
ANIMAL PROTECTIVE ASSOCIATION

FINANCIAL STATEMENTS

**For the Year Ended
December 31, 2014**

ANIMAL PROTECTIVE ASSOCIATION

Annual Financial Report

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Independent Auditor's Report

To the Board of Directors of
Animal Protective Association
Chicago, IL

We have audited the accompanying financial statements of Animal Protective Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Association's 2013 financial statements, and, in our report dated August 1, 2014 we expressed an unmodified opinion on those 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Animal Protective Association as of December 31, 2014, 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.

Desmond & Ahern, Ltd

September 25, 2015

Chicago, IL

ANIMAL PROTECTIVE ASSOCIATION
STATEMENT OF FINANCIAL POSITION
As of December 31, 2014 (with comparative totals for 2013)

| | <u>2014</u> | <u>2013</u> |
|--|----------------------------|----------------------------|
| <u>Assets</u> | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 39,439 | \$ 109,846 |
| Investments | 232,761 | 299,300 |
| Contributions receivable | 5,496 | 38,257 |
| Prepaid expenses | 10,598 | - |
| Total current assets | <u>288,294</u> | <u>447,403</u> |
| Property and Equipment | | |
| Land | 1,768,415 | 1,768,415 |
| Building and building improvements | 3,660,265 | 3,660,265 |
| Furniture and equipment | 23,307 | 23,307 |
| | <u>5,451,987</u> | <u>5,451,987</u> |
| Less accumulated depreciation | (260,164) | (161,632) |
| Net property and equipment | <u>5,191,823</u> | <u>5,290,355</u> |
| Total Assets | <u><u>\$ 5,480,117</u></u> | <u><u>\$ 5,737,758</u></u> |
| <u>Liabilities and Net Assets</u> | | |
| Accounts payable | \$ 3,276 | \$ 2,661 |
| Total liabilities | <u>3,276</u> | <u>2,661</u> |
| Net Assets | | |
| Unrestricted | <u>5,476,841</u> | <u>5,735,097</u> |
| Total Liabilities and Net Assets | <u><u>\$ 5,480,117</u></u> | <u><u>\$ 5,737,758</u></u> |

See independent auditor's report and notes to financial statements.

ANIMAL PROTECTIVE ASSOCIATION
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014 (with comparative totals for 2013)

| | <u>2014</u> | <u>2013</u> |
|--|---------------------|---------------------|
| <u>Public Support and Revenue</u> | | |
| Contributions, grants and legacies | | |
| General | \$ 97,254 | \$ 122,176 |
| Appeals | 35,059 | 32,302 |
| Special events | | |
| Contributions | 20,441 | 21,300 |
| Ticket and registration revenue | 7,645 | 8,300 |
| Auction income | 5,237 | 5,484 |
| Raffle income net of \$600 of prizes | 4,767 | 4,491 |
| Less costs of direct benefits to donors | <u>(4,240)</u> | <u>(4,235)</u> |
| Net revenues from special events | <u>33,850</u> | <u>35,340</u> |
| Sales Revenue | | |
| Sales | 7,027 | 6,274 |
| Less cost of goods sold | <u>(2,382)</u> | <u>(4,702)</u> |
| Net sales revenue | <u>4,645</u> | <u>1,572</u> |
| Program fees | 7,705 | 7,080 |
| Donated services | - | 1,540 |
| Donated supplies and equipment | 6,543 | 7,707 |
| Other income | 1,200 | 2,847 |
| Investment income | 17,261 | 14,373 |
| Gain on sale of building | - | 51,414 |
| Unrealized gain on investments | <u>(3,466)</u> | <u>19,657</u> |
| Total Public Support and Revenue | <u>200,051</u> | <u>296,008</u> |
| <u>Expenses</u> | | |
| Program services | 408,251 | 453,440 |
| Management and general | 26,647 | 19,001 |
| Fundraising | <u>23,409</u> | <u>22,735</u> |
| Total Expenses | <u>458,307</u> | <u>495,176</u> |
| Change in Unrestricted Net Assets | (258,256) | (199,168) |
| Net Assets, Beginning of Year | <u>5,735,097</u> | <u>5,934,265</u> |
| Net Assets, End of Year | <u>\$ 5,476,841</u> | <u>\$ 5,735,097</u> |

See independent auditor's report and notes to financial statements.

