

**PROVERBS 12:10 ANIMAL RESCUE
AND ADOPTION
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
YEARS ENDED DECEMBER 31, 2019 AND 2018**

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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, 2019 and 2018, 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, 2019 and 2018, 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
January 25, 2021

PROVERBS 12:10 ANIMAL RESCUE AND ADOPTION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
Assets		
Current assets:		
Cash	\$ 156,107	\$ 89,428
Total current assets	<u>156,107</u>	<u>89,428</u>
Equipment:		
Transportation equipment, at cost	66,663	66,663
Accumulated depreciation	<u>(38,325)</u>	<u>(25,397)</u>
Equipment, net	<u>28,338</u>	<u>41,266</u>
Total assets	<u><u>\$ 184,445</u></u>	<u><u>\$ 130,694</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 14,570	\$ 14,458
Accrued liabilities	<u>-</u>	<u>4,781</u>
Total current liabilities	<u>14,570</u>	<u>19,239</u>
Net assets:		
Without donor restrictions	169,875	101,455
With donor restrictions	<u>-</u>	<u>10,000</u>
Total net assets	<u>169,875</u>	<u>111,455</u>
Total liabilities and net assets	<u><u>\$ 184,445</u></u>	<u><u>\$ 130,694</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, 2019 AND 2018**

	2019	2018
Net assets without donor restrictions		
Public support and other revenues		
Contributions	\$ 632,640	\$ 519,494
Adoption fees	154,278	136,545
Grants	61,000	41,900
Merchandise sales	19,596	234
	<hr/>	<hr/>
Total public support and other revenues	867,514	698,173
	<hr/>	<hr/>
Net assets released from restrictions		
Restrictions satisfied by payments	10,000	-
	<hr/>	<hr/>
Total public support, other revenues, and reclassifications	877,514	698,173
	<hr/>	<hr/>
Functional expenses		
Program services	728,178	609,784
Management and general	52,858	57,832
Fundraising	28,152	16,102
	<hr/>	<hr/>
Total functional expenses	809,188	683,718
	<hr/>	<hr/>
Interest income	94	52
	<hr/>	<hr/>
Change in net assets without donor restrictions	68,420	14,507
	<hr/>	<hr/>
Net assets with donor restrictions		
Grants	-	10,000
Net assets released from restrictions	(10,000)	-
	<hr/>	<hr/>
Change in net assets with donor restrictions	(10,000)	10,000
	<hr/>	<hr/>
Change in net assets	58,420	24,507
	<hr/>	<hr/>
Net assets, beginning of year	111,455	86,948
	<hr/>	<hr/>
Net assets, end of year	\$ 169,875	\$ 111,455
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See accompanying notes to the financial statements.

PROVERBS 12:10 ANIMAL RESCUE AND ADOPTION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services	Management and General	Fundraising	Total
Wages and payroll expenses	\$ 193,153	\$ 28,960	\$ 5,375	\$ 227,488
Professional fees	-	10,896	10,725	21,621
Advertising and promotion	-	158	12,052	12,210
Office expenses	-	4,273	-	4,273
Information technology	-	3,663	-	3,663
Occupancy	7,713	-	-	7,713
Travel	5,085	-	-	5,085
Depreciation	12,928	-	-	12,928
Insurance	8,434	-	-	8,434
Veterinary fees	288,162	-	-	288,162
Boarding	85,107	-	-	85,107
Training fees	40,656	-	-	40,656
Supplies	32,704	-	-	32,704
Food for animals	40,265	-	-	40,265
Miscellaneous	13,971	4,908	-	18,879
Totals	\$ 728,178	\$ 52,858	\$ 28,152	\$ 809,188

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	\$ 609,784	\$ 57,832	\$ 16,102	\$ 683,718

See accompanying notes to the financial statements.

**PROVERBS 12:10 ANIMAL RESCUE AND ADOPTION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 58,420	\$ 24,507
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation	12,928	12,928
Change in operating assets and liabilities:		
Grants receivable	-	7,500
Accounts payable	112	7,362
Accrued liabilities	(4,781)	(240)
	<u>66,679</u>	<u>52,057</u>
Net cash provided by operating activities	<u>66,679</u>	<u>52,057</u>
Net increase in cash	66,679	52,057
Cash, beginning of year	<u>89,428</u>	<u>37,371</u>
Cash, end of year	<u><u>\$ 156,107</u></u>	<u><u>\$ 89,428</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, 2019 AND 2018

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.

Revenue Recognition

Revenue is recognized at the time of the contribution from the donor. Grant revenue is recognized at the time the grant is awarded if no performance obligation is required. Revenue from reimbursement-driven grants is 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.

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, 2019 AND 2018**

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, 2019, 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 2016 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, 2019 and 2018, the Organization recorded advertising expense of \$158 and \$8,028, respectively.

**PROVERBS 12:10 ANIMAL RESCUE AND ADOPTION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

Note 3 – Liquidity and Availability

The Organization's financial assets at December 31, 2019 and 2018 consist of cash of \$156,107 and \$89,428, respectively, all of which are available to meet cash needs for general expenditures within one year.

The Organization's goal is generally to maintain financial assets to meet ninety 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, 2019 and 2018, the Organization received grants of \$10,000 each year 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:

	2019	2018
Food	\$ 30,814	\$ 23,624
Software licenses and fees	3,588	3,252
Supplies	13,895	-
Veterinary services	22,953	21,319
Total noncash contributions	<u>71,250</u>	<u>48,195</u>
Advertising	-	6,155
Grooming services	6,240	6,240
Total in-kind contributions	<u>6,240</u>	<u>12,395</u>
Total noncash and in-kind contributions	<u>\$ 77,490</u>	<u>\$ 60,590</u>

Note 6 – Subsequent Events

The Organization's management has evaluated subsequent events through January 25, 2021, the date on which the financial statements were available to be issued.

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economy and financial markets, including the geographical area in which the Organization operates. The ultimate impact of the pandemic on the Organization's results of operations and financial position cannot be reasonably estimated at this time.

On April 15, 2020, the Organization received a loan in the amount of \$44,950 in accordance with the Paycheck Protection Program section of the CARES Act. Under this loan program, the Organization was eligible for forgiveness of some portion of the loan up to 100%, if and when qualifying conditions were met. On October 30, 2020, the Organization was notified that the Small Business Administration had approved the Organization's forgiveness application and submitted payment of 100% of the forgivable funds to the lender, who has verified the loan is paid in full.