8,297	
Bad debt	-	-	-	-	-	52,665	-	-	52,665	
Bank charges and fees	-	8	-	-	8	11,203	-	-	11,211	
Computer	4,014	4,014	4,014	2,190	14,232	17,152	4,379	730	36,493	
Depreciation and amortization	82,886	20,072	5,472	3,367	111,797	7,134	4,071	-	123,002	
Dues and subscriptions	-	-	30	500	530	3,868	-	2,007	6,405	
Insurance	13,124	13,279	6,225	2,717	35,345	10,805	986	2,124	49,260	
Interest	-	-	42	-	42	7,981	-	-	8,023	
Janitorial and cleaning services	2,364	2,019	1,194	-	5,577	7,871	542	-	13,990	
Licenses and permits	-	398	360	-	758	38	-	50	846	
Miscellaneous	5,167	4,500	327	274	10,268	8,593	16	331	19,208	
Newsletter, printing and postage	-	-	-	-	-	2,920	-	10,345	13,265	
Office expenses	-	449	173	-	622	5,264	735	717	7,338	
Professional fees	1,398	55	73	-	1,526	58,826	-	8,362	68,714	
Real estate tax	-	-	-	-	-	496	254	-	750	
Trash removal	125	125	834	-	1,084	721	3,964	-	5,769	
Repairs and maintenance	33,357	2,783	-	-	36,140	10,139	11,360	-	57,639	
Small tools and equipment	1,280	1,285	-	-	2,565	1,359	851	-	4,775	
Supplies	404	112	404	-	920	777	229	-	1,926	
Telecommunications	-	-	868	1,107	1,975	10,483	4,258	224	16,940	
Training	-	-	-	-	-	600	-	750	1,350	
Travel and meetings	7	30	-	61	98	7,929	1,431	-	9,458	
Utilities	20,251	11,300	19,224	-	50,775	3,431	9,620	-	63,826	
Veterinary services	-	-	1,710	-	1,710	795	-	-	2,505	
Veterinary supplies and medication	63,546	22,472	106,076	25,938	218,032	-	1,020	-	219,052	
Total	\$ 407,759	\$ 347,654	\$ 401,621	\$ 76,270	\$ 1,233,304	\$ 486,285	\$ 122,598	\$ 133,478	\$ 1,975,665	

See notes to financial statements.

ANIMAL CARE SANCTUARY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program Services				Total Program Services	Supporting Services				
	Kennel	Cattery	Vet Clinic	Adoption		General and Administrative			Fundraising	Total
						East Smithfield	Wellsboro			
Salaries and related taxes	\$ 174,534	\$ 261,426	\$ 211,280	\$ 81,805	\$ 729,045	\$ 102,573	\$ 129,723	\$ 182,373	\$ 1,143,714	
Employee benefits	6,908	10,346	8,362	3,238	28,854	4,060	5,134	7,218	45,266	
Advertising	418	-	399	1,061	1,878	-	349	762	2,989	
Animal food	2,558	8,002	-	-	10,560	-	821	-	11,381	
Automobile	390	98	549	444	1,481	3,984	2,488	321	8,274	
Bank charges and fees	42	-	-	-	42	3,163	93	-	3,298	
Computer	4,897	4,897	4,897	2,671	17,362	20,923	5,342	890	44,517	
Depreciation and amortization	65,991	21,248	5,855	3,603	96,697	6,944	3,792	-	107,433	
Dues and subscriptions	-	-	258	-	258	1,701	100	7,377	9,436	
Insurance	15,344	16,017	7,586	3,925	42,872	8,051	2,333	2,812	56,068	
Interest	-	-	-	-	-	6,961	-	70	7,031	
Janitorial and cleaning services	1,317	3,424	3,210	38	7,989	3,109	695	-	11,793	
Licenses and permits	25	-	-	300	325	250	94	-	669	
Miscellaneous	1,862	109	2,092	2,794	6,857	10,207	583	4,139	21,786	
Newsletter, printing and postage	-	-	-	-	-	1,677	126	21,562	23,365	
Office expenses	432	275	1,428	197	2,332	2,137	1,452	677	6,598	
Professional fees	13,030	392	145	-	13,567	27,634	-	18,614	59,815	
Real estate tax	-	-	-	-	-	4,343	1,546	-	5,889	
Refuse removal	1,477	1,477	1,025	-	3,979	-	1,206	-	5,185	
Repairs and maintenance	5,785	1,509	1,277	-	8,571	10,065	6,872	1,714	27,222	
Small tools and equipment	3,461	1,000	159	-	4,620	4,576	2,357	8,437	19,990	
Supplies	540	651	596	24	1,811	28	184	367	2,390	
Telecommunications	2,769	468	3,804	415	7,456	1,815	3,128	4,668	17,067	
Training	-	50	474	-	524	-	-	2,062	2,586	
Travel and meetings	488	982	4,126	707	6,303	828	373	8,642	16,146	
Utilities	16,053	21,021	5,826	192	43,092	4,013	10,755	826	58,686	
Veterinary services	1,415	576	435	-	2,426	-	-	-	2,426	
Veterinary supplies and medication	11,822	17,448	45,613	20,421	95,304	722	236	87	96,349	
Total	\$ 331,558	\$ 371,416	\$ 309,396	\$ 121,835	\$ 1,134,205	\$ 229,764	\$ 179,782	\$ 273,618	\$ 1,817,369	

