

**Animal Lifeline of Iowa**

**Financial Statements  
With Independent Auditor's Report**

**December 31, 2022 & 2021**



**PITTMAN & COMPANY, LLP**  
Certified Public Accountants

## **Animal Lifeline of Iowa**

### Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 – 12



## **Independent Auditor's Report**

Board of Directors  
Animal Lifeline of Iowa

### Opinion

We have audited the accompanying financial statements of Animal Lifeline of Iowa (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Animal Lifeline of Iowa as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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.

## Independent Auditor's Report (continued)

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

A handwritten signature in black ink that reads "Arthur Company, LLP". The signature is written in a cursive, flowing style.

July 21, 2023

**Animal Lifeline of Iowa**  
Statement of Financial Position  
December 31, 2022 and 2021

<b>Assets</b>	2022	2021
Current Assets		
Cash & cash equivalents	\$ 209,557	\$ 166,741
Investments	643,175	777,718
Inventory	109,810	96,395
Prepaid expenses	7,731	7,531
Total Current Assets	970,273	1,048,385
Property and Equipment		
Property and Equipment	144,945	138,900
Less: Accumulated Depreciation	134,172	130,679
Property and Equipment, Net	10,773	8,221
Other Assets		
Right-of-Use Assets	46,711	-
Total Other Assets	46,711	-
Total Assets	\$ 1,027,757	\$ 1,056,606
<b>Liabilities &amp; Net Assets</b>		
Current Liabilities		
Accrued Payroll and Benefits	\$ 2,946	\$ 2,940
Total Current Liabilities	2,946	2,940
Other Liabilities		
Finance Lease Liabilities	46,711	-
Total Other Liabilities	46,711	-
Total Liabilities	49,657	2,940
Net Assets Without Donor Restrictions		
Undesignated	334,925	275,948
Board Restricted	643,175	777,718
Total Net Assets Without Donor Restrictions	978,100	1,053,666
Total Liabilities & Net Assets	\$ 1,027,757	\$ 1,056,606

See accompanying notes to the financial statements.

**Animal Lifeline of Iowa**  
**Statement of Activities**  
For the Years Ended December 31, 2022 and 2021

	2022	2021
<b>Public Support and Revenue</b>		
Donations and Bequests	\$ 336,222	\$ 281,119
Special Events, Net	98,557	79,698
Thrift Shop, Net	89,170	86,430
Adoptions	14,025	10,490
Investment Income	(100,543)	103,610
Miscellaneous Income	-	52,563
<b>Total Public Support and Revenue</b>	<b>437,431</b>	<b>613,910</b>
<b>Expenses</b>		
Program	386,133	358,785
Administration	29,513	32,502
Fundraising	97,351	91,404
<b>Total Expenses</b>	<b>512,997</b>	<b>482,691</b>
<b>Net Assets Without Donor Restrictions</b>		
Change in Net Assets	(75,566)	131,219
Net Assets - Beginning of Year	1,053,666	922,447
Net Assets - End of Year	978,100	\$ 1,053,666

See accompanying notes to the financial statements.

