

**PROVERBS 12:10 ANIMAL RESCUE AND ADOPTION, INC.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**DECEMBER 31, 2022**



**BELLENFANT**  
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

**PROVERBS 12:10 ANIMAL RESCUE AND ADOPTION, INC.**

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# BELLENFANT

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Professional Accounting & Consulting Services

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Proverbs 12:10 Animal Rescue And Adoption, Inc.  
Burns, Tennessee

### **Opinion**

We have audited the accompanying financial statements of Proverbs 12:10 Animal Rescue And Adoption, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, Inc. as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Proverbs 12:10 Animal Rescue And Adoption, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Proverbs 12:10 Animal Rescue And Adoption, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Proverbs 12:10 Animal Rescue And Adoption, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Proverbs 12:10 Animal Rescue And Adoption, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Bellenfant, PLLC*

Nashville, Tennessee

October 17, 2023

**PROVERBS 12:10 ANIMAL RESCUE AND ADOPTION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2022**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 291,019
Accounts Receivable	9,759
Grants Receivable	20,000
Prepaid Expenses	<u>491</u>
Total Current Assets	<u>321,269</u>

**FIXED ASSETS**

Transportation Equipment	73,540
Buildings	25,937
Less: Accumulated Depreciation	<u>(71,394)</u>
Total Fixed Assets	<u>28,083</u>
Total Assets	<u><u>\$ 349,352</u></u>

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable	\$ 16,424
Accrued Payroll	9,729
Spay/Neuter Refundable Deposits	<u>22,860</u>
Total Current Liabilities	<u>49,013</u>
Total Liabilities	<u>49,013</u>

**NET ASSETS**

Net Assets Without Donor Restrictions	280,339
Net Assets With Donor Restrictions	<u>20,000</u>
Total Net Assets	<u>300,339</u>
Total Liabilities and Net Assets	<u><u>\$ 349,352</u></u>

The accompanying notes are an integral part of these financial statements

**PROVERBS 12:10 ANIMAL RESCUE AND ADOPTION, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 812,154	\$ -	\$ 812,154
Adoption Fees	140,264	-	140,264
Grants	47,000	-	47,000
In-Kind Contributions	89,954	-	89,954
Interest	393	-	393
Other Income	1,280	-	1,280
Fundraising Revenue	75,069	-	75,069
Net Assets Released from Restrictions	32,500	(32,500)	-
	<u>1,198,614</u>	<u>(32,500)</u>	<u>1,166,114</u>
<b>EXPENSES</b>			
Program Services	<u>1,072,758</u>	<u>-</u>	<u>1,072,758</u>
Supporting Services			
Management and General	89,569	-	89,569
Fundraising	26,062	-	26,062
Total Supporting Services	<u>115,631</u>	<u>-</u>	<u>115,631</u>
Total Expenses	<u>1,188,389</u>	<u>-</u>	<u>1,188,389</u>
Ending Change in Net Assets	10,225	(32,500)	(22,275)
Net Assets, Beginning of Year	<u>270,114</u>	<u>52,500</u>	<u>322,614</u>
Net Assets, End of Year	<u><u>\$ 280,339</u></u>	<u><u>\$ 20,000</u></u>	<u><u>\$ 300,339</u></u>

The accompanying notes are an integral part of these financial statements

**PROVERBS 12:10 ANIMAL RESCUE AND ADOPTION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

		<u>Supporting Services</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Wages and Payroll Expenses	\$ 284,513	\$ 36,349	\$ 5,360	\$ 326,222
Professional Fees	-	23,365	8,677	32,042
Advertising and Promotion	-	5,120	12,025	17,145
Office Expenses	-	1,851	-	1,851
Bank and Credit Card Fees	-	9,587	-	9,587
Information Technology	-	3,772	-	3,772
Occupancy	9,144	-	-	9,144
Travel	13,112	-	-	13,112
Depreciation	6,876	-	-	6,876
Insurance	9,414	-	-	9,414
Veterinary Fees	459,315	-	-	459,315
In-Kind	89,954	-	-	89,954
Boarding	78,406	-	-	78,406
Training Fees	42,324	-	-	42,324
Supplies	46,959	-	-	46,959
Food for Animals	17,911	-	-	17,911
Miscellaneous	14,830	9,525	-	24,355
Total Expenses	<u>\$ 1,072,758</u>	<u>\$ 89,569</u>	<u>\$ 26,062</u>	<u>\$ 1,188,389</u>