See notes to financial statements.

ANIMAL CARE SANCTUARY
STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2021	2020
Cash flows from operating activities		
Changes in net assets	\$ 587,657	\$ 143,881
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	123,002	107,433
Bad debt expense	52,665	-
Net realized and unrealized gains on investments	(39,900)	(49,540)
Net change in beneficial interests in perpetual trusts	(203,641)	(162,373)
Contributed property and equipment	-	(9,834)
Contributions restricted for capital campaign	-	(66,618)
Forgiveness of debt - Paycheck Protection Program	(209,814)	(209,000)
Changes in operating assets and liabilities		
Accounts receivable	(48,179)	8,167
Pledges receivable	21,300	45,367
Prepaid expense and other current assets	(6,614)	3,737
Accounts payable and accrued expenses	(157,361)	(895,329)
Deferred payroll taxes	(22,300)	46,110
Net cash (used in) provided by operating activities	96,815	(1,037,999)
Cash flows from investing activities		
Purchase of property and equipment	(78,949)	(158,332)
Purchase of investments	(61,286)	(649,509)
Proceeds from sale of investments	197,026	423,782
Distributions from beneficial interests in trusts	65,000	57,750
Net cash used in investing activities	121,791	(326,309)
Cash flows from financing activities		
Principal payments on note payable	(99,863)	(455)
Principal payments on capital lease obligation	(873)	(598)
Proceeds from notes payable	-	999,900
Proceeds from Paycheck Protection Plan loan	209,814	209,000
Contributions restricted for capital campaign	-	66,618
Net cash provided by financing activities	109,078	1,274,465
Net increase (decrease) in cash and cash equivalents	327,684	(89,843)
Cash and cash equivalents, beginning of year	185,977	275,820
Cash and cash equivalents, end of year	\$ 513,661	\$ 185,977
Supplemental cash flow disclosure		
Cash paid for interest	\$ 8,023	\$ 7,031

See notes to financial statements.

ANIMAL CARE SANCTUARY
NOTES TO FINANCIAL STATEMENTS

1 - ORGANIZATION

Animal Care Sanctuary (the “Organization”) was founded in 1967 and is located in East Smithfield and Wellsboro, Pennsylvania. The Organization provides for neglected and surrendered animals and pets of all kinds and acts as a depository of funds donated and bequeathed by the public for the care of such animals and provides for adoption of these animals to approved homes.

The Organization envisions a community that promotes turning compassion into action for dogs and cats by adopting healthy animals into loving homes, promoting the human-animal bond through outreach, education and advocacy, spaying and neutering to end the suffering of overpopulation and to improve public health and the humane and compassionate treatment of all animals.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements reflect the accounts of the Organization and have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (“US GAAP”) and presented in accordance with Accounting Standards 958, *Not-for-Profit Entities*.

Support and Revenue Recognition

The Organization determines the amount of revenue to be recognized from contracts with customers through application of the following steps:

- Identification of the contract, or contracts with customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when or as the Organization satisfies the performance obligations.

A portion of the Organization’s revenue is generated from product sales and services. Under ASC 606, revenue is recognized when customers obtain control of promised goods or services in an amount that reflects the consideration expected to be received in exchange for those goods or services. The Organization measures revenue based on consideration specified in a contract with a customer.

