

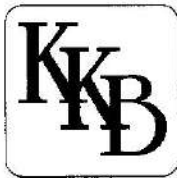
INDRALOKA ANIMAL SANCTUARY, INC.

YEARS ENDED
DECEMBER 31, 2019 AND 2018

INDRALOKA ANIMAL SANCTUARY, INC.
YEARS ENDED DECEMBER 31, 2019 AND 2018

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

Certified Public Accountants

Officers/Shareholders

Deborah A. Eastwood, CPA
Kevin R. Foley, CPA
William Fromel, CPA
Mario Ercolani, CPA
Anthony R. Caravaggio, CPA
Ronald H. Ulitchney, CPA
Louis E. Marcin, CPA
Jason C. Williams, CPA

Donald M. Kronick, CPA
Joseph J. Kalada, CPA
Paul Berdy, CPA
William R. Lazor, CPA/PFS, CFE

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, 2019 and 2018, 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, 2019 and 2018, 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.

Kroneck Kalada Berdy & Co
Kingston, Pennsylvania
June 15, 2020

INDRALOKA ANIMAL SANCTUARY, INC.
 STATEMENTS OF FINANCIAL POSITION
 YEARS ENDED DECEMBER 31, 2019 AND 2018

	ASSETS	
	2019	2018
Cash	\$ 194,988	\$ 492,133
Contributions receivable	83,000	116,500
Prepaid expenses	1,828	1,828
Property and equipment, net	2,236,984	1,167,190
Total assets	\$ 2,516,800	\$ 1,777,651
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 97,720	\$ 43,888
Accrued liabilities	35,103	14,438
Deferred revenue	25,000	34,000
Long-term debt	462,737	-
Total liabilities	620,560	92,326
Net assets:		
Without donor restrictions	1,746,240	1,545,325
With donor restrictions	150,000	140,000
Total net assets	1,896,240	1,685,325
Total liabilities and net assets	\$ 2,516,800	\$ 1,777,651

See notes to financial statements

INDRALOKA ANIMAL SANCTUARY, INC.
 STATEMENTS OF ACTIVITIES
 YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Change in net assets without donor restrictions:		
Revenues:		
Contributions		
Donations in kind, principally animal expense	\$ 1,071,664	\$ 785,214
Grants	157,767	110,388
Program income	41,900	30,000
Miscellaneous income	4,163	-
Contributions, long lived assets	3,013	12,804
Total revenues without donor restrictions	1,278,507	1,438,406
Expenses:		
Salaries and wages	453,193	416,783
Animal expense	215,599	182,061
Insurance	102,729	65,015
Supplies	93,915	82,478
Educational program	56,121	39,843
Utilities	29,340	26,523
Rent	24,858	24,541
Auto expenses	21,795	32,613
Depreciation	22,632	14,100
Office expenses	17,106	16,699
Travel and meals	12,327	16,924
Interest expense	-	442
Professional fees	7,500	7,985
Subcontractors	2,310	23,965
Shipping and delivery	1,336	1,931
Charitable contributions	1,265	15,256
Miscellaneous expenses	15,566	18,440
Total expenses	1,077,592	985,599
Increase in net assets without donor restrictions	200,915	452,807
Changes in net assets with donor restrictions, contributions	10,000	140,000
Increase in net assets	\$ 210,915	\$ 592,807

See notes to financial statements

INDRALOKA ANIMAL SANCTUARY, INC.
 STATEMENTS OF CHANGES IN NET ASSETS
 YEARS ENDED DECEMBER 31, 2019 AND 2018

	With Donor Restrictions	Without Donor Restrictions	Total
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	140,000	1,545,325	1,685,325
Increase in net assets	10,000	200,915	210,915
Net Assets, December 31, 2019	<u>\$ 150,000</u>	<u>\$ 1,746,240</u>	<u>\$ 1,896,240</u>

