

Large Enough to Know, Small Enough to Care



FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

FINANCIAL STATEMENTS

October 31, 2020



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FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

TABLE OF CONTENTS

October 31, 2020

	PAGE
INDEPENDENT ACCOUNTANT’S REVIEW REPORT	1
 FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets.....	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-11



*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, 2020, and the related statements of activities, functional expenses, 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.

Elek & Noss LLC

January 10, 2021

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

Statement of Financial Position

October 31, 2020

ASSETS

CURRENT ASSETS

Cash	\$ 873,445
Accounts receivable	42,051
Bequests receivable	17,662
Inventory	65,731
Investments	561,284
Deposits	40,869
Total current assets	<u>1,601,042</u>

PROPERTY AND EQUIPMENT

Land and improvements	100,243
Buildings and improvements	1,391,887
Furniture and equipment	205,264
Vehicles	39,005
Total property and equipment, at cost	<u>1,736,399</u>
Less: accumulated depreciation	<u>(1,040,970)</u>
Total property and equipment, net	<u>695,429</u>

OTHER ASSETS

Beneficial interest held by Community Foundation	<u>18,578</u>
Total other assets	<u>18,578</u>
TOTAL ASSETS	<u><u>\$ 2,315,049</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 16,090
Accrued expenses	2,884
Note payable - SBA PPP	87,500
Total liabilities	<u>106,474</u>

NET ASSETS

Without donor restrictions	2,139,997
With donor restrictions	68,578
Total net assets	<u>2,208,575</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,315,049</u></u>

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

Statement of Activities and Changes in Net Assets

For the Year Ended October 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 679,217	\$ 500	\$ 679,717
Legacies and bequests	56,177	-	56,177
Grants	-	53,000	53,000
Program service revenue	459,601	-	459,601
Sales	29,344	-	29,344
Less cost of goods sold	(19,283)	-	(19,283)
Fundraising event income	135,512	-	135,512
Less direct event expenses	(40,248)	-	(40,248)
Investment income	57,242	(88)	57,154
Other income	11,978	-	11,978
Net assets released from restrictions	3,500	(3,500)	-
Total revenue and support	1,373,040	49,912	1,422,952
EXPENSES			
Program services	882,075	-	882,075
Management and general	98,387	-	98,387
Fundraising	72,306	-	72,306
Total expenses	1,052,768	-	1,052,768
CHANGES IN NET ASSETS	320,272	49,912	370,184
NET ASSETS:			
BEGINNING OF YEAR	1,819,725	18,666	1,838,391
END OF YEAR	\$ 2,139,997	\$ 68,578	\$ 2,208,575

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

Statement of Functional Expenses

Year ending October 31, 2020

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 371,354	\$ 57,718	\$ 18,077	\$ 447,149
Animal care	314,030	-	-	314,030
Depreciation & amortization expense	66,839	1,447	-	68,286
Fundraising expenses	-	-	48,122	48,122
Payroll taxes	36,371	5,653	1,771	43,795
Telephone and utilities	30,206	4,315	1,438	35,959
Bank and on-line fees	9,025	9,026	-	18,051
Office expenses	13,099	1,871	624	15,594
Repairs and maintenance	13,840	-	-	13,840
Insurance	10,143	2,535	-	12,678
Professional fees	-	12,567	-	12,567
Computer and internet expenses	8,053	1,150	384	9,587
Transportation	6,642	-	-	6,642
Miscellaneous expenses	2,473	353	118	2,944
Recognition	-	-	1,773	1,773
Professional development	-	1,751	-	1,751
Total expenses	\$ 882,075	\$ 98,387	\$ 72,306	\$ 1,052,768

See Independent Accountant's Report

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

Statement of Cash Flows

For the Year Ended October 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 370,184
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation & amortization	68,287
Gain in investment accounts	(19,944)
Effect of changes in operating assets and liabilities:	
Receivables	41,888
Inventories	(17,485)
Deposits	(28,899)
Accounts payable	(30,624)
Accrued expenses	(228)
Net cash provided by operating activities	<u>383,179</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(37,087)
Purchase of equipment	<u>(16,286)</u>
Net cash used in investing activities	(53,373)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from loans	187,500
Principal payments on loans	<u>(100,000)</u>
Net cash provided by financing activities	87,500
NET INCREASE IN CASH	417,306
CASH BEGINNING OF YEAR	<u>456,139</u>
CASH END OF YEAR	<u><u>\$ 873,445</u></u>

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE
NOTES TO FINANCIAL STATEMENTS
October 31, 2020

NOTE 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 adopted the Financial Accounting Standard Board's Accounting Standards Update (ASU) 2016-14 Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. This update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-147 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

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.

Accounts Receivable

The Organization's accounts receivable consists of service receivables and store sales receivables. The Organization accounts for potential losses in receivables utilizing the allowance method. No receivables or allowances were necessary or recorded at October 31, 2020.

