

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

Reviewed Financial Statements
For the Years Ended October 31, 2014 and 2013

Majkut CPAs, Ltd.

Certified Public Accountants & Advisors to Business

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
Independent Accountant's Review Report	1
Financial Statements	
Statements of Financial Position	2 - 3
Statements of Activities and Changes in Net Assets	4 - 5
Statements of Cash Flows	6
Statements of Functional Expenses	7 – 8
Notes to Financial Statements	9 - 15

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, 2014 and 2013, 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 30, 2015
Elyria, Ohio

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

Statements of Financial Position
For the Years Ended October 31, 2014 and 2013

Assets

Current Assets:

	2014	2013
Cash	\$ 135,918	\$ 183,845
Grant and miscellaneous receivables	19,380	5,548
Inventory	12,440	15,303
Prepaid expenses	2,121	2,573
Total Current Assets	169,859	207,269

Fixed Assets:

Land	100,243	100,243
Buildings and improvements	1,269,458	1,246,876
Furniture and fixtures	105,070	104,294
Vehicles	45,390	21,025
	1,520,161	1,472,438
Less: Accumulated depreciation	(739,812)	(702,621)
Net Property and Equipment	780,349	769,817

Other Assets:

Deposits	499	708
Investments	247,852	228,834
Beneficial interest held by Community Foundation	11,683	10,692
Total Other Assets	260,034	240,234

Total Assets	\$ 1,210,242	\$ 1,217,320
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See accompanying notes and independent accountant's review report.

Liabilities and Net Assets

Current Liabilities:

	<u>2014</u>	<u>2013</u>
Accounts payable.	\$ 19,881	\$ 11,667
Current portion of capital lease obligation	716	719
Accrued payroll and payroll taxes.	6,194	20,546
Accrued other expenses	<u>2,947</u>	<u>3,071</u>
Total Current Liabilities.	<u>29,738</u>	<u>36,003</u>

Capital lease obligation, net of current portion.	<u>-0-</u>	<u>716</u>
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Net Assets:

Unrestricted.	1,117,382	825,660
Temporarily restricted	51,439	344,249
Permanently restricted.	<u>11,683</u>	<u>10,692</u>
Total Net Assets.	<u>1,180,504</u>	<u>1,180,601</u>

Total Liabilities and Net Assets	<u>\$ 1,210,242</u>	<u>\$ 1,217,320</u>
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FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

Statements of Activities and Changes in Net Assets For the Years Ended October 31, 2014 and 2013

	Year Ended October 31, 2014			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Support				
Contributions	\$ 329,182	\$ 70,114	\$ 360	\$ 399,656
Program revenue	155,905	2,465	0	158,370
Grants	441	19,897	0	20,338
Sales	27,928	0	0	27,928
Less cost of goods sold	(21,991)	0	0	(21,991)
Fundraising event income	80,338	0	0	80,338
Less direct event expenses	(28,232)	0	0	(28,232)
Investment income	18,131	0	631	18,762
Other income	2,158	0	0	2,158
Total revenue and support	563,860	92,476	991	657,327
Net assets released from restrictions	385,286	(385,286)	0	0
	949,146	(292,810)	991	657,327
Expenses				
Program services	570,636	0	0	570,636
Management and general	61,721	0	0	61,721
Fundraising	25,067	0	0	25,067
Total expenses	657,424	0	0	657,424
Changes in net assets	291,722	(292,810)	991	(97)
Net assets, beginning of year	825,660	344,249	10,692	1,180,601
NET ASSETS, end of year	\$ 1,117,382	\$ 51,439	\$ 11,683	\$ 1,180,504

	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	<u>\$ 825,660</u>	<u>\$ 344,249</u>	<u>\$ 10,692</u>	<u>\$ 1,180,601</u>

