

Animal Welfare Association, Inc.
Financial Statements for the Year Ended
June 30, 2020, and
Independent Auditor's Report

Ditmars, Perazza & Co.

CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

To the Board of Directors of the
Animal Welfare Association, Inc.

February 3, 2021

Report on Financial Statements

We have audited the accompanying financial statements of Animal Welfare Association, Inc., which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, of functional expenses and of cash flows for the year then ended, and the related notes of 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 the 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 organization'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 organization'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.

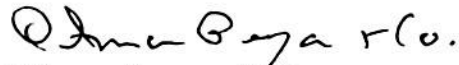
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Animal Welfare Association, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year that ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Animal Welfare Association Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived



Ditmars, Perazza & Co.

Animal Welfare Association, Inc.
Statement of Financial Position
June 30, 2020
(With Summarized Totals for 2019)

ASSETS:	2020	2019
Cash and cash equivalents	\$ 3,157,742	\$ 2,651,576
Investments	1,812,046	2,114,561
Accounts receivable	21,250	27,100
Construction in progress - expansion	575,748	204,818
Promises to give - net of discount	502,828	679,555
Property and equipment, net	1,669,147	1,775,480
TOTAL ASSETS	<u>\$ 7,738,761</u>	<u>\$ 7,453,090</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 50,373	\$ 72,169
Accrued expenses	80,985	89,141
Refundable advance - Payroll Protection Plan	192,810	-
Refundable advance - EIDL	10,000	-
Total Liabilities	<u>334,168</u>	<u>161,310</u>
Net Assets:		
Without donor restrictions		
Undesignated	3,061,553	3,200,066
Invested in property and equipment	2,244,895	1,980,298
Designated for capital expansion	900,000	900,000
Total without donor restrictions	<u>6,206,448</u>	<u>6,080,364</u>
With donor restrictions	1,198,145	1,211,416
Total net assets	<u>7,404,593</u>	<u>7,291,780</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,738,761</u>	<u>\$ 7,453,090</u>

The accompanying footnotes are an integral part of the financial statements.

Animal Welfare Association, Inc.
Statement of Activities
For the Year Ended June 30, 2020

(With summarized totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	Totals 2020	Totals 2019
Revenue and Support				
Contributions and donations	\$ 1,039,648		\$ 1,039,648	\$ 986,571
Bequests	192,333		192,333	905,275
Foundations and grants	60,675		60,675	71,066
Program income	1,118,823		1,118,823	1,828,910
Fundraising income	351,971		351,971	312,894
Payroll protection program grant		\$ 185,211	185,211	-
Investment income	(47,678)		(47,678)	86,275
Other income	5,980		5,980	
Net assets released from restrictions	185,211	(185,211)	-	
Total Revenue and Support	2,906,963	-	2,906,963	4,190,991
EXPENSES:				
Program services:			-	
Shelter	1,240,472		1,240,472	1,255,287
Clinic	1,022,079		1,022,079	1,421,600
Education and outreach	71,418		71,418	77,152
Total Program services	2,333,969	-	2,333,969	2,754,039
Fundraising and development	683,022		683,022	573,527
Administrative	134,818		134,818	114,288
TOTAL EXPENSES	3,151,809		3,151,809	3,441,854
CHANGE IN NET ASSETS FROM OPERATIONS	(244,846)		(244,846)	749,137
CAPITAL CAMPAIGN:				
Contributions and promises to give		449,376	449,376	1,266,898
Capitalized construction costs	370,930	(370,930)	-	-
Campaign expenses		(91,717)	(91,717)	(29,027)
TOTAL CAPITAL CAMPAIGN	370,930	(13,271)	357,659	-
CHANGE IN NET ASSETS	126,084	(13,271)	112,813	1,987,008
NET ASSETS - BEGINNING	6,080,364	\$ 1,211,416	7,291,780	5,304,772
NET ASSETS - ENDING	\$ 6,206,448	\$ 1,198,145	\$ 7,404,593	\$ 7,291,780

The accompanying footnotes are an integral part of the financial statements.

Animal Welfare Association, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 112,813	\$ 1,987,008
Adjustments to reconcile change in net assets to net cash used in operations:		
Depreciation	106,331	115,263
Realized and unrealized (gain) loss on investments	106,390	6,352
Total After Non Cash Adjustments	<u>325,534</u>	<u>2,108,623</u>
(Increase) Decrease in:		
Accounts receivable	5,850	(13,988)
Investments	196,126	270,568
Promises to give	176,727	(679,555)
Increase (Decrease) in:		
Accounts payable	(21,796)	35,566
Accrued expenses	(8,156)	15,630
Refundable advances	202,810	-
Total Used in Operating Activities	<u>877,095</u>	<u>1,736,844</u>
<u>Cash Flows From Investing Activities:</u>		
Property acquisitions & capital additions	(370,928)	(26,455)
Total Used in Investing Activities	<u>(370,928)</u>	<u>(26,455)</u>
Change in Cash Balances	506,167	1,710,389
Cash & Equivalents, Beginning	2,651,575	941,186
Cash & Equivalents, Ending	<u><u>\$ 3,157,742</u></u>	<u><u>\$ 2,651,575</u></u>

The accompanying footnotes are an integral part of the financial statements.

