

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

Reviewed Financial Statements
For the Years Ended October 31, 2013 and 2012

Majkut CPAs, Ltd.

Certified Public Accountants & Advisors to Business

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Independent Accountant's Review Report

To the Board of Trustees
Friendship Animal Protective League
Elyria, Ohio

We have reviewed the accompanying balance sheets of Friendship Animal Protective League as of October 31, 2013 and 2012, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. It is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.



January 6, 2014
Elyria, Ohio

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

Statements of Financial Position
For the Years Ended October 31, 2013 and 2012

Assets

Current Assets:

	2013	2012
Cash	\$ 183,845	\$ 106,185
Grant and miscellaneous receivables	5,548	6,970
Inventory	15,303	11,854
Prepaid expenses	2,573	3,729
Total Current Assets	207,269	128,738

Fixed Assets:

Land	100,243	100,243
Buildings and improvements	1,246,876	1,236,279
Furniture and fixtures	104,294	69,940
Vehicles	21,025	21,025
	1,472,438	1,427,487
Less: Accumulated depreciation	(702,621)	(670,013)
Net Property and Equipment	769,817	757,474

Other Assets:

Deposits	708	708
Investments	228,834	2,497
Beneficial interest held by Community Foundation	10,692	2,451
Total Other Assets	240,234	5,656

Total Assets	\$ 1,217,320	\$ 891,868
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See accompanying notes and independent accountant's review report.

Liabilities and Net Assets

Current Liabilities:

	<u>2013</u>	<u>2012</u>
Accounts payable.	\$ 11,667	\$ 16,478
Current portion of capital lease obligation	719	596
Accrued payroll and payroll taxes.	20,546	16,068
Accrued other expenses	<u>3,071</u>	<u>2,913</u>
Total Current Liabilities.	<u>36,003</u>	<u>36,055</u>

Capital lease obligation, net of current portion.	<u>716</u>	<u>1,435</u>
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Net Assets:

Unrestricted.	825,660	848,017
Temporarily restricted	344,249	3,910
Permanently restricted.	<u>10,692</u>	<u>2,451</u>
Total Net Assets.	<u>1,180,601</u>	<u>854,378</u>

Total Liabilities and Net Assets	<u>\$ 1,217,320</u>	<u>\$ 891,868</u>
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FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

Statements of Activities and Changes in Net Assets For the Years Ended October 31, 2013 and 2012

	Year Ended October 31, 2013			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support				
Contributions	\$ 208,841	\$ 445,696	\$ 7,360	\$ 661,897
Program revenue	127,090	150	0	127,240
Grants	1,000	8,633	0	9,633
Sales	24,412	0	0	24,412
Less cost of goods sold	(17,588)	0	0	(17,588)
Fundraising event income	75,541	0	0	75,541
Less direct event expenses	(27,192)	0	0	(27,192)
Investment income	8,634	0	881	9,515
Other income	1,882	0	0	1,882
Total revenue and support	402,620	454,479	8,241	865,340
Net assets released from restrictions	114,140	(114,140)	0	0
	516,760	340,339	8,241	865,340
Expenses				
Program services	457,061	0	0	457,061
Management and general	57,067	0	0	57,067
Fundraising	24,989	0	0	24,989
Total expenses	539,117	0	0	539,117
Changes in net assets	(22,357)	340,339	8,241	326,223
Net assets, beginning of year	848,017	3,910	2,451	854,378
NET ASSETS, end of year	\$ 825,660	\$ 344,249	\$ 10,692	\$ 1,180,601

Year Ended October 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support				
Contributions	\$ 290,301	\$ 0	\$ 330	\$ 290,631
Program revenue	117,026	0	0	117,026
Grants	8,500	5,000	0	13,500
Sales	19,587	0	0	19,587
Less cost of goods sold	(14,747)	0	0	(14,747)
Fundraising event income	61,902	0	0	61,902
Less direct event expenses	(21,172)	0	0	(21,172)
Investment income	0	0	102	102
Other income	2,413	0	0	2,413
Total revenue and support	463,810	5,000	432	469,242
Net assets released from restrictions	27,590	(27,590)	0	0
	491,400	(22,590)	432	469,242
Expenses				
Program services	372,760	0	0	372,760
Management and general	57,215	0	0	57,215
Fundraising	26,347	0	0	26,347
Total expenses	456,322	0	0	456,322
Changes in net assets	35,078	(22,590)	432	12,920
Net assets, beginning of year	812,939	26,500	2,019	841,458
NET ASSETS, end of year	<u>\$ 848,017</u>	<u>\$ 3,910</u>	<u>\$ 2,451</u>	<u>\$ 854,378</u>

