

**ANIMAL PROTECTION SOCIETY OF
ORANGE COUNTY, INC.
DBA PAWS4EVER**

2018 Audited Financial Statements

(Including Supplementary Information)

AUDITED FINANCIAL STATEMENTS

For The Year Ended June 30, 2018

ANIMAL PROTECTION SOCIETY OF ORANGE COUNTY, INC.
DBA PAWS4EVER

OFFICERS

Leigh Matthews	President
Mindy Alioto	Vice President
Ann Petersen	Treasurer
Jeff Hockett	Secretary

BOARD OF DIRECTORS

Perry Dowd	Kendall Page
Lene Kiester	Sally Schatz
Jaye Kreller	David Schmidt
Jill McCullough	Linda Smith
Becky Nichols	Susan Tise

CONTENTS

INDEPENDENT AUDITORS' REPORT Page 2

FINANCIAL STATEMENTS:

Statement of Financial Position 4

Statement of Activities 5

Statement of Cash Flows 6

Notes to Financial Statements 7

SUPPLEMENTARY INFORMATION:

Independent Auditors' Report on Supplementary Information 10

Schedule of Functional Expenses 11

INDEPENDENT AUDITORS' REPORT

November 19, 2018

The Board of Directors
Animal Protection Society of Orange County, Inc. dba Paws4Ever
Mebane, North Carolina

We have audited the accompanying financial statements of Animal Protection Society of Orange County, Inc. dba Paws4Ever (nonprofit organization) which comprise the statement of financial position as of June 30, 2018 and the related statements of activities 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 the 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.

Auditors' 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 auditors' 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 auditors' consider 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.

The Board of Directors
Animal Protection Society of Orange County, Inc. dba Paws4Ever

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 Protection Society of Orange County, Inc. dba Paws4Ever as of June 30, 2018 and the results of its operations and its cash flows for the year then ended, in accordance with principles generally accepted in the United States of America.

Gillian Coble & Mose LLP

Certified Public Accountants
Burlington, North Carolina
November 19, 2018

ANIMAL PROTECTION SOCIETY OF ORANGE COUNTY, INC. DBA PAWS4EVER
STATEMENT OF FINANCIAL POSITION
June 30, 2018

Assets

Current assets:

Cash	\$	121,595
Sales tax receivable		521
Inventories		<u>200</u>

Total current assets 122,316

Cash restricted for Legacy Care		42,500
Property and equipment - net		<u>457,023</u>

Total assets \$ 621,839

Liabilities

Current liabilities:

Accounts payable - trade	\$	12,327
Accrued expenses		9,216
Other current liabilities		1,880
Current portion of long term debt		<u>10,578</u>

Total current liabilities 34,001

Deferred revenue		42,500
Long-term debt		<u>371,502</u>

Total liabilities 448,003

Net assets

Unrestricted:

Undesignated		72,644
Designated by the Board for operations reserves		65,224
Temporarily restricted		<u>35,968</u>

Total net assets 173,836

Total liabilities and net assets \$ 621,839

The accompanying notes are an integral part of this financial statement.

ANIMAL PROTECTION SOCIETY OF ORANGE COUNTY, INC. DBA PAWS4EVER
STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	2018
Public support and revenues:			
Contributions	\$ 243,783	\$ 74,273	\$ 318,056
Bequest	409,076	-	409,076
Inventory sales - net	53,678	-	53,678
Program revenue	65,910	-	65,910
Rental income - net	7,999	-	7,999
Special events	53,085	-	53,085
In-kind contributions	45,852	-	45,852
Other income	1,776	-	1,776
Net assets released from restriction	<u>58,489</u>	<u>(58,489)</u>	<u>-</u>
 Total public support and revenues	 <u>939,648</u>	 <u>15,784</u>	 <u>955,432</u>
 Expenses:			
Program services	433,291	-	433,291
Management and general	83,522	-	83,522
Fundraising	<u>96,892</u>	<u>-</u>	<u>96,892</u>
 Total expenses	 <u>613,705</u>	 <u>-</u>	 <u>613,705</u>
 Increase in net assets	 <u>325,943</u>	 <u>15,784</u>	 <u>341,727</u>
 Net assets - beginning of year	 <u>(223,456)</u>	 <u>55,565</u>	 <u>(167,891)</u>
 Prior period adjustment	 <u>35,381</u>	 <u>(35,381)</u>	 <u>-</u>
 Net assets - end of year	 <u>\$ 137,868</u>	 <u>\$ 35,968</u>	 <u>\$ 173,836</u>

The accompanying notes are an integral part of this financial statement.

ANIMAL PROTECTION SOCIETY OF ORANGE COUNTY, INC. DBA PAWS4EVER
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2018

Cash Flows From Operating Activities

Increase in net assets \$ 341,727

Adjustments to reconcile net increase in net assets to
net cash provided by operating activities:

Depreciation 38,894

Changes in operating assets and liabilities:

Sales tax receivable 725

Prepaid expenses 945

Inventories 1,949

Accounts payable - trade 1,792

Accrued expenses (8,408)

Accrued interest (40,653)

Other current liabilities (766)

Net cash provided by operating activities 336,205

Cash Flows From Investing Activities

Purchases of property and equipment (4,131)

Net cash used in investing activities (4,131)

Cash Flows From Financing Activities

Principal payments on long-term debt (270,568)

Net cash used in financing activities (270,568)

Net increase in cash and cash equivalents 61,506

Cash - beginning 102,589

Cash - ending \$ 164,095

Supplemental Disclosure of Cash Flows Information

Interest paid \$ 64,500

The accompanying notes are an integral part of this financial statement.

