

INDRALOKA ANIMAL SANCTUARY, INC.

**YEARS ENDED
DECEMBER 31, 2018 AND 2017**

INDRALOKA ANIMAL SANCTUARY, INC.
YEARS ENDED DECEMBER 31, 2018 AND 2017

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**Kronick
Kalada
Berdy & Co.**
A Professional Corporation

Certified Public Accountants

Officers/Shareholders

William R. Lazor, CPA/PFS, CFE
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Louis E. Marcin, CPA
Jason C. Williams, CPA

Donald M. Kronick, CPA
Joseph J. Kalada, CPA
Paul Berdy, CPA

Independent Auditors' Report

Board of Directors
Indraloka Animal Sanctuary, Inc.
Mehoopany, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Indraloka Animal Sanctuary, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indraloka Animal Sanctuary, Inc., as of December 31, 2018 and 2017, 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.

Kronck Kalada Berdy & Co.

Kingston, Pennsylvania
April 15, 2019

INDRALOKA ANIMAL SANCTUARY, INC.
STATEMENTS OF FINANCIAL POSITION
YEARS ENDED DECEMBER 31, 2018 AND 2017

	ASSETS	
	<u>2018</u>	<u>2017</u>
Cash	\$ 492,133	\$ 326,744
Contributions receivable	116,500	-
Prepaid expenses	1,828	2,491
Property and equipment, net	<u>1,167,190</u>	<u>829,827</u>
Total assets	<u>\$ 1,777,651</u>	<u>\$ 1,159,062</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 43,888	\$ 20,199
Accrued liabilities	14,438	9,897
Deferred revenue	34,000	30,000
Long-term debt	<u>-</u>	<u>6,448</u>
Total liabilities	<u>92,326</u>	<u>66,544</u>
Net assets:		
Without donor restrictions	1,545,325	1,092,518
With donor restrictions	<u>140,000</u>	<u>-</u>
Total net assets	<u>1,685,325</u>	<u>1,092,518</u>
Total liabilities and net assets	<u>\$ 1,777,651</u>	<u>\$ 1,159,062</u>

See notes to financial statements

INDRALOKA ANIMAL SANCTUARY, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Change in net assets without donor restrictions:		
Revenues:		
Contributions	\$ 785,214	\$ 847,691
Contributions, long lived assets	500,000	690,000
Grants	30,000	2,500
Donations in kind, principally animal expense	110,388	86,234
Program and event income	-	14,627
Miscellaneous income	12,804	21,961
Total revenues	<u>1,438,406</u>	<u>1,663,013</u>
Expenses:		
Salaries and wages	416,783	328,786
Animal expense	182,061	200,839
Insurance	65,015	58,802
Educational program	39,843	10,040
Event expense	34,166	11,255
Auto expenses	32,613	22,880
Utilities	26,523	27,635
Repairs and maintenance	19,990	12,565
Rent	24,541	29,933
Subcontractors	23,965	7,605
Miscellaneous expenses	18,440	15,050
Meals and entertainment	16,924	11,932
Charitable contributions	15,256	1,675
Depreciation	14,100	11,726
Supplies	28,322	54,552
Real estate taxes	9,205	6,346
Professional fees	7,985	15,940
Office expenses	7,444	8,967
Shipping and delivery	1,931	1,468
Interest expense	442	1,062
Advertising	50	1,565
Computer expense	-	657
Total expenses	<u>985,599</u>	<u>841,280</u>
Increase in net assets without donor restrictions	<u>452,807</u>	<u>821,733</u>
Changes in net assets with donor restrictions, contributions	<u>140,000</u>	<u>-</u>
Increase in net assets	<u>\$ 592,807</u>	<u>\$ 821,733</u>

See notes to financial statements

INDRALOKA ANIMAL SANCTUARY, INC.
STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	With Donor Restrictions	Without Donor Restrictions	Total
Net assets, December 31, 2016	-	\$ 270,785	\$ 270,785
Increase in net assets	-	821,733	821,733
Net Assets, December 31, 2017	-	1,092,518	1,092,518
Increase in net assets	\$ 140,000	452,807	592,807
Net Assets, December 31, 2018	<u>\$ 140,000</u>	<u>\$ 1,545,325</u>	<u>\$ 1,685,325</u>

