



FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

FINANCIAL STATEMENTS

October 31, 2016

# FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

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*A Firm That Cares About Its Clients  
Large Enough To Know, Small Enough To Care*

### **Independent Accountant's Review Report**

To the Board of Trustees  
Friendship Animal Protective League

We have reviewed the accompanying statement of financial position of Friendship Animal Protective League (a nonprofit organization) as of October 31, 2016 and the related statements of activities and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements 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 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 review, 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.

The supplementary information contained on page 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the representation of management. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the supplementary information and, accordingly, do not express an opinion on such information.

*Elek & Noss LLC*

January 30, 2017

**FRIENDSHIP ANIMAL PROTECTIVE LEAGUE**

Statement of Financial Position

October 31, 2016

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 61,305
Inventory	15,243
Prepaid expenses and other	2,407
Total current assets	<u>78,955</u>

**PROPERTY AND EQUIPMENT**

Land and improvements	100,243
Buildings and improvements	1,304,775
Furniture and equipment	107,136
Vehicles	34,543
Total property and equipment, at cost	1,546,697
Less: accumulated depreciation	(811,890)
Total property and equipment, net	<u>734,807</u>

**OTHER ASSETS**

Website, less accumulated amortization of \$414	3,723
Investments	391,827
Beneficial interest held by Community Foundation	13,211
Total other assets	<u>408,761</u>

**TOTAL ASSETS** \$ 1,222,523

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable	\$ 28,745
Accrued payroll and payroll taxes	5,900
Accrued other expenses	2,004
Total liabilities	<u>36,649</u>

**NET ASSETS**

Unrestricted	1,167,035
Temporarily restricted	5,628
Permanently restricted	13,211
Total net assets	<u>1,185,874</u>

**TOTAL LIABILITIES AND NET ASSETS** \$ 1,222,523

**FRIENDSHIP ANIMAL PROTECTIVE LEAGUE**  
Statement of Activities and Changes in Net Assets  
For the Year Ended October 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 534,395	\$ -	\$ 670	\$ 535,065
Program revenue	273,462	-	-	273,462
Grants	2,631	14,169	-	16,800
Sales	42,363	-	-	42,363
Less cost of goods sold	(34,672)	-	-	(34,672)
Fundraising event income	110,885	-	-	110,885
Less direct event expenses	(59,320)	-	-	(59,320)
Investment income	14,499	-	485	14,984
Other income	687	-	-	687
Net assets released from restrictions	44,749	(44,749)	-	-
Total revenue and support	929,679	(30,580)	1,155	900,254
<b>EXPENSES</b>				
Program services	709,570	-	-	709,570
Management and general	69,809	-	-	69,809
Fundraising	31,810	-	-	31,810
Total expenses	811,189	-	-	811,189
<b>CHANGES IN NET ASSETS</b>	118,490	(30,580)	1,155	89,065
<b>NET ASSETS:</b>				
<b>BEGINNING OF THE YEAR</b>	<u>1,048,545</u>	<u>36,208</u>	<u>12,056</u>	<u>1,096,809</u>
<b>END OF THE YEAR</b>	<u>\$ 1,167,035</u>	<u>\$ 5,628</u>	<u>\$ 13,211</u>	<u>\$ 1,185,874</u>

See Independent Accountant's Report

**FRIENDSHIP ANIMAL PROTECTIVE LEAGUE**

Statement of Cash Flows

For the Year Ended October 31, 2016

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 89,065
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation & amortization	48,666
Effect of changes in operating assets and liabilities:	
Accounts receivable	48,400
Inventories	4,052
Prepaid expenses and deposits	(1,090)
Accounts payable	6,401
Accrued expenses	<u>(2,279)</u>
Net cash used in operating activities	193,215

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of equipment	(40,887)
Purchase of website	(4,137)
Change in investment account	(138,670)
Change in endowment account	<u>(1,155)</u>
Net cash used in investing activities	(184,849)

**NET DECREASE IN CASH** 8,366

**CASH BEGINNING OF YEAR** 52,939

**CASH END OF YEAR** \$ 61,305

# FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

## NOTES TO FINANCIAL STATEMENTS

October 31, 2016

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and businesses, corporate sponsorships, bequests, and fundraisers. The Organization does not receive any city, state, or federal government funding.

