

WASHINGTON ANIMAL RESCUE LEAGUE
AUDITED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009

Washington Animal Rescue League

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Independent Auditor's Report

Board of Directors
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We have audited the accompanying Statements of Financial Position of the **Washington Animal Rescue League** (the "League"), as of December 31, 2010 and 2009, and the related Statements of Activities and Changes in Net Assets, Functional Expenses and Cash Flows for the years then ended. These financial statements are the responsibility of the League's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Washington Animal Rescue League's** internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Washington Animal Rescue League** as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Rockville, Maryland
March 4, 2011

Washington Animal Rescue League

Statements of Financial Position

<i>December 31,</i>	2010	2009
Assets		
Cash and cash equivalents	\$ 1,124,894	\$ 1,178,314
Bequests receivable	250,000	101,998
Inventory	61,367	43,667
Prepaid expenses and other assets	75,411	79,333
Promises to give, net	240,331	692,571
Investments, at fair value	6,383,287	6,552,215
Restricted investments	3,377,888	3,490,965
Escrow deposit	150,000	-
Property and equipment, net	7,233,452	7,284,531
Beneficial interest in perpetual trusts	106,490	100,271
Total assets	\$ 19,003,120	\$ 19,523,865
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 124,808	\$ 142,172
Note payable	3,377,888	3,490,965
Charitable gift annuities	70,287	-
Total liabilities	3,572,983	3,633,137
Net assets		
Unrestricted		
Undesignated	10,517,678	10,717,808
Board designated	1,092,313	1,131,737
Total unrestricted net assets	11,609,991	11,849,545
Temporarily restricted	567,313	794,569
Permanently restricted	3,252,833	3,246,614
Total net assets	15,430,137	15,890,728
Total liabilities and net assets	\$ 19,003,120	\$ 19,523,865

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Washington Animal Rescue League

Statement of Activities and Changes in Net Assets

<i>Year Ended December 31, 2010</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support				
Contributions	\$ 3,085,295	\$ 369,689	\$ -	\$ 3,454,984
Adoption and hospital fees	423,489	-	-	423,489
Donated stock	157,892	-	-	157,892
In-kind contributions	122,244	-	-	122,244
Interest and dividends	193,614	-	-	193,614
Other income	30,640	-	-	30,640
Change in value of gift annuities	(1,537)	-	-	(1,537)
Change in value of perpetual trusts	-	-	6,219	6,219
Net assets released from restrictions	596,945	(596,945)	-	-
Total revenue and support	4,608,582	(227,256)	6,219	4,387,545
Expenses				
Program services				
Shelter operations	1,039,425	-	-	1,039,425
Hospital operations	1,690,090	-	-	1,690,090
Communications/Humane education	1,168,537	-	-	1,168,537
Total program services	3,898,052	-	-	3,898,052
Supporting services				
Management and general	445,001	-	-	445,001
Development / Fundraising	1,147,519	-	-	1,147,519
Total supporting services	1,592,520	-	-	1,592,520
Total expenses	5,490,572	-	-	5,490,572
Change in net assets before net gain on investments	(881,990)	(227,256)	6,219	(1,103,027)
Net gain on investments	642,436	-	-	642,436
Change in net assets	(239,554)	(227,256)	6,219	(460,591)
Net assets, beginning of year	11,849,545	794,569	3,246,614	15,890,728
Net assets, end of year	\$ 11,609,991	\$ 567,313	\$ 3,252,833	\$ 15,430,137

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Washington Animal Rescue League

