

Proverbs 12:10 Animal Rescue and Adoption

Financial Statements
For the Years Ended December 31, 2020 and 2019

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Independent Auditor's Report

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, 2020 and 2019, 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, 2020 and 2019, 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
Brentwood, Tennessee
November 23, 2021

Proverbs 12:10 Animal Rescue and Adoption

Statements of Financial Position

December 31, 2020 and 2019

	2020	2019
Assets		
Current assets		
Cash	\$ 203,196	\$ 156,107
Property and Equipment		
Building	25,937	-
Transportation equipment	73,540	66,663
Accumulated depreciation	<u>(51,935)</u>	<u>(38,325)</u>
Property and equipment, net	<u>47,542</u>	<u>28,338</u>
Total assets	\$ 250,738	\$ 184,445
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 30,358	\$ 12,260
Spay/neuter refundable deposits	<u>36,050</u>	<u>2,310</u>
Total current liabilities	66,408	14,570
Net assets		
Without donor restrictions	175,525	169,875
With donor restrictions	<u>8,805</u>	<u>-</u>
Total net assets	<u>184,330</u>	<u>169,875</u>
Total liabilities and net assets	\$ 250,738	\$ 184,445

Proverbs 12:10 Animal Rescue and Adoption

Statement of Activities

For the Year Ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
Public Support and Other Revenues			
Contributions	\$ 629,239	\$ 8,805	\$ 638,044
Adoption fees	187,057	-	187,057
Grants	93,112	-	93,112
Merchandise sales	66,151	-	66,151
Miscellaneous income	10,972	-	10,972
Net assets released from restrictions			
Restrictions satisfied by payments	-	-	-
Total public support and other revenues	986,531	8,805	995,336
Expenses			
Program services	893,046	-	893,046
Management and general	70,348	-	70,348
Fundraising	17,488	-	17,488
Total expenses	980,881	-	980,881
Change in net assets	5,650	8,805	14,455
Net assets, beginning of year	169,875	-	169,875
Net assets, end of year	\$ 175,525	\$ 8,805	\$ 184,330

Proverbs 12:10 Animal Rescue and Adoption

Statement of Activities

For the Year Ended December 31, 2019

	Without donor restrictions	With donor restrictions	Total
Public Support and Other Revenues			
Contributions	\$ 632,640	\$ -	\$ 632,640
Adoption fees	154,278	-	154,278
Grants	61,000	-	61,000
Merchandise sales	19,596	-	19,596
Net assets released from restrictions			
Restrictions satisfied by payments	<u>10,000</u>	<u>(10,000)</u>	<u>-</u>
Total public support and other revenues	877,514	(10,000)	867,514
Expenses			
Program services	728,178	-	728,178
Management and general	52,858	-	52,858
Fundraising	<u>28,152</u>	<u>-</u>	<u>28,152</u>
Total expenses	809,188	-	809,188
Other Income (Expenses)			
Interest income	94	-	94
Change in net assets	68,420	(10,000)	58,420
Net assets, beginning of year	<u>101,455</u>	<u>10,000</u>	<u>111,455</u>
Net assets, end of year	\$ 169,875	\$ -	\$ 169,875

Proverbs 12:10 Animal Rescue and Adoption**Statement of Functional Expenses
For the Year Ended December 31, 2020**

	Program services	Management and general	Fundraising	Total
Veterinary fees	\$ 388,710	\$ -	\$ -	\$ 388,710
Wages and payroll expenses	249,301	30,615	5,096	285,012
Advertising and promotion	-	2,796	2,934	5,730
Boarding	66,857	-	-	66,857
Conferences and meetings	-	36	-	36
Depreciation	13,611	-	-	13,611
Food for animals	63,011	-	-	63,011
Information technology	-	4,803	-	4,803
Insurance	8,707	-	-	8,707
Occupancy	8,191	-	-	8,191
Office expenses	-	3,727	-	3,727
Professional fees	-	15,340	9,458	24,797
Supplies	23,453	-	-	23,453
Training fees	41,485	-	-	41,485
Travel	7,119	-	-	7,119
Miscellaneous	22,601	13,031	-	35,632
	\$ 893,046	\$ 70,348	\$ 17,488	\$ 980,881