See accompanying notes and independent accountant's review report

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

Statements of Cash Flows For the Years Ended October 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Changes in net assets	\$ 326,223	\$ 12,920
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Provisions for depreciation and amortization	36,229	33,304
Unrealized (gain)/loss on investments	(13,490)	562
Receipt of donated investments.	(212,847)	-0-
Receipt of donated fixed assets.	(500)	-0-
Increase in beneficial interest held by Community Foundation	(8,241)	(432)
(Increase)/Decrease in assets:		
Grant and miscellaneous receivables.	1,422	10,048
Inventory	(3,449)	(2,846)
Prepaid expenses.	1,156	(1,329)
Increase/(Decrease) in liabilities:		
Accounts payable	(4,811)	(992)
Accrued payroll and payroll taxes	4,478	1,610
Accrued other expenses	158	(762)
Net cash provided by operating activities.	126,328	52,083
Cash flows from investing activities:		
Purchases of fixed assets	(48,072)	(40,571)
Cash flows from financing activities:		
Payment of capital lease obligation.	(596)	(491)
Net increase in cash	77,660	11,021
Cash at beginning of year	106,185	95,164
Cash at end of year	\$ 183,845	\$ 106,185
Supplemental cash flow disclosure:		
Interest paid	\$ 341	\$ 445

See accompanying notes and independent accountant's review report

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

Statements of Functional Expenses For the Years Ended October 31, 2013 and 2012

	Year Ended October 31, 2013			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 186,050	\$ 36,524	\$ 15,878	\$ 238,452
Payroll taxes	15,651	3,010	1,404	20,065
Animal care	169,394	0	0	169,394
Insurance	5,947	1,777	0	7,724
Telephone and utilities	33,100	1,544	445	35,089
Repairs and maintenance	3,285	663	0	3,948
Office expense	0	3,100	0	3,100
Postage	0	1,269	1,097	2,366
Professional fees	560	410	1,200	2,170
Dues and subscriptions	45	0	0	45
Licenses and permits	334	200	0	534
Publications and marketing	170	125	4,505	4,800
Transportation	6,432	0	0	6,432
Interest expense	0	341	0	341
Depreciation and amortization expense	34,659	1,570	0	36,229
Miscellaneous expenses	1,434	6,534	460	8,428
TOTAL EXPENSES	<u>\$ 457,061</u>	<u>\$ 57,067</u>	<u>\$ 24,989</u>	<u>\$ 539,117</u>
	85%	10%	5%	100%

See accompanying notes and independent accountant's review report

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

Year Ended October 31, 2012

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 158,255	\$ 35,257	\$ 15,596	\$ 209,108
Payroll taxes	14,662	3,280	1,350	19,292
Animal care	117,767	0	0	117,767
Insurance	5,795	1,661	0	7,456
Telephone and utilities	30,623	1,446	423	32,492
Repairs and maintenance	4,872	0	0	4,872
Office expense	0	1,793	0	1,793
Postage	0	1,003	921	1,924
Professional fees	501	6,725	350	7,576
Dues and subscriptions	35	280	275	590
Licenses and permits	334	200	0	534
Publications and marketing	982	0	6,158	7,140
Transportation	5,818	0	0	5,818
Interest expense	0	445	0	445
Depreciation and amortization expense	32,479	825	0	33,304
Miscellaneous expenses	637	4,300	1,274	6,211
TOTAL EXPENSES	<u>\$ 372,760</u>	<u>\$ 57,215</u>	<u>\$ 26,347</u>	<u>\$ 456,322</u>
	82%	12%	6%	100%

See accompanying notes and independent accountant's review report

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

Notes to Financial Statements
For the Years Ended October 31, 2013 and 2012

Note 1 Summary of Significant Accounting Policies

Organization and Nature of Activities

The Friendship Animal Protective League (the Organization) rescues abused and neglected animals, offers temporary shelter to homeless animals in need, promotes compassionate and responsible animal ownership, finds loving homes for its animals, assists in reducing the animal population through spay/neuter programs and decreases animal abuse and suffering through humane investigation. The Organization, established in 1957, relies entirely upon donations from individuals, corporate sponsorships, bequests and fundraisers. The Organization does not receive any city, state or federal government funding.