ANIMAL PROTECTIVE ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2014 (with comparative totals for 2013)

| | 2014 | | | | 2013 Total |
|--|---------------------|---------------------------|------------------|-------------------|-------------------|
| | Program Services | Management and General | Fundraising | Total | |
| Functional Expenses | | | | | |
| Salaries and wages | \$ 135,113 | \$ 6,850 | \$ 1,294 | \$ 143,257 | \$ 152,419 |
| Employee benefits and employment taxes | 18,224 | 969 | 194 | 19,387 | 19,608 |
| Total salary and employment expenses | 153,337 | 7,819 | 1,488 | 162,644 | 172,027 |
| Supplies | 2,184 | 116 | 23 | 2,323 | 2,392 |
| Donated supplies | 5,089 | 1,416 | 38 | 6,543 | 7,707 |
| Donated services | - | - | - | - | 1,540 |
| Animal care and maintenance | 51,241 | - | - | 51,241 | 52,582 |
| Exam, surgery and treatment | 63,779 | - | - | 63,779 | 75,673 |
| Utilities | 14,264 | 759 | 152 | 15,175 | 14,041 |
| Telephone | 2,845 | 151 | 30 | 3,026 | 3,021 |
| Insurance | 7,124 | 1,288 | 76 | 8,488 | 11,852 |
| Repairs and maintenance | 14,097 | 750 | 150 | 14,997 | 26,044 |
| Postage and shipping | 380 | 199 | 5,288 | 5,867 | 5,901 |
| Printing | - | - | 12,050 | 12,050 | 11,378 |
| Professional fees | - | 6,990 | - | 6,990 | 6,990 |
| Special events | - | - | 3,129 | 3,129 | 2,732 |
| Advertising and promotion | 816 | 170 | - | 986 | 1,361 |
| Membership dues | 475 | - | - | 475 | 485 |
| Depreciation | 92,620 | 4,927 | 985 | 98,532 | 98,533 |
| Bank fees and credit card processing | - | 2,062 | - | 2,062 | 917 |
| Total Expenses | \$ 408,251 | \$ 26,647 | \$ 23,409 | \$ 458,307 | \$ 495,176 |

See independent auditor's report and notes to financial statements.

ANIMAL PROTECTIVE ASSOCIATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014 (with comparative totals for 2013)

| | <u>2014</u> | <u>2013</u> |
|---|---------------------|---------------------|
| <u>Cash Flows from Operating Activities</u> | | |
| Cash received - general donations | \$ 130,015 | \$ 128,919 |
| Cash received - appeals | 35,059 | 32,302 |
| Cash received - special events | 33,850 | 35,640 |
| Cash received - program fees | 7,705 | 7,080 |
| Cash received - sales | 4,645 | 1,572 |
| Cash received - investment and other income | 18,461 | 66,987 |
| Payments for wages and other operating expenses | <u>(363,215)</u> | <u>(476,876)</u> |
| Net cash used by operating activities | <u>(133,480)</u> | <u>(204,376)</u> |
| <u>Cash Flows from Investing Activities</u> | | |
| Gain on sale of building | - | 51,414 |
| Purchase of investments | <u>63,073</u> | <u>66,526</u> |
| Net cash provided in investing activities | <u>63,073</u> | <u>117,940</u> |
| Net decrease in cash and cash equivalents | (70,407) | (86,436) |
| Cash and cash equivalents beginning of year | <u>109,846</u> | <u>196,282</u> |
| Cash and cash equivalents, end of year | <u>\$ 39,439</u> | <u>\$ 109,846</u> |
| <u>Reconciliation of Net Income to Net Cash</u> | | |
| <u>Used by Operating Activities</u> | | |
| Change in net assets | \$ (258,256) | \$ (199,168) |
| Adjustment to reconcile change in net assets to net cash used by operating activities | | |
| Depreciation | 98,532 | 98,533 |
| Unrealized (gain) loss on investments | 3,466 | (19,657) |
| Decrease in contributions receivable | 32,761 | 6,743 |
| Increase in accounts payable | 615 | 757 |
| Increase in prepaid expenses | (10,598) | - |
| Decrease in refundable advance | - | (91,584) |
| Net cash used by operating activities | <u>\$ (133,480)</u> | <u>\$ (204,376)</u> |

See independent auditor's report and notes to financial statements.

**ANIMAL PROTECTIVE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

Association

Animal Protective Association is a not-for-profit Illinois corporation exempt from Federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. The Association is dedicated to promoting the welfare of cats and protecting them from cruelty by providing an adoption service and shelter, working towards the reduction of cat overpopulation, and educating the public about responsible cat care, including spay/neuter, safety, behavior, and health issues.

