

**ANIMAL PROTECTIVE ASSOCIATION**

**FINANCIAL STATEMENTS**

**For the Years Ended  
December 31, 2016 and 2015**

# ANIMAL PROTECTIVE ASSOCIATION

## Table of Contents

Independent Auditor's Report .....	1 - 2
Financial Statements	
Statements of Financial Position .....	3
Statements of Activities.....	4
Statements of Functional Expenses .....	5 - 6
Statements of Cash Flows .....	7
Notes to Financial Statements .....	8 - 11



# Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

## **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 statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, 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 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Desmond & Akers, Ltd*

May 26, 2017  
Chicago, IL

**ANIMAL PROTECTIVE ASSOCIATION  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b><u>Assets</u></b>		
Current Assets		
Cash and cash equivalents	\$ 42,710	\$ 37,334
Investments	22,597	69,836
Contributions receivable	9,807	17,778
Total current assets	<u>75,114</u>	<u>124,948</u>
Property and Equipment		
Land	1,768,415	1,768,415
Building and building improvements	3,660,265	3,660,265
Furniture and equipment	45,125	45,125
	<u>5,473,805</u>	<u>5,473,805</u>
Less accumulated depreciation	(463,442)	(360,712)
Net property and equipment	<u>5,010,363</u>	<u>5,113,093</u>
<b>Total Assets</b>	<b><u><u>\$ 5,085,477</u></u></b>	<b><u><u>\$ 5,238,041</u></u></b>
 <b><u>Liabilities and Net Assets</u></b>		
Accounts payable	\$ 1,397	\$ 7,626
Total liabilities	<u>1,397</u>	<u>7,626</u>
Net Assets		
Unrestricted	<u>5,084,080</u>	<u>5,230,415</u>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 5,085,477</u></u></b>	<b><u><u>\$ 5,238,041</u></u></b>

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

**ANIMAL PROTECTIVE ASSOCIATION**  
**STATEMENTS OF ACTIVITIES**  
**For the Years Ending December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b><u>Public Support and Revenue</u></b>		
Contributions, grants and legacies		
General	\$ 159,080	\$ 115,820
Appeals	53,564	45,652
Total contributions, grants and legacies	<u>212,644</u>	<u>161,472</u>
Special events		
Contributions	33,042	28,828
Ticket and registration revenue	12,520	7,130
Auction income	6,152	3,836
Raffle income net of \$900 of prizes	8,418	5,341
Less costs of direct benefits to donors	(430)	(270)
Net revenues from special events	<u>59,702</u>	<u>44,865</u>
Sales Revenue		
Sales	9,912	8,617
Less cost of goods sold	(2,966)	(2,434)
Net sales revenue	<u>6,946</u>	<u>6,183</u>
Program fees	11,478	8,016
Donated supplies and equipment	5,573	6,828
Investment income	647	4,878
Unrealized gain (loss) on investments	2,090	(2,960)
<b>Total Public Support and Revenue</b>	<u>299,080</u>	<u>229,282</u>
<b><u>Expenses</u></b>		
Program services	403,086	427,547
Management and general	14,622	21,019
Fundraising	27,707	27,142
<b>Total Expenses</b>	<u>445,415</u>	<u>475,708</u>
<b>Change in Unrestricted Net Assets</b>	(146,335)	(246,426)
<b>Net Assets, Beginning of Year</b>	<u>5,230,415</u>	<u>5,476,841</u>
<b>Net Assets, End of Year</b>	<u>\$ 5,084,080</u>	<u>\$ 5,230,415</u>

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

**ANIMAL PROTECTIVE ASSOCIATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2016**

	2016			
	Program Services	Management and General	Fundraising	Total
<b>Functional Expenses</b>				
Salaries and wages	\$ 135,773	\$ 854	\$ -	\$ 136,627
Employee benefits and employment taxes	26,180	165	-	26,345
Total salary and employment expenses	161,953	1,019	-	162,972
Supplies	1,960	12	-	1,972
Donated supplies	5,410	-	163	5,573
Animal care and maintenance	34,304	-	-	34,304
Exam, surgery and treatment	49,996	-	-	49,996
Utilities	14,003	88	-	14,091
Telephone	3,284	21	-	3,305
Insurance	9,596	969	-	10,565
Repairs and maintenance	18,780	118	-	18,898
Postage and shipping	333	294	6,018	6,645
Printing	-	-	14,167	14,167
Professional fees	-	7,520	-	7,520
Special events	-	-	7,359	7,359
Advertising and promotion	816	135	-	951
Membership dues	563	-	-	563
Depreciation	102,088	642	-	102,730
Bank fees and credit card processing	-	3,804	-	3,804
<b>Total Expenses</b>	<b>\$ 403,086</b>	<b>\$ 14,622</b>	<b>\$ 27,707</b>	<b>\$ 445,415</b>