See notes to financial statements

INDRALOKA ANIMAL SANCTUARY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Increase in net assets	\$ 592,807	\$ 821,733
Adjustments:		
Depreciation	14,100	11,726
Contributions for long lived assets	(500,000)	(690,000)
Changes in assets and liabilities:		
Contributions receivable	(116,500)	-
Accounts payable	23,689	16,689
Accrued liabilities	4,541	(379)
Deferred revenues	4,000	30,000
Prepaid expense	663	(2,491)
Net cash provided by operating activities	23,300	187,278
Cash used in investing activities, purchase of property and equipment	(351,463)	(725,296)
Cash flows from financing activities:		
Payment on long-term debt	(6,448)	(12,743)
Contributions for long lived assets	500,000	690,000
Net cash provided by financing activities	493,552	677,257
Net increase in cash	165,389	139,239
Cash, beginning	326,744	187,505
Cash, ending	\$ 492,133	\$ 326,744
Cash paid for interest	\$ 442	\$ 1,062

See notes to financial statements

INDRALOKA ANIMAL SANCTUARY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 Nature of operations and summary of significant accounting policies

Nature of operations

Indraloka Animal Sanctuary, Inc. ("Indraloka") is a not-for-profit corporation located in Mehoopany, Pennsylvania. It provides for farm animals that have nowhere else to turn. It informs, inspires, and empowers the community, especially children, on ways in which to better care for our community and environment while helping animals in need. It advocates for kind and compassionate diet and lifestyle that protects animals and the earth.

Basis of accounting

Indraloka uses the accrual method of accounting in accordance with generally accepted accounting principles. Revenue is recognized when earned and expenses recognized when incurred.

Basis of presentation

Indraloka reports information regarding its financial position and activities according to two classifications of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions-These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net assets with donor restrictions-These net assets result from gifts of cash or other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purposes of the restriction is accomplished, the net assets are restricted. The net assets with donor restrictions as of December 31, 2018 is limited by a time restriction for general support of future periods.

Contributions

Indraloka reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 and reported in the statement of activities as net assets released from restrictions.

Indraloka reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

INDRALOKA ANIMAL SANCTUARY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

Absent explicit donor stipulations about how long those long-lived assets must be maintained, Indraloka reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service or when collectible, if later.

During the years ended December 31, 2018 and 2017, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts 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.

Functional allocation of expenses

Expenses consist of cost related program, administrative and fundraising functions. These costs have been summarized on a functional basis in the statement of activities without donor restrictions. Certain costs are directly charged to the functions they benefit. For those cost not directly charged to the function, they are allocated based on basis of estimated of time and effort.

In-kind contributions

In-kind contributions of animal supplies and other products received from corporations or individuals are recorded at their estimated fair value based on Indraloka's estimate of the retail values that would be received for selling the goods in their principal market considering the good's condition and utility for use at the time they are contributed by the donor.

Property and equipment

Property and equipment are recorded at cost. Maintenance and repairs are charged to operations and major improvements are capitalized. It is the Indraloka's policy to capitalize equipment and improvements with a purchase price in excess of \$500. Property and equipment are depreciated on the straight-line method over their estimated useful lives.

Income taxes

Indraloka is a not-for-profit organization that has been recognized as exempt from state income tax and federal income tax under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. Indraloka recognizes the benefits of uncertain tax positions only where the position is more likely than not to be sustained assuming examination by tax authorities.

Management has analyzed the Indraloka's tax positions and has concluded that no liability should be recorded related to uncertain tax positions taken on returns filed for open tax years 2015 through 2017, or expected to be taken in the Indraloka's 2018 tax returns.

INDRALOKA ANIMAL SANCTUARY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

Indraloka is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next twelve months.

Estimates

The preparation of these 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 statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently issued accounting standards

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. Indraloka adopted the provisions of this new standard during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 5), and disclosures related to functional allocation of expenses were expanded (Note 6).

