

*Large Enough to Know, Small Enough to Care*



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FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

FINANCIAL STATEMENTS

October 31, 2021

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*Elek &*  
*N*OSS LLC

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Certified Public Accountants  
& Business Advisors

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**FRIENDSHIP ANIMAL PROTECTIVE LEAGUE**

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## **Independent Auditor's Report**

To the Board of Trustees  
Friendship Animal Protective League

We have audited the accompanying financial statements of Friendship Animal Protective League (a nonprofit organization), which comprise the statement of financial position as of October 31, 2021 and the related statement of activities, functional expenses, and cash flows for the year 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor's 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.

*Elek & Noss LLC*

December 6, 2021

**FRIENDSHIP ANIMAL PROTECTIVE LEAGUE**

Statement of Financial Position

October 31, 2021

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 1,276,382
Investments	719,709
Inventory	74,925
Pledges receivable	15,939
Other receivables	8,360

Total current assets 2,095,315

**PROPERTY AND EQUIPMENT**

Land and improvements	100,243
Buildings and improvements	1,427,248
Furniture and equipment	204,488
Vehicles	36,489

Total property and equipment, at cost 1,768,468

Less: accumulated depreciation (1,100,024)

Total property and equipment, net 668,444

**OTHER ASSETS**

Beneficial interest held by Community Foundation 25,895

Total other assets 25,895

**TOTAL ASSETS** \$ 2,789,654

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable	\$ 37,153
Credit cards payable	4,457
Accrued other expenses	3,065

Total liabilities 44,675

**NET ASSETS**

Without donor restrictions 2,709,084

With donor restrictions 35,895

Total net assets 2,744,979

**TOTAL LIABILITIES AND NET ASSETS** \$ 2,789,654

**FRIENDSHIP ANIMAL PROTECTIVE LEAGUE**

## Statement of Activities and Changes in Net Assets

For the Year Ended October 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Contributions	\$ 843,185	\$ 15,523	\$ 858,708
Legacies and bequests	5,508	-	5,508
Grants	9,530	-	9,530
Program service revenue	579,423	-	579,423
Sales	25,698	-	25,698
Less cost of goods sold	(13,181)	-	(13,181)
Fundraising event income	232,851	-	232,851
Less direct event expenses	(20,218)	-	(20,218)
Investment income	153,894	4,694	158,588
Other income	27,968	-	27,968
PPP Loan forgiveness	87,500	-	87,500
Net assets released from restrictions	52,900	(52,900)	-
Total revenue and support	1,985,058	(32,683)	1,952,375
 <b>EXPENSES</b>			
Program services	1,202,542	-	1,202,542
Management and general	107,049	-	107,049
Fundraising	106,380	-	106,380
Total expenses	1,415,971	-	1,415,971
 <b>CHANGES IN NET ASSETS</b>	569,087	(32,683)	536,404
 <b>NET ASSETS:</b>			
<b>BEGINNING OF YEAR</b>	2,139,997	68,578	2,208,575
<b>END OF YEAR</b>	\$ 2,709,084	\$ 35,895	\$ 2,744,979

## FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

Statement of Functional Expenses  
For the year ending October 31, 2021

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 464,923	\$ 61,529	\$ 17,500	\$ 543,952
Payroll taxes	42,366	5,607	1,595	49,568
Animal care	530,268	-	-	530,268
Insurance	8,914	2,228	-	11,142
Telephone and utilities	30,594	4,371	1,457	36,422
Repairs and maintenance	13,442	-	-	13,442
Office expenses	15,059	2,151	717	17,927
Computer expenses	7,581	1,083	361	9,025
Professional development	-	1,025	-	1,025
Recognition expenses	-	2,594	-	2,594
Professional fees	-	11,170	-	11,170
Bank and on-line fees	13,969	13,969	-	27,938
Miscellaneous expenses	1,881	269	89	2,239
Fundraising expenses	-	-	60,598	60,598
Postage - fundraising	-	-	24,063	24,063
Transportation	8,755	-	-	8,755
Depreciation & amortization expense	64,790	1,053	-	65,843
Total expenses	<u>\$ 1,202,542</u>	<u>\$ 107,049</u>	<u>\$ 106,380</u>	<u>\$ 1,415,971</u>