Statement of Activities and Changes in Net Assets

<i>Year Ended December 31, 2009</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support				
Contributions	\$ 2,932,664	\$ 450,336	\$ 457,995	\$ 3,840,995
Adoption and hospital fees	445,551	-	-	445,551
Donated stock	33,896	-	-	33,896
In-kind contributions	278,187	-	-	278,187
Interest and dividends	213,275	-	-	213,275
Other income	42,105	-	-	42,105
Change in value of perpetual trusts	-	-	12,529	12,529
Net assets released from restrictions	1,576,818	(1,576,818)	-	-
Total revenue and support	5,522,496	(1,126,482)	470,524	4,866,538
Expenses				
Program services				
Shelter operations	1,045,522	-	-	1,045,522
Hospital operations	1,688,439	-	-	1,688,439
Communications/Humane education	930,310	-	-	930,310
Total program services	3,664,271	-	-	3,664,271
Supporting services				
Management and general	362,278	-	-	362,278
Development / Fundraising	1,048,933	-	-	1,048,933
Total supporting services	1,411,211	-	-	1,411,211
Total expenses	5,075,482	-	-	5,075,482
Change in net assets before net gain on investments	447,014	(1,126,482)	470,524	(208,944)
Net gain on investments	1,131,774	-	-	1,131,774
Change in net assets	1,578,788	(1,126,482)	470,524	922,830
Net assets, beginning of year	10,270,757	1,921,051	2,776,090	14,967,898
Net assets, end of year	\$ 11,849,545	\$ 794,569	\$ 3,246,614	\$ 15,890,728

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Washington Animal Rescue League

Statement of Functional Expenses

<i>Year Ended December 31, 2010</i>	Shelter Operations	Hospital Operations	Communications/ Humane Education	Management and General	Development/ Fundraising	Total
Advertising	\$ -	\$ -	\$ 25,236	\$ 25	\$ 8,886	\$ 34,147
Animal care	47,754	266,258	22,850	-	37	336,899
Bad debt expense	-	-	267	-	18,772	19,039
Bank and payroll service fees	10,273	16,212	12,265	5,196	11,137	55,083
Building supplies	29,913	153	94	-	-	30,160
Computer expenses and software	24,940	27,558	30,350	6,802	21,736	111,386
Database administration	-	-	956	-	53,738	54,694
Depreciation	57,542	90,808	67,270	29,156	27,632	272,408
Dues and memberships	-	1,541	241	1,951	2,234	5,967
Employee benefits	80,430	126,929	94,109	40,674	38,622	380,764
Equipment rental	1,135	10,861	1,542	1,067	706	15,311
Gala and other events	-	1,674	2,670	-	120,899	125,243
Insurance - business	5,060	4,998	3,440	1,110	3,215	17,823
Interest	48,289	74,612	50,542	19,483	22,750	215,676
Legal fees	8,875	14,006	10,385	4,488	4,262	42,016
Licenses and permits	150	4,184	335	-	6,483	11,152
List management	-	-	-	-	33,244	33,244
Merchandise	-	24	19,175	-	1,869	21,068
Miscellaneous	1,513	467	5,025	277	7,599	14,881
Office supplies and expense	1,476	4,385	3,006	2,850	1,417	13,134
Payroll taxes	43,667	71,921	51,078	20,249	21,745	208,660
Postage	1,078	1,633	10,216	716	115,691	129,334
Printing and publishing	1,641	2,326	45,419	1,307	306,132	356,825
Professional fees	18,753	36,949	16,886	7,475	23,966	104,029
Repairs and maintenance	63,154	3,906	1,759	221	198	69,238
Salaries and wages	541,195	854,073	633,235	273,678	259,880	2,562,061
Staff events	1,670	1,662	1,189	1,490	1,049	7,060
Telephone services	6,137	6,263	8,248	3,730	2,723	27,101
Temporary staffing	-	-	6,675	-	4,388	11,063
Trash removal	3,315	3,275	2,254	727	2,107	11,678
Travel	319	3,310	4,795	2,570	7,312	18,306
Uniforms and laundry	3,200	2,044	824	342	375	6,785
Utilities	37,946	58,058	36,201	19,417	16,715	168,337
Totals	\$ 1,039,425	\$ 1,690,090	\$ 1,168,537	\$ 445,001	\$ 1,147,519	\$ 5,490,572

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Washington Animal Rescue League