Description of Program Services

Services provided by the Animal Protective Association's Harmony House for Cats include emergency veterinary care and medication to sick and injured cats, initial and on-going veterinary care for shelter residents, spaying/neutering and adoption services, counseling to potential and current adopters, and provide shelter, supplies, food, care and housing for animals.

Income Tax Status

The Association was granted an exemption from federal income taxes by the Internal Revenue Service pursuant to the provisions of Internal Revenue Code Section 501(c)(3). The tax exempt purpose of the Association and the nature in which it operates is described above. The Association continues to operate in compliance with its tax exempt purpose. The Association's annual information and income tax returns filed with the federal and state governments for 2011 through 2014 remain open and are subject to examination for the statutory period.

Basis of Accounting

The accounts and financial statements are maintained on the accrual basis of accounting and accordingly, reflect all significant accounts receivable, accounts payable, and other liabilities in conformity with accounting principles applicable to non-profit organizations.

Basis of Presentation

The Association reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets, as required by Generally Accepted Accounting Principles (GAAP).

Use of Estimates

The preparation of 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 the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Accordingly, actual results could differ from those estimates.

**ANIMAL PROTECTIVE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Cash and Cash Equivalents

Cash consists of bank deposits in federally insured accounts. At December 31, 2014 the Association's cash accounts did not exceed the insured limits.

For purposes of reporting cash flows, the Association considers all liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments are carried at fair value, which generally represents quoted market prices as of the last business day of the year. Realized and unrealized gains and losses are reflected in the statement of activities.

Property and Equipment

Expenditures for property and equipment, and items which substantially increase the useful lives of existing assets, are capitalized at cost. The Association provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives as follows:

| | |
|----------------------------|---------------|
| Buildings and improvements | 20 - 39 years |
| Furniture and equipment | 3 - 5 years |

Support and Revenue

The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. During the year ended December 31, 2014, the Association received no donations meeting this criteria.

Donated Services

Contributions of services are required to be recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the year ended December 31, 2014, the Association did not receive any donated services.

**ANIMAL PROTECTIVE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Furthermore, there are also a substantial number of invaluable volunteers who generously donate their time towards the activities of the Association, the value of which was not required to be disclosed in the financial statements.

In-Kind Contributions

In addition to receiving cash contributions, the Association receives in-kind contributions from various donors. It is the policy of the Association to record the estimated fair market value of certain in-kind contributions as an expense in its financial statements, and similarly increase donations by a like amount. For the year ended December 31, 2014, the Association received \$6,543 in donated supplies.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Compensated Absences

Employees of the Association are entitled to paid vacation, sick and personal days off, depending on job classification, length of service and other factors. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees. The estimated liability is not material at December 31, 2014, and therefore, no accrual has been recorded in the accompanying financial statements.

Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class, which does not provide sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such prior year information should be read in conjunction with the Association's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

Reclassifications

Certain amounts previously reported in the 2013 financial statements have been reclassified to conform to the 2014 presentation.

Note 2 – Investments

Investments as of December 31, 2014 consist of \$232,761 in publicly-traded mutual funds.

**ANIMAL PROTECTIVE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

Note 3 – Fair Value Measurements

Generally Accepted Accounting Principles define 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 a measurement date. In determining fair value, the Association uses various valuation methods including the market, income, and cost approaches.

The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be readily observable, market corroborated, or generally unobservable inputs. Whenever possible, the Association attempts to utilize valuation methods that maximize the use of observable inputs and minimizes the use of unobservable inputs.

Based on the inputs used in the valuation methods, the Association is required to provide the following information according to the fair value hierarchy. The fair value ranks the quality and reliability of the information used to determine fair values. Assets and liabilities measured, reported and/or disclosed at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs that are not corroborated by market data.

Assets and Liabilities Measured on a Recurring Basis at December 31, 2014

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|--------------|-------------------|----------------|----------------|
| Mutual funds | <u>\$ 232,761</u> | <u>\$ -</u> | <u>\$ -</u> |

Note 4 – Lines of Credit

The Association is obligated for credit cards issued under its responsibility. At December 31, 2014, the Association's total available line of credit related to these credit cards is \$12,000, of which \$2,259 is outstanding and included with accounts payable.

Note 5 – Subsequent Events

For the year ended December 31, 2014, the Association's management has evaluated subsequent events through September 25, 2015 which is the date the financial statements were available to be issued. No subsequent events have been identified that are required to be disclosed at that date.