ANIMAL CARE SANCTUARY
NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and Revenue Recognition (Continued)

Furthermore, the Organization recognizes revenue when a performance obligation is satisfied by transferring control of the product to the customer, no significant obligations remains, and return liabilities can be reasonably estimated. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. The transaction price of a contract is allocated to each distinct performance obligation and recognized as revenue when or as, the customer receives the benefit of the performance obligation. Due to the fixed price contracts, the estimation of total revenue is not complex and does not require significant judgment. The entire contract is accounted for as one performance obligation. Customers typically receive the benefit of the Organization's products and services at the time the performance obligation is met. Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Organization from a customer, are excluded from revenue.

Revenues derived from adoption and retail sales are recognized as the goods are delivered to the buyer. Veterinary clinic revenues are recognized when the performance obligation of providing the service is satisfied.

Support is recognized in accordance with ASC 958, Not-for-Profit Entities, (Topic 958). The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Contributions and grants received are recorded as support with or without restrictions depending on the existence and/or nature of any donor restrictions.

The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

Net Assets

Net assets, revenue, and support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. From time to time the Board of Directors may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

ANIMAL CARE SANCTUARY
NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Net Assets With Donor Restrictions – 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 or purposes specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Restricted contributions received, whose restrictions are met in the same reporting period, are reflected as without restrictions.

Use of Estimates

The preparation of financial statements in conformity with US 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

Cash and cash equivalents consist of cash in banks and money market funds held in investment portfolios.

Property and Equipment and Depreciation

Property and equipment are stated at cost, or fair market value, if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets ranging from 3 to 39 years.

The Organization charges maintenance and repairs to expense in the period incurred. Acquisitions, major improvements and renewals are capitalized and depreciated. Gain or loss on disposition is included in the statements of activities and changes in net assets in the period of disposition.

ANIMAL CARE SANCTUARY

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset or asset group may not be recoverable. Tests for recoverability of a long-lived asset to be held and used are measured by comparing the carrying amount of the long-lived asset or asset group to the sum of the estimated future undiscounted cash flows expected to be generated by the asset. In estimating the future undiscounted cash flows, the Organization uses projections of cash flows directly associated with, and which are expected to arise as a direct result of the use and eventual disposition of the assets or asset group. If it is determined that a long-lived asset or asset group is not recoverable, an impairment loss would be calculated equal to the excess of the carrying amount of the long-lived asset or asset group over its fair value. No events occurred in 2021 which required an impairment review of the Organization's long-lived assets.

Intangible Asset and Amortization

Intangible asset consists of goodwill which resulted from the acquisition of a spay/neuter practice for cats in the amount of \$18,000. The Organization has adopted the accounting alternative for the subsequent measurement of goodwill provided by FASB ASC 350-20. Under the accounting alternative, the Organization amortizes goodwill on a straight-line basis over 10 years and only evaluates goodwill for impairment when a triggering event occurs. During the year ended December 31, 2021, no triggering events occurred requiring impairment testing. As such, no impairment loss was recorded. Amortization expense of \$1,800 was recorded for each of the years ended December 31, 2021 and 2020 and goodwill was valued at \$5,400 and \$7,200, respectively.

Investments

Investments in equity securities and mutual funds with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is reported as increases or decreases in net assets in the reporting period.

In-kind Contributions and Expenses

The Organization receives contributions of nonfinancial assets and services. The Organization's policy related to these donated goods and services is to utilize the assets given to carry out the mission of the Organization. If an asset is provided that does not allow the Organization to utilize it in its normal course of business, the asset will be sold at its fair market value. These contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received as contributions with offsetting expenses.

ANIMAL CARE SANCTUARY

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-kind Contributions and Expenses (Continued)

In addition, the Organization receives services of unpaid officers, board members, and volunteers. The value of these services is not reflected in the accompanying financial statements as these services do not meet the criteria for recognition as contributed services.

During the year ended December 31, 2020, the Organization received donated goods totaling \$10,716. These contributions are reported as grants and contributions in the statements of activities and changes in net assets.

Functional Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statements of functional expenses. The Organization incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Organization also conducts a number of activities which benefit both its program objectives as well as supporting services (i.e. fundraising and general and administrative activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited. Expenses are allocated based on either total salary and benefit costs, whose distribution to programs is determined based on the estimates of time and effort incurred by personnel or based on square footage utilized.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs were \$14,634 and \$2,989 for the years ended December 31, 2021 and 2020, respectively.