Statement of Functional Expenses

<i>Year Ended December 31, 2009</i>	Shelter Operations	Hospital Operations	Communications/ Humane Education	Management and General	Development/ Fundraising	Total
Advertising	\$ 64	\$ 740	\$ 1,211	\$ -	\$ 11,661	\$ 13,676
Animal care	49,327	263,502	24,932	-	-	337,761
Bad debt expense	-	-	-	-	30,000	30,000
Bank and payroll service fees	6,899	9,782	6,486	8,845	20,466	52,478
Building supplies	25,661	124	-	-	-	25,785
Computer expenses and software	12,829	15,658	11,153	4,369	14,481	58,490
Database administration	-	-	-	-	52,424	52,424
Depreciation	57,471	81,481	54,027	35,614	8,497	237,090
Dues and memberships	-	1,185	259	1,623	320	3,387
Employee benefits	64,334	78,722	57,242	19,764	9,787	229,849
Equipment rental	1,853	9,546	1,839	564	1,382	15,184
Gala and other events	-	5,790	1,875	-	104,016	111,681
Insurance - business	9,401	13,324	8,828	5,843	1,146	38,542
Interest	55,041	78,036	51,743	34,063	8,139	227,022
Legal fees	4,295	5,932	3,882	2,433	5,863	22,405
Licenses and permits	-	617	175	303	525	1,620
List management	-	-	-	-	23,580	23,580
Merchandise	-	-	24,796	-	1,272	26,068
Miscellaneous	4,942	5,562	7,612	2,379	2,966	23,461
Office supplies and expense	321	3,680	3,227	2,904	1,054	11,186
Payroll taxes	46,670	55,478	42,857	18,380	6,827	170,212
Postage	934	7,909	6,574	607	111,621	127,645
Printing and publishing	2,201	3,447	22,128	2,447	237,706	267,929
Professional fees	31,498	265,263	23,355	14,558	13,405	348,079
Repairs and maintenance	50,233	9,192	1,578	967	792	62,762
Salaries and wages	568,704	695,882	505,995	174,712	86,512	2,031,805
Staff events	730	1,224	791	790	340	3,875
Telephone services	6,210	8,597	5,912	4,392	1,501	26,612
Temporary staffing	-	-	13,041	-	282,554	295,595
Trash removal	978	8,219	1,153	887	200	11,437
Travel	237	508	5,615	63	3,094	9,517
Uniforms and laundry	4,348	1,999	624	34	8	7,013
Utilities	40,341	57,040	41,400	25,737	6,794	171,312
Totals	\$ 1,045,522	\$ 1,688,439	\$ 930,310	\$ 362,278	\$ 1,048,933	\$ 5,075,482

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Washington Animal Rescue League

Statements of Cash Flows

<i>Years Ended December 31</i>	2010	2009
Cash flows from operating activities		
Change in net assets	\$ (460,591)	\$ 922,830
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation	272,408	237,090
Net realized and unrealized (gains) losses on investments	(642,436)	(1,131,774)
Donated stock	(157,892)	(33,896)
Unrealized (gains) losses on perpetual trusts	(6,219)	(12,530)
Bad debt expense	19,039	30,000
Change in present value discount	(24,749)	8,085
Decrease (increase) in:		
Bequests receivable	(148,002)	210,263
Inventory	(17,700)	25,043
Prepaid expenses and other assets	3,922	(9,249)
Promises to give	457,950	(126,104)
(Decrease) increase in:		
Accounts payable and accrued expenses	(17,364)	(45,388)
Charitable gift annuity	70,287	-
Net cash (used) provided by operating activities	(651,347)	74,370
Cash flows from investing activities		
Net proceeds from sale of investments	1,760,943	4,478,771
Purchases of property and equipment	(221,329)	(207,228)
Payment of escrow deposit	(150,000)	-
Purchases of investments	(678,610)	(4,652,041)
Net cash provided (used) by investing activities	711,004	(380,498)
Cash flows from financing activities		
Repayment of note payable	(113,077)	(106,133)
Net cash used by financing activities	(113,077)	(106,133)
Decrease in cash and cash equivalents	(53,420)	(412,261)
Cash and cash equivalents, beginning of year	1,178,314	1,590,575
Cash and cash equivalents, end of year	\$ 1,124,894	\$ 1,178,314
Supplemental disclosures		
Interest paid	\$ 215,676	\$ 227,022

The accompanying Notes to Financial Statements are an integral part of these financial statements.

Washington Animal Rescue League

Notes to Financial Statements

1. Organization and significant accounting policies

Organization: The Washington Animal Rescue League (the “League”) is an animal shelter established in 1914 to maintain a safe and clean facility for sick and unwanted dogs and cats. Beginning in 1996, the League expanded the scope of their services by opening an animal hospital that provides low cost veterinarian services to low-income residents of the surrounding communities.

