

**ALL ABOUT ANIMALS RESCUE, INC.**  
**(A Nonprofit Organization)**

FINANCIAL STATEMENTS

DECEMBER 31, 2020  
*(With Independent Auditor's Report Thereon)*

**ALL ABOUT ANIMALS RESCUE, INC.**  
**(A Nonprofit Organization)**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
**All About Animals Rescue, Inc.**  
**(A Nonprofit Organization)**

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

We have audited the accompanying financial statements of All About Animals Rescue, Inc. (A Nonprofit Organization), (the "Organization") which comprise the statement of financial position as of December 31, 2020, 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. (A Nonprofit Organization) as of December 31, 2020, 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  
May 17, 2021

**ALL ABOUT ANIMALS RESCUE, INC.**  
**(A Nonprofit Organization)**

**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2020**

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<u>Assets</u>	
Current assets:	
Cash and cash equivalents (notes 1 and 8)	\$ 1,811,917
Investments in equity securities with readily determinable fair value (notes 1 and 3)	<u>485,020</u>
Total current assets	2,296,937
Property and equipment:	
At cost, less accumulated depreciation of \$1,096,431 (notes 2 and 5)	1,576,636
Other assets:	
Security deposits	<u>2,450</u>
Total assets	<u><u>\$ 3,876,023</u></u>
<u>Liabilities and Net Assets</u>	
Current liabilities:	
Accounts payable	\$ 27,630
Accrued liabilities	220,969
Current portion of long-term debt (note 5)	<u>25,617</u>
Total current liabilities	274,216
Long-term debt (note 5)	320,759
Paycheck Protection Program loan (note 6)	404,129
Net assets:	
Without donor restrictions (note 1)	2,766,919
With donor restrictions (note 1)	<u>110,000</u>
Total net assets	<u>2,876,919</u>
Total liabilities and net assets	<u><u>\$ 3,876,023</u></u>

See accompanying notes to financial statements

**ALL ABOUT ANIMALS RESCUE, INC.**  
**(A Nonprofit Organization)**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support from operations:			
Clinic and wellness	\$ 3,802,500	\$ -	\$ 3,802,500
Public contributions and support	213,518	305,205	518,723
Investment and interest income, net of fees	93,665	-	93,665
	<u>4,109,683</u>	<u>305,205</u>	<u>4,414,888</u>
Total revenue and support			
Net assets released from restriction	<u>315,205</u>	<u>(315,205)</u>	<u>-</u>
Total revenue and support and net assets released from restriction	4,424,888	(10,000)	4,414,888
Expenses:			
Program services	4,353,986	-	4,353,986
Supporting services	390,121	-	390,121
Fundraising	10,926	-	10,926
	<u>4,755,033</u>	<u>-</u>	<u>4,755,033</u>
Total expenses			
Net decrease in net assets	(330,145)	(10,000)	(340,145)
Net assets - January 1, 2020	<u>3,097,064</u>	<u>120,000</u>	<u>3,217,064</u>
Net assets - December 31, 2020	<u>\$ 2,766,919</u>	<u>\$ 110,000</u>	<u>\$ 2,876,919</u>

See accompanying notes to financial statements

**ALL ABOUT ANIMALS RESCUE, INC.**  
**(A Nonprofit Organization)**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2020**

	Program Services	Supporting Services	Fundraising	Total Functional Expenses
Advertising	\$ -	\$ 12,647	\$ -	\$ 12,647
Banking and credit card fees	-	29,470	-	29,470
Conferences and conventions	-	2,352	-	2,352
Depreciation	148,213	11,570	-	159,783
Information technology	6,973	1,089	6,975	15,037
Insurance	52,325	4,085	-	56,410
Interest	-	17,957	-	17,957
Licenses and permits	5,168	-	-	5,168
Maintenance and repairs	35,310	2,757	-	38,067
Meetings, luncheons and dinners	3,046	-	-	3,046
Miscellaneous	8,647	153	567	9,367
Payroll processing	11,996	936	-	12,932
Payroll taxes	203,335	15,874	-	219,209
Printing and postage	11,675	1,146	2,999	15,820
Professional fees	295,663	11,880	385	307,928
Recruiting	3,767	294	-	4,061
Salaries and fringes	2,348,070	183,307	-	2,531,377
Security	7,960	-	-	7,960
Space rental	32,234	2,516	-	34,750
Supplies	1,089,953	85,089	-	1,175,042
Telephone	13,971	1,091	-	15,062
Travel	9,017	704	-	9,721
Utilities	66,663	5,204	-	71,867
	<u>\$ 4,353,986</u>	<u>\$ 390,121</u>	<u>\$ 10,926</u>	<u>\$ 4,755,033</u>
Total functional expenses	<u>\$ 4,353,986</u>	<u>\$ 390,121</u>	<u>\$ 10,926</u>	<u>\$ 4,755,033</u>

See accompanying notes to financial statements

**ALL ABOUT ANIMALS RESCUE, INC.**  
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**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2020**

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Cash flows from operating activities:

Decrease in net assets	\$ (340,145)
Adjustments:	
Depreciation	159,783
Net unrealized gain on investments	(68,216)
Changes in liabilities:	
Increase in accounts payable	12,027
Increase in accrued liabilities	<u>73,186</u>
Total adjustments	<u>176,780</u>
Net cash used in operating activities	(163,365)
Cash flows from investing activities:	
Purchase of investment securities	(160,053)
Interest and dividend income on investments	(16,168)
Acquisition of property and equipment	<u>(150,154)</u>
Net cash used in investing activities	(326,375)
Cash flows from financing activities:	
Proceeds of Paycheck Protection Program loan	404,129
Repayment of long-term debt	<u>(23,606)</u>
Net cash provided from financing activities	<u>380,523</u>
Net decrease in cash and cash equivalents	(109,217)
Cash and cash equivalents - January 1, 2020	<u>1,921,134</u>
Cash and cash equivalents - December 31, 2020	<u><u>\$ 1,811,917</u></u>

See accompanying notes to financial statements



**ALL ABOUT ANIMALS RESCUE, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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

Nature of Activities

All About Animals Rescue, Inc. (A Nonprofit Organization) (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

The Organization 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. 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. As of December 31, 2020 there was \$110,000 restricted for the purpose to provide accessible veterinary services.

