

Audited Financial Statements

ALL ABOUT ANIMALS RESCUE, INC.

December 31, 2022

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements	
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to financial statements	7 - 13



INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of All About Animals Rescue, Inc. (a Michigan nonprofit corporation), which comprise the statement of financial position as of December 31, 2022, and the related statement of activities, functional expenses and cash flow for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 All About Animals Rescue, Inc. 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.

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; 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 All About Animals Rescue, Inc.'s ability to continue as a going concern within one year after the date that the financial statements and available to be issued.

Auditor's Responsibility 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 generally accepted auditing standards 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, including omissions, 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 and audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 All About Animals Rescue, Inc.'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about All About Animals Rescue, Inc.'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.



Croskey Lanni, PC

August 8, 2023
Rochester, Michigan

ALL ABOUT ANIMALS RESCUE, INC.

STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2022

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,653,302
Investments	<u>792,280</u>
Total current assets	2,445,582

Property and Equipment, Net of Accumulated Depreciation 1,295,565

Other Assets

Security deposits	<u>2,450</u>
Total assets	<u><u>\$ 3,743,597</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 73,601
Accrued expenses	124,312
Notes payable	<u>10,577</u>
Total current liabilities	208,490

Long-term Debt 82,064

Net Assets

Without donor restriction	<u>3,453,043</u>
Total liabilities and net assets	<u><u>\$ 3,743,597</u></u>

See accompanying notes to financial statements

ALL ABOUT ANIMALS RESCUE, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restriction	With Donor Restriction	Total
Public Support and Revenue			
Clinic and wellness fees	\$ 5,738,502	\$ -	\$ 5,738,502
Public contributions and support	311,930	92,350	404,280
Interest and dividend income	30,493	-	30,493
Realized and unrealized gain (loss) on investments	(227,822)	-	(227,822)
Subtotal	5,853,103	92,350	5,945,453
Net Assets Released From Restrictions	107,935	(107,935)	-
Total public support and revenue	5,961,038	(15,585)	5,945,453
Functional Expenses			
Program Services	4,976,717	-	4,976,717
Supporting Services	688,990	-	688,990
Fundraising	22,860	-	22,860
Total expenses	5,688,567	-	5,688,567
Change in Net Assets	272,471	(15,585)	256,886
Net Assets - January 1, 2022	3,180,572	15,585	3,196,157
Net Assets - December 31, 2022	\$ 3,453,043	\$ -	\$ 3,453,043

See accompanying notes to financial statements

ALL ABOUT ANIMALS RESCUE, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Advertising	\$ -	\$ 3,850	\$ -	\$ 3,850
Banking and credit card fees	-	58,441	-	58,441
Conferences and conventions	-	5,758	45	5,803
Depreciation	147,535	11,518	-	159,053
Information technology	12,733	1,849	10,953	25,535
Insurance	133,309	10,408	-	143,717
Interest	-	6,601	-	6,601
Licenses and permits	468	-	-	468
Maintenance and repairs	57,223	4,467	-	61,690
Meetings, luncheons and dinners	12,630	-	-	12,630
Miscellaneous	2,225	-	2,341	4,566
Payroll processing	11,851	1,873	-	13,724
Payroll taxes	204,602	32,336	-	236,938
Printing and postage	6,409	1,238	9,447	17,094
Professional fees	15,533	856	74	16,463
Recruiting	7,820	610	-	8,430
Salaries and fringes	2,612,844	412,933	-	3,025,777
Security	6,212	-	-	6,212
Space rental	29,497	2,303	-	31,800
Supplies	1,594,324	124,464	-	1,718,788
Telephone	19,883	1,552	-	21,435
Travel	19,051	1,487	-	20,538
Utilities	82,568	6,446	-	89,014
Total expenses	<u>\$ 4,976,717</u>	<u>\$ 688,990</u>	<u>\$ 22,860</u>	<u>\$ 5,688,567</u>

See accompanying notes to financial statements

ALL ABOUT ANIMALS RESCUE, INC.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2022

