

**ALL ABOUT ANIMALS RESCUE, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2019

*(With Independent Auditor's Report Thereon)*

# ALL ABOUT ANIMALS RESCUE, INC.

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
**All About Animals Rescue, Inc.**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of All About Animals Rescue, Inc., (the "Organization") which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 Organization'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 Organization'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.

**Auditor's Responsibility (Continued)**

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 All About Animals Rescue, Inc. as of December 31, 2019, 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.

*Doeren Mayhew*

Troy, Michigan  
April 29, 2020

# ALL ABOUT ANIMALS RESCUE, INC.

## STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2019

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### Assets

#### Current assets:

Cash and cash equivalents (notes 1, 5 and 6)	\$ 1,650,149
Investments in equity securities with readily determinable fair value (notes 1 and 3)	<u>511,568</u>

Total current assets	2,161,717
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#### Property and equipment:

At cost, less accumulated depreciation of \$936,648 (notes 2 and 5)	1,586,265
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#### Other assets:

Security deposits	<u>2,450</u>
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Total assets	<u><u>\$ 3,750,432</u></u>
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### Liabilities and Net Assets

#### Current liabilities:

Accounts payable	\$ 15,603
Accrued liabilities	147,783
Current portion of long-term debt (note 5)	<u>136,794</u>

Total current liabilities	300,180
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Long-term debt (note 5)	233,188
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#### Net assets:

Without donor restrictions (note 1)	3,097,064
With donor restrictions (note 1)	<u>120,000</u>

Total net assets	<u>3,217,064</u>
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Total liabilities and net assets	<u><u>\$ 3,750,432</u></u>
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See accompanying notes to financial statements

# ALL ABOUT ANIMALS RESCUE, INC.

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support from operations:			
Clinic and wellness	\$ 4,709,534	\$ -	\$ 4,709,534
Public contributions and support	251,080	130,000	381,080
Investment and interest income, net of fees	32,504	-	32,504
Total revenue and support	4,993,118	130,000	5,123,118
Net assets released from restriction	196,000	(196,000)	-
Total revenue and support and net assets released from restriction	5,189,118	(66,000)	5,123,118
Expenses:			
Program services	4,262,546	-	4,262,546
Supporting services	406,486	-	406,486
Fundraising	23,763	-	23,763
Total expenses	4,692,795	-	4,692,795
Net increase (decrease) in net assets	496,323	(66,000)	430,323
Net assets - January 1, 2019	2,600,741	186,000	2,786,741
Net assets - December 31, 2019	\$ 3,097,064	\$ 120,000	\$ 3,217,064

See accompanying notes to financial statements

# ALL ABOUT ANIMALS RESCUE, INC.

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2019

	Program Services	Supporting Services	Fundraising	Total Functional Expenses
Advertising	\$ -	\$ 9,700	\$ -	\$ 9,700
Banking and credit card fees	-	49,760	20	49,780
Conferences and conventions	-	9,177	-	9,177
Depreciation	123,442	9,637	-	133,079
Information technology	6,649	827	3,940	11,416
Insurance	58,480	4,565	-	63,045
Interest	-	19,071	-	19,071
Licenses and permits	6,628	-	-	6,628
Maintenance and repairs	53,151	4,149	-	57,300
Meetings, luncheons and dinners	7,267	-	-	7,267
Miscellaneous	1,169	1,326	13,385	15,880
Payroll processing	10,349	808	-	11,157
Payroll taxes	168,768	13,175	-	181,943
Printing and postage	17,369	1,849	6,318	25,536
Professional fees	331,383	11,500	-	342,883
Recruiting	3,753	293	-	4,046
Salaries and fringes	1,915,753	149,557	-	2,065,310
Security	7,362	-	-	7,362
Space rental	28,059	2,191	-	30,250
Supplies	1,423,640	111,147	100	1,534,887
Telephone	11,118	868	-	11,986
Travel	14,157	1,105	-	15,262
Uniforms	2,290	179	-	2,469
Utilities	71,759	5,602	-	77,361
Total functional expenses	<u>\$ 4,262,546</u>	<u>\$ 406,486</u>	<u>\$ 23,763</u>	<u>\$ 4,692,795</u>

See accompanying notes to financial statements

# ALL ABOUT ANIMALS RESCUE, INC.

## STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2019

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### Cash flows from operating activities:

Increase in net assets	\$ 430,323
Adjustments:	
Depreciation	133,079
Net unrealized gain on investments	(3,584)
Changes in liabilities:	
Decrease in accounts payable	(6,384)
Increase in accrued liabilities	<u>34,315</u>
Total adjustments	<u>157,426</u>
Net cash provided from operating activities	587,749

