

ALL ABOUT ANIMALS RESCUE, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2015

(With Independent Auditor's Report Thereon)

ALL ABOUT ANIMALS RESCUE, INC.

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position.....	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses.....	5
Statement of Cash Flows	6
Notes to Financial Statements	7

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of All About Animals Rescue, Inc., which comprise the statement of financial position as of December 31, 2015, 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 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.

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. as of December 31, 2015, 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
March 30, 2016

ALL ABOUT ANIMALS RESCUE, INC.

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2015

<u>Assets</u>	
Current assets:	
Cash and cash equivalents (note 4)	\$ 786,017
Prepaid expenses	<u>1,100</u>
Total current assets	787,117
Property and equipment:	
At cost, less accumulated depreciation of \$592,892 (notes 2 and 4)	389,805
Other assets:	
Equipment deposits (note 5)	9,375
Security deposits	<u>2,450</u>
Total other assets	<u>11,825</u>
Total assets	<u><u>\$ 1,188,747</u></u>
<u>Liabilities and Net Assets</u>	
Current liabilities:	
Accounts payable	\$ 39,605
Current portion of long-term debt (note 4)	7,700
Accrued liabilities	<u>49,301</u>
Total current liabilities	96,606
Long-term debt (note 4)	146,351
Net assets:	
Unrestricted	844,890
Temporarily restricted	<u>100,900</u>
Total net assets	<u>945,790</u>
Total liabilities and net assets	<u><u>\$ 1,188,747</u></u>

See accompanying notes to financial statements

ALL ABOUT ANIMALS RESCUE, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2015

Revenue and support from operations:	
Corporate contributions	\$ 77,500
Clinic and wellness	2,777,912
Other contributions and support	<u>104,678</u>
Total revenue and support from operations	2,960,090
Functional expenses:	
Program services	2,406,049
Supporting services	265,530
Fundraising	<u>21,203</u>
Total functional expenses	2,692,782
Other changes in unrestricted net assets:	
Net assets released from restriction	<u>171,900</u>
Increase in unrestricted net assets	439,208
Changes in temporarily restricted net assets:	
Net assets released from restriction	(171,900)
Net assets contributed - grant revenue	<u>100,900</u>
Decrease in temporarily restricted net assets	(71,000)
Net increase in net assets	368,208
Net assets - January 1, 2015	<u>577,582</u>
Net assets - December 31, 2015	<u><u>\$ 945,790</u></u>

See accompanying notes to financial statements

ALL ABOUT ANIMALS RESCUE, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2015

	Program Services	Supporting Services	Fundraising	Total Functional Expenses
Advertising	\$ -	\$ 5,935	\$ 66	\$ 6,001
Banking and credit card fees	23,867	-	-	23,867
Conferences and conventions	7,578	-	-	7,578
Depreciation	100,710	-	-	100,710
Information technology	2,870	-	2,097	4,967
Insurance	35,503	4,388	-	39,891
Interest	11,934	-	-	11,934
Licenses and permits	1,317	-	-	1,317
Loss on disposal of fixed assets	-	512	-	512
Maintenance and repairs	25,448	3,145	-	28,593
Meetings, luncheons and dinners	2,204	-	-	2,204
Miscellaneous	15,302	1,891	-	17,193
Payroll taxes	170,512	21,074	-	191,586
Printing and postage	10,245	1,532	2,154	13,931
Professional fees	152,677	-	16,840	169,517
Recruiting	99	12	-	111
Salaries and fringes	1,089,032	134,599	-	1,223,631
Security	3,321	-	-	3,321
Space rental	23,929	2,958	-	26,887
Supplies	665,807	82,296	46	748,149
Telephone	7,438	919	-	8,357
Travel	11,902	1,471	-	13,373
Uniforms	5,532	-	-	5,532
Utilities	38,822	4,798	-	43,620
Total functional expenses	<u>\$ 2,406,049</u>	<u>\$ 265,530</u>	<u>\$ 21,203</u>	<u>\$ 2,692,782</u>

See accompanying notes to financial statements

ALL ABOUT ANIMALS RESCUE, INC.