Animal Welfare Association, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2020

(With Summarized Totals for 2019)

	***** PROGRAM SERVICES ***** **SUPPORTING SERVICES**				TOTAL	
	Shelter	Clinic	Education & Outreach	Fundraising & Development	Administrative	TOTAL
	2020	2020	2020	2020	2020	2020
Salaries	\$ 744,119	\$ 385,687	\$ 47,414	\$ 288,670	\$ 59,721	\$ 1,526,611
Payroll taxes	81,681	34,028	2,458	24,854	18,642	161,663
Employee benefits	121,909	55,943		40,406	27,322	245,580
Advertising	6,617	3,332	1,285	6,204		17,438
Bank, credit card & investment fees	7,151	14,620		11,567	511	33,849
Development and campaign	459		3,952	2,410		6,821
Depreciation	23,393	74,432	2,126	4,253	2,127	106,331
Drugs and medicines	55,403	53,619				109,022
Education	1,949	1,385	1,322		70	4,726
Insurance	18,159	16,160	1,941		4,306	43,289
Maintenance	11,329	7,341		2,723		23,809
Office supplies and expenses	8,866	9,973	1,154	11,971	2,716	34,680
Other expenses	4,120	10,334	66	1,069	1,910	17,499
Outside services	22,610	42,264	2,511	33,325	2,677	103,387
Payroll Fees	2,018	2,078	260	480	473	5,309
Postage	27			12,496	598	13,121
Professional fees					9,000	9,000
Rent/storage	764	4,400	570	2,379	342	8,455
Supplies	47,877	176,329		8,795		233,001
Technology	16,767	17,897	4,579	27,246	2,176	68,665
Telephone	4,455	6,009	766	4,703	749	16,682
Utilities	25,562	15,447	1,014	1,268	1,478	44,769
Vehicle expenses & travel	6,280	678		142		7,100
Veterinarian fees	28,957	89,123		-		118,080
Total Expenses	1,240,472	1,022,079	71,418	490,100	134,818	2,958,887
Direct fundraising expense				192,922		192,922
Total Expenses	\$ 1,240,472	\$ 1,022,079	\$ 71,418	\$ 683,022	\$ 134,818	\$ 3,151,809
						\$ 3,441,854

The accompanying footnotes are an integral part of the financial statements.

Animal Welfare Association, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2020

1. Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies of the Animal Welfare Association, Inc. (AWA), a New Jersey not-for-profit corporation.

Organization

Animal Welfare Association, Inc. (AWA) is a not-for-profit organization. For seven decades, AWA has been dedicated to animal welfare in the South Jersey region. The vision AWA was founded on was a community where no animal was homeless or suffered. AWA is exempt from federal and state income taxes under Section 501 (c) (3) of the Internal Revenue Code and similar state provisions.

Today, AWA's varied programs improve the lives of pets and people and make South Jersey a national leader in companion animal welfare. AWA provides sheltering and adoption services for local displaced and homeless animals as well as for dogs and cats from out-of-state shelters that still euthanize for space. AWA's pet retention and home-to-home adoptions work with people to keep their pets and when that's not possible, help owners directly find their pets' next home. AWA's Pet Clinic opened in the 1970s as the first regional spay/neuter clinic and over the next forty years, has performed nearly a third of a million spay/neuters. As pet owners and their pets' needs changed, AWA's clinic services also changed. Today, AWA provides the public with access to affordable veterinary care. AWA is the only veterinary provider in the City of Camden, NJ, which was once named "America's poorest and most violent city".

AWA is considered a "no-kill" shelter yet many of AWA's programs directly improve the lives of pets living in the community. AWA defines "no-kill" by not only what happens within the shelter, but by how many animals are saved and safe within all the community shelters. AWA wants South Jersey to be a "no-kill" community. This means, continuing to provide veterinary care to pets in need, operating a pet food pantry, working with pet owners to keep their pets, transporting pets from other shelters so they can get veterinary care and a chance at adoption, and providing humane education activities to tomorrow's pet owners.

AWA receives no local, state, or federal funding and is not affiliated with the Humane Society of the United States (HSUS) or with the American Society for the Prevention of Cruelty to Animals (ASCPA). Each dollar raised by AWA is used to help the pets in South Jersey.

Animal Welfare Association, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2020

Basis of Accounting

The financial statements of AWA are presented on the accrual basis of accounting.

Basis of Presentation

In the prior year AWA adopted the new standards issued in August 2016 relating to the Presentation of Financial Statements of Not-for-Profit entities. These new standards are intended to improve the presentation of financial statements of not-for-profit (NFP) entities. The ASU eliminates the distinction between resources with permanent restrictions and those with temporary restrictions from the face of NFP financial statements by reducing the current three net asset classes (unrestricted, temporarily restricted, and permanently restricted) to two classes (net assets with donor restrictions and net assets without donor restrictions). The ASU also requires additional information to be disclosed about expense classifications and liquidity and availability of resources.