Cash Flows From Operating Activities	
Change in net assets	\$ 256,886
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	159,053
Net unrealized gain on investments	(140,244)
Gain on sale of equipment	(790)
Realized gain on investments	(13,419)
Increase (decrease) in operating liabilities	
Accounts payable	(11,172)
Accrued liabilities	13,753
	<hr/>
Net Cash Provided by Operating Activities	264,067
Cash Flows From Investing Activities	
Purchase of investment securities	(567,979)
Interest and dividend income on investments	30,493
Acquisition of property and equipment	(23,270)
Proceeds from sale of investment securities	855,877
	<hr/>
Net Cash Provided by Investing Activities	295,121
Cash Flows From Financing Activities	
Repayment of long-term debt	(228,359)
	<hr/>
Net Increase in Cash and Cash Equivalents	330,829
Cash and Cash Equivalents - January 1, 2022	<hr/> 1,322,473
Cash and Cash Equivalents - December 31, 2022	<hr/> <hr/> \$ 1,653,302

See accompanying notes to financial statements

ALL ABOUT ANIMALS RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of All About Animals Rescue, Inc. ("the Organization") is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Operations

All About Animals Rescue, Inc. (the "Organization") was incorporated on June 20, 2005 as a Michigan nonprofit corporation. 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. The Organization does this by promoting and providing adoption, spay/neuter and wellness programs in Auburn Hills, Detroit, Flint, and Warren, Michigan.

Basis of Accounting

The Organization follows the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of the 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand and demand deposits in banks plus short-term investments that are readily convertible to cash as well as investments with original maturities of three months or less.

Investments

Investments, primarily consisting of equity securities, are stated at fair value. Investments in equity securities with readily determinable values are valued based on quoted market prices in active markets in which the securities are traded. Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the statement of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless the use was restricted by explicit donor stipulations or by law.

Property and Equipment

Property and equipment are stated at purchased cost. Donated property and equipment are stated at fair market value at the date of donation. Expenditures for major betterments and additions are charged to the property accounts while replacements, maintenance and repairs which do not improve or extend the life of the respective assets are expensed currently. The Organization's policy is to capitalize expenditures in excess of \$500. Lesser amounts are expensed as incurred and included in the statement of activities.

ALL ABOUT ANIMALS RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Depreciation is provided on the straight-line method at annual rates which are sufficient to amortize the cost of the assets over their estimated useful lives as follows:

Equipment and vehicles	3 - 7 Years
Office furniture and fixtures	5 - 7 Years
Buildings and improvements	15 - 39 Years

Gains or losses on the disposition of property and equipment are included in the statement of activities.

Leases

The Organization recognizes right of use assets and lease liabilities for leases with terms greater than 12 months. Leases are classified as either finance or operating leases. This classification dictates whether lease expense is recognized based on an effective interest method (finance leases) or on a straight-line basis over the term of the lease (operating lease). Lease and nonlease components of a contract are accounted for as a single lease component. The Organization's right of use assets and lease liabilities primarily relate to office facilities. Renewal periods are included in the expected lease term if they are reasonably certain of being exercised.

Right of use assets and lease liabilities are recorded at the net present value of the future lease payments and include any initial direct costs incurred at the lease commencement. The incremental borrowing rate is used to determine the net present value of the lease when the rate implicit in the lease is not readily determinable. This represents the rate of interest the Organization would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. Right of use assets under finance leases are amortized over the life of the lease or, if shorter, the life of the leased asset, on a straight-line basis. Right of use assets under operating leases are reduced as lease expense is incurred. Short term leases (initial term less than 12 months) are expensed on a straight-line basis over the lease term.

Financial Statement Presentation and Contributions

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets with restrictions: Net assets subject to imposed stipulations that they be maintained permanently by the Organization. These assets permit the Organization to use all of the income earned on related investments for general or specific purposes. Net assets with restrictions also include net assets subject to imposed stipulations that will be met by actions of the Organization and/or the passage of time.

Net assets without restrictions: Net assets not subject to imposed stipulations. Revenue that is restricted is reported as an increase in net assets without restrictions if the restriction expires in the reporting period in which the support is recognized. All other restricted support is reported as an increase in net assets with restrictions. When a restriction expires, net assets with restrictions are reclassified to net assets without restrictions. The Organization realized the release of \$107,935 of restricted resources designated for All About Animals Rescue, Inc. programs for the year ended December 31, 2022.

ALL ABOUT ANIMALS RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue and Revenue Recognition

Revenue is recognized when earned. Revenue consists mainly of clinic and access to care/wellness fees. Clinic fees include surgeries. Access to care/wellness fees include vaccines, flea preventatives, nail trim, limited sick care 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. Care/wellness services are carried out at each of the four clinic locations while surgeries are carried out at two locations. Billing occurs following the service provided to the customer. Revenue is recognized at a point in time following completion of the performance obligation, which is the event occurring and the customer being admitted.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Contributions received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions and investment return having donor stipulations that are satisfied in the same period received or earned are reported as revenue and net assets with donor restrictions and shown as net assets released from restrictions

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs on various bases and estimates. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different results.