Basis of Accounting

The financial statements of the Organization have been prepared utilizing the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Furthermore, the accounting policies adhered to by the Organization are generally consistent with the *Audit and Accounting Guide for Not-For-Profit Organizations* issued by the American Institute of Certified Public Accountants.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets

Net assets not restricted by donors. This category includes net assets designated by the Board for specific purposes.

Temporarily Restricted Net Assets

Net assets where use by the Organization is limited by donor-imposed restrictions that either expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to the stipulations.

See independent accountant's review report

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

Notes to Financial Statements
For the Years Ended October 31, 2013 and 2012

Note 1 Summary of Significant Accounting Policies (continued)

Permanently Restricted Net Assets

Net assets subject to donor imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise be removed by actions of the Organization.

Inventory

The Organization records inventory at the lower of cost or market on a first-in first-out basis. Inventory consists of medicines for use within the Organization and items held for resale through a gift shop.

Fixed Assets

It is the policy of the Organization to capitalize all fixed assets with a useful life of more than one year that cost more than \$250. Depreciation of fixed assets is provided by use of the straight-line method over the following estimated useful lives of the assets:

<u>Category</u>	<u>Depreciation Method</u>	<u>Useful Life</u>
Buildings and improvements	Straight-Line	7 – 39 years
Furniture and fixtures	Straight-Line	3 – 10 years
Vehicles	Straight-Line	3 – 10 years

Depreciation expense for the years ended October 31, 2013 and 2012 was \$36,229 and \$33,304, respectively. Repairs and maintenance are charged against earnings when incurred.

Investments

Investment income includes realized and unrealized gains and losses, and interest and dividends that are reported as changes in net assets in the accompanying statements of activities.

See independent accountant's review report

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

Notes to Financial Statements
For the Years Ended October 31, 2013 and 2012

Note 1 Summary of Significant Accounting Policies (continued)

Fair Value Measurements

Under accounting principles generally accepted in the United States, financial and nonfinancial assets and liabilities are required to be re-measured on an annual basis. Fair value is 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 (exit price) and establishes a fair value hierarchy based upon the inputs used to measure fair value. The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities (for example, exchange quoted prices.)

Level 2 – Inputs to the valuation methodology are observable inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not sufficiently active to qualify as Level 1, other observable inputs, or inputs that can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs to the valuation methodology are significant to the fair value measurement and unobservable (for example, supported by little or no market activity).

Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The Organizations investments consist of publicly traded stocks and mutual funds along with a donated interest in a timeshare condominium. The securities had a fair market value, determined from an actively traded market (Level 1 inputs), of \$218,834 and \$2,497, respectively, at October 31, 2013 and 2012.

See independent accountant's review report

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

Notes to Financial Statements
For the Years Ended October 31, 2013 and 2012

Note 1 Summary of Significant Accounting Policies (continued)

The donated timeshare interest has a fair market value of \$10,000 using significant unobservable inputs (Level 3), determined by management's estimate when looking at sales of comparable interests.

The beneficial interest held by The Community Foundation of Greater Lorain County is carried at fair value and are considered to be Level 3 investments.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement as of the reporting date.

Contributions

The Organization recognizes contributions as revenue in the period in which the promise to give is received and donated services recognized as revenue in the period the services were provided.

Donated Goods and Services

Donated services are recognized as contributions in accordance with accounting principles generally accepted in the United States of America, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization did not recognize any donated services during the years ended October 31, 2013 and 2012.

The Organization receives a substantial amount of support from local retail vendors and individuals that provide food and supplies for the animals. During the years ended October 31, 2013 and 2012, the Organization received \$36,090 and \$30,962 of animal supplies, which has been recorded as contributions and animal care. If these supplies were not provided, the Organization would be required to purchase these goods.

