

**PROVERBS 12:10 ANIMAL RESCUE
AND ADOPTION
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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BLANKENSHIP CPA GROUP, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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, 2017 and 2016, 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, 2017 and 2016, 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.

A handwritten signature in blue ink that reads "Blankenship CPA Group, PLLC". The signature is written in a cursive, flowing style.

November 14, 2018

PROVERBS 12:10 ANIMAL RESCUE AND ADOPTION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
Assets		
Current assets:		
Cash	\$ 37,371	\$ 22,008
Grants receivable	7,500	4,750
Total current assets	<u>44,871</u>	<u>26,758</u>
Noncurrent assets:		
Transportation equipment, at cost	66,663	37,550
Accumulated depreciation	<u>(12,469)</u>	<u>(4,360)</u>
Total noncurrent assets	<u>54,194</u>	<u>33,190</u>
Total assets	<u><u>\$ 99,065</u></u>	<u><u>\$ 59,948</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 7,096	\$ 10,821
Accrued liabilities	<u>5,021</u>	<u>4,040</u>
Total current liabilities	<u>12,117</u>	<u>14,861</u>
Net assets:		
Unrestricted	<u>86,948</u>	<u>45,087</u>
Total liabilities and net assets	<u><u>\$ 99,065</u></u>	<u><u>\$ 59,948</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, 2017 AND 2016**

	2017	2016
Unrestricted net assets		
Public support and other revenues		
Contributions	\$ 524,448	\$ 432,857
Adoption fees	160,908	147,895
Grants	<u>11,000</u>	<u>19,750</u>
Total public support and other revenues	<u>696,356</u>	<u>600,502</u>
Functional expenses		
Program services	584,021	517,667
Management and general	48,006	34,089
Fundraising	<u>22,468</u>	<u>19,094</u>
Total functional expenses	<u>654,495</u>	<u>570,850</u>
Loss on disposal of assets	<u>-</u>	<u>(2,613)</u>
Increase in unrestricted net assets	41,861	27,039
Net assets, beginning of year	<u>45,087</u>	<u>18,048</u>
Net assets, end of year	<u><u>\$ 86,948</u></u>	<u><u>\$ 45,087</u></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	-	-	13,019	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	<u>\$ 584,021</u>	<u>\$ 48,006</u>	<u>\$ 22,468</u>	<u>\$ 654,495</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, 2016**

	Program Services	Management and General	Fundraising	Total
Wages and payroll expenses	\$ 154,122	\$ 26,208	\$ 8,774	\$ 189,104
Professional fees	-	1,905	-	1,905
Advertising and promotion	-	-	10,320	10,320
Office expenses	-	4,536	-	4,536
Occupancy	5,618	-	-	5,618
Travel	3,318	-	-	3,318
Depreciation	3,240	-	-	3,240
Insurance	1,598	-	-	1,598
Veterinary fees	177,614	-	-	177,614
Boarding	66,455	-	-	66,455
Training fees	52,495	-	-	52,495
Supplies	26,222	-	-	26,222
Food for animals	6,993	-	-	6,993
Miscellaneous	19,992	1,440	-	21,432
Totals	<u>\$ 517,667</u>	<u>\$ 34,089</u>	<u>\$ 19,094</u>	<u>\$ 570,850</u>

See accompanying notes to the financial statements.

PROVERBS 12:10 ANIMAL RESCUE AND ADOPTION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Increase in net assets	\$ 41,861	\$ 27,039
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	8,109	3,240
Contributed noncash assets	-	(35,525)
Loss on disposal of assets	-	2,613
Change in operating assets and liabilities:		
Grants receivable	(2,750)	(4,750)
Prepaid expenses	-	2,000
Accounts payable	(3,725)	4,426
Accrued liabilities	981	2,207
	<u>44,476</u>	<u>1,250</u>
Net cash provided by operating activities	<u>44,476</u>	<u>1,250</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(29,113)</u>	<u>-</u>
Net cash used by investing activities	<u>(29,113)</u>	<u>-</u>
Net increase in cash	15,363	1,250
Cash, beginning of year	<u>22,008</u>	<u>20,758</u>
Cash, end of year	<u><u>\$ 37,371</u></u>	<u><u>\$ 22,008</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, 2017 AND 2016

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

A. Basis of Presentation

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. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

Financial statement presentation follows the recommendations of FASB ASC 958, Not-for-Profit Entities. Under ASC 958, the Organization is required to report information regarding its activities according to three classes of net assets as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or passage of time. The Organization currently has no temporarily restricted net assets.

Permanently restricted net assets – Net assets subject to donor imposed stipulations that must be maintained by the Organization permanently. The Organization currently has no permanently restricted net assets.

B. Cash

For the purposes of the statement of cash flows, cash represents demand deposits.

C. Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the statement 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 unrestricted.

PROVERBS 12:10 ANIMAL RESCUE AND ADOPTION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Contributions (continued)

Intentions to give do not fall within the definition of an unconditional pledge and are not recognized in the financial statements until the conditions are substantially met.

D. Property and Equipment

Property and equipment acquisitions are recorded at cost. Any property and equipment expenditure over \$5,000 is capitalized. Expenditures for repairs and maintenance are charged to expense as incurred. Donations of property and 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 statement 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.

E. 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, 2017, 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 2014 to the present; however, there are currently no audits for any tax periods in progress.

F. 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.

G. 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 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.

**PROVERBS 12:10 ANIMAL RESCUE AND ADOPTION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

Note 2 – Summary of Significant Accounting Policies (Continued)

H. Advertising

Advertising is expensed as incurred. For the years ended December 31, 2017 and 2016, the Organization recorded advertising expense of \$7,498 and \$10,320, respectively.

I. Reclassification

Certain reclassifications have been made to the 2016 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.

Note 3 – Related Parties

For the years ended December 31, 2017 and 2016, the Organization received grants of \$7,500 and \$4,750, respectively, from a related organization with which it shares a common board member.

Note 4 – 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 year ended December 31, 2017:

	2017
Advertising	\$ 1,090
Food	28,596
Software licenses and fees	3,102
Veterinary services	<u>17,717</u>
Total noncash contributions	<u>50,505</u>
Advertising	4,484
Grooming services	<u>4,160</u>
Total in-kind contributions	<u>8,644</u>
Total noncash and in-kind contributions	<u>\$ 59,149</u>

For the year ended December 31, 2016, the Organization received \$26,740 of veterinary services donations that were paid directly to veterinary offices on behalf of the Organization.

Note 5 – Subsequent Events

The Organization has evaluated subsequent events through November 14, 2018, the date the financial statements were available to be issued.

PROVERBS 12:10 ANIMAL RESCUE AND ADOPTION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Note 6 – Recent Accounting Pronouncements

In August 2016, the FASB issued new accounting guidance that addresses classification of certain cash receipts and cash payments in the statement of cash flows. The new guidance 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 August 2016, the FASB issued new accounting guidance that amends the requirements for financial statements and notes of a not-for-profit entity. The new guidance is effective for periods beginning after December 15, 2017, on a retrospective basis, with early adoption permitted. This new accounting guidance may result in changes to financial statement presentation and additional disclosures, which the Organization does not expect to be significant, and is not expected to have any impact on the Organization's statement of financial position or statement of activities.

In May 2014, the FASB issued new accounting guidance 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.