**Animal Lifeline of Iowa**

Statement of Functional Expenses

For the Years Ended December 31, 2022 and 2021

	2022			2021				
	Program	Administration	Fundraising	Total	Program	Administration	Fundraising	Total
<b>Salaries &amp; Related Expenses</b>								
Salaries & wages	\$ 123,016	\$ -	\$ 65,543	\$ 188,559	\$ 110,575	\$ -	\$ 63,071	\$ 173,646
Payroll taxes	12,240	-	5,958	18,198	11,886	-	6,016	17,902
Employee benefits	1,701	801	931	3,433	2,027	-	1,137	3,164
<b>Total Salaries &amp; Related Expenses</b>	<b>136,957</b>	<b>801</b>	<b>72,432</b>	<b>210,190</b>	<b>124,488</b>	<b>-</b>	<b>70,224</b>	<b>194,712</b>
<b>Other Expenses</b>								
Advertising	-	-	98	98	-	-	249	249
General Insurance	1,549	1,483	-	3,032	1,459	1,388	-	2,847
Utilities	16,883	-	2,452	19,335	15,794	-	2,458	18,252
Supplies	14,435	5,591	2,894	22,920	19,078	6,701	3,591	29,370
Vehicle	2,740	-	-	2,740	2,415	-	-	2,415
Repairs & maintenance	4,426	235	-	4,661	4,380	657	83	5,120
Rent	35,001	-	-	35,001	34,213	-	-	34,213
Animal Care	113,036	-	-	113,036	106,521	-	-	106,521
Printing, Postage, and Shipping	8,343	-	-	8,343	8,860	-	-	8,860
Professional Fees	46,736	18,047	12,695	77,478	38,360	20,034	10,418	68,812
Travel	2,032	1,468	2,356	5,856	71	705	571	1,347
Miscellaneous	502	1,888	4,424	6,814	442	2,795	3,810	7,047
<b>Total Other Expenses</b>	<b>245,683</b>	<b>28,712</b>	<b>24,919</b>	<b>299,314</b>	<b>231,593</b>	<b>32,280</b>	<b>21,180</b>	<b>285,053</b>
Depreciation	3,493	-	-	3,493	2,704	222	-	2,926
<b>Total Expenses</b>	<b>\$ 386,133</b>	<b>\$ 29,513</b>	<b>\$ 97,351</b>	<b>\$ 512,997</b>	<b>\$ 358,785</b>	<b>\$ 32,502</b>	<b>\$ 91,404</b>	<b>\$ 482,691</b>

See accompanying notes to the financial statements.

**Animal Lifeline of Iowa**  
**Statement of Cash Flows**  
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (75,566)	\$ 131,219
Adjustments to reconcile change in net assets to net cash provided/from operating activities:		
Depreciation	3,493	3,141
Unrealized (gain)/loss on investments	114,378	(85,026)
Realized gain/(loss) on investments	(28,958)	(23,039)
(Increase)/Decrease in prepaid expenses	(200)	127
(Increase)/Decrease in inventory	(13,415)	1,429
Increase/(Decrease) in accrued liabilities	6	(205)
Net Cash Provided/(Used) by Operating Activities	<u>(262)</u>	<u>27,646</u>
Cash Flows from Investing Activities		
Purchase of property & equipment	(6,045)	(8,968)
Proceeds from sale of investments	206,694	304,666
Purchase of investments	<u>(157,571)</u>	<u>(267,139)</u>
Net Cash Provided/(Used) by Investing Activities	43,078	28,559
Cash Flows from Financing Activities		
Proceeds from PPP loan payable	<u>-</u>	<u>(52,563)</u>
Net Cash Provided/(Used) by Financing Activities	-	(52,563)
Net Increase/(Decrease) in Cash & Cash Equivalents	42,816	3,642
Cash & cash equivalents - beginning	<u>166,741</u>	<u>163,099</u>
Cash & Cash Equivalents - Ending	<u>\$ 209,557</u>	<u>\$ 166,741</u>

See accompanying notes to the financial statements.



**Animal Lifeline of Iowa**  
Notes to the Financial Statements  
For the Years Ended December 31, 2022 and 2021

**Note 1. Summary of Significant Accounting Policies**

New Accounting Pronouncement

Effective January 1, 2022 The Organization adopted ASU 2016-02, *Leases* (Topic 842). The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. Leases with a term of less than 12 months will not record a right-of-use asset and lease liability and the payments will be recognized into profit or loss on a straight-line basis over the lease term.

The Organization elected to adopt ASU 2016-02 using the optimal transition method that allows the Organization to initially apply the new leases standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of net assets in the period of adoption. As a result, the Organization reporting for the comparative period presented in the financial statements is in accordance with ASU 2016-02.