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

Proverbs 12:10 Animal Rescue and Adoption
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash, beginning of year	\$ 156,107	\$ 89,428
Cash flows from operating activities		
Change in net assets	14,455	58,420
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	13,611	12,928
Change in:		
Accounts payable	18,098	(2,198)
Spay/neuter refundable deposits	33,740	(2,471)
Net cash provided (used) by operating activities	79,904	66,679
Cash flows from investing activities		
Payments for the purchase of property and equipment	(32,815)	-
Net change in cash	47,089	66,679
Cash, end of year	\$ 203,196	\$ 156,107

Proverbs 12:10 Animal Rescue and Adoption
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

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 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 requires 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

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.

Proverbs 12:10 Animal Rescue and Adoption
Notes to Financial Statements
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Note 2. Summary of Significant Accounting Policies

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.

Adoption fees are recorded as revenue 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.

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.

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.

Property Equipment and Depreciation

Property and equipment acquisitions are recorded at cost. Any property or equipment expenditure over \$5,000 is capitalized. Expenditures for repairs and maintenance are charged to expense as incurred. Donations of property or 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 5 years for equipment and furnishings and 40 years for buildings.

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. US GAAP requires 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, 2020, no uncertain positions have been 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 2017 to the present; however, there are currently no audits for any tax periods in progress.

Proverbs 12:10 Animal Rescue and Adoption
Notes to Financial Statements
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Note 2. Summary of Significant Accounting Policies

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 the 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.

PPP Loan

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. The Organization received a loan in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). US GAAP provides organizations with two alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as debt and future forgiveness recognized as income when the loan or any portion thereof is formally discharged; or 2) proceeds can be treated as a conditional contribution where they recognize a refundable advance and derecognize the liability, and recognize income, as the conditions for forgiveness are substantially met or explicitly waived. The Organization has elected to treat the PPP loan as a conditional contribution.

Advertising

Advertising is expensed as incurred. For the years ended December 31, 2020 and 2019, the Organization recorded advertising expense of \$2,796 and \$158, respectively.

Note 3. Liquidity and Availability

The following table represents the Organization's financial assets as of December 31 reduced by amounts not available for general expenditure within one year. The Organization considers general expenditures to be all expenditures related to the ongoing activities of achieving its mission.

	2020	2019
Financial assets at year-end		
Cash and cash equivalents	\$ 203,196	\$ 156,107
Less amounts not available to be used within one year		
Reserve for spay/neuter deposit refunds	(31,063)	(4,232)
Net assets with donor restrictions	<u>(8,805)</u>	<u>-</u>
Total assets whose use is limited	(39,868)	(4,232)
Financial assets available to meet cash needs for general expenditures within one year	\$ 171,803	\$ 151,875

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

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Note 4. PPP Loan

On April 15, 2020, the Organization received a loan in the amount of \$44,950 in accordance with the PPP 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. The loan forgiveness is included in the 2020 grant revenue in the statement of activities.

Note 5. Net Assets With Donor Restrictions

The Organization has received contributions from donors with the stipulation that such contributions are to be used for specific purposes. Net assets with donor restrictions at December 31, 2020 consist of \$8,805 restricted for the purchase of medications and vaccines of adoptable pets.

Note 6. 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:

	2020	2019
Food	\$ 46,097	\$ 30,814
Software licenses and fees	3,854	3,588
Supplies	18,417	13,895
Veterinary services	<u>20,684</u>	<u>22,953</u>
Total noncash contributions	89,052	71,250
 Grooming services	 <u>7,200</u>	 <u>6,240</u>
Total noncash and in-kind contributions	\$ 96,252	\$ 77,490

Note 7. Concentrations

The Organization maintains certain cash balances held in a non-FDIC insured institution. The uninsured balances totaled approximately \$39,000 at December 31, 2020. The Organization maintains its cash with a high quality institution which the Organization believes limits these risks.

Note 8. 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, 2020 the Organization received donations or grants totaling approximately \$26,500 from board members, employees, or companies related to board members. For the year ended December 31, 2019, the Organization received a grant totaling \$10,000 from another organization with a common board member.

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Note 8. Related Parties

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 over 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.

Note 9. Subsequent Events

Management has evaluated subsequent events through November 23, 2021, the date on which the financial statements were available for issuance.