### Cash flows from investing activities:

Investments made in equity securities	(500,000)
Interest and dividend income on investments	(7,984)
Acquisition of property and equipment	<u>(225,148)</u>
Net cash used in investing activities	(733,132)

### Cash flows from financing activities:

Repayment of long-term debt	<u>(21,295)</u>
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Net decrease in cash and cash equivalents	(166,678)
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Cash and cash equivalents - January 1, 2019	<u>1,816,827</u>
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Cash and cash equivalents - December 31, 2019	<u><u>\$ 1,650,149</u></u>
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See accompanying notes to financial statements



# ALL ABOUT ANIMALS RESCUE, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

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### **Note 1 - Nature of Activities and Significant Accounting Policies**

#### Nature of Activities

All About Animals Rescue, Inc. (AAAR or “the Organization”) is a non-profit animal welfare group. They are dedicated to the goal of no more homeless pets in the State of Michigan. AAAR does this by promoting and providing adoption, spay/neuter and wellness programs in Auburn Hills, Detroit, Flint, and Warren, Michigan.

#### Net Assets

All About Animals Rescue, Inc. has adopted generally accepted accounting principles. Under these standards, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor or donor-imposed restrictions. Accordingly, net assets of AAAR and changes therein are classified and reported as follows:

#### Net Assets Without Donor Restrictions

This portion of the Organization’s net assets is available for general obligations and is not subject to any donor-imposed restrictions. Revenues earned from contributions without donor restrictions, investment income available for general operations and all operating expenses are reported in this category. As needed, the Board may designate net assets to be allocated for specific actions.

#### Net Assets With Donor Restrictions

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. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues without donor restrictions.

#### Recognition of Donor Restrictions

Support that is restricted by the donor or grantor is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include highly liquid debt instruments with original maturities of three months or less. AAAR places its temporary cash investments with high credit quality financial institutions. Total cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. As of December 31, 2019, the Organization had deposits in excess of FDIC coverage of approximately \$1,213,000.

# ALL ABOUT ANIMALS RESCUE, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

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### Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

#### Property and Equipment

Depreciation is provided over the estimated useful lives of the assets on the straight-line method. Donated equipment is stated at cost or approximate fair value at the date of donation. The Organization capitalizes all expenditures for property and equipment in excess of \$5,000.

#### Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received and measured at fair value. Program services and fundraising revenues are recognized when an event has occurred, and collection is likely.

#### Revenue Recognition

Revenue consists mainly of clinic and wellness fees. Clinic fees include surgeries. Wellness fees include vaccines, flea preventatives, nail trim, and other general wellness care services for pets. The amount of revenue recognized reflects the consideration the Organization expects to be entitled to in exchange for the services rendered based on labor and supplies utilized. Wellness services are carried out at each of the four clinic locations while surgeries are carried out at two locations. Revenue is recognized at a point in time following completion of the performance obligation, which is the event occurring and the customer being admitted.

#### Investments

Generally accepted accounting principles established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are described below:

#### Basis of Fair Value Measurements

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

# ALL ABOUT ANIMALS RESCUE, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

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### Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

#### Investments (Continued)

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. See Note 3, Investments, for investment valuations.

Realized gains and losses on investment transactions are recorded as the difference between proceeds received and carrying value. Net unrealized appreciation or depreciation in the fair market value of investments is recorded as the change in carrying value of the investment portfolio from the beginning of the year or date of purchase to the end of the year.

#### Allocation of Functional Expenses

In the statement of functional expenses, salaries and related expenses are allocated to program services and supporting services on the basis of the actual or estimated time devoted to those activities. Other expenses have been allocated by square footage usage.

Expenses reported under program services represent the cost of providing adoptions, spay/neuter and wellness. Expenses reported under supporting services include costs relating to the operations of the Organization, general recordkeeping, accounting, general board activities, fundraising and other related costs.

#### Advertising

The Organization records advertising expenses as they are incurred. Advertising costs for the year ended December 31, 2019 amounted to \$9,700.

# ALL ABOUT ANIMALS RESCUE, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

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### Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

#### Income Taxes

AAAR is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Generally accepted accounting principles clarify the accounting and recognition for income tax positions taken or expected to be taken in the Organization's income tax returns. The Organization's income tax filings are subject to audit by various taxing authorities. The Organization's open audit periods are 2016 - 2019.

#### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 reporting period. Actual results could differ from those estimates.

#### Accountings Standards Adopted in 2019

In 2019, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU No. 2014-09 and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

As part of the adoption of the ASU, the Organization elected the following transition practical expedients: (i) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price and (ii) to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

The Organization adopted the ASU using a modified retrospective approach. No adjustment to net assets was required as of January 1, 2019 as there was no impact to previously reported revenue or expenses associated with adopting ASC 606.