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

**ANIMAL PROTECTIVE ASSOCIATION**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2015**

	2015			
	Program Services	Management and General	Fundraising	Total
<b>Functional Expenses</b>				
Salaries and wages	\$ 145,417	\$ 3,686	\$ 77	\$ 149,180
Employee benefits and employment taxes	22,027	558	12	22,597
Total salary and employment expenses	167,444	4,244	89	171,777
Supplies	1,877	48	1	1,926
Donated supplies	2,488	1,640	2,700	6,828
Animal care and maintenance	52,656	-	-	52,656
Exam, surgery and treatment	60,167	-	-	60,167
Utilities	15,827	401	9	16,237
Telephone	3,057	77	2	3,136
Insurance	8,883	1,134	5	10,022
Repairs and maintenance	14,444	366	8	14,818
Postage and shipping	320	137	5,863	6,320
Printing	-	-	11,826	11,826
Professional fees	-	7,490	-	7,490
Special events	-	-	6,525	6,525
Advertising and promotion	1,878	170	-	2,048
Membership dues	555	-	-	555
Depreciation	97,951	2,483	114	100,548
Bank fees and credit card processing	-	2,829	-	2,829
<b>Total Expenses</b>	<b>\$ 427,547</b>	<b>\$ 21,019</b>	<b>\$ 27,142</b>	<b>\$ 475,708</b>

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



**ANIMAL PROTECTIVE ASSOCIATION**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ending December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b><u>Cash Flows from Operating Activities</u></b>		
Change in net assets	\$ (146,335)	\$ (246,426)
Adjustment to reconcile change in net assets to net cash used by operating activities		
Depreciation	102,730	100,548
Unrealized (gain) loss on investments	(2,090)	2,960
(Increase) decrease in contributions receivable	7,971	(12,282)
(Increase) decrease in prepaid expenses	-	10,598
Increase in accounts payable	(6,229)	4,350
Net cash used by operating activities	<u>(43,953)</u>	<u>(140,252)</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Proceeds from sale of investments	49,329	159,965
Purchase of fixed assets	-	(21,818)
Net cash provided by investing activities	<u>49,329</u>	<u>138,147</u>
Net increase (decrease) in cash and cash equivalents	5,376	(2,105)
Cash and cash equivalents beginning of year	37,334	39,439
Cash and cash equivalents, end of year	<u>\$ 42,710</u>	<u>\$ 37,334</u>

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

**ANIMAL PROTECTIVE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015**

**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 are generally subject to examination for three years after filing.

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). The Association had no temporarily or permanently restricted net assets at December 31, 2016 and 2015.

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, 2016 and 2015**

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

Cash and Cash Equivalents

Cash and cash equivalents consist of bank deposits in federally insured accounts. At times, balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) limit.

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 over \$200, 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 years ending December 31, 2016 and 2015, 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 years ending December 31, 2016 and 2015, the Association did not receive any donated services.

**ANIMAL PROTECTIVE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015**

**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 years ending December 31, 2016 and 2015, the Association received \$5,573 and \$6,828 in donated supplies, respectively.

**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, 2016 and 2015, and therefore, no accruals have been recorded in the accompanying financial statements.

**Subsequent Events**

Accounting principles generally accepted in the United States of America establish general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Association has evaluated subsequent events through the date of the report on the financial statements, which is the date the statements were available to be issued. No subsequent events have been identified that are required to be disclosed.

**Note 2 – Investments**

Investments as of the years ending December 31, 2016 and 2015 consist of \$22,597 and \$69,836, respectively, in publicly-traded mutual funds.

**Note 3 – Fair Value Measurements**

Generally Accepted Accounting Principles define fair value as 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.

**ANIMAL PROTECTIVE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015**

**Note 3 – Fair Value Measurements (cont.)**

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, 2016 and 2015**

	<u>Fair Value Measurements at December 31, 2016</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	<u>\$ 22,597</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>Fair Value Measurements at December 31, 2015</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	<u>\$ 69,836</u>	<u>\$ -</u>	<u>\$ -</u>