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, 2020

NOTE 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 \$1,000. Depreciation of fixed assets is provided by the 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, 2020, was \$68,286. 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 non-financial 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 an identical asset 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.

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.

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE
NOTES TO FINANCIAL STATEMENTS
October 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. As of and during the year ended October 31, 2020, the Organization had no uncertain tax positions to report. The Organization is no longer subject to income tax examinations for years before 2016 by taxing authorities in jurisdictions where the Organization has filed returns.

Subsequent Events

Subsequent events have been evaluated through January 10, 2020, which is when the financial statements were available to be issued.

NOTE 2 – REVENUE RECOGNITION AND ADOPTION OF NEW ACCOUNTING STANDARDS

Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 606, *Revenue from Contracts with Customers*) which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue guidance in GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The organization adopted the provisions of ASC 606 using the modified retrospective approach. The adoption of ASC 606 did not have a material impact on the Organization's financial statements, although the financial statement presentation and disclosures have changed. Concurrent with the adoption of ASC 606, the Organization elected to apply certain practical expedients available to nonprofit organizations with respect to disclosure requirements.

The Organization's revenue from contracts with customers consists primarily of service revenue and store sales. Service revenue amounted to \$459,601 at October 30, 2020. Obligations for the service revenue are satisfied and recognized at a point in time as the services are performed. Store sales revenue amounted to \$29,344 at October 30, 2020. Obligations for the store sales revenue are satisfied and recognized at the point sale.

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE
NOTES TO FINANCIAL STATEMENTS
October 31, 2020

NOTE 2 – REVENUE RECOGNITION AND ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

Contributions

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*, for resource recipients on the modified prospective basis. The adoption of ASU 2018-08 did not have a material impact on the Organization’s financial statements, although the financial statement presentation and disclosures have changed.

Unconditional pledges of contributions are recorded as revenue at the time pledges are made. All contributions are considered available for unrestricted use unless received with donor stipulations that limit the use of the assets. When a donor restriction expires, for example, 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.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash, long-lived assets, or other assets with explicit restrictions that specify how the donated assets must be used are reported as restricted support. Absent explicit donor stipulation about how long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The adoption of ASC 606 and ASU 2018-08 resulted in no changes to how revenue was recognized prior to adoption.

NOTE 3 – LIQUIDITY AND AVAILABLE RESOURCES

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. In addition, the Organization invests cash in excess of daily requirements in a savings account or investment account. To help manage unanticipated liquidity needs, the Organization has investments without donor restrictions of \$561,284 at October 31, 2020, which can be drawn upon if necessary. The Organizations financial assets available to meet cash needs for general expenditures within one year are as follows at June 30, 2020:

Cash	\$ 873,445
Accounts receivable	42,051
Bequests receivable	17,662
Investments	561,284
Deposits	<u>40,869</u>
Total available resources	<u>\$ 1,535,311</u>

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE
NOTES TO FINANCIAL STATEMENTS
October 31, 2020

NOTE 4 – INVESTMENTS

The Organization’s investments consist of \$561,284 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, 2020.

Investment income for the fiscal year ended October 31, 2020, consisted of the following:

Interest and dividends	\$16,608
Unrealized gains	<u>40,634</u>
Total investment income	<u>\$ 57,242</u>

NOTE 5 - 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, 2020, are as follows:

Beginning of the year	\$18,666
Investment income	193
Less fees	<u>281</u>
End of the year	<u>\$18,578</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.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

At October 31, 2020, the Organization had \$48,578 of net assets with donor restrictions. This amount consisted of \$18,578 of the Endowment fund and \$30,000 of cash with time restrictions because the purpose restriction has not been accomplished.

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE
NOTES TO FINANCIAL STATEMENTS
October 31, 2020

NOTE 7 – NOTES PAYABLE

On May 15, 2020, the Organization qualified and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from Northwest Bank, for an aggregate principal amount of \$87,500 (the “PPP Loan”). The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. No principal or interest payments are due for the first six months following the disbursement date of May 15, 2020. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization’s request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent, and mortgage obligations, and covered utility payments incurred by the Organization. The Organization intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. To the extent that the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and principal and interest payment will be required through the maturity date in May 2022.

During the year the Organization applied for and received a loan from the U.S. Small Business Administration Economic Injury Disaster Loans Program for \$100,000. The loan was repaid in full on October 6, 2020.

NOTE 8 – UNCERTAINTY

The spread of COVID-19, a strain of coronavirus, is altering the behavior of business and people in a manner that is having negative effects on local, regional, and global economies. The Organization has taken all necessary and possible precautions to be prepared for COVID-19. The extent of the COVID-19 on the Organization’s operational and financial performance will depend on numerous developments, all of which are uncertain and cannot be predicted.