

Proverbs 12:10 Animal Rescue and Adoption

Financial Statements
For the Years Ended December 31, 2021 and 2020

Proverbs 12:10 Animal Rescue and Adoption
Financial Statements
For the Years Ended December 31, 2021 and 2020

Contents

Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9 - 13



Independent Auditor's Report

Board of Directors
Proverbs 12:10 Animal Rescue and Adoption

Opinion

We have audited the 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, 2021 and 2020, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Organization and its subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 the Organization's ability to continue as a going concern one year after the date that the financial statements are issued or 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 GAAS 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 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 GAAS, 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 the Organization'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 the Organization'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.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC

Brentwood, Tennessee

October 11, 2022

Proverbs 12:10 Animal Rescue and Adoption

Statements of Financial Position

December 31, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash	\$ 277,471	\$ 203,196
Accounts receivable	49,759	-
Total current assets	327,230	203,196
Property and equipment		
Building	25,937	25,937
Transportation equipment	73,540	73,540
Less: accumulated depreciation	(64,519)	(51,935)
Property and equipment, net	34,958	47,542
Total assets	\$ 362,188	\$ 250,738
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 3,444	\$ 30,358
Spay/neuter refundable deposits	36,130	36,050
Total current liabilities	39,574	66,408
Net assets		
Without donor restrictions	270,114	175,525
With donor restrictions	52,500	8,805
Total net assets	322,614	184,330
Total liabilities and net assets	\$ 362,188	\$ 250,738

Proverbs 12:10 Animal Rescue and Adoption

Statement of Activities

For the Year Ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
Public Support and Other Revenues			
Contributions	\$ 824,208	\$ 12,500	\$ 836,708
Adoption fees	129,811	-	129,811
Grants	99,560	40,000	139,560
Merchandise sales	210	-	210
Miscellaneous income	9,154	-	9,154
Net assets released from restrictions			
Restrictions satisfied by payments	<u>8,805</u>	<u>(8,805)</u>	<u>-</u>
Total public support and other revenues	1,071,748	43,695	1,115,443
Expenses			
Program services	884,775	-	884,775
Management and general	71,107	-	71,107
Fundraising	<u>21,459</u>	<u>-</u>	<u>21,459</u>
Total expenses	977,341	-	977,341
Other Income (Expenses)			
Interest income	182	-	182
Change in net assets	94,589	43,695	138,284
Net assets, beginning of year	<u>175,525</u>	<u>8,805</u>	<u>184,330</u>
Net assets, end of year	\$ 270,114	\$ 52,500	\$ 322,614

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	\$ 629,240	\$ 8,805	\$ 638,045
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	986,532	8,805	995,337
Expenses			
Program services	893,046	-	893,046
Management and general	70,348	-	70,348
Fundraising	17,488	-	17,488
Total expenses	980,882	-	980,882
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 Functional Expenses
For the Year Ended December 31, 2021**

	Program services	Management and general	Fundraising	Total
Veterinary fees	\$ 270,740	\$ -	\$ -	\$ 270,740
Wages and payroll expenses	260,094	29,442	5,000	294,536
Advertising and promotion	-	1,403	14,277	15,680
Boarding	66,912	-	-	66,912
Depreciation	12,583	-	-	12,583
Food for animals	74,236	-	-	74,236
Information technology	-	4,093	-	4,093
Insurance	5,019	-	-	5,019
Occupancy	8,470	-	-	8,470
Office expenses	-	4,330	-	4,330
Professional fees	-	13,470	2,182	15,652
Supplies	115,648	-	-	115,648
Training fees	37,625	-	-	37,625
Travel	13,984	-	-	13,984
Miscellaneous	19,464	18,369	-	37,833
	\$ 884,775	\$ 71,107	\$ 21,459	\$ 977,341

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	24,798
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	\$ 980,882

Proverbs 12:10 Animal Rescue and Adoption
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash, beginning of year	\$ 203,196	\$ 156,107
Cash flows from operating activities		
Change in net assets	138,284	14,455
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	12,583	13,611
Change in:		
Accounts receivable	(49,758)	-
Accounts payable	(26,914)	18,098
Spay/neuter refundable deposits	80	33,740
Net cash provided (used) by operating activities	74,275	79,904
Cash flows from investing activities		
Payments for the purchase of property and equipment	-	(32,815)
Net change in cash	74,275	47,089
Cash, end of year	\$ 277,471	\$ 203,196

Proverbs 12:10 Animal Rescue and Adoption
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

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

US GAAP 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 and amounts held in digital wallet services such as Paypal and Venmo.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has been concluded that realization losses on balances at year-end will be immaterial. Consequently, no allowance for doubtful accounts has been utilized.

Proverbs 12:10 Animal Rescue and Adoption
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 2. Summary of Significant Accounting Policies

Property and Equipment

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.

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.

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.

Donated services are recognized if they create or enhance nonfinancial assets or the donated service requires specialized skills, was performed by a donor who possesses 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.

Proverbs 12:10 Animal Rescue and Adoption
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 2. Summary of Significant Accounting Policies

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 is 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, 2021, 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 2018 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 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, 2021 and 2020, the Organization recorded advertising expense of \$1,403 and \$2,796, respectively.

Proverbs 12:10 Animal Rescue and Adoption
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

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.

	2021	2020
Financial assets at year-end		
Cash and cash equivalents	\$ 277,471	\$ 203,196
Less: amounts not available to be used within one year		
Reserve for spay/neuter deposit refunds	(32,999)	(31,063)
Net assets with donor restrictions	<u>(52,500)</u>	<u>(8,805)</u>
Total assets whose use is limited	(85,499)	(39,868)
Financial assets available to meet cash needs for general expenditures within one year	\$ 191,972	\$ 163,328

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 3. Accounts Receivable

Accounts receivable at year-end consist of a grant with \$20,000 awarded for each of the next two years and other miscellaneous receivables totaling \$9,759.

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 2020 grant revenues in the statements 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 consisted of the following:

	2021	2020
Medications and vaccines of adoptable pets	\$ 12,500	\$ 8,805
Grants receivable	<u>40,000</u>	<u>-</u>
	\$ 52,500	\$ 8,805

Proverbs 12:10 Animal Rescue and Adoption
Notes to Financial Statements
For the Years Ended December 31, 2021 and 2020

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:

	2021	2020
Food	\$ 57,952	\$ 46,097
Software licenses and fees	1,000	3,854
Supplies	19,245	18,417
Veterinary services	<u>32,847</u>	<u>20,684</u>
Total noncash contributions	111,044	89,052
 Grooming services	 <u>3,300</u>	 <u>7,200</u>
Total noncash and in-kind contributions	\$ 114,344	\$ 96,252

Note 7. Concentrations

The Organization maintains certain cash balances held in a non-FDIC insured institution. The uninsured balances totaled approximately \$37,000 and \$39,000 at December 31, 2021 and 2020 respectively. The Organization maintains its cash with a high quality institution which the Organization believes limits these risks.

The Organization has cash balances in a bank which at times may exceed amounts federally insured. There were no uninsured balances at year-end. The Organization maintains its cash with a high quality financial 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, 2021, the Organization received donations or grants totaling approximately \$35,000 from board members, employees, or companies related to board members. 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.

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.

Note 9. Subsequent Events

Management has evaluated subsequent events through October 11, 2022, the date on which the financial statements were available for issuance.