New Accounting Pronouncements

Revenue from Contracts with Customers – In May 2014, the Financial Accounting Standards Board issued guidance that replaces the existing accounting standards for revenue recognition. The guidance requires an organization to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration it entitled to receive in exchange for those goods or services. The standard is effective for the current year.

Leases – Issued in February 2016, Accounting Standards Update (ASU) No. 2016-02 requires lessees to recognize right-of-use assets and lease liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than 12 months. This new accounting will apply to both types of leases-capital (or finance) leases and operating leases. Previously, accounting principles generally accepted in the United States of America has required only capital leases to be recognized on lessee balance sheets. The standard will take effect for fiscal years beginning after December 15, 2021, and for interim periods within fiscal years beginning after December 15, 2022. Early application is permitted. AWA is assessing the potential impact this guidance will have on its financial statements.

Animal Welfare Association, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2020

Contributions - In June 2018, FASB issued ASU 2018-08 "*Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*". The new guidance assists not-for-profit entities in determining whether to account for a transfer of assets as a contribution or an exchange transaction. The update also clarifies that a contribution is conditional if the agreement includes both a barrier (as defined) and a right of return or release. The standard is effective for the current year.

Donor Imposed Restrictions

All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are restricted for future periods or are restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions in the statement of activities as net assets released from restrictions. AWA follows the policy of showing donor contributions whose restrictions are met in the same reporting period as donations without donor restrictions..

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

AWA considers all liquid investments with a maturity of three months or less to be cash equivalents. Cash equivalents at June 30, 2019 consisted of checking accounts, money market accounts, and savings accounts (including accounts held with the investment advisor).

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Animal Welfare Association, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2020

Donated Services

In accordance with generally accepted accounting principles, no amounts have been reflected in the financial statements relating to those donated services. AWA pays for services requiring specific expertise. However, many individuals provided more than 44,000 hours to perform a variety of tasks that assist AWA with various programs and special events.

Investments

Investments that are purchased are recorded at cost, or if donated at fair value at the date of the donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return (loss) is reported in the statements of activities and consist of interest and dividend income, realized and unrealized capital gains and losses, less external expenses.

Functional Allocation of Expenses

The costs of providing the programs and activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses are allocated on a reasonable basis this is consistently applied based on effort or time or usage.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation of buildings and equipment is provided over the estimated useful lives of the assets, ranging from five to thirty years, on a straight-line basis.

Income Taxes

ASC Topic 740 prescribes how an entity should measure, recognize, present and disclose in its financial statements tax positions that an organization has taken or expects to take on its information returns.

AWA regularly reviews and evaluates its tax positions taken in previously filed information returns with regard to issues affecting its tax exempt status, unrelated business income and related matters. Based on AWA's evaluation of their positions relating to any relevant matters no tax benefits or liabilities are required to be recognized

**Animal Welfare Association, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2020**

Income Taxes (continued)

in accordance with ASC Topic 740. AWA is subject to routine audits by taxing jurisdictions however, there are currently no audits for any tax periods in progress. AWA believes it is no longer subject to income tax examinations for years prior to 2016. Should there be an assessment of penalties and interest it is AWA's policy to recognize them as current year expenses. There have been no tax related interest or penalties for periods presented in these financial statements.

Advertising

AWA uses advertising to promote its programs and services within the communities it serves. The advertising costs are expensed as incurred.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2019 from which the summarized information was derived.

Subsequent Events

The Financial Accounting Standards Board has issued a standard that applies to annual financial periods ending after June 15, 2009. These standards establishes principles setting forth the period after the balance sheet date during which management shall evaluate events and transactions that may occur for potential recognition or disclosure in the financial statements. For the purposes of this accounting standard, AWA has evaluated subsequent events through December 2, 2020.

Animal Welfare Association, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2020

4. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of funds raised for the construction of a new Adoption and Education Center. See Note 7.

5. Cash in Banks

AWA maintains its checking accounts in one financial institution in Voorhees, New Jersey. At June 30 the balances were insured by the Federal Deposit Insurance Corporation up to \$250,000. At times throughout the year the Association's cash balances may exceed the insured limit. AWA believes that there is no significant risk with respect to these deposits.

6. Fair Value Measurements

AWA has adopted the Financial Accounting Standards Board's standards that applies to all assets and liabilities that are being measured and reported on a fair value basis. Fair value is the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A three-level disclosure hierarchy has been established to indicate the level of judgment used to estimate fair value measurements.

Level 1 – Uses unadjusted quoted prices that are available in active markets for identical assets or liabilities as of the reporting date.

Level 2 – Uses inputs other than Level 1 that are either directly or indirectly observable as of the reporting date through correlation with market data, including quoted prices for similar assets and liabilities in active markets and quoted prices in markets that are not active. Level 2 also includes assets and liabilities valued using models or other pricing methodologies that do not require significant judgment because the input assumptions used in the models, such as interest rates and volatility factors, are corroborated by readily observable data.

Level 3 - Uses inputs that are unobservable, supported by little or no market activity and reflect significant management judgment. These values are generally determined using pricing models that utilize management's estimates of market participant assumptions.