See notes to financial statements

INDRALOKA ANIMAL SANCTUARY, INC.
 STATEMENTS OF CASH FLOWS
 YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Increase in net assets	\$ 210,915	\$ 592,807
Adjustments:		
Depreciation	22,632	14,100
Contributions for long lived assets	-	(500,000)
Changes in assets and liabilities:		
Contributions receivable	33,500	(116,500)
Accounts payable	26,978	23,689
Accrued liabilities	20,665	4,541
Deferred revenues	(9,000)	4,000
Prepaid expense	-	663
Net cash provided by operating activities	<u>305,690</u>	<u>23,300</u>
Cash used in investing activities, purchase of property and equipment	<u>(1,065,572)</u>	<u>(351,463)</u>
Cash flows from financing activities:		
Payment on long-term debt	-	(6,448)
Borrowings on long-term debt	462,737	-
Contributions for long lived assets	-	500,000
Net cash provided by financing activities	<u>462,737</u>	<u>493,552</u>
Net increase (decrease) in cash	(297,145)	165,389
Cash, beginning	<u>492,133</u>	<u>326,744</u>
Cash, ending	<u>\$ 194,988</u>	<u>\$ 492,133</u>
Supplemental disclosure:		
Cash paid for interest		<u>\$ 442</u>
Non-cash activity:		
Accounts payable and property and equipment	<u>\$ 26,854</u>	

See notes to financial statements

INDRALOKA ANIMAL SANCTUARY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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

The financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

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, 2019 is limited by a time restriction for general support of future periods.

Contributions

Indraloka reports gifts of cash and other assets as support with donor restrictions 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, they are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from donor restrictions.

Indraloka reports gifts of land, building and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit donor 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 support with donor restrictions.

INDRALOKA ANIMAL SANCTUARY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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, 2019 and 2018, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Revenue and cost recognition

On January 1, 2019, Indraloka adopted ASC 606 – Revenue from Contracts with Customers and all the related amendments using the modified retrospective method, whereby the adoption did not impact any prior periods.

The effect of adopting the new standard did not require any cumulative effect adjustment to retained earnings as of January 1, 2019. We applied the new guidance using the practical expedient provided by Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. There was no impact to our statements of financial position, statements of activities, statements of changes in net assets or statements of cash flows as of and for the period ended December 31, 2019.

Revenue is comprised of contributions, donations and grants. Contributions are recognized when cash, securities, other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Revenue from sales and event income are not material to the financial statements.

Contributions receivable

Contributions receivable at December 31, 2019 and 2018 are principally expected to be collected and are stated at the amount management expects to be collected from the outstanding balance. As management believes the contributions receivable are collectible in full, no allowance for doubtful accounts is provided.

Use of 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 asset 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. Accordingly, actual results could differ from those estimates.

INDRALOKA ANIMAL SANCTUARY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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 2016 through 2018, or expected to be taken in the Indraloka's 2019 tax returns.

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.

Recently adopted accounting standards

The FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in ASU No. 2018-08 provide guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction, determining whether a contribution is conditional, and modifies the simultaneous release option currently in GAAP, which allows a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized. Indraloka adopted the provisions of this new standard during the year ended December 31, 2019 and it has no effect on the financial statements.

Recently issued accounting standards

The FASB issued ASU 2016-02, *Leases (Topic 842)*, which will require leases to be recorded as an asset on the statement of financial position for the right to use the leased asset and a liability for the corresponding lease obligation for leases with terms of more than twelve months. ASU 2016-02 requires lessors to classify leases as sales-type, direct financing, or operating. A lease will be treated as a sales-type lease if it transfers all of the risks and rewards, as well as control of the asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as a direct financing lease. If the lessor does not convey risks and

INDRALOKA ANIMAL SANCTUARY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

rewards or control, the lease is considered an operating lease. ASU 2016-02 also requires specific quantitative and qualitative disclosures about leasing arrangements to enable financial statement users to assess the amount, timing, and uncertainty of cash flows arising from leases.

ASU 2016-02 is effective for non-public companies for fiscal years beginning after December 15, 2020. The Indraloka is evaluating the impact the pronouncement may have on the financial statements

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>2019</u>	<u>2018</u>
Land and building	\$ 710,000	\$ 710,000
Vehicles	111,896	36,731
Equipment, furniture and fixtures	91,600	91,600
Construction in progress	1,385,604	368,343
	<u>2,299,100</u>	<u>1,206,674</u>
Accumulated depreciation	62,116	39,484
	<u>\$ 2,236,984</u>	<u>\$ 1,167,190</u>

Depreciation expense for the years ended December 31, 2019 and 2018 were \$22,632 and \$14,100, respectively.

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 2019 and 2018. For 2019 and 2018, approximately 61% and 76% of Indraloka's revenues are from one donor.