Income Taxes

The Organization is exempt from federal income taxes under the provisions of the Internal Revenue Code Section 501(c)(3), and is exempt from state income taxes. The Organization is not a private foundation.

ANIMAL CARE SANCTUARY

NOTES TO FINANCIAL STATEMENTS

3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	December 31,	
	2021	2020
Cash and cash equivalents	\$ 513,661	\$ 185,977
Pledge receivable, current, net	39,975	51,187
Accounts receivable, net	7,273	522
Investments	755,841	851,681
Total financial assets available within one year	1,316,750	1,089,367
Less: amounts unavailable for general expenditures within one year, due to		
Restricted by donor with purpose restrictions	-	(26,421)
Less: amount unavailable to management without Board approval		
Board designated investments	(27,661)	(27,708)
Total financial assets available to management for general expenditure within one year	\$ 1,289,089	\$ 1,035,238

The Organization's financial assets available to meet cash needs for general expenditures within one year represents funding for ongoing operational requirements program expenditures in fiscal year 2022. In addition, The Organization also has the ability to request additional funds from their beneficial trusts for special projects.

Liquidity Management

The Organization has an investment policy authorized by the Board of Directors that provides guidance and oversight for the management of cash and cash equivalents and investments. The policy provides that the Organization maintain an adequate level of cash to meet on-going operational requirements. In addition, the policy sets forth the structure for investment of excess cash based on the financial needs of the Organization, the time horizon of those needs and the Board of Directors' investment philosophy.

ANIMAL CARE SANCTUARY

NOTES TO FINANCIAL STATEMENTS

4 - PLEDGES RECEIVABLE, NET

In 2017, the Organization embarked on a capital campaign to fund renovations within the Organization's facilities. Outstanding contributions receivable are as follows:

	December 31,	
	2021	2020
Receivable in less than one year	\$ 39,975	\$ 51,187
Receivable in one to five years	80,875	105,685
Receivable in over five years	155,338	155,338
	276,188	312,210
Less present value discount	(88,276)	(91,761)
Pledge receivable, net	\$ 187,912	\$ 220,449

Pledges to be received in future years are recorded at their present value using a discount rate at the time of the pledge of 5%.

5 - PROPERTY AND EQUIPMENT

The Organization's property and equipment consisted of the following:

	December 31,	
	2021	2020
Land and building	\$ 4,399,315	\$ 4,322,764
Furniture and equipment	80,004	80,004
Kennel equipment	238,786	238,786
Office equipment	44,539	42,140
Transportation equipment	113,899	113,899
	4,876,543	4,797,593
Less accumulated depreciation	(1,814,321)	(1,693,119)
	\$ 3,062,222	\$ 3,104,474

ANIMAL CARE SANCTUARY
NOTES TO FINANCIAL STATEMENTS

6 - INVESTMENTS

The Organization's investments consisted of the following:

	December 31,	
	2021	2020
Corporate/government bonds	\$ 220,122	\$ 219,292
Equities	8,287	7,805
Mutual funds	527,432	624,584
	\$ 755,841	\$ 851,681

7 - FAIR VALUE MEASUREMENTS

U.S. GAAP defines fair value, provides guidance for measuring fair value and requires certain disclosures. U.S. GAAP discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow) and the cost approach (cost to replace the service capacity of an asset or replacement cost). U.S. GAAP provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels.

The following is a brief description of those three levels:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs that reflect management's own assumptions.

The following is a description of the valuation methodologies used for the investments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy, as applicable:

Equities – The fair value of common stocks is based on quoted market prices of the shares held by the Organization at year-end.

ANIMAL CARE SANCTUARY

NOTES TO FINANCIAL STATEMENTS

7 - FAIR VALUE MEASUREMENTS (Continued)

Mutual funds – Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Bonds – Bonds are valued at their closing market price. The bonds are primarily traded on secondary bond markets and have been classified as level 2.

Beneficial interest in perpetual trust – Represents an investment that is held by trustees and the fair value is reported at the Organization’s share of the estimated fair market value of the underlying assets. Beneficial interest in perpetual trust is an account commingled with the assets of other organizations, consisting of various investments including those with unobservable inputs. The Organization does not have any discretion over these funds. See also Note 8.