The Organization elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following: relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from evaluation of existing leases that have initial direct costs associated with the execution of the lease contract. The Organization also elected to adopt the practical expedient to use hindsight to determine the lease term and assess the impairment of the right-of-use assets.

The adoption of ASU 2016-02 resulted in the following impact at December 31, 2022:

Right-of-Use Assets	46,711
Finance Lease Liabilities	46,711

Nature of the Organization

Animal Lifeline of Iowa (the Organization), a nonprofit organization, is a special needs no-kill animal shelter.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the accounting principles appropriate for not-for-profit entities. The accrual basis of accounting is used by the Organization. Under this method, revenue is recognized in the period earned and expenses are recognized in the period incurred.

Financial statement presentation follows the guidelines set forth by the Financial Accounting Standards Board (FASB) in *Not-for-Profit Entities – Presentation of Financial Statements*. As part of the FASB guidelines, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

- With donor restrictions – assets that are required to be used in a later period or after a specified date (time restrictions), or that are required to be used for a specific purpose (purpose restriction), or both.
- Without donor restrictions – assets without any donor-imposed restrictions; although, a portion of these assets may have self-imposed limits (board-designated net assets).

**Animal Lifeline of Iowa**  
Notes to the Financial Statements  
For the Years Ended December 31, 2022 and 2021

**Note 1. Summary of Significant Accounting Policies (continued)**

Liquidity

The Organization's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash & cash equivalents	<u>\$ 209,557</u>
	<u>\$ 209,557</u>

Fixed Assets

Property and equipment determined to be a capital asset is valued at cost and depreciated using the straight-line method over the estimated useful life. An asset is considered for capitalization if it has a value greater than \$1,000 and has an expected useful life greater than one year. Property and equipment contributed to the Organization is recorded at the fair market value on the date of the contribution.

Inventory

Items donated to the Organization and purchased by the Organization for sale in the Organization's thrift shop are carried as inventory. Inventory is recorded at current retail price.

Donated Assets and Services

Donated property and equipment is generally reflected as a contribution in the financial statements. If an item is determined to be one that should be capitalized, it is recorded as part of property and equipment and depreciated accordingly.

A number of volunteers donate a significant amount of time to various functions of the Organization. Only amounts that have a determinable basis, and are in connection with specialized skills, are recorded.

Revenue Recognition

Revenue is categorized as follows at year-end:

- Contributions of cash & other financial assets
  - Consists of cash contributions and grants. Unconditional contributions are recognized at fair value when received or pledged. Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence or nature of any donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.
- Contributions of nonfinancial assets
  - Consists of donated items and products to be auctioned off as part of the annual auction event, as well as various animal supplies and food. The Organization recognizes and records contributions of donated non-cash assets at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills are provided by

**Animal Lifeline of Iowa**  
Notes to the Financial Statements  
For the Years Ended December 31, 2022 and 2021

**Note 1. Summary of Significant Accounting Policies (continued)**

Revenue Recognition (continued)

individuals possessing these skills and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received. Donated services received during the year consisted of professional fees for accounting services utilized as part of general operations and were valued based on current rates for similar services.

- Revenue
  - Consists primarily of animal adoption and care, events, investment income, and merchandise sales from the Organizations thrift shop. The Organization recognizes revenue from exchange transactions when the earnings process is complete and goods have been delivered or services performed. The Organization earns revenue through its thrift shop, which are large revenue sources made up of small transactions.

Contributions

Unconditional contributions are recognized at fair value when received or pledged. Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence or nature of any donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Advertising

Advertising is expensed in the period incurred. Advertising amounted to \$98 and \$249 for the years ended 2022 and 2021, respectively.

Allocation of Functional Expenses

The costs of program and supporting service 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. Certain costs are attributed to more than one program or supporting function and, therefore, require allocation among the programs and supporting services benefited. Management believes their allocations are done on a reasonable and consistent basis. Most personnel costs, office expenses, professional services, and other expenses are identified with a specific program or supporting function at the time they are incurred and are reported accordingly. However, some of these expenses require allocation, which is done on the basis of estimates of time and effort.