Basis of presentation: Net assets and revenues are classified based on the existence or absence of donor imposed restrictions and reported as follows:

Unrestricted net assets - net assets that are not subject to donor-imposed stipulations.

Board designated net assets - unrestricted net assets that have been set aside as a reserve for operating expenses.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that will be met either by actions of the League and/or the passage of time.

Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained permanently by the League.

Cash and cash equivalents: The League considers all highly liquid investments and debt instruments whose original maturity is 90 days or less to be cash equivalents. The League maintains balances which may exceed federally insured limits. Management does not believe that this results in any significant credit risk.

Bequests receivable: The League is named as a beneficiary of a portion of various estates. These estates were in the process of being settled and the proceeds distributed to the beneficiaries. Bequests are recognized when they become known to the League. Amounts expected to be received within one year are recorded at net realizable value, and those expected to be received in more than one year are recorded at the discounted present value. Management believes bequests receivable are fully collectible.

Inventory: Inventory consists of medicine and medical supplies and is stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

Promises to give: Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the discounted present value of their estimated future cash flows. The discounts on those amounts for promises to give made prior to January 1, 2008, are computed using a rate of four to six percent.

Washington Animal Rescue League

Notes to Financial Statements

1. Organization and significant accounting policies (continued)

The discounts on those amounts for pledges made after January 1, 2008, are computed using a discount rate equal to the prevailing local borrowing rate. Amortization of the discount is included in temporarily restricted contribution revenue.

The League's management periodically reviews the status of these receivables for collectibility, which is assessed based on management's knowledge of a relationship with the donor and the age of the receivable. As a result of these reviews, all receivables deemed uncollectible are provided for with an appropriate allowance for doubtful accounts recorded based on an estimate of the probable doubtful accounts. Conditional promises to give are not included as support until the conditions are substantially met.

Investments: Investments are reported at fair value based on the following: (1) For the valuation of common stocks and mutual funds, the League used quoted prices in principal active markets for identical assets, and (2) For the valuation of government securities, corporate bonds and foreign equities the League used significant other observable inputs, particularly dealer market prices for comparable investments. Gains and losses on investments, including changes in fair value, are reported in the Statements of Activities and Changes in Net Assets as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulation or law or under the accounting rules for endowments pursuant to the DC Uniform Prudent Management of Institutional Funds Act (UPMIFA).

The uninvested cash and money market portions of the investment portfolio are considered investments as they are held for long-term investment.

The League invests in professionally managed portfolios that contain common shares of publicly traded companies, corporate bonds, and government securities. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Restricted investments: Restricted investments consist of securities held as collateral for outstanding loans.

Fair value measurement: The League values certain assets at fair value in accordance with a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1. Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Washington Animal Rescue League

Notes to Financial Statements

1. Organization and significant accounting policies (continued)

Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Property and equipment: Property and equipment over \$1,000 is recorded at cost and is depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Building and improvements	40 years
Equipment	7 years
Furniture and fixtures	7 years
Vehicles-ambulance	5 years

Donated assets are capitalized at the estimated fair value at the date of receipt.

Gift annuities: Gift annuities are contracts between the League and a donor in which the League agrees to pay the donor (or other person named by the donor) a lifetime annuity in return for a gift of cash or marketable securities. The assets received by the League are recorded at fair market value at the date of the donation. A liability is recorded for the amount due to an income beneficiary of a gift annuity based on the present value of the estimated future payments to be distributed during the income beneficiary's expected life. Each year, the liability is re-measured and changes in the liability due to factors other than cash payments, such as changing life expectancies, are recorded as an increase or decrease to revenue and support. The discount rate ranges from 3% to 4% depending on the discount rate in effect at the time of the gift.

Revenue recognition: The League's primary sources of revenue are contributions and investment income. Contributions received by the League, which include unconditional promises to give, are recognized as revenue in the period received or promised. Conditional contributions are recorded when the conditions have been met. Contributions are considered to be unrestricted unless specifically restricted by the donor. Contributions with donor-imposed restrictions that are met in the same year as received are reported as revenues in the unrestricted net asset class. Investment income is recognized as revenue when earned. Adoption and hospital fees are recognized as revenue when the services are provided.

