

**PROVERBS 12:10 ANIMAL RESCUE  
AND ADOPTION  
FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**PROVERBS 12:10 ANIMAL RESCUE AND ADOPTION  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

**TABLE OF CONTENTS**

	<b>PAGE</b>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statement of Functional Expenses, Current Year	4
Statement of Functional Expenses, Prior Year	5
Statements of Cash Flows	6
Notes to Financial Statements	7



## Independent Auditor's Report

To the Board of Directors  
Proverbs 12:10 Animal Rescue and Adoption

### Report on the Financial Statements

We have audited the accompanying financial statements of Proverbs 12:10 Animal Rescue and Adoption (a not-for-profit public charity, the "Organization"), which comprise the statements of financial position as of December 31, 2018 and 2017, the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Proverbs 12:10 Animal Rescue and Adoption as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Blankenship CPA Group, PLLC  
Dickson, Tennessee  
November 5, 2019

**PROVERBS 12:10 ANIMAL RESCUE AND ADOPTION**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>Assets</b>		
Current assets:		
Cash	\$ 89,428	\$ 37,371
Grants receivable	-	7,500
Total current assets	<u>89,428</u>	<u>44,871</u>
Equipment:		
Transportation equipment, at cost	66,663	66,663
Accumulated depreciation	<u>(25,397)</u>	<u>(12,469)</u>
Equipment, net	<u>41,266</u>	<u>54,194</u>
Total assets	<u><u>\$ 130,694</u></u>	<u><u>\$ 99,065</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 14,458	\$ 7,096
Accrued liabilities	<u>4,781</u>	<u>5,021</u>
Total current liabilities	<u>19,239</u>	<u>12,117</u>
Net assets:		
Without donor restrictions	101,455	86,948
With donor restrictions	<u>10,000</u>	<u>-</u>
Total net assets	<u>111,455</u>	<u>86,948</u>
Total liabilities and net assets	<u><u>\$ 130,694</u></u>	<u><u>\$ 99,065</u></u>

See accompanying notes to the financial statements.

**PROVERBS 12:10 ANIMAL RESCUE AND ADOPTION  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>Change in net assets without donor restrictions</b>		
<b>Public support and other revenues</b>		
Contributions	\$ 519,494	\$ 524,448
Adoption fees	136,545	160,908
Grants	41,900	11,000
Merchandise sales	234	-
	<hr/>	<hr/>
Total public support and other revenues	698,173	696,356
	<hr/>	<hr/>
<b>Functional expenses</b>		
Program services	609,784	584,021
Management and general	57,832	55,504
Fundraising	16,102	14,970
	<hr/>	<hr/>
Total functional expenses	683,718	654,495
	<hr/>	<hr/>
Interest income	52	-
	<hr/>	<hr/>
<b>Change in net assets without donor restrictions</b>	14,507	41,861
	<hr/>	<hr/>
<b>Change in net assets with donor restrictions</b>		
<b>Public support and other revenues</b>		
Grants	10,000	-
	<hr/>	<hr/>
<b>Change in net assets with donor restrictions</b>	10,000	-
	<hr/>	<hr/>
<b>Change in net assets</b>	24,507	41,861
	<hr/>	<hr/>
<b>Net assets, beginning of year</b>	86,948	45,087
	<hr/>	<hr/>
<b>Net assets, end of year</b>	\$ 111,455	\$ 86,948
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to the financial statements.

**PROVERBS 12:10 ANIMAL RESCUE AND ADOPTION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Services	Management and General	Fundraising	Total
	\$	\$	\$	\$
Wages and payroll expenses	205,335	28,456	5,924	239,715
Professional fees	-	11,297	1,950	13,247
Advertising and promotion	-	8,028	8,228	16,256
Office expenses	-	2,996	-	2,996
Information technology	-	3,252	-	3,252
Occupancy	8,522	-	-	8,522
Travel	4,614	-	-	4,614
Conferences and meetings	-	30	-	30
Depreciation	12,928	-	-	12,928
Insurance	2,150	-	-	2,150
Veterinary fees	183,067	-	-	183,067
Boarding	83,830	-	-	83,830
Training fees	37,595	-	-	37,595
Supplies	27,499	-	-	27,499
Food for animals	28,503	-	-	28,503
Miscellaneous	15,741	3,773	-	19,514
Totals	<u>\$ 609,784</u>	<u>\$ 57,832</u>	<u>\$ 16,102</u>	<u>\$ 683,718</u>

See accompanying notes to the financial statements.