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, 2020, the Organization had deposits in excess of FDIC coverage of approximately \$218,100.

**ALL ABOUT ANIMALS RESCUE, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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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.

Fair Value Measurements

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.

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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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

Fair Value Measurements (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.

Investments

The Organization's investments are classified as equity securities, which are measured at fair value as of the statement of financial position date.

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.

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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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

Advertising

The Organization records advertising expenses as they are incurred. Advertising costs for the year ended December 31, 2020 amounted to \$12,647.

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 2017 - 2020.

Paycheck Protection Program (PPP) Loan Accounting - Debt Model

The Organization elected to account for its PPP funds utilizing the Debt Accounting Model. Under the Debt Model the PPP loan proceeds would be recorded as a liability and interest would also be recorded. Once the entity is legally released as the primary obligor from the creditor, the liability would be derecognized and a gain on "PPP loan extinguishment" would be recorded.

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.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including May 17, 2021, which is the date the financial statements were available to be issued.

Subsequent to year end, the Organization received full forgiveness of their Paycheck Protection Program loan.

**ALL ABOUT ANIMALS RESCUE, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**Note 2 - Property and Equipment**

The principal categories of property and equipment as of December 31, 2020 may be summarized as follows:

Land, building and building improvements	\$ 1,663,985
Furniture, fixtures and equipment	303,396
Vehicles	<u>705,686</u>
Total	2,673,067
Less accumulated depreciation	<u>1,096,431</u>
Undepreciated cost	<u>\$ 1,576,636</u>

**Note 3 - Fair Value Measurements**

The tables below segregate all financial assets as of December 31, 2020 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:				
Equity - mutual funds	\$ 485,020	\$ 485,020	\$ -	\$ -

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.

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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**Note 4 - Operating Leases**

AAAR leases office spaces from unrelated third-parties. Total lease expense for the year ended December 31, 2020 was \$34,750.

The Organization's office lease in Auburn Hills, Michigan is a noncancellable lease agreement requiring monthly payments of \$1,600 per month expiring October 2021.

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, 2020 are as follows:

2021	\$	24,000
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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 \$1,215 including principal and interest at 4.50%, until June 2025 when the remaining balance is due. The note is secured by substantially all property and equipment and cash deposit accounts with the bank totaling \$203,067 as of December 31, 2020	\$ 9,729	\$ 102,925
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 \$203,067 as of December 31, 2020	15,888	217,834
Total	\$ 25,617	\$ 320,759

**ALL ABOUT ANIMALS RESCUE, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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**Note 5 - Long-Term Debt (Continued)**

The amounts of long-term debt coming due during the five years ending December 31, 2025 are as follows:

2021	\$ 25,617
2022	228,010
2023	10,643
2024	11,132
2025	70,974

Interest expense for the year ended December 31, 2020 amounted to \$17,957.

**Note 6 - Paycheck Protection Program Loan**

On April 13, 2020, the Organization entered into a Loan Agreements and Promissory Notes (SBA Loan) pursuant to the Paycheck Protection Program (PPP) under the recently enacted Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) administered by the U.S. Small Business Administration.

The Organization received total loan proceeds of \$404,129. The loan is scheduled to mature on April 13, 2022, carries a 1.00% interest rate, and is subject to the terms and conditions applicable to loans administered by the U.S. Small Business Administration under the CARES Act. The loan may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. The loan contains customary events of default relating to, among other things, payment defaults and breaches of representations and warranties. Subject to certain conditions, the loan may be forgiven in whole or in part by applying for forgiveness pursuant to the CARES Act and the PPP. The amount of loan proceeds eligible for forgiveness is determined on a formula based on a number of factors, including the amount of loan proceeds used by the Organization during the 24 weeks after the loan origination for certain purposes, including payroll costs, interest on certain mortgage obligations, rent payments on certain leases, and certain qualified utility payments, provided that, among other matters, at least 60% of the loan amount is used for eligible payroll costs, the maintenance or rehiring of employees, and maintaining salaries at certain levels. In accordance with the requirements of the CARES Act and the PPP, the Organization used the proceeds from the loan primarily for payroll costs. The Organization received full loan forgiveness subsequent to year end.

**Note 7 - Retirement Plan**

A tax deferred savings plan (ADP SIMPLE IRA PLAN) is available to all eligible employees. The Organization will contribute \$0.33 for every \$1.00 contributed for an eligible employee up to 3% of the employee’s gross pay. The contributions for the year ended December 31, 2020 were \$19,572.

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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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**Note 8 - 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	\$ 1,700,985
Less those unavailable for general expenditure within one year, due to:	
Restricted by donor with time or purpose restrictions	<u>(110,000)</u>
Total	<u>\$ 1,590,985</u>

Financial assets in the amount of \$1,590,985 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 \$1,020,902 is available.

**Note 9 - 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 \* \* \*