MICHIGAN ANIMAL RESCUE LEAGUE
(A NOT-FOR-PROFIT ORGANIZATION)

AUDITED FINANCIAL STATEMENTS

Year ended December 31, 2019

MICHIGAN ANIMAL RESCUE LEAGUE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Michigan Animal Rescue League
Pontiac, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Michigan Animal Rescue League (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2019, 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 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.

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 Michigan Animal Rescue League as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

UHY LLP

Farmington Hills, Michigan
July 23, 2020

MICHIGAN ANIMAL RESCUE LEAGUE
STATEMENT OF FINANCIAL POSITION
December 31, 2019

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 1,957,273
Investments - unrestricted	3,626,218
Accounts receivable:	
Unrestricted donations	19,253
Other receivables	1,846
Pledges receivable, current portion	442,562
Prepaid expenses	20,739
Inventory	2,463
Other assets	3,100
Total current assets	6,073,454
ENDOWMENT FUNDS, net	53,275
PROPERTY AND EQUIPMENT, net	2,601,238
CONTRIBUTION RECEIVABLE, net	2,262,444
Total assets	$ 10,990,411
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	$ 321,117
Accrued liabilities	24,698
Deferred revenue	6,200
Total current liabilities	352,015
NET ASSETS	
Without donor restrictions:	
Undesignated	5,555,029
Board-Designated	53,275
With donor restrictions	5,030,092
Total net assets	10,638,396
Total liabilities and net assets	$ 10,990,411

See notes to financial statements.

MICHIGAN ANIMAL RESCUE LEAGUE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Adoption	$ 110,950	$ -	$ 110,950
Contributions	1,169,467	1,534,938	2,704,405
Non-Cash contributions	12,319	-	12,319
In-kind	35,295	-	35,295
Fundraising	409,045	-	409,045
Estate	647,441	-	647,441
Total revenue and support	2,384,517	1,534,938	3,919,455
EXPENSES			
Program services	1,096,115	-	1,096,115
Management and general	148,968	-	148,968
Fundraising	285,632	-	285,632
Total functional expenses	1,530,715	-	1,530,715
OTHER INCOME (EXPENSES)			
Dividend and interest income	105,817	-	105,817
Unrealized gain on investments	422,007	-	422,007
Realized gain on investments	83,982	-	83,982
Loss on sale of assets	(15,188)	-	(15,188)
Total other income (expenses)	596,618	-	596,618
CHANGE IN NET ASSETS	1,450,420	1,534,938	2,985,358
NET ASSETS, Beginning of year	4,157,884	3,495,154	7,653,038
NET ASSETS, End of year	$ 5,608,304	$ 5,030,092	$ 10,638,396

See notes to financial statements.

MICHIGAN ANIMAL RESCUE LEAGUE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	Program	Management and General	Fundraising	Total
Salaries and Wages - Other	$ 530,629	$ 59,100	$ 45,755	$ 635,484
Salaries and Wages - Officers	-	24,005	72,017	96,022
Medical Care and Supplies	285,350	-	-	285,350
Fundraising Expense	-	-	143,538	143,538
Payroll Taxes	54,853	6,109	4,730	65,692
Depreciation and Amortization	29,376	1,546	-	30,922
Food and Supplies	25,261	-	-	25,261
Professional Fees and Memberships	3,454	7,057	10,402	20,913
Utilities	10,660	1,093	-	11,753
Repair and Maintenance	38,310	3,928	-	42,238
Insurance	17,498	1,794	-	19,292
Office Expense	-	18,700	-	18,700
Bank Charges	1,975	5,923	-	7,898
Shelter Supplies	19,117	-	-	19,117
Web Based Subscriptions	1,480	6,661	6,661	14,802
Web design and management	2,100	-	900	3,000
Vehicle and Transportation Expense	7,233	-	-	7,233
Telephone and Internet	7,720	859	666	9,245
Disposal	2,806	-	-	2,806
Building Lease	36,000	4,000	-	40,000
Storage Rental	6,071	676	524	7,271
Advertising	337	3,339	-	3,676
Postage	637	2,544	-	3,181
Uniforms	5,376	-	-	5,376
Training and Education	3,152	-	-	3,152
Alarm	1,205	124	-	1,329
Community Outreach	1,180	-	-	1,180
Behavior and Socialization	837	-	-	837
Pest Control	60	-	-	60
Off-site Adoptions and Meetings	-	-	439	439
Equipment Rental	1,745	901	-	2,646
License and Fees	1,693	235	-	1,928
Property Taxes	-	374	-	374
Total Expenses	$ 1,096,115	$ 148,968	$ 285,632	$ 1,530,715