#### **Basis of Accounting**

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 assets are not restricted by donors. Temporarily restricted assets have donor-imposed restrictions that either expire by the passage of time or can be fulfilled and removed by actions of the Organization. Permanently restricted assets are 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.

#### **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.

#### **Cash**

Cash is maintained at financial institutions which may at times exceed federally insured amounts.

#### **Pledges Receivable**

The Organization recognizes pledges to give on the official pledge date at the net realizable value known to the Organization. The Organization accounts for potential losses in pledges receivable utilizing the allowance method. No pledges receivable or allowances were recorded at October 31, 2016.

#### **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.

# FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

## NOTES TO FINANCIAL STATEMENTS

October 31, 2016

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Property and Equipment**

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. Buildings are depreciated over 39 years and all other improvements, equipment, furniture and vehicles are depreciated over 3 - 10 years. Depreciation expense for the year ended October 31, 2016 was \$48,666. Repairs and maintenance are charged against earnings when incurred.

#### **Investments**

Investments in mutual funds with readily determined fair values are reported at their fair values in the statement of financial position. Investment income includes realized and unrealized gains and losses, and interest and dividends that are reported as changes in net assets in the accompanying statement of activities.

#### **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 – These are assets where values are based on unadjusted quoted prices for identical assets in an active market the Organization has the ability to access.

Level 2 – These are assets where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the assets.

Level 3 – These are assets where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the assets.

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.



**FRIENDSHIP ANIMAL PROTECTIVE LEAGUE**  
**NOTES TO FINANCIAL STATEMENTS**  
October 31, 2016

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fair Value Measurements (continued)**

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.

**Contribution Recognition**

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.

**Functional Allocation of Expenses**

The cost of providing various programs and supporting services have been summarized on a functional basis in the statement 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 2011 by taxing authorities in jurisdictions where the Organization has filed returns.

**Subsequent Events**

Subsequent events have been evaluated through January 30, 2017, which is when the financial statements were available to be issued.

**2. INVESTMENTS**

The Organization's investments consist of \$391,827 of mutual funds. The mutual funds have a fair market value determined from an actively traded market which is Level 1 inputs at October 31, 2016.

Investment income for the fiscal year ended October 31, 2016 consisted of the following:

Interest and dividends	\$6,534
Capital gains	11,136
Unrealized losses	<u>(2,686)</u>
Total investment income	<u>\$14,984</u>

See Independent Auditor's Report

**FRIENDSHIP ANIMAL PROTECTIVE LEAGUE**

**NOTES TO FINANCIAL STATEMENTS**

October 31, 2016

**3. 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 statement of financial position. Changes in the value of the Fund are reported as investment income in the statement of activities.

Changes in the Fund for the year ended October 31, 2016 are as follows:

Beginning of the year	\$12,056
Contributions	670
Investment income, net	<u>485</u>
End of the year	<u>\$13,211</u>

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.

**4. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following at October 31, 2016

Building sinks	\$1,500
TNR program grant	<u>4,128</u>
Total	<u>\$5,628</u>

**5. DONATED GOODS**

The Organization receives a substantial amount of support from local retail vendors and individuals that provide food and supplies for the animals. During the year ended October 31, 2016 the Organization received \$10,636 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.

## **SUPPLEMENTARY INFORMATION**

**FRIENDSHIP ANIMAL PROTECTIVE LEAGUE**

Schedule of Functional Expenses

Year ending October 31, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 293,876	\$ 41,190	\$ 16,250	\$ 351,316
Payroll taxes	26,913	3,772	1,488	32,173
Animal care	285,313	-	-	285,313
Insurance	9,706	1,738	-	11,444
Telephone and utilities	29,278	4,104	1,619	35,001
Repairs and maintenance	10,688	-	-	10,688
Office expenses	-	4,567	1,522	6,089
Postage	-	2,080	3,901	5,981
Professional fees	-	10,447	-	10,447
Licenses and permits	640	-	-	640
Promotion and marketing	-	-	7,030	7,030
Transportation	6,186	-	-	6,186
Depreciation & amortization expense	46,755	1,911	-	48,666
Bad debts	215	-	-	215
Total expenses	<u>\$ 709,570</u>	<u>\$ 69,809</u>	<u>\$ 31,810</u>	<u>\$ 811,189</u>

See Independent Accountant's Report