The accompanying notes are an integral part of these financial statements

**PROVERBS 12:10 ANIMAL RESCUE AND ADOPTION, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ (22,275)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operations:	
Depreciation	6,876
(Increase) Decrease in:	
Accounts Receivable	39,999
Prepaid Expenses	(491)
Grants Receivable	(20,000)
Increase (Decrease) in:	
Accounts Payable	12,980
Accrued Payroll	9,729
Spay/Neuter Refundable Deposits	<u>(13,270)</u>
Net Cash Provided (Used) by Operating Activities	<u>13,548</u>
Net Increase (Decrease) in Cash and Cash Equivalents	13,548
Cash and Cash Equivalents, Beginning of Year	<u>277,471</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 291,019</u></u>

The accompanying notes are an integral part of these financial statements



**PROVERBS 12:10 ANIMAL RESCUE AND ADOPTION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Purpose**

Proverbs 12:10 Animal Rescue And Adoption, Inc. (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 volunteer organization based in Middle Tennessee. The Organization is committed to “Helping His Helpless” through quality care and healing, adoptions, and population control awareness.

**Basis of Accounting**

The financial statements of Proverbs 12:10 Animal Rescue And Adoption, Inc. are maintained and presented on the Accrual Basis of Accounting. Revenues are generally recognized when earned and expenses are generally recognized when incurred.

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to Presentation of Financial Statements of Not-for-Profit Associations. Under the FASB Accounting Standards Codification, the Organization is required to report information regarding its financial position and activities according to two classes of net assets; net assets without donor restrictions and net assets with donor restrictions.

*Net assets without donor restrictions:*

These are net assets that are not subject to donor-imposed stipulations. The Organization had \$280,339 of net assets without donor restrictions as of December 31, 2022.

*Net assets with donor restrictions:*

These are net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. This classification also includes net assets subject to donor-imposed stipulations that may be maintained permanently by the Organization. Generally, donors of these assets permit the Organization to use all or part of the income earned for general or specific purposes. The Organization had \$20,000 of net assets with donor restrictions as of December 31, 2022.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, Proverbs 12:10 Animal Rescue And Adoption, Inc. considers all highly liquid investments with a maturity of 90 days or less when purchased to be cash equivalents. As of December 31, 2022, the Organization had no cash equivalents.

**PROVERBS 12:10 ANIMAL RESCUE AND ADOPTION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2022**

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

**Accounts Receivable**

Accounts receivable are reported at their estimated collectible amounts. They are periodically evaluated for collectability based on management's assessment of each account. An allowance for doubtful accounts is established as losses are estimated to have occurred through recognition of bad debt expense. When management confirms the uncollectibility of an account receivable, such amount is charged off against the allowance for doubtful accounts. No allowance for doubtful accounts was recorded at December 31, 2022.

**Prepaid Expenses**

Prepaid expenses consists of insurance which is paid in advance.

**Fixed Assets**

Fixed assets consists of transportation equipment and buildings. Purchases above \$5,000 are recorded at cost. Depreciation is provided in amounts necessary to allocate the cost of assets over their estimated useful lives using the straight-line method. The estimated useful lives of all major classes of fixed assets are as follows:

Transportation Equipment	5 years
Buildings	40 years

**Accrued Payroll**

Accrued payroll includes salaries, wages, and other related expenses that have been incurred by employees as of December 31, 2022 but not yet paid.

**Revenue and Revenue Recognition**

Revenues are recognized at the time of the contribution from the donor. Grant revenues are recognized at the time the grant is awarded if no performance obligation is required. Revenues from reimbursement driven grants are recognized once the cost has been incurred and the right to collect exists.

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.