**PROVERBS 12:10 ANIMAL RESCUE AND ADOPTION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Services	Management and General	Fundraising	Total
Wages and payroll expenses	\$ 233,540	\$ 26,439	\$ 9,449	\$ 269,428
Professional fees	-	9,392	-	9,392
Advertising and promotion	-	7,498	5,521	13,019
Office expenses	-	3,099	-	3,099
Information technology	-	4,302	-	4,302
Occupancy	5,132	-	-	5,132
Travel	1,390	-	-	1,390
Conferences and meetings	-	1,400	-	1,400
Depreciation	8,109	-	-	8,109
Insurance	3,746	-	-	3,746
Veterinary fees	131,756	-	-	131,756
Boarding	79,123	-	-	79,123
Training fees	34,315	-	-	34,315
Supplies	38,937	-	-	38,937
Food for animals	32,670	-	-	32,670
Miscellaneous	15,303	3,374	-	18,677
Totals	\$ 584,021	\$ 55,504	\$ 14,970	\$ 654,495

See accompanying notes to the financial statements.

**PROVERBS 12:10 ANIMAL RESCUE AND ADOPTION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 24,507	\$ 41,861
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation	12,928	8,109
Change in operating assets and liabilities:		
Grants receivable	7,500	(2,750)
Accounts payable	7,362	(3,725)
Accrued liabilities	(240)	981
	<u>52,057</u>	<u>44,476</u>
Net cash provided by operating activities	<u>52,057</u>	<u>44,476</u>
<b>Cash flows from investing activities:</b>		
Purchase of equipment	<u>-</u>	<u>(29,113)</u>
Net cash used by investing activities	<u>-</u>	<u>(29,113)</u>
<b>Net increase in cash</b>	52,057	15,363
<b>Cash, beginning of year</b>	<u>37,371</u>	<u>22,008</u>
<b>Cash, end of year</b>	<u><u>\$ 89,428</u></u>	<u><u>\$ 37,371</u></u>

See accompanying notes to the financial statements.



**PROVERBS 12:10 ANIMAL RESCUE AND ADOPTION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 1 – Organization and Nature of Activities**

Proverbs 12:10 Animal Rescue and Adoption (the “Organization”) was founded in 2002 as a private organization and was designated a Tennessee not-for-profit public charity in 2007. The Organization is a no kill, primarily all volunteer organization based in Middle Tennessee. The Organization is committed to “Helping His Helpless” through quality care and healing, adoptions, and population control awareness.

The Organization’s primary source of funding is public contributions, which include cash donations to the Organization and donations paid through veterinary offices on behalf of the Organization.

**Note 2 – Summary of Significant Accounting Policies**

**Basis of Accounting**

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

**Basis of Presentation**

The financial statements of the Organization have been prepared in accordance with US GAAP, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

**Cash**

For the purpose of the statements of cash flows, cash represents demand deposits.

**Contributions**

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reported in the statements of activities as net assets released in satisfaction of restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as net assets without donor restrictions.

**Donated Goods and Services**

Donated services are recognized if they create or enhance nonfinancial assets or the donated service requires specialized skills, was performed by a donor who possess such skills, and would have been purchased by the Organization, if not donated. Such services are recognized at estimated fair value as support and expense in the period the services were performed.

**PROVERBS 12:10 ANIMAL RESCUE AND ADOPTION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

**Donated Goods and Services (continued)**

A number of unpaid volunteers have made significant contributions of their time to assist the Organization in implementing various programs. The value of contributed time is not reflected in these financial statements in accordance with US GAAP.