# ALL ABOUT ANIMALS RESCUE, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

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### Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

#### Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including April 29, 2020, which is the date the financial statements were available to be issued.

Global efforts to contain the spread of COVID-19, often referred to as the Coronavirus, have significantly impacted many businesses and the economy. While the situation is evolving rapidly, and the full impact is not yet known, the disruption caused by the Coronavirus is affecting business and consumer activities worldwide - including disruption to major financial markets, supply chains, interruption of production, limited personnel, facility and store closures, and decreased demand from both business customers and consumers. As of April 29, 2020, the Organization is assessing the impact on its operations and cash flows but currently the disruption and uncertainty caused by the Coronavirus is far-reaching and the ultimate effects of this event is unknown.

### Note 2 - Property and Equipment

The principal categories of property and equipment as of December 31, 2019 may be summarized as follows:

Land, building and building improvements	\$ 1,625,443
Furniture, fixtures and equipment	261,648
Vehicles	<u>635,822</u>
Total	2,522,913
Less accumulated depreciation	<u>936,648</u>
Undepreciated cost	<u>\$ 1,586,265</u>

# ALL ABOUT ANIMALS RESCUE, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

### Note 3 - Investments

The tables below segregate all financial assets as of December 31, 2019 that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date:

	Fair Value Based on			
	Assets Measured At Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobserv- able Inputs (Level 3)
Readily determinable fair market value:				
Deposit and money market	\$ 270,985	\$ -	\$ 270,985	\$ -
Equity - mutual funds	<u>240,583</u>	<u>240,583</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 511,568</u>	<u>\$ 240,583</u>	<u>\$ 270,985</u>	<u>\$ -</u>

For the above securities, the fair value was determined by reference to quoted market prices in active markets (Level 1) and other relevant information generated by market transactions. Deposit and money market are categorized as Level 2 investments since they are not actively traded.

### Note 4 - Operating Leases

AAAR leases office spaces from unrelated third-parties. Total lease expense for the year ended December 31, 2019 was \$30,250.

The Organization's office lease in Auburn Hills, Michigan is a noncancellable lease agreement requiring monthly payments of \$1,550 per month expiring October 2020.

The Organization's office lease in Detroit, Michigan is a noncancellable lease agreement requiring monthly payments of \$1,200 per month through August 2021.

The future minimum rental payments under these operating leases as of December 31, 2019 are as follows:

2020	\$ 28,350
2021	9,600

# ALL ABOUT ANIMALS RESCUE, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

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### Note 5 - Long-Term Debt

	<u>Current</u>	<u>Long-Term</u>
Note payable to bank, due in monthly installments of \$1,206 including principal and interest at 4.50%, until July 2020 when the remaining balance is due. The note is secured by substantially all property and equipment and cash deposit accounts with the bank totaling \$100,484 as of December 31, 2019	\$ 121,360	\$ -
Note payable to bank, due in monthly installments of \$2,258 including principal and interest at 4.96%, until April 2022 when the remaining balance is due. The note is secured by substantially all property and equipment and cash deposit accounts with the bank totaling \$100,484 as of December 31, 2019	<u>15,434</u>	<u>233,188</u>
Total	<u>\$ 136,794</u>	<u>\$ 233,188</u>

The amounts of long-term debt coming due during the three years ending December 31, 2022 are as follows:

2020	\$ 136,794
2021	15,888
2022	217,300

Interest expense for the year ended December 31, 2019 amounted to \$19,071.

The note payable is subject to a borrower debt service coverage financial covenant. Under the terms of the loan agreements, the bank may call the loan if the Organization is in violation of the covenant.

# **ALL ABOUT ANIMALS RESCUE, INC.**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019**

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### **Note 6 - Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Total cash and cash equivalents	\$ 1,650,149
Less those unavailable for general expenditure within one year, due to:	
Restricted by donor with time or purpose restrictions	<u>(120,000)</u>
Total	<u>\$ 1,530,149</u>

Financial assets in the amount of \$1,530,149 are available for general expenditure without donor or other restrictions limiting their use. If funds to cover the cost of current liabilities are backed out a net amount of \$1,234,072 is available.

### **Note 7 - Litigation**

The Organization is involved in a lawsuit as a defendant concerning claims and other issues related to operations. There are no liabilities recorded for estimated settlements included in the accompanying financial statements. An opinion as to the probable outcome cannot be determined and therefore an estimate of possible loss or range of loss cannot be made.

**\* \* \* End of Notes \* \* \***