**PROVERBS 12:10 ANIMAL RESCUE AND ADOPTION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2022**

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

**Revenue and Revenue Recognition (Continued)**

Adoption fees are recorded as revenues upon completion of adoption. Also upon adoption, the adopter submits a spay/neuter deposit, indicating their commitment to spay or neuter their new pet. Upon evidence of completion, the deposit may be refunded to the adopter; alternatively, some adopters opt for the deposit to become a donation to the Organization, at which point it would be recognized as revenue.

**Advertising**

Advertising costs are expensed when incurred. For the year ended December 31, 2022, the Organization recorded advertising expense of \$5,120.

**Donated Services and Goods**

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

Members of the Board of Directors have provided substantial assistance to the Organization by donation of time and services. The value of this contribution was is not reflected in the financial statements since it is not susceptible to objective measurement of valuation.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from estimates.

**Functional Allocation of Expenses**

Expenses that can be directly attributed to a particular function are charged to that function. Accordingly, certain costs have been categorized based on specific identification of costs incurred or allocated as determined by management.

Expense

Payroll and related expenses  
Depreciation  
Insurance

Method of Allocation

Time and Effort  
Purpose of Fixed Asset  
Policy Coverage

**PROVERBS 12:10 ANIMAL RESCUE AND ADOPTION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2022**

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

**Compensated Absences**

Compensated absences for sick pay and personal time have not been accrued since they cannot be reasonably estimated. The Organization's policy is to recognize these costs when actually paid.

**Adoption of New Accounting Standards**

The Organization adopted ASU No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, retroactive to January 1, 2021. Accordingly, amounts are segregated on the statements of activities between contributions of cash and other financial assets and contributions of nonfinancial assets. Additional required disclosures have been added to note 5.

**2. AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Organization's financial assets as of December 31, 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

Financial assets, at year-end	\$ 291,019
Add: Accounts Receivable	9,759
Add: Grants Receivable	20,000
Add: Prepaid Expenses	491
Less: amounts not available to be used within one year	
Reserve for Spay/Neuter Deposit Refunds	(22,860)
Net Assets with Donor Restrictions	<u>(20,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 278,409</u></u>

There is an adequate amount of financial assets available as of December 31, 2022. The Organization effectively manages its liquid available resources to meet cash needs for general expenditures within one year of the balance sheet date.

**3. CONCENTRATION OF CREDIT RISK**

The Organization invests its available cash with major financial institutions. As of December 31, 2022, the cash accounts did not exceed the Federal Deposit Insurance Corporation limit of \$250,000.

**PROVERBS 12:10 ANIMAL RESCUE AND ADOPTION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2022**

**4. NET ASSETS WITH DONOR RESTRICTIONS**

The Organization has grants receivable with implied time restrictions. These funds are expected to be received within the next year. Grants with implied time restrictions as of December 31, 2022 consisted of the following:

Petco Grant Receivable	\$ 20,000
	<u>\$ 20,000</u>

**5. 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 year ended December 31, 2022:

Food	\$ 39,983
Supplies	30,746
Veterinary Services	19,225
	<u>\$ 89,954</u>

**6. 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 year ended December 31, 2022, the Organization received donations or grants totaling approximately \$12,188 from board members, employees, or companies related to board members.

In 2020, the Organization built a building on the executive director's personal property for the Organization's use. The executive director is allowing the Organization to use the land at no cost; there is no formal agreement in place for use of the land. The executive director is also allowing the Organization to use a separate pre-existing building on the property rent-free.

The Organization employs two of the executive director's family members and a third family member provides contract labor as needed.

**7. INCOME TAXES**

Proverbs 12:10 Animal Rescue And Adoption, Inc. has qualified for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an Organization that is not a private foundation.

The Organization files a U.S. Federal Form 990-Return of Organization Exempt from Income Tax. The Organization's returns for the years prior to fiscal year ended December 31, 2019 are no longer open for examination.

**PROVERBS 12:10 ANIMAL RESCUE AND ADOPTION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2022**

**7. INCOME TAXES (Continued)**

The Organization has evaluated its tax positions in accordance with the Codification Standard relating to Accounting for Uncertainty in Income Taxes. The Organization believes that it has taken no uncertain tax positions.

**8. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 17, 2023 which is the date the financial statements were available to be issued.