INDRALOKA ANIMAL SANCTUARY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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, 2019 and December 31, 2018:

December 31, 2019

Financial assets:	
Cash	\$ 194,988
Contributions receivable	83,000
Financial assets at year end	277,988
Less those unavailable for general expenditure within one year due to:	
Restricted by donors with time purpose restrictions	(150,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 127,988

December 31, 2018

Financial assets:	
Cash	\$ 492,133
Contributions receivable	116,500
Financial assets at year end	608,633
Less those unavailable for general expenditure within one year due to:	
Restricted by donors with time purpose restrictions	(140,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 468,633

NOTE 6 Net assets with donor restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31, 2019 and 2018:

	2019	2018
Contributions restricted for new building project	\$ 150,000	\$ 140,000
Total	\$ 150,000	\$ 140,000

INDRALOKA ANIMAL SANCTUARY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 7 New building project

Indraloka is working on constructing a new facility in Dalton, Pennsylvania. The project is being financed through contributions. At December 31, 2019 and 2018, construction in progress of approximately \$1,385,604 and \$368,343, respectively, relating to this project was included in fixed assets. Management estimates approximately \$4,000,000 of additional costs will be incurred on this project, which will be financed through use of restricted cash on hand, contributions, and a promissory note with an individual.

NOTE 8 Functional allocational of expenses

Indraloka provides services locally, nationally, and globally through various in-person and digital platforms. Expenses related to providing these services for the year ended December 31, 2019:

	<u>Program</u>	<u>Fundraising</u>	<u>General and Adminstrative</u>	<u>Total</u>
Salaries and wages	\$ 407,874		\$ 45,319	\$ 453,193
Animal expense	215,599			215,599
Insurance	92,456		10,273	102,729
Educational program	56,121			56,121
Auto expenses	19,616		2,180	21,795
Utilities	26,405		2,933	29,339
Rent	22,372		2,486	24,858
Subcontractors	2,310			2,310
Miscellaneous expenses	14,009		1,557	15,566
Travel and meals			12,327	12,327
Charitable contributions			1,265	1,265
Depreciation	20,369		2,263	22,632
Supplies	48,020	\$ 36,504	9,392	93,915
Other	23,348		2,594	25,943
	<u>\$ 948,499</u>	<u>\$ 36,504</u>	<u>\$ 92,589</u>	<u>\$ 1,077,592</u>

INDRALOKA ANIMAL SANCTUARY, INC.

NOTES TO FINANCIAL STATEMENTS

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Expenses related to providing these services for the year ended December 31, 2018:

	Program	Fundraising	General and Administrative	Total
Salaries and wages	\$ 375,105		\$ 41,678	\$ 416,783
Animal expense	182,061			182,061
Insurance	58,514		6,502	65,016
Educational program	39,843			39,843
Auto expenses	29,352		3,261	32,613
Utilities	23,869		2,652	26,521
Rent	22,087		2,454	24,541
Subcontractors	23,965			23,965
Miscellaneous expenses	16,596		1,844	18,440
Travel and meals			16,924	16,924
Charitable contributions			15,256	15,256
Depreciation	12,690		1,410	14,100
Supplies	59,170	\$ 18,477	4,831	82,478
Other	23,909		3,149	27,058
	<u>\$ 867,161</u>	<u>\$ 18,477</u>	<u>\$ 99,961</u>	<u>\$ 985,599</u>

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses directly related to the program, fundraising, or supporting services (general and administrative) are assigned to the program, fundraising or supporting service. The expenses that are allocated include salaries and wages and insurance, which are allocated on the basis of estimates of time and effort, as well as depreciation and rent, which are allocated on square footage basis. Auto expenses, utilities, miscellaneous, supplies and other are allocated based on estimates of usage.

NOTE 9 Long-term debt

Long-term debt consists of advances under a note payable that requires monthly principal and interest (2.87%) payments beginning in May 2022. This note payable matures in 2042 and secured by property.

INDRALOKA ANIMAL SANCTUARY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

Principle payments on long-term debt are due as follows:

	2020	
	2021	
	2022	\$ 8,849
	2023	19,138
	2024	19,695
Thereafter		415,055
		<u>\$ 462,737</u>

NOTE 10 Subsequent events

In December 2019, a novel strain of ("COVID-19") was reported to have surfaced in China. The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern" and characterized COVID-19 as a pandemic. The U.S. government has also implemented enhanced screenings, quarantine requirements and travel restrictions in connections with the COVID-19 outbreak. The spread of the virus has the potential to cause business disruption to Indraloka beginning in March 2020, due to state government-imposed shutdowns of businesses and other results of the illness. While Indraloka expects this matter may negatively impact its results, the extent of the impact of the COVID-19 on the Indraloka's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related travel advisories and restrictions and the impact of COVID-19 on overall demand for Indraloka's services, all of which are highly uncertain and cannot be predicted.

Subsequent events have been evaluated through June 15, 2020, which is the date the financial statements were available to be issued.