The League holds several special fundraising events during the year to raise contributions for general support and awareness within the community. Included in contributions revenue and development expenses on the accompanying financial statements for the years ended December 31, 2010 and 2009, are special event revenues of \$467,210 and \$225,431, respectively, and direct expenses of \$148,143 and \$158,580, respectively.

Washington Animal Rescue League

Notes to Financial Statements

1. Organization and significant accounting policies (continued)

In-kind contributions: Contributions of donated non-cash assets are recorded at their fair values in the period received. Donated services are recognized if the services create or enhance non-financial assets, or require specialized skills, are performed by people with those skills, and would otherwise need to be purchased by the League.

Functional expenses: Expenses are either charged directly to program services as incurred or allocated to functional categories based on estimates of time spent for salaries, benefits and payroll costs or estimates of usage for items such as occupancy and indirect costs.

Costs of joint activities: The League accounts for costs of joint activities which are part fundraising and have elements of one or more other functions, such as program or management and general according to certain criteria of purpose, audience and content in order to allocate any portion of the costs of joint activities to a functional area other than fundraising.

Tax status: The League has been determined to be exempt from federal income tax pursuant to Internal Revenue Code Section 501(c)(3), and is classified as an organization that is not a private foundation.

Uncertainty in income taxes: The League evaluates uncertainty in income tax positions based on a more-likely-than not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. As of December 31, 2010 and 2009, there are no accruals for uncertain tax positions. If applicable, the League records interest and penalty as a component of income tax expense. Tax years from 2007 through the current year remain open for examination by tax authorities.

Management estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Reclassifications: Certain 2009 balances have been reclassified to conform to the 2010 presentation.

Subsequent events: Management has evaluated subsequent events for disclosure in these financial statements through March 4, 2011, which is the date the financial statements are available to be issued.

Washington Animal Rescue League

Notes to Financial Statements

- 2. Promises to give** Promises to give consist of unconditional promises expected to be collected as of December 31:

	2010	2009
Amounts due in		
Less than 1 year	\$ 241,200	\$ 514,750
One to five years	18,750	300,650
Total promises to give	259,950	815,400
Less: Discount to present value	(232)	(24,981)
Less: Allowance for doubtful accounts	(19,387)	(97,848)
Promises to give, net	\$ 240,331	\$ 692,571

- 3. Investments** Investments consisted of the following as of December 31:

	2010	2009
Common stocks	\$ 4,631,979	\$ 4,182,758
Corporate bonds	2,728,252	3,108,150
Foreign equities	192,331	106,497
Government securities	262,850	675,661
Money market funds	322,229	1,246,620
Municipal bonds	793,001	-
Mutual funds	830,533	723,494
Total	\$ 9,761,175	\$ 10,043,180
Investments	\$ 6,383,287	\$ 6,552,215
Restricted investments	3,377,888	3,490,965
Total	\$ 9,761,175	\$ 10,043,180

Investment gain consisted of the following for the years ended December 31:

	2010	2009
Realized and unrealized gains	\$ 642,436	\$ 1,131,774
Interest and dividends, net	193,614	213,275
Total	\$ 836,050	\$ 1,345,049

Interest and dividends for the years ended December 31, 2010 and 2009, are net of broker fees of \$53,966 and \$60,929, respectively.

Washington Animal Rescue League

Notes to Financial Statements

4. Fair value The fair value of investments is as follows:

December 31, 2010	Total	Level 1	Level 2
Beneficial interest in perpetual trusts	\$ 106,490	\$ -	\$ 106,490
Investments:			
Common stocks	\$ 4,631,979	\$ 4,631,979	\$ -
Corporate bonds	2,728,252	-	2,728,252
Foreign equities	192,331	-	192,331
Government securities	262,850	-	262,850
Money market funds	322,229	322,229	-
Municipal bonds	793,001	-	793,001
Mutual funds	830,533	830,533	-
Total investments	\$ 9,761,175	\$ 5,784,741	\$ 3,976,434
<hr/>			
December 31, 2009	Total	Level 1	Level 2
Beneficial interest in perpetual trusts	\$ 100,271	\$ -	\$ 100,271
Investments:			
Common stocks	\$ 4,182,758	\$ 4,182,758	\$ -
Corporate bonds	3,108,150	-	3,108,150
Foreign equities	106,497	-	106,497
Government securities	675,661	-	675,661
Money market funds	1,246,620	1,246,620	-
Mutual funds	723,494	723,494	-
Total investments	\$ 10,043,180	\$ 6,152,872	\$ 3,890,308

For the valuation of beneficial interest in perpetual trusts, the League used significant other observable inputs, particularly dealer market prices for comparable investments.