**ANIMAL PROTECTION SOCIETY OF ORANGE COUNTY, INC. DBA PAWS4EVER
NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

Note 1: Summary of Significant Accounting Policies

Nature of organization - The Animal Protection Society of Orange County, Inc. dba Paws4Ever (Organization) is a nonprofit organization which builds a compassionate community to support and ensure the well-being of animals in Orange County and surrounding areas; to save and adopt out homeless cats and dogs; offer dog training classes and workshops; and to provide legacy care to animals whose owners are no longer able to provide that care. The Organization is located in Mebane, North Carolina.

Financial statement presentation - All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose of 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. Contributions whose restrictions are met in the same period are shown as unrestricted.

Revenue recognition - Deferred revenue reflects fees collected in advance of providing legacy care services. All fees are reflected as revenue in the year that care begins. The current value represents 5 pets, none of which are currently housed at the center.

Cash and cash equivalents - Cash and cash equivalents include all cash balances and highly liquid investments with an original maturity of three months or less.

Inventories - Inventories include goods donated to the Organization's re-sale store and are valued at the expected resale value.

Property and equipment - Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation less accumulated depreciation and include expenditures for new facilities and major betterments and renewals. Maintenance, repairs and minor renewals are expensed as incurred. The following is a summary of costs and accumulated depreciation:

Buildings	\$ 1,239,611
Furniture and equipment	34,121
Land	226,752
Land improvements	328,611
Vehicles	<u>34,352</u>
	1,863,447
Less accumulated depreciation	<u>(1,406,424)</u>
	<u>\$ 457,023</u>

Depreciation - The cost of property and equipment is depreciated over the assets' estimated useful lives using the straight-line method. Depreciation expense was \$38,894 for the year ended June 30, 2018.

**ANIMAL PROTECTION SOCIETY OF ORANGE COUNTY, INC. DBA PAWS4EVER
NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

Note 1: Summary of Significant Accounting Policies (continued)

Contributed services - The Organization does not record the value of contributed services as support, revenue or expense. Nonetheless, a number of volunteers have donated significant amounts of time in the Organization's program services.

Functional expenses - The Organization allocates its expenses on a functional basis between program and supporting services. Expenses that can be identified with a specific program or support service are allocated directly according to their nature and expense classification. Other expenses that are common to more than one function are allocated by statistical means.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising costs - The Organization expenses advertising costs as incurred. Total advertising costs for the year ended June 30, 2018 was \$1,589.

Note 2: Note Payable

The Organization has a mortgage for the construction of its facilities with a local bank, secured by the entire site. The loan was modified December 1, 2017 and current terms include monthly payments of \$2,522 of principal and interest at 4.7%, maturing December 1, 2022. The balance at June 30, 2018 was \$382,080.

Future scheduled maturities of long term debt are as follows:

2019	\$ 10,578
2020	13,042
2021	13,715
2022	14,374
2022	<u>330,371</u>
	<u>\$ 382,080</u>

Note 3: Related Party

The Organization borrowed money from an officer and a limited liability company co-owned by another officer. The balance of \$223,774, including accrued interest, was paid in full in 2018.

Note 4: Tax Exempt Organization

The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and the applicable state tax laws.

ANIMAL PROTECTION SOCIETY OF ORANGE COUNTY, INC. DBA PAWS4EVER
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 5: Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of June 30, 2018:

Felicite Latane' Trust – facility and grounds repair and maintenance	\$ 20,921
Shelter pet enrichment	3,879
John Wise dog training scholarship fund	775
Spay/neuter grant	<u>10,393</u>
Total	\$ 35,968

Note 6: Prior Period Adjustment

The accompanying financial statements have been restated to reflect a decrease of \$35,381 of temporarily restricted net assets, based on our evaluation of the nature of funds received for legacy care, which are reflected in deferred revenue. Unrestricted net assets have been increased by this same amount.

Note 7: Events Occurring After Report Date

The Organization has evaluated subsequent events and transactions that occurred between June 30, 2018 and November 19, 2018, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

The Board of Directors
Animal Protection Society of Orange County, Inc. dba Paws4Ever
Mebane, North Carolina

The report on our audit of the basic financial statements of Animal Protection Society of Orange County, Inc. dba Paws4Ever (nonprofit organization) for the year ended June 30, 2018 appears on pages 2 and 3. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Gilliam Coble & Moser LLP

Certified Public Accountants
Burlington, North Carolina
November 19, 2018

ANIMAL PROTECTION SOCIETY OF ORANGE COUNTY, INC. DBA PAWS4EVER
SCHEDULE OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2018

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 198,598	\$ 60,501	\$ 43,838	\$ 302,937
Payroll taxes	17,271	5,482	3,784	26,537
Adoption center medical	47,171	-	-	47,171
Advertising	701	-	888	1,589
Bank service charges	3,096	1,705	3,600	8,401
Board of directors	-	744	-	744
Depreciation	34,063	-	3,150	37,213
Insurance	9,428	844	2,101	12,373
Interest	23,847	-	-	23,847
Miscellaneous	100	-	-	100
Fundraising and event	734	193	33,320	34,247
Occupancy	69,273	2,658	1,551	73,482
Office	5,641	868	2,885	9,394
Professional education	984	415	286	1,685
Professional fees	2,120	6,006	260	8,386
Supplies	18,894	702	1,029	20,625
Taxes	51	3,404	200	3,655
Travel	1,319	-	-	1,319
	<u>433,291</u>	<u>83,522</u>	<u>96,892</u>	<u>613,705</u>
Total expenses	<u>\$ 433,291</u>	<u>\$ 83,522</u>	<u>\$ 96,892</u>	<u>\$ 613,705</u>