See Independent Auditor's Report

**FRIENDSHIP ANIMAL PROTECTIVE LEAGUE**

Statement of Cash Flows

For the Year Ended October 31, 2021

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 536,404
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation & amortization	62,777
Gain in investment account	(134,037)
Gain in endowment account	(7,317)
Forgiveness of PPP loan	(87,500)
Effect of changes in operating assets and liabilities:	
Accounts receivable	35,414
Inventories	(9,194)
Prepaid expenses and deposits	40,869
Accounts payable	25,520
Accrued expenses	181
Net cash provided by operating activities	<u>463,117</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment income reinvested	(24,388)
Purchase of equipment	<u>(35,792)</u>
Net cash used in investing activities	(60,180)

**NET INCREASE IN CASH** 402,937

**CASH BEGINNING OF YEAR** 873,445

**CASH END OF YEAR** \$ 1,276,382

# FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

## NOTES TO FINANCIAL STATEMENTS

October 31, 2021

### 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 previously 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, store sales, and bequests receivable. The Organization accounts for potential losses in receivables utilizing the allowance method. No receivable allowances were necessary or recorded at October 31, 2021.

#### **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, 2021

### 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, 2021, was \$62,364. 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, 2021

**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, 2021, the Organization had no uncertain tax positions to report. The Organization is no longer subject to income tax examinations for years before 2017 by taxing authorities in jurisdictions where the Organization has filed returns.

**Subsequent Events**

Subsequent events have been evaluated through December 6, 2021, which is when the financial statements were available to be issued.

**NOTE 2 – REVENUE RECOGNITION**

**Contracts with Customers**

The Organization previously adopted 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. 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 \$579,423 at October 30, 2021. Obligations for the service revenue are satisfied and recognized at a point in time as the services are performed. Store sales revenue amounted to \$25,698 at October 30, 2021. Obligations for the store sales revenue are satisfied and recognized at the point of sale.

**FRIENDSHIP ANIMAL PROTECTIVE LEAGUE**  
**NOTES TO FINANCIAL STATEMENTS**  
October 31, 2021

**NOTE 2 – REVENUE RECOGNITION (continued)**

**Contributions**

The Organization previously 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.

**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 \$719,709 at October 31, 2021, 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 October 31, 2021:

Cash	\$	1,276,382
Accounts receivable		24,299
Investments		719,709
Less restricted contributions		<u>(10,000)</u>
 Total available resources	 \$	 <u>2,010,390</u>

**FRIENDSHIP ANIMAL PROTECTIVE LEAGUE**  
**NOTES TO FINANCIAL STATEMENTS**  
October 31, 2021

**NOTE 4 – INVESTMENTS**

The Organization’s investments consist of \$791,709 of mutual funds at fair market value. The mutual funds have a fair market value determined from an actively traded market which is Level 1 inputs at October 31, 2021.

Investment income for the fiscal year ended October 31, 2021, consisted of the following:

Dividends and capital gain distributions	\$24,388
Unrealized gains	<u>134,037</u>
Total investment income	<u>\$ 158,425</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, 2021, are as follows:

Beginning of the year	\$18,578
Contributions	2,623
Investment income	5,010
Less fees	<u>316</u>
End of the year	<u>\$25,895</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, 2021, the Organization had \$35,895 of net assets with donor restrictions. This amount consisted of \$28,895 of the Endowment fund and \$10,000 of cash with time restrictions because the purpose restriction has not been accomplished.

**FRIENDSHIP ANIMAL PROTECTIVE LEAGUE**  
**NOTES TO FINANCIAL STATEMENTS**  
October 31, 2021

**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 applied 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.

On February 24, 2021, the Organization was granted loan forgiveness for the loan in its entirety by the U.S. Small Business Administration.

**NOTE 8 – LEASE COMMITMENTS**

The Organization leases a copier under an operating lease that expires in 2025. Future minimum lease payments under the lease are as follows:

<u>Years Ending October 31</u>	
2022	\$ 2,340
2023	2,340
2024	2,340
2025	390
Total	<u>\$ 7,410</u>

Total lease expense for the year ended October 31, 2021 was \$2,340.

**FRIENDSHIP ANIMAL PROTECTIVE LEAGUE**  
**NOTES TO FINANCIAL STATEMENTS**  
October 31, 2021

**NOTE 9 – 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.

**NOTE 10 –RECENT ACCOUNTING PRONOUNCEMENTS**

In June 2020, the FASB amended ASU 2018-20, Leases (Topic 842): This ASU requires lessees recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating and this classification will affect the recording on the income statement. For all non-public entities and non-profits, this guidance is effective for fiscal years beginning after December 15, 2021. The Organization is currently assessing the effect of this ASU on its financial statements.