5. Property and equipment Property and equipment consisted of the following as of December 31:

	2010	2009
Land	\$ 241,766	\$ 241,766
Building and improvements	8,408,240	8,329,616
Building acquisition costs	49,014	-
Equipment	475,880	445,561
Furniture and fixtures	301,975	271,595
Vehicles	112,078	79,085
Land improvements	294,044	294,044
Total property and equipment	9,882,997	9,661,667
Accumulated depreciation	(2,649,544)	(2,377,136)
Property and equipment, net	\$ 7,233,453	\$ 7,284,531

Washington Animal Rescue League

Notes to Financial Statements

- 5. Property and equipment (continued)** Depreciation expense for the year ended December 31, 2010 and 2009, was \$272,408 and \$237,090, respectively.
- 6. Escrow deposit** The League has put down a deposit towards the purchase of property adjacent to the current location. This purchase would allow the League to eventually expand the hospital.
- 7. Beneficial interest in perpetual trusts** The League is named as a beneficiary of two perpetual trusts administered by financial institutions. The League's value of its interest in the trusts at December 31, 2010 and 2009, was \$106,490 and \$100,271, respectively. The trusts are recognized as an asset and as permanently restricted net assets in the accompanying financial statements. The League receives quarterly distributions which are based on the dividend and interest income received on the assets of the trusts during the quarter. The quarterly distributions are recorded as unrestricted investment income when received. The League's share of changes in the fair value of the trust assets are recognized as permanently restricted changes in perpetual trust value.
- 8. Note payable and restricted investments** The League funded a major construction project for its building with a construction loan that was converted into a ten year term note payable on June 27, 2007, in the original amount of \$3,750,000 bearing interest at 6.33% per annum. Monthly payments of \$27,766 are made with a balloon payment due in June of 2017. Certain investments serve as security for the loan. As of December 31, 2010 and 2009, the amount of restricted investments equals the loan balance of \$3,377,888 and \$3,490,965, respectively.

The following is a schedule of future principal maturities of long term debt.

Year ending December 31,	Amount
2011	\$ 119,435
2012	126,731
2013	135,706
2014	144,676
2015	154,240
Thereafter	2,697,100
Total	\$ 3,377,888

- 9. Temporarily restricted net assets** As of December 31, 2010 and 2009, the League's temporarily restricted net assets were available for the following purposes and programs:

	2010	2009
WARL Van purchase	\$ 76,982	\$ -
Time restricted for periods after December 31:		
Bequests receivable	250,000	101,998
Promises to give, net	240,331	692,571
Temporarily restricted net assets	\$ 567,313	\$ 794,569

Washington Animal Rescue League

Notes to Financial Statements

10. Endowment funds

The League's endowment consists of permanently restricted contributions established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of the Relevant Law

Management of the League has interpreted the DC Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the League classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund will be classified in temporarily restricted net assets (to the extent the cumulative balance in the endowment fund exceeds the original corpus amount) until those amounts are appropriated for expenditure by the League in a manner consistent with the standard prudence prescribed by UPMIFA. Losses from the endowment fund will be allocated against unrestricted net assets with subsequent earnings and appreciation restoring the unrestricted net assets. In accordance with UPMIFA, the League considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization.

Endowment Net Assets Composition by Type of Fund as of December 31, 2010:

	Unrestricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (25,560)	\$ 3,252,833	\$ 3,227,273

Endowment Net Assets Composition by Type of Fund as of December 31, 2009:

	Unrestricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (171,499)	\$ 3,246,614	\$ 3,075,115

Washington Animal Rescue League

Notes to Financial Statements

**10. Endowment funds
(continued)**

Changes in Endowment Net Assets For the Year Ended December 31, 2010:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ (171,499)	\$ 3,246,614	\$ 3,075,115
Investment return:			
Investment income	64,459	-	64,459
Net gain (realized and unrealized)	213,882	-	213,882
Total investment return	278,341	-	278,341
Change in value of perpetual trusts	-	6,219	6,219
Appropriation of endowment assets for expenditure	(132,402)	-	(132,402)
Endowment net assets, end of year	\$ (25,560)	\$ 3,252,833	\$ 3,227,273