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2015

Cash flows from operating activities:

Increase in net assets	\$ 368,208
Adjustments:	
Depreciation	100,710
Loss on disposal of fixed assets	512
Changes in assets and liabilities:	
Decrease in accounts receivable	8,000
Increase in prepaid expenses	(1,100)
Increase in security deposits	(850)
Increase in accounts payable	29,407
Decrease in accrued liabilities	<u>(11,889)</u>
Total adjustments	<u>124,790</u>
Net cash provided from operating activities	492,998
Cash flows from investing activities:	
Increase in equipment deposits	(9,375)
Cash flows from financing activities:	
Repayment of long-term debt	<u>(95,239)</u>
Net increase in cash and cash equivalents	388,384
Cash and cash equivalents - January 1, 2015	<u>397,633</u>
Cash and cash equivalents - December 31, 2015	<u>\$ 786,017</u>

Schedule of Noncash Investing and Financing Activities

Long-term debt refinanced under new note payable	<u>\$ 156,970</u>
--	-------------------

See accompanying notes to financial statements

ALL ABOUT ANIMALS RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

Note 1 - Nature of Activities and Significant Accounting Policies

Nature of Activities

All About Animals Rescue, Inc. (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 and Warren, Michigan.

Basis of Presentation

All About Animals Rescue, Inc. 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-imposed restrictions. Accordingly, net assets of All About Animals Rescue, Inc. and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

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. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net assets. For the year ended December 31, 2015, temporarily restricted net assets included grant funds that are required to be used for the purpose of promotional activities and pet surgeries taking place in the subsequent 2016 year.

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, 2015, the Organization had deposits in excess of FDIC coverage of approximately \$475,000.

ALL ABOUT ANIMALS RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

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

Accounts Receivable

Accounts receivable are carried at customer invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal customer payment periods. Amounts deemed uncollectible are written-off in the period that determination is made. Based upon review of its receivables at December 31, 2015, the Organization does not deem an allowance for doubtful accounts necessary.

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.

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.

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 using various bases as determined by management.

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.

Advertising

The Organization records advertising expenses as they are incurred. Advertising costs for the year ended December 31, 2015 amounted to \$6,001.

ALL ABOUT ANIMALS RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

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

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 2012 - 2015.

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 March 30, 2016, which is the date the financial statements were available to be issued.

ALL ABOUT ANIMALS RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

Note 2 - Property and Equipment

The principal categories of property and equipment as of December 31, 2015 may be summarized as follows:

Land, building and building improvements	\$ 408,806
Furniture, fixtures and equipment	193,472
Vehicles	<u>380,419</u>
Total	982,697
Less accumulated depreciation	<u>592,892</u>
Undepreciated cost	<u>\$ 389,805</u>

Note 3 - Operating Leases

AAAR leases its office spaces from unrelated third-parties. Total lease expense for the year ended December 31, 2015 was \$26,887.

The Organization's office lease in Auburn Hills, Michigan is a noncancellable lease agreement requiring monthly payments of \$1,300 per month, expiring October 2017.

The Organization's office lease in Detroit, Michigan is a noncancellable lease agreement requiring monthly payments of \$850 per month, which expired August 2015. Effective September 2015, the Organization's new lease in Detroit, Michigan requires monthly payments of \$1,100 per month, expiring August 2018.

The future minimum rental payments under these operating leases as of December 31, 2015 are as follows:

2016	\$ 28,800
2017	26,200
2018	8,800

ALL ABOUT ANIMALS RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

Note 4 - Long-Term Debt

	<u>Current</u>	<u>Long-Term</u>
Note payable to bank, due in monthly installments of \$1,206 including principal and interest at 4.5%, until July 2020 when the remaining balance is due. The note is secured by assets with net book values of \$272,028 and cash deposit accounts with the bank totaling \$73,438 as of December 31, 2015	\$ <u>7,700</u>	\$ <u>146,351</u>

The amounts of long-term debt coming due during the five years ending December 31, 2020 are as follows:

2016	\$ 7,700
2017	8,054
2018	8,424
2019	8,811
2020	121,062

Interest expense for the year ended December 31, 2015 amounted to \$11,934.

The note payable is subject to a borrower debt service coverage financial covenant. Under the terms of the loan agreements, the bank may call the loan if the Organization is in violation of the covenant.

Note 5 - Commitments

The Organization entered into agreements to purchase new building upgrades and equipment in the amount of \$58,761, of which \$9,375 was paid and included as deposits on the statement of financial position as of December 31, 2015.

***** End of Notes *****