See accompanying notes and independent accountant's review report

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

Statements of Cash Flows
For the Years Ended October 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Changes in net assets	\$ (97)	\$ 326,223
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Provisions for depreciation and amortization	41,149	36,229
Unrealized (gain)/loss on investments	(19,018)	(13,490)
Receipt of donated investments.	-0-	(212,847)
Receipt of donated fixed assets.	-0-	(500)
Increase in beneficial interest held by Community Foundation	(991)	(8,241)
(Increase)/Decrease in assets:		
Grant and miscellaneous receivables.	(13,832)	1,422
Inventory	2,863	(3,449)
Prepaid expenses.	452	1,156
Deposits.	209	-0-
Increase/(Decrease) in liabilities:		
Accounts payable	8,214	(4,811)
Accrued payroll and payroll taxes	(14,352)	4,478
Accrued other expenses	(124)	158
Net cash provided by operating activities.	4,473	126,328
Cash flows from investing activities:		
Purchases of fixed assets	(51,681)	(48,072)
Cash flows from financing activities:		
Payment of capital lease obligation.	(719)	(596)
Net increase/(decrease) in cash	(47,927)	77,660
Cash at beginning of year	183,845	106,185
Cash at end of year	\$ 135,918	\$ 183,845
Supplemental cash flow disclosure:		
Interest paid	\$ 216	\$ 341

See accompanying notes and independent accountant's review report

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

Statements of Functional Expenses
For the Years Ended October 31, 2014 and 2013

	Year Ended October 31, 2014			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 246,960	\$ 37,707	\$ 15,777	\$ 300,444
Payroll taxes	21,347	3,384	1,302	26,033
Animal care	197,814	0	0	197,814
Insurance	7,245	1,664	0	8,909
Telephone and utilities	35,090	1,527	425	37,042
Repairs and maintenance	11,353	322	0	11,675
Office expense	0	8,589	1,515	10,104
Postage	0	1,337	965	2,302
Professional fees	208	645	0	853
Licenses and permits	339	200	0	539
Publications and marketing	1,921	794	4,885	7,600
Transportation	6,988	0	0	6,988
Interest expense	0	216	0	216
Depreciation and amortization expense	38,777	2,372	0	41,149
Miscellaneous expenses	2,594	2,964	198	5,756
TOTAL EXPENSES	<u>\$ 570,636</u>	<u>\$ 61,721</u>	<u>\$ 25,067</u>	<u>\$ 657,424</u>
	87%	9%	4%	100%

See accompanying notes and independent accountant's review report

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

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
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	1,479	6,534	460	8,473
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

Notes to Financial Statements
For the Years Ended October 31, 2014 and 2013

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, 2014 and 2013

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, 2014 and 2013 was \$41,149 and \$36,229, 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, 2014 and 2013

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 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 \$242,852 and \$218,834, respectively, at October 31, 2014 and 2013.

See independent accountant's review report

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

Notes to Financial Statements
For the Years Ended October 31, 2014 and 2013

Note 1 Summary of Significant Accounting Policies (continued)

The donated timeshare interest had a fair market value of \$5,000 and \$10,000, respectively, at October 31, 2014 and October 31, 2013. The value was determined 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, 2014 and 2013.

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, 2014 and 2013, the Organization received \$39,215 and \$36,090 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, 2014 and 2013

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, 2014 and 2013 was \$7,600 and \$4,800, 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 2009 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, 2014 and 2013, 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 30, 2015, 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, 2014 and 2013

Note 2 Investment Income

Investment income for the fiscal years ended October 31, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Interest and dividends, net of fees. . . .	\$ 5,177	\$ 4,001
Net gains.	<u>13,585</u>	<u>5,514</u>
Total investment income	<u>\$ 18,762</u>	<u>\$ 9,515</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 \$2,690 and \$2,092 at October 31, 2014 and 2013, 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, 2014 and 2013.

See independent accountant's review report

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

Notes to Financial Statements
For the Years Ended October 31, 2014 and 2013

Note 5 Temporarily Restricted Net Assets

The Organization received funds from an estate during the current year and prior 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,

	<u>2014</u>	<u>2013</u>
Programs	\$ 51,439	\$ 324,249
Van	<u>-0-</u>	<u>20,000</u>
Total temporarily restricted net assets.	<u>\$ 51,439</u>	<u>\$ 344,249</u>

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. 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, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Endowment net assets, beginning of year	\$ 10,692	\$ 2,451
Contributions	360	7,360
Investment return:		
Investment income (loss).	<u>631</u>	<u>881</u>
Endowment net assets, end of year. .	<u>\$ 11,683</u>	<u>\$ 10,692</u>

See independent accountant's review report