

**ANIMAL PROTECTIVE ASSOCIATION**

**FINANCIAL STATEMENTS**

**For the Years Ended  
December 31, 2019 and 2018**

# 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
Statements of Cash Flows .....	6
Notes to Financial Statements .....	7 - 13



## 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, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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, 2019 and 2018, 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 & Ahern, Ltd*

June 5, 2020  
Chicago, IL

**ANIMAL PROTECTIVE ASSOCIATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2019 and 2018**

	2019	2018
<b><u>Assets</u></b>		
Current Assets		
Cash and cash equivalents	\$ 381,933	\$ 6,617
Investments	320,562	5,471
Contributions receivable	31,690	31,129
Total current assets	<u>734,185</u>	<u>43,217</u>
Property and Equipment		
Land	1,768,415	1,768,415
Building and building improvements	3,660,265	3,660,265
Furniture and equipment	50,801	50,801
	<u>5,479,481</u>	<u>5,479,481</u>
Less accumulated depreciation	<u>(765,802)</u>	<u>(665,450)</u>
Net property and equipment	<u>4,713,679</u>	<u>4,814,031</u>
<b>Total Assets</b>	<b><u><u>\$ 5,447,864</u></u></b>	<b><u><u>\$ 4,857,248</u></u></b>
 <b><u>Liabilities and Net Assets</u></b>		
Accounts payable	\$ 684	\$ 36,092
Total liabilities	<u>684</u>	<u>36,092</u>
Net Assets without donor restrictions	<u>5,447,180</u>	<u>4,821,156</u>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 5,447,864</u></u></b>	<b><u><u>\$ 4,857,248</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, 2019 and 2018**

	2019	2018
<b><u>Public Support and Revenue</u></b>		
Contributions, grants and legacies		
General	\$ 159,212	\$ 173,043
Bequests	800,272	47,561
Appeals	40,374	37,727
Total contributions, grants and legacies	<u>999,858</u>	<u>258,331</u>
Special events		
Contributions	30,814	33,655
Ticket and registration revenue	10,915	12,120
Auction income	6,729	5,693
Raffle income net of \$1,075 and \$900 of prizes	5,141	6,511
Less costs of direct benefits to donors	(1,520)	(520)
Net revenues from special events	<u>52,079</u>	<u>57,459</u>
Sales Revenue		
Sales	15,258	15,596
Less cost of goods sold	(1,898)	(1,651)
Net sales revenue	<u>13,360</u>	<u>13,945</u>
Program fees	16,950	12,400
Donated supplies and equipment	5,757	6,693
Investment income, net of fees of \$3,822 and \$46	7,748	408
Unrealized gain (loss) on investments	23,458	(248)
<b>Total Public Support and Revenue</b>	<u>1,119,210</u>	<u>348,988</u>
<b><u>Expenses</u></b>		
Program services	444,909	431,775
Management and general	14,440	14,779
Fundraising	33,837	21,188
<b>Total Expenses</b>	<u>493,186</u>	<u>467,742</u>
<b>Change in net assets without donor restrictions</b>	626,024	(118,754)
<b>Net assets without donor restrictions</b>		
<b>Beginning of Year</b>	<u>4,821,156</u>	<u>4,939,910</u>
<b>End of Year</b>	<u><u>\$ 5,447,180</u></u>	<u><u>\$ 4,821,156</u></u>

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

**ANIMAL PROTECTIVE ASSOCIATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Years Ending December 31, 2019 and 2018**

	2019				2018			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 162,348	\$ 894	\$ -	\$ 163,242	\$ 152,909	\$ 894	\$ -	\$ 153,803
Employee benefits and employment taxes	19,561	108	-	19,669	19,313	113	-	19,426
Total salary and employment expenses	181,909	1,002	-	182,911	172,222	1,007	-	173,229
Supplies	2,359	13	-	2,372	1,761	10	-	1,771
Donated supplies	5,757	-	-	5,757	6,693	-	-	6,693
Animal care and maintenance	40,821	-	-	40,821	40,756	-	-	40,756
Exam, surgery and treatment	60,320	-	-	60,320	51,891	-	-	51,891
Utilities	18,148	100	-	18,248	17,131	100	-	17,231
Telephone	4,298	24	-	4,322	4,244	25	-	4,269
Insurance	12,308	1,370	-	13,678	14,646	995	-	15,641
Repairs and maintenance	17,561	97	-	17,658	20,692	121	-	20,813
Postage and shipping	378	270	5,152	5,800	351	113	4,749	5,213
Printing	-	-	20,301	20,301	-	-	6,709	6,709
Professional fees	-	7,620	-	7,620	100	7,520	-	7,620
Special events	-	-	8,384	8,384	-	-	9,730	9,730
Advertising and promotion	860	180	-	1,040	870	45	-	915
Membership dues	388	-	-	388	649	-	-	649
Depreciation	99,802	550	-	100,352	99,769	583	-	100,352
Bank fees and credit card processing	-	3,214	-	3,214	-	4,260	-	4,260
<b>Total Expenses</b>	<b>\$ 444,909</b>	<b>\$ 14,440</b>	<b>\$ 33,837</b>	<b>\$ 493,186</b>	<b>\$ 431,775</b>	<b>\$ 14,779</b>	<b>\$ 21,188</b>	<b>\$ 467,742</b>

