

Large Enough to Know, Small Enough to Care



FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

FINANCIAL STATEMENTS

October 31, 2022



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Certified Public Accountants
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FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

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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, 2022, and the related statements of activities and changes in net assets, 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's Responsibility for the Financial Statements

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.

Accountant's Responsibility

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.

Accountant's Conclusion

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

December 30, 2022
Grafton, Ohio

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

Statement of Financial Position

October 31, 2022

ASSETS

CURRENT ASSETS

Cash	\$ 1,504,604
Accounts receivable	3,500
Bequests receivable	191,003
Inventory	77,921
Investments	921,480
Total current assets	<u>2,698,508</u>

PROPERTY AND EQUIPMENT

Land and improvements	100,243
Buildings and improvements	1,451,178
Furniture and equipment	209,175
Vehicles	36,489
Total property and equipment, at cost	<u>1,797,085</u>
Less: accumulated depreciation	<u>(1,171,688)</u>
Total property and equipment, net	<u>625,397</u>

OTHER ASSETS

Beneficial interest held by Community Foundation	25,157
Bequests receivable	1,480,500
Total other assets	<u>1,505,657</u>

TOTAL ASSETS

\$ 4,829,562

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 84,734
Accrued expenses	7,628
Total liabilities	<u>92,362</u>

NET ASSETS

Without donor restrictions	3,067,043
With donor restrictions	1,670,157
Total net assets	<u>4,737,200</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 4,829,562

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

Statement of Activities and Changes in Net Assets

For the Year Ended October 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 1,018,591	\$ 62,596	\$ 1,081,187
Legacies and bequests	339,787	1,645,000	1,984,787
Grants	41,500	65,000	106,500
Program service revenue	851,370	-	851,370
Sales	45,211	-	45,211
Less cost of goods sold	(25,915)	-	(25,915)
Fundraising event income	126,336	-	126,336
Less direct event expenses	(19,892)	-	(19,892)
Investment income/(loss)	(152,316)	(3,334)	(155,650)
Other income	2,032	-	2,032
Net assets released from restrictions	135,000	(135,000)	-
Total revenue and support	2,361,704	1,634,262	3,995,966
 EXPENSES			
Program services	1,691,983	-	1,691,983
Management and general	134,901	-	134,901
Fundraising	176,862	-	176,862
Total expenses	2,003,745	-	2,003,745
 CHANGES IN NET ASSETS	357,959	1,634,262	1,992,221
 NET ASSETS:			
BEGINNING OF YEAR	2,709,084	35,895	2,744,979
 END OF YEAR	\$ 3,067,043	\$ 1,670,157	\$ 4,737,200

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

Statement of Functional Expenses
For the year ending October 31, 2022

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 598,248	\$ 73,683	\$ 53,673	\$ 725,604
Animal care	801,359	-	-	801,359
Depreciation & amortization expense	66,731	246	-	66,977
Fundraising expenses	-	-	114,687	114,687
Payroll taxes	56,308	6,935	5,052	68,295
Telephone and utilities	38,547	5,507	1,835	45,889
Bank and on-line fees	11,671	11,671	-	23,342
Office expenses	19,424	2,775	925	23,124
Repairs and maintenance	60,111	-	-	60,111
Insurance	14,206	3,551	-	17,757
Professional fees	-	21,615	-	21,615
Computer and internet expenses	9,545	1,364	454	11,363
Transportation	10,885	-	-	10,885
Miscellaneous expenses	4,948	707	236	5,890
Recognition	-	2,870	-	2,870
EIDL interest expense	-	2,204	-	2,204
Professional development	-	1,773	-	1,773
Total expenses	\$ 1,691,983	\$ 134,901	\$ 176,862	\$ 2,003,745

See Independent Accountant's Report

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

Statement of Cash Flows

For the Year Ended October 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 1,992,221
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation & amortization	71,664
Loss on investment accounts	152,329
Effect of changes in operating assets and liabilities:	
Receivables	(1,650,704)
Inventories	(2,996)
Accounts payable	43,124
Accrued expenses	4,563
Net cash provided by operating activities	<u>610,201</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Increase of investments	(353,362)
Purchase of equipment	<u>(28,617)</u>
Net cash used in investing activities	(381,979)

NET INCREASE IN CASH 228,222

CASH BEGINNING OF YEAR 1,276,382

CASH END OF YEAR \$ 1,504,604

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

NOTES TO FINANCIAL STATEMENTS

October 31, 2022

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 receivables utilizing the allowance method. No receivable allowances were necessary or recorded at October 31, 2022.

Inventory

The Organization records inventory at the lower 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, 2022

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 costs 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, 2022, was \$66,977. 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, 2022

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, 2022, the Organization had no uncertain tax positions to report. The Organization is no longer subject to income tax examinations for years before 2018 by taxing authorities in jurisdictions where the Organization has filed returns.

Subsequent Events

Subsequent events have been evaluated through December 30, 2022, 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 \$851,370 at October 30, 2022. Obligations for the service revenue are satisfied and recognized at a point in time as the services are performed. Store sales revenue amounted to \$45,211 at October 30, 2022. 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, 2022

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 \$921,480 at October 31, 2022, 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, 2022:

Cash	\$	1,504,604
Accounts receivable		3,500
Investments		921,480
Less: Cash with donor restrictions		(-0-)
		<hr/>
Total available resources	\$	<u>2,429,584</u>

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE
NOTES TO FINANCIAL STATEMENTS
October 31, 2022

NOTE 4 – INVESTMENTS

The Organization’s investments consist of \$921,480 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, 2022.

Investment income for the fiscal year ended October 31, 2022, consisted of the following:

Interest and dividends	\$12,742
Unrealized losses	<u>(165,058)</u>
Total investment income	<u>\$ (152,316)</u>

NOTE 5 – BEQUEST RECEIVABLE

On October 26, 2022, the Organization was notified it is the beneficiary of a trust agreement valued at \$1,645,000. The trust contains primarily publicly held investments and is managed by a trustee. The trust agreement stipulates that the Organization will receive annually all the trusts income, less trustee fees plus 10% of the principal valued at the end of each calendar year for nine years. After the tenth year the trust shall terminate and distribute all assets. All proceeds from the trust shall be used for the benefit of dogs and cats, while no proceeds may be used for the euthanasia of any dog or cat. The bequest receivable is accounted for with ten percent in current assets and ninety percent in other assets. Management believes no allowance is necessary or recorded at October 31, 2022.

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 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, 2022, are as follows:

Beginning of the year	\$25,895
Contributions	2,596
Net investment income/loss	<u>(3,334)</u>
End of the year	<u>\$25,157</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.

FRIENDSHIP ANIMAL PROTECTIVE LEAGUE

NOTES TO FINANCIAL STATEMENTS

October 31, 2022

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

At October 31, 2022, the Organization had \$1,670,157 of net assets with donor restrictions. This amount consisted of \$25,157 of the Endowment fund and \$1,645,000 bequests receivable, when received can be used for limited purposes.

NOTE 8 – UNCERTAINTY

The ongoing Covid-19 pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The Covid-19 pandemic remains a rapidly evolving situation. The extent of the impact of Covid-19 on the Organization and its financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which it operates and related impact of consumer confidence and spending, all of which are highly uncertain.

NOTE 9 – RECENT ACCOUNTING PRONOUNCEMENTS

During 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, Leases. As currently proposed by the FASB it is effective for fiscal years beginning after December 15, 2021. This ASU is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their statement of financial position the assets and liabilities for the rights and obligations created by those leases and to provide additional disclosures regarding the leases. The Organization is presently evaluating the effects this ASU will have on its future financial statements.