See independent accountant's review report

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

Notes to Financial Statements
For the Years Ended October 31, 2013 and 2012

Note 1 Summary of Significant Accounting Policies (continued)

Advertising Costs

The Organization expenses advertising costs as incurred. Advertising expense for the years ended October 31, 2013 and 2012 was \$4,800 and \$7,140, respectively.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The cost of providing various programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

Income Taxes

The Organization is exempt from Federal Income taxes under Internal Revenue Code Section 501(c)(3) and therefore has made no provision for federal income taxes in the accompanying financial statements. The Organization has reviewed its activities and determined it has no unrelated business taxable income.

The Organization is no longer subject to income tax examinations for years before 2008 by taxing authorities in jurisdictions where the Organization has filed returns.

The Organization evaluates at each balance sheet date uncertain tax positions taken, if any, to determine the need to record liabilities for taxes, penalties, and interest. The Organization's policy is to record interest and penalties on uncertain tax provisions as unrelated business income tax expense. As of October 31, 2013 and 2012, the Organization has no accrued taxes, interest or penalties related to uncertain income tax positions. The Organization estimates the unrecognized tax benefit will not change significantly within the next twelve months.

Subsequent Events

Subsequent events have been evaluated through January 20, 2014, which is when the financial statements were available to be issued.

See independent accountant's review report

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

Notes to Financial Statements
For the Years Ended October 31, 2013 and 2012

Note 2 Investments

Investments consist of mutual funds and a donated timeshare condominium interest. Investments of \$228,834 and \$2,497, respectively, were carried at fair value by the Organization at October 31, 2013 and 2012.

Investment income for the fiscal years ended October 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Interest and dividends, net of fees. . . .	\$ 4,001	\$ 32
Net gains.	<u>5,514</u>	<u>70</u>
Total investment income	<u>\$ 9,515</u>	<u>\$ 102</u>

Note 3 Concentrations

Credit Risk from Cash Held in Bank

From time to time the Organization maintains cash balances in excess of FDIC insured limits.

Note 4 Capital Leases

The Organization leases its phone equipment, with a cost of \$2,988 under a capital lease expiring on August 10, 2015. The asset and liability under the capital lease obligation is recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset is amortized over its estimated useful life and included in furniture and fixtures. Accumulated amortization of the asset under capital lease was \$2,092 and \$1,494 at October 31, 2013 and 2012, respectively. Amortization expense of \$598 and \$598, respectively, for the asset held under capital lease is included in depreciation and amortization expense for the years ended October 31, 2013 and 2012.

See independent accountant's review report

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

Notes to Financial Statements
For the Years Ended October 31, 2013 and 2012

Note 4 Capital Leases (continued)

The minimum future lease payments of the long-term capital lease obligations having terms in excess of one year are:

Years Ending October 31,	Amount
2014	\$ 936
2015	<u>780</u>
	1,716
Less interest . . .	<u>(281)</u>
	<u><u>\$ 1,435</u></u>

Note 5 Temporarily Restricted Net Assets

The Organization received funds from an estate during the current year that were restricted to the care, medical needs and support of cats. These funds are on the balance sheet under investments and cash.

Temporarily restricted net assets consist of the following at October 31,

	2013	2012
Programs	\$ 324,249	\$ 3,910
Van	<u>20,000</u>	<u>-0-</u>
Total temporarily restricted net assets.	<u><u>\$ 344,249</u></u>	<u><u>\$ 3,910</u></u>

See independent accountant's review report

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

Notes to Financial Statements
For the Years Ended October 31, 2013 and 2012

Note 6 Endowment

The Organization has assets at The Community Foundation of Greater Lorain County (Foundation) which is holding them as an endowed component fund (Fund) for the benefit of the Organization. The Organization has granted the Foundation variance power, which gives the Foundation’s Board of Directors the power to use the Fund for other purposes in certain circumstances. The Fund is subject to the Foundation’s investment and spending policies, which, due to minimum balance requirements, left the Organization ineligible for distributions until January 2014. The Organization reports the fair value (as determined by the Foundation) of the Fund as Beneficial interest held by Community Foundation in the statements of financial position. Changes in the value of the Fund are reported as investment income in the statements of activities.

Changes in the Fund for the years ended October 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Endowment net assets, beginning		
of year	\$ 2,451	\$ 2,019
Contributions	7,360	330
Investment return:		
Investment income (loss).	<u>881</u>	<u>102</u>
Endowment net assets, end of year. .	<u>\$ 10,692</u>	<u>\$ 2,451</u>

See independent accountant’s review report