Changes in Endowment Net Assets For the Year Ended December 31, 2009:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ (471,015)	\$ 2,776,090	\$ 2,305,075
Investment return:			
Investment income	62,327	-	62,327
Net gain (realized and unrealized)	330,750	-	330,750
Total investment return	393,077	-	393,077
Contributions	-	457,995	457,995
Change in value of perpetual trusts	-	12,529	12,529
Appropriation of endowment assets for expenditure	(93,561)	-	(93,561)
Endowment net assets, end of year	\$ (171,499)	\$ 3,246,614	\$ 3,075,115

Washington Animal Rescue League

Notes to Financial Statements

10. Endowment funds (continued)

Description of Amounts Classified as Permanently Restricted Net Assets and Unrestricted Net Assets (Endowment Only)

	2010	2009
Permanently restricted net assets		
The portion of perpetual endowment fund that is required to be retained permanently either by explicit donor stipulation or by UPMIFA.	\$ 3,252,833	\$ 3,246,614
Unrestricted net assets		
The earnings from the endowment fund not subject to restrictions.	\$ (25,560)	\$ (171,499)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the League to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. These deficiencies may result from unfavorable market fluctuations that occur shortly after the investment of new permanently restricted contributions and continue appropriation for certain programs as is deemed prudent by the Finance Committee. As of December 31, 2010 and 2009, cumulative fund losses allocated against unrestricted net assets are \$25,560 and \$171,499, respectively. Future earnings and appreciation will go to restore these amounts until made whole.

Return Objectives and Risk Parameters

The League has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to preserve the endowment assets. Endowment assets include those assets of donor-restricted funds that the League must hold in perpetuity or for a donor-specified period. Under the investment policy, the endowment assets are diversified among both equity and fixed-income securities so as to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category. It is the policy of the League to utilize professional management services for the investment of the endowment funds.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the League relies on a return strategy in which investment returns are achieved through current yield (interest and dividends) and capital appreciation.

Washington Animal Rescue League

Notes to Financial Statements

10. Endowment funds (continued) **Spending Policy and How the Investment Objectives Relate to Spending Policy**
 It is the normal policy of the League to annually distribute 5% of a trailing four-year average of the endowment's total assets value, with the understanding that this spending rate will not normally exceed total real return (return net of inflation) from investments over time. Specific spending and budgeting procedures are established by the Finance Committee

It shall be the responsibility of the Finance Committee to periodically review the spending policy in light of actual returns in order to ensure the preservation of purchasing power of the endowment.

11. In-kind contributions The League receives many in-kind contributions of supplies and services used for its programs. Total amounts of contributed supplies and services for the years ended December 31, 2010 and 2009, were \$122,244 and \$278,187, respectively.

12. Allocation of joint costs During 2010 and 2009, the League incurred joint costs of \$541,780 and \$452,670, respectively, for informational materials primarily related to direct mail and newsletters that included fundraising appeals. These costs are included in various line items on the Statements of Functional Expenses. Pursuant to the joint cost rules (see Note 1) these costs were allocated to the functional areas as follows for the years ended December 31:

	2010	2009
Program	\$ 41,014	\$ 32,677
Fundraising	500,766	419,993
Total	\$ 541,780	\$ 452,670

13. Retirement plan The League's employees are eligible for coverage under a 401(k) retirement plan. Under the terms of the retirement plan, eligible employees may elect to defer a portion of their compensation to be contributed to the plan. In addition, the League may make discretionary contributions on behalf of all eligible employees based on a percentage of eligible employees' salaries. The League funds retirement costs as they accrue. The League contributed to the plan for the years ended December 31, 2010 and 2009, \$65,274 and \$5,776, respectively.

14. Related party transaction The League compensates a board member for legal services provided during the year. For the years ended December 31, 2010 and 2009, the amount compensated was \$16,200 and \$16,000 respectively.

15. Concentration of risk At December 31, 2010 and 2009, approximately 91% and 80%, respectively, of the League's promises to give were from two contributors.