The following table sets forth the Organization’s investments within the fair value hierarchy:

	Fair Value at December 31, 2021			
	Total	Level 1	Level 2	Level 3
Equities, Consumer goods	\$ 8,287	\$ 8,287	\$ -	\$ -
Mutual Funds				
Conservative allocation	426,965	426,965	-	-
Target maturity	100,467	100,467	-	-
Corporate bonds	220,122	-	220,122	-
Investments	755,841	535,719	220,122	-
Beneficial interests in perpetual trusts	1,875,668	-	-	1,875,668
	\$ 2,631,509	\$ 535,719	\$ 220,122	\$ 1,875,668

ANIMAL CARE SANCTUARY
NOTES TO FINANCIAL STATEMENTS

7 - FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth the Organization's investments within the fair value hierarchy:

	Fair Value at December 31, 2020			
	Total	Level 1	Level 2	Level 3
Equities, Consumer goods	\$ 7,805	\$ 7,805	\$	\$
Mutual Funds				
Conservative allocation	466,292	466,292	-	-
Energy limited Partnership	8,717	8,717	-	-
Target maturity	149,575	149,575	-	-
Corporate bonds	219,292	-	219,292	-
Investments	851,681	632,389	219,292	-
Beneficial interests in perpetual trusts	1,737,027	-	-	1,737,027
	<u>\$ 2,588,708</u>	<u>\$ 632,389</u>	<u>\$ 219,292</u>	<u>\$ 1,737,027</u>

The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	December 31,	
	2021	2020
Beneficial interests in perpetual trusts:		
Beginning balance	\$ 1,737,027	\$ 1,632,404
Distributions from trusts	(65,000)	(57,750)
Change in value of trusts	203,641	162,373
Ending balance	<u>\$ 1,875,668</u>	<u>\$ 1,737,027</u>

8 - BENEFICIAL INTERESTS IN PERPETUAL TRUSTS

The Organization is the sole beneficiary of income earned by a trust granted by Lesley Sinclair. The trust was managed and maintained by Hudock Capital Wealth Resources through October 2019 and the current trustee is Bryn Mawr Trust. Income from this trust is available to be disbursed to the Organization on a quarterly basis, as requested. Undistributed net income from the trust is also included in the beneficial interest in perpetual trust as of December 31, 2021 and 2020. Principal of the trust may be used for capital expenditures as approved by the trustee. Total amounts received from the trust for the years ended December 31, 2021 and 2020 were \$50,000 and \$37,500, respectively.

ANIMAL CARE SANCTUARY

NOTES TO FINANCIAL STATEMENTS

8 - BENEFICIAL INTERESTS IN PERPETUAL TRUSTS (Continued)

The Organization holds a 25% beneficial interest in a Trust created under the will of Marjorie H. Miller. The Organization is a beneficiary of annual income distributions from the trust. The trust is managed and maintained by Wells Fargo. Total amounts received from the trust for the years ended December 31, 2021 and 2020 were \$15,000 and \$20,250, respectively.

Net realized and unrealized gains (losses) relating to the beneficial interests are recorded in the statements of activities as changes in net assets with donor restrictions based on provisions of the trust agreements.

The fair market value of the Organization's interests in the trusts as of December 31, 2021 and 2020 was \$1,875,668 and \$1,737,027, respectively.

The Organization is a beneficiary of monthly income distributions from the Mannheimer Trust. The trust is independent of the Organization and is administered by outside agents. The trustees have been granted the discretion of the amount to be distributed annually but cannot change the beneficiaries of the Trust. As such, this trust is not considered a beneficial interest in accordance with US GAAP. Total amounts received from this Trust for the years ended December 31, 2021 and 2020 was \$689,777 and \$376,250, respectively and are reported as legacies, bequests and trusts income on the statement of activities. Total assets of the trust were \$14,871,122 and \$13,484,802 as of December 31, 2021 and 2020, respectively.

9 - LINE OF CREDIT

The Organization has a revolving line of credit with a credit limit of \$50,000. The line of credit is due on demand. The balance outstanding on the line bears interest at prime plus 2%. The effective rate as of December 31, 2021 and 2020 was 5.25%. Interest is payable monthly and the line of credit is unsecured. The outstanding balance was \$0 and \$50,000 as of December 31, 2021 and 2020, respectively.