Reclassifications

Certain financial statement and note information from the prior year financial statements has been reclassified to conform with the current year presentation.

NOTE 2 Cash

Indraloka maintains its principal cash accounts in commercial banks located in Pennsylvania. Accounts at these banks are insured by the Federal Deposit Insurance Corporation (FDIC).

NOTE 3 Property and equipment

Property and equipment, net consists of the following:

	<u>2018</u>	<u>2017</u>
Land and building	\$ 710,000	\$ 710,000
Vehicles	36,731	33,931
Equipment, furniture and fixtures	91,600	91,600
Construction in progress	368,343	19,680
	<u>1,206,674</u>	<u>855,211</u>
Accumulated depreciation	39,484	25,384
	<u>\$ 1,167,190</u>	<u>\$ 829,827</u>

Depreciation expense for the years ended December 31, 2018 and 2017 were \$14,100 and \$11,726, respectively.

INDRALOKA ANIMAL SANCTUARY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 4 Commitments and concentrations

Indraloka has entered into a month to month lease agreement for its property with one of its Board of Director members. The agreement requires monthly rent payments of \$1,828. Indraloka is required to pay the utilities, insurance, repairs and real estate taxes relative to the property. The related party rental expense was approximately \$24,000 in 2018 and \$22,000 in 2017. For 2018 and 2017, approximately 76% and 85% of Indraloka's revenues are from one donor.

NOTE 5 Disclosures on liquidity and availability

Indraloka monitors its liquidity so that it is able to meet its operating needs and other contractual commitments. It meets these operating needs and contractual commitments through its program revenue and structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Indraloka's financial assets available within one year of December 31, 2018 for general expenditure consist of cash totaling \$492,133.

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of December 31, 2018.

NOTE 6 Functional allocational of expenses

Indraloka provides program services within its geographic location. Expenses related to providing these services for the year ended December 31, 2018:

	<u>Program</u>	<u>Fundraising</u>	<u>General and Adminstrative</u>	<u>Total</u>
Salaries and wages	\$ 375,105		\$ 41,678	\$ 416,783
Animal expense	182,061			182,061
Insurance	58,514		6,502	65,015
Educational program	39,843			39,843
Event expense	15,689	\$ 18,477		34,166
Auto expenses	29,352		3,261	32,613
Utilities	23,871		2,652	26,523
Repairs and maintenance	17,991		1,999	19,990
Rent	22,087		2,454	24,541
Subcontractors	23,965			23,965
Miscellaneous expenses	16,596		1,844	18,440
Meals and entertainment			16,924	16,924
Charitable contributions			15,256	15,256
Depreciation	12,690		1,410	14,100
Supplies	25,490		2,832	28,322
Other	23,909		3,149	27,057
	<u>\$ 867,161</u>	<u>\$ 18,477</u>	<u>\$ 99,961</u>	<u>\$ 985,599</u>

INDRALOKA ANIMAL SANCTUARY, INC.

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YEARS ENDED DECEMBER 31, 2018 AND 2017

Expenses related to providing these services for the year ended December 31, 2017:

	Program	Fundraising	General and Administrative	Total
Salaries and wages	\$ 295,907		\$ 32,879	\$ 328,786
Animal expense	200,839			200,839
Insurance	52,922		5,880	58,802
Educational program	10,040			10,040
Event expense	9,580	\$ 1,675		11,255
Auto expenses	20,592		2,288	22,880
Utilities	24,872		2,764	27,635
Repairs and maintenance	11,309		1,257	12,565
Rent	26,940		2,993	29,933
Subcontractors	7,605			7,605
Miscellaneous expenses	13,545		1,505	15,050
Meals and entertainment			11,932	11,932
Charitable contributions			1,675	1,675
Depreciation	10,553		1,173	11,726
Supplies	49,097		5,455	54,552
Other	30,040		5,965	36,005
	<u>\$ 763,840</u>	<u>\$ 1,675</u>	<u>\$ 75,765</u>	<u>\$ 841,280</u>

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NOTE 12 Subsequent events

Subsequent events have been evaluated through April 15, 2019, which is the date the financial statements were available to be issued.