Investments

The Organization holds an investment fund with Comerica Bank & Trust. Investments are unrestricted in nature; however, investment use is designated by the Board of Directors.

Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Animal Lifeline of Iowa**  
Notes to the Financial Statements  
For the Years Ended December 31, 2022 and 2021

**Note 1. Summary of Significant Accounting Policies (continued)**

Income Taxes

The Organization is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code except to the extent of taxes on unrelated business income. As required by the FASB *Income Taxes* topic, the Organization has evaluated their material tax positions and determined no income tax affects with respect to the financial statements. The Organization is no longer subject to U.S. Federal or State tax examinations by tax authorities for years prior to 2018. There has been no notice of any impending examinations by tax authorities, and no examinations are in process.

**Note 2. Fair Value Measurements**

The Organization has adopted the provisions of the FASB *Fair Value Measurement* topic, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Professional standards establish a framework for measuring fair value. 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 level 1 inputs and the lowest priority to level 3 inputs. The three levels of the hierarchy are described as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included within *Level 1* that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

The following table presents financial instruments that are measured at fair value on a recurring basis as of December 31, 2022:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Funds	\$ 31,439	\$ 31,439	\$ -	\$ -
Fixed Income	594,126	594,126	-	-
Mutual Funds	17,610	17,610	-	-
	<u>\$ 643,175</u>	<u>\$ 643,175</u>	<u>\$ -</u>	<u>\$ -</u>

The following table presents financial instruments that are measured at fair value on a recurring basis as of December 31, 2021:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Funds	\$ 26,300	\$ 26,300	\$ -	\$ -
Fixed Income	740,128	740,128	-	-
Mutual Funds	11,290	11,290	-	-
	<u>\$ 777,718</u>	<u>\$ 777,718</u>	<u>\$ -</u>	<u>\$ -</u>

**Animal Lifeline of Iowa**  
Notes to the Financial Statements  
For the Years Ended December 31, 2022 and 2021

**Note 2. Fair Value Measurements (continued)**

Investment return consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Realized gain/(loss)	28,958	23,039
Unrealized gain/(loss)	(135,817)	74,936
Interest & dividends	17,026	15,725
Investment fees/Transfers	<u>(10,710)</u>	<u>(10,090)</u>
Net investment return	<u>(100,543)</u>	<u>103,610</u>

**Note 3. Fixed Assets**

Major classes of fixed assets are as follows as of December 31:

	<u>2022</u>	<u>2021</u>
Vehicles	\$ 24,000	\$ 24,000
Furniture and Equipment	120,945	114,900
Accumulated Depreciation	<u>(134,172)</u>	<u>(130,679)</u>
	<u>\$ 10,773</u>	<u>\$ 8,221</u>

**Note 4. Line of Credit**

The Organization had obtained a line of credit for short-term operating needs in 2019. The credit limit is \$70,000 at an interest rate of 8.5%. The amount outstanding on the line of credit was \$0 at December 31, 2022 and 2021

**Note 5. Leases**

The Organization entered operating leases for the Thrift Shop requiring monthly payments of \$2,500. The lease is for 60 months beginning January 1, 2019, running through December 2023. The Organization also entered into an operating lease for the shelter building, one that ended in March 2021 and was renewed from April 2021 running through March 2025. These leases require monthly payment of \$2,600 and \$2,650, respectively. Minimum lease payments are as follows:

<u>FY Ending</u>	<u>Amount</u>
2023	65,256
2024	35,356
2025	13,956
2026	3,256
2027	543
Total	<u>118,367</u>

**Animal Lifeline of Iowa**  
Notes to the Financial Statements  
For the Years Ended December 31, 2022 and 2021

**Note 7. Subsequent Events**

Management has reviewed and evaluated material subsequent events from the Statement of Financial Position date of December 31, 2022 through the financial statement issuance date of July 21, 2023. There were no subsequent events requiring adjustment to the financial statements.