**Equipment**

Equipment acquisitions are recorded at cost. Any equipment expenditure over \$5,000 is capitalized. Expenditures for repairs and maintenance are charged to expense as incurred. Donations of equipment are recorded as revenues at their estimated realizable value as of the date of donation. Such donations are reported as unrestricted revenues unless the donor has restricted the donated asset to a specific purpose. When depreciable assets are disposed, the cost and related accumulated depreciation are removed from the accounts, and any gain (except on trade-in) or loss is included in the statements of activities for the period. A gain on trade-in is applied to reduce the cost of the new acquisition. Depreciation is provided over the estimated useful lives of the assets and computed on the straight-line method over five years.

**Income Taxes**

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and the tax laws of the state of Tennessee, and classified by the Internal Revenue Service (IRS) as other than a private foundation.

Accounting principles generally accepted in the United States of America require the Organization's management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Organization's management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2018, no uncertain positions are taken or are expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization could be subject to routine audits by taxing jurisdictions for the periods of 2015 to the present; however, there are currently no audits for any tax periods in progress.

**Allocation of Functional Expenses**

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. Specifically, salary and benefits are allocated based on time and effort expended by individual and/or position.

**Use of Estimates**

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**Advertising**

Advertising is expensed as incurred. For the years ended December 31, 2018 and 2017, the Organization recorded advertising expense of \$8,028 and \$7,498, respectively.

**Reclassifications**

Certain reclassifications have been made to the 2017 financial statement presentation to correspond to the current year's classifications. Total net assets and changes in net assets are unchanged due to the reclassifications.

**PROVERBS 12:10 ANIMAL RESCUE AND ADOPTION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

**New Accounting Pronouncement**

On August 18, 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

**Note 3 – Liquidity and Availability**

The following represents the Organization’s financial assets at December 31:

	<b>2018</b>	<b>2017</b>
Financial assets:		
Cash	\$ 89,428	\$ 37,371
Grants receivable	-	7,500
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 89,428</u>	<u>\$ 44,871</u>

The Organization’s goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is placed in a separate savings account.

**Note 4 – Related Parties**

The Organization has a conflict of interest policy and any related party transactions must be reviewed by the Board of Directors. For the years ended December 31, 2018 and 2017, the Organization received grants of \$10,000 and \$7,500, respectively, from a related organization with which it shares a common board member.

**Note 5 – Noncash and in-kind contributions**

The following noncash and in-kind contributions have been included in revenues and assets/functional expenses in the financial statements for the years ended December 31, 2018 and 2017:

	<b>2018</b>	<b>2017</b>
Advertising	\$ -	\$ 1,090
Food	23,624	28,596
Software licenses and fees	3,252	3,102
Veterinary services	21,319	17,717
Total noncash contributions	<u>48,195</u>	<u>50,505</u>
Advertising	6,155	4,484
Grooming services	6,240	4,160
Total in-kind contributions	<u>12,395</u>	<u>8,644</u>
Total noncash and in-kind contributions	<u>\$ 60,590</u>	<u>\$ 59,149</u>

**Note 6 – Net Assets**

Net assets with donor restrictions were comprised of a grant for the purchase of heartworm preventative medication through November 30, 2020.

**PROVERBS 12:10 ANIMAL RESCUE AND ADOPTION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 7 – Subsequent Events**

Management has evaluated subsequent events through November 5, 2019, the date the financial statements were available to be issued.

**Note 8 – Recent Accounting Pronouncements**

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This standard clarifies the scope and the accounting guidance for contributions received and contributions made. ASU 2018-08 will result in treatment of most federal grants as donor-restricted conditional contributions rather than exchange transactions and applies to all entities that make or receive contributions. This standard is effective for nonpublic entities for fiscal years beginning after December 15, 2020. The Organization does not expect this new accounting guidance to have a material impact on its financial position or results of operations.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments* (Topic 320). This standard is effective for nonpublic entities for periods beginning after December 15, 2018, on a retrospective basis, with early adoption permitted. This new accounting guidance may result in some changes in classification in the statement of cash flows, which the Organization does not expect to be significant, and will not have any impact on the Organization's financial position or results of operations.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), to clarify the principles for recognizing revenue from contracts with customers. The new accounting guidance, which does not apply to financial instruments, is effective retrospectively for nonpublic entities for annual reporting periods beginning after December 15, 2018. The Organization does not expect this new accounting guidance to have a material impact on its financial position or results of operations.