ANIMAL CARE SANCTUARY
NOTES TO FINANCIAL STATEMENTS

10 - NOTES PAYABLE

	2021	2020
Note payable, United States Department of Agriculture, Rural Housing Service, monthly payments of \$74 including interest at 3.25% per annum through October 2040. The note is secured by substantially all assets of the Organization.	\$ 11,979	\$ 12,541
Note payable, Progress Authority - The note requires interest only payments through June 2021 and principal payments of \$8,547 beginning July 2021, including interest at 1.00% per annum, with a balloon payment due in July 2023. The note is secured by the Lesley Sinclair Trust.	450,699	500,000
Note payable, Small Business Administration - The note requires monthly principal payments of \$2,136 beginning May 2022, including interest at 2.75% per annum, due in April 2050. The note is secured by substantially all assets of the Organization.	499,900	499,900
	962,578	1,012,441
Less current portion	(104,483)	(31,024)
Long-term portion	\$ 858,095	\$ 981,417

Scheduled principal payments are as follows:

Year Ending December 31,	
2022	\$ 106,933
2023	365,058
2024	13,128
2025	13,496
2026	13,875
Thereafter	450,088
	\$ 962,578

The Organization received a loan, under the Paycheck Protection Program, (the “PPP Loan”), which was subject to forgiveness under the Paycheck Protection Program upon the Organization’s request to the extent that the PPP Loans proceeds were used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent, and covered utility payments incurred by the Organization. The PPP loan was forgiven as of December 31, 2020, and the Organization recognized a gain on debt forgiveness of \$209,000.

ANIMAL CARE SANCTUARY
NOTES TO FINANCIAL STATEMENTS

10 - NOTES PAYABLE (Continued)

In 2021, the Organization received a second loan pursuant to the Paycheck Protection Program in the amount of \$209,814. The second PPP loan was forgiven as of December 31, 2021, and the Organization recognized a gain on debt forgiveness.

11 - CAPITAL LEASE OBLIGATION

The Organization leases a copier under a capital lease. The equipment has a capitalized cost of \$4,483 and related accumulated depreciation of \$4,483 and \$4,035 as of December 31, 2021 and 2020, respectively. The lease liability was paid in full during the year ended December 31, 2021.

12 - NET ASSETS WITHOUT DONOR RESTRICTIONS

The Organization's net assets without donor restrictions comprised of undesignated and Board designated amount for the following purposes at:

	December 31,	
	2021	2020
Undesignated	\$ 3,390,070	\$ 2,914,586
Board designated for short term reserve	27,661	27,708
	\$ 3,417,731	\$ 2,942,294

Without restrictions, Board Designated for short term reserve

The Board designated the use of the Raymond James investment accounts to be reserved for the short term needs by the Organization, with approval of the Board of Directors.

ANIMAL CARE SANCTUARY
NOTES TO FINANCIAL STATEMENTS

13 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

	December 31,	
	2021	2020
Subject to expenditure for specified purposes		
Medical equipment	\$ -	\$ 11,421
Clinic renovations	-	15,000
	-	26,421
Not subject to appropriation or expenditure		
Beneficial interest in perpetual trusts	1,875,668	1,737,027
Wellsboro land	71,030	71,030
	1,946,698	1,808,057
	\$ 1,946,698	\$ 1,834,478

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes by the expiration of a time restriction or by occurrence of other events specified by donors.

	December 31,	
	2021	2020
Purpose restrictions accomplished		
Medical equipment	\$ 11,421	\$ -
Clinic renovations	15,000	-
	\$ \$ 26,421	\$ --

14 - CONCENTRATION OF CREDIT RISK

Investments

The Organization's investments are exposed to various risks such as interest rate, market and credit. Due to the level of these risks, it is possible that changes in risk in the near term could materially affect investment balances and the amounts reported in the financial statements.

ANIMAL CARE SANCTUARY
NOTES TO FINANCIAL STATEMENTS

15 - RISK AND UNCERTAINTIES

The spread of a novel strain of coronavirus (“COVID-19”) around the world in 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Organization is unable to determine if it will have a material impact to its future operations.

16 - UNCERTAIN TAX POSITIONS

Management of the Organization considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur upon examination by tax authorities, including changes to the Organization’s status as a not-for-profit entity. Management believes the Organization met the requirements to maintain its tax-exempt status and has not identified any uncertain tax positions subject to the unrelated business income tax that require recognition or disclosure in the accompanying financial statements.

17 - SUBSEQUENT EVENTS

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through December 16, 2022, the date on which the financial statements were available to be issued.

On January 27, 2022, the Organization sold the Wellsboro property for a gross sales price of \$500,000 and received net proceeds of approximately \$441,000.