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

**ANIMAL PROTECTIVE ASSOCIATION**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ending December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b><u>Cash Flows from Operating Activities</u></b>		
Change in net assets	\$ 626,024	\$ (118,754)
Adjustment to reconcile change in net assets to net cash used by operating activities		
Depreciation	100,352	100,352
Dividends and interest reinvested	(11,570)	(442)
Unrealized (gain) loss on investments	(23,458)	248
Increase in contributions receivable	(561)	(21,246)
Increase (decrease) in accounts payable	(35,408)	27,711
Net cash used by operating activities	<u>655,379</u>	<u>(12,131)</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Purchase of investments	<u>(280,063)</u>	<u>-</u>
Net cash provided by investing activities	<u>(280,063)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	375,316	(12,131)
Cash and cash equivalents beginning of year	<u>6,617</u>	<u>18,748</u>
Cash and cash equivalents, end of year	<u><u>\$ 381,933</u></u>	<u><u>\$ 6,617</u></u>

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



**ANIMAL PROTECTIVE ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

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

Association and Nature of Activities

Animal Protective Association (the 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 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 is required to report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions, as required by Generally Accepted Accounting Principles. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Items that affect this net asset category principally consist of gifts without restrictions, including those designated by the Board, fees for service and related expenses associated with the core activities of the Association.

With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Association or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met, endowment gifts, pledges, and

**ANIMAL PROTECTIVE ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

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

investment returns on endowment funds. Expirations of restrictions on net assets with donor restrictions, including reclassification of restricted gifts and grants for buildings and equipment when the associated long-lived asset is placed in service, are reported as net assets released from restrictions.

Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Association, including gifts and pledges wherein donors stipulate that the corpus of the gift be held in perpetuity and that only the income be made available for program operations.

At December 31, 2019 and 2018, there were no donor-imposed restrictions on net assets.

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.

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

Depreciation expense was \$100,352 for each of the years ended December 31, 2019 and 2018.

**ANIMAL PROTECTIVE ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

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

Support and Revenue

The Association reports gifts of cash and other assets as support with donor restrictions 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, 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.

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 support with donor restrictions. 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, 2019 and 2018, 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, 2019 and 2018, the Association did not receive any donated services.

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, 2019 and 2018, the Association received \$5,757 and \$6,693 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.

Directly identifiable expenses are charged to the specific program or supporting service. Expenses related to more than one function are allocated to program expenses and supporting services on the basis of periodic time and expense reviews made by management.

**ANIMAL PROTECTIVE ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

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

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.

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 June 5, 2020, which is the date the statements were available to be issued. See Note 6 regarding subsequent events.

Adoption of New Accounting Standard

During 2019, the Association adopted Accounting Standards Update ("ASU") No. 2014-09 – *Revenue from Contracts with Customers*, collectively "ASC 606" which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets. No cumulative-effect adjustment to retained earnings was recorded because the adoption did not impact the Association's reported historical revenue.

**Note 2 – Financial Assets and Liquidity Resources**

As of December 31, 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

Financial assets, at year-end:	2019	2018
Cash and cash equivalents	\$ 381,933	\$ 6,617
Investments	320,562	5,471
Contributions receivable	31,690	31,129
Total financial assets, at year-end	734,185	43,217
Less:		
None available	-	-
Financial assets available to meet cash need for general expenditures within one year	<u>\$ 734,185</u>	<u>\$ 43,217</u>

The Association manages its liquidity and reserves following three guiding principles: 1) operating within a prudent range of financial soundness and stability; 2) maintaining adequate liquid assets to fund near-term operating needs; and 3) maintaining sufficient reserves to provide reasonable

**ANIMAL PROTECTIVE ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

**Note 2 – Financial Assets and Liquidity Resources (cont.)**

assurance that programming is continued, and obligations will be adequately discharged in the future. During the year ended December 31, 2019 the level of liquidity and reserves was managed within the policy requirements.

**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.

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.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The fair value of debt and equity investments that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or by quoted market prices of similar securities with similar due dates or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on securities' relationship to other benchmark quoted securities (Level 2 inputs).

**ANIMAL PROTECTIVE ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

*Exchange traded funds and Mutual funds:* Valued at the closing price reported on the active market on which the individual securities are traded.

**Assets and Liabilities Measured on a Recurring Basis:**

	Fair Value Measurements at December 31, 2019			
	Total	Level 1	Level 2	Level 3
Exchange traded funds	\$ 224,960	\$ 224,960	\$ -	\$ -
Mutual funds	95,602	95,602	-	-
	<u>\$ 320,562</u>	<u>\$ 320,562</u>	<u>\$ -</u>	<u>\$ -</u>

  

	Fair Value Measurements at December 31, 2018			
	Total	Level 1	Level 2	Level 3
Mutual funds	\$ 5,471	\$ 5,471	\$ -	\$ -

**Note 4 – Investments**

Investments as of December 31, 2019 and 2018 are as follows:

<u>December 31, 2019</u>	<u>Cost</u>	<u>Market</u>	<u>Appreciation (Depreciation)</u>
Exchange traded funds	\$ 200,697	\$ 224,960	\$ 24,263
Mutual funds	96,407	95,602	(805)
Total	<u>\$ 297,104</u>	<u>\$ 320,562</u>	<u>\$ 23,458</u>

  

<u>December 31, 2018</u>	<u>Cost</u>	<u>Market</u>	<u>Appreciation (Depreciation)</u>
Mutual funds	\$ 5,719	\$ 5,471	\$ (248)
Total	<u>\$ 5,719</u>	<u>\$ 5,471</u>	<u>\$ (248)</u>

**Note 5 – Contributions Receivable**

Contributions receivable consist of amounts owed from various individual donors through Network for Good. At December 31, 2019 and 2018, the balance was \$31,690 and \$31,129, respectively. Management has determined that no allowance is deemed necessary.

**ANIMAL PROTECTIVE ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

**Note 6 – Subsequent Event**

Subsequent to the year ended December 31, 2019, the Association's operations were impacted by the novel coronavirus pandemic that occurred during early 2020. Management is maintaining operations to the extent possible, however certain events and programs may have to be canceled thus affecting 2020 revenues.