Advertising

The Organization records advertising expenses as they are incurred. Advertising costs for the year ended December 31, 2022 amounted to \$3,850.

Income Taxes

The Organization is a nonprofit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore, is not subject to tax under Federal income tax laws. Unrelated business income, if any, December be subject to income tax. Contributions to All About Animals Rescue, Inc. qualify for the charitable contributions deduction to the extent provided by Section 170 of the Internal Revenue Code. Generally, the Organization's tax returns remain open for examination by the Internal Revenue Service for three years from the date of filing. The Organization is no longer subject to examination of its Federal Return of Organization Exempt from Income Tax (Form 990) filed for years before December 31, 2019.

ALL ABOUT ANIMALS RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Events Occurring After Reporting Date

The Organization has evaluated events and transactions for potential recognition or disclosure through August 8, 2023 the date that the financial statements were available to be issued.

NOTE 2 – CREDIT RISK

The Organization maintains cash and short-term security balances at high credit qualified financial institutions. Accounts at these institutions were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At various times during the year, cash balances exceeded federally insured limits. Management does not believe there is any risk associated with balances exceeding the limits mentioned above at December 31, 2022.

NOTE 3 – INVESTMENTS

The Organization holds investments in money markets, mutual funds, and exchange-traded funds (ETF) which are carried at fair value. The money markets are displayed on the Statement of Financial Position within the Cash and Cash Equivalents category. Investments can be summarized as follows:

Investments at cost	\$ 921,410
Unrealized appreciation (depreciation)	<u>(129,130)</u>
Fair value	<u><u>\$ 792,280</u></u>

Investment return is summarized as follows:

Dividend and interest income	\$ 30,493
Realized gain (loss) on investments and real estate	(13,419)
Unrealized gain (loss) on investments	<u>(214,403)</u>
Total investment income (loss)	<u><u>\$ (197,329)</u></u>

ALL ABOUT ANIMALS RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 4 – FAIR VALUE

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access.
- b. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- c. Level 3 inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and December include the Organization's own data).

The following tables present the Organization's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Marketable securities	<u>\$ 792,280</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 792,280</u>

ALL ABOUT ANIMALS RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 5 – PROPERTY AND EQUIPMENT

The principal categories of property and equipment as of December 31, 2022 are as follows:

Land	\$	30,000
Buildings and building improvements		1,667,412
Furniture, fixtures and equipment		305,913
Vehicles		<u>644,704</u>
Total cost		2,648,029
Less: accumulated depreciation		<u>1,352,464</u>
Net property and equipment	\$	<u><u>1,295,565</u></u>

Depreciation expense for the year ended December 31, 2022 amounted to \$159,053.

NOTE 6 – NOTES PAYABLE

Notes payable at December 31, 2022 may be summarized as follows:

Note payable to bank, due in monthly installments of \$1,215 including principal and interest at 4.5% until June 2025 when the remaining balance is due. The note is secured by substantially all property and equipment.

	\$	92,641
Less current portion of notes payable		<u>10,577</u>
Total notes payable reflected as long term	\$	<u><u>82,064</u></u>

The amount of long-term debt coming due during the next three years ending December 31 are as follows:

	<u>Principal</u>	<u>Interest</u>
2023	\$ 10,577	\$ 4,000
2024	11,070	3,507
2025	70,994	1,561

Interest expense included in the Statement of Activities for the year ended December 31, 2022 amounted to \$6,601.

ALL ABOUT ANIMALS RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 7 –RETIREMENT PLAN

The Organization sponsors a tax deferred savings plan for substantially all employees. The plan provides for the Organization to make a \$0.33 for every \$1.00 for an eligible employee up to 3% of the employee's gross pay. Contributions to the plan totaled \$24,313 for the year ended December 31, 2022.

NOTE 8 –LIQUIDITY

The following reflects the Organization's financial assets as of December 31, 2022, reduced by amounts not available for general use within one year:

Cash and cash equivalents	\$ 1,653,302
Investments	<u>792,280</u>
Total	2,445,582
Less: Current portion of liabilities	<u>208,490</u>
Financial assets available to meet cash needs for expenditures within one year	<u><u>\$ 2,237,092</u></u>