Michigan Animal Rescue League

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2019

OPERATING ACTIVITIES	
Change in net assets	**$ 2,985,358**
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	**30,922**
Loss on sale of assets	**15,188**
Unrealized gain on investments	**(422,007)**
Realized gain on investments	**(83,982)**
Donated investments	**(5,108)**
Changes in assets and liabilities:	
Accounts receivable	**20,885**
Pledges receivable, net	**(210,352)**
Prepaid expenses	**(2,995)**
Inventories	**(1,374)**
Other assets	**(3,100)**
Accounts payable	**260,817**
Accrued payroll and related taxes	**3,322**
Deferred revenue	**2,700**
Net cash provided by operating activities	**2,590,274**
INVESTMENT ACTIVITIES	
Investment income directly reinvested	**(75,273)**
Proceeds from sale of property and equipment	**4,750**
Purchase of property and equipment	**(2,180,137)**
Net cash used in investment activities	**(2,250,660)**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**339,614**
CASH AND CASH EQUIVALENTS, Beginning of Year	**1,617,659**
CASH AND CASH EQUIVALENTS, End of Year	**$ 1,957,273**

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES

The following is a summary of certain accounting policies followed in the preparation of these financial statements. The policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Organization

The Michigan Animal Rescue League (the “Organization”) is a not-for-profit Michigan Corporation recognized as exempt from Federal income taxes pursuant to Section 501 (c)(3) of the Internal Revenue Code. The Organization is engaged to operate an animal shelter in the City of Pontiac, and it is funded largely through donations from the general public. The Organization does not receive any city, state, or federal funding.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, prepaid expenses, payables, and other liabilities.

Basis of Presentation

The Organization follows accounting standards set by the Financial Accounting Standards Board (FASB). The FASB sets generally accepted accounting principles (GAAP) that the Organization follows to ensure they consistently report their financial condition, results of operations and cash flows. References to GAAP issued by the FASB in the following footnotes are the *FASB Accounting Standards Codification* (ASC).

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

> **Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.
>
> **Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (Continued)

New Accounting Pronouncement - In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The Organization adopted the ASU effective January 1, 2019. The adoption of the standard has no impact on the revenue recognition for the year ended 2019.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments – Overall, Recognition and Measurement of Financial Assets and Financial Liabilities (Topic 825). The ASU is intended to enhance the reporting model for financial instruments to provide users of financial instruments with more decision-useful information and addresses certain aspects of the recognition, measurement, presentation, and disclosure of financial instruments. Management performed an assessment of the Organization's equity investments determined the adoption of the standard has no impact on the fair value measurements for the year ended 2019.

Concentration of Credit Risk

At times the Organization has balances on deposit with certain institutions that may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes that the Organization is not exposed to any significant credit risk for cash. Cash in excess of federally insured limits approximated $1,638,956 at December 31, 2019.

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, and unconditional promise to give or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. The following explains the performance obligations related to each revenue stream and how they are recognized.

Adoption – The Organization recognizes revenue when payment is received and animal is adopted. The Organization does not take deposits on adoptable animals. Adoption fees are set. All dog adoptions are $200 and cat adoptions are $100 or two for $150. Full amount of fee is considered Adoption Revenue.

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Revenue and Revenue Recognition (Continued)

Contributions – The Organization recognizes revenue when contribution is received or when a pledge is in writing with full intent of being paid.

Non Cash Contribution/In-Kind – The Organization recognizes revenue when services are received and a value is determinable. The performance obligation is to carry the Organization's mission in the best way possible for the animals & long-term future of the shelter.

Fundraising – The Organization recognizes revenue when in the year of the event. The Organization receives donations for the event, which are nonreciprocal. The donations have no restrictions.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Management believes all balances are collectible; accordingly, no allowance for doubtful accounts has been established. Receivables are determined to be past due based on contractual terms and are charged off when management determines the receivable will not be collected.

Estate donation receivables consist of wills and bequests for which the donor and all other life beneficiaries are deceased and are therefore irrevocable. Payment on these receivables is expected within the next year. The legacy and bequest receivable is deemed fully collectible as of December 31, 2019.

Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for doubtful accounts is determined based on management's evaluation of the collectability of individual promises.

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Pledges Receivable

Pledges receivable consist of unconditional promises to give that are recognized as contributions when the promise is received. Pledges receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using the present value technique applied to anticipated cash flows.

Property and Equipment

Property and equipment is stated at cost, or if donated, at fair market value at the date of the gift. Expenditures for maintenance and repairs are charged to operating expenses. Adjustments of the asset and the related accumulated depreciation and amortization accounts are made for property and equipment retirements and disposals, with the resulting gain or loss included in the Statement of Activities. The Organization capitalizes all items with a cost of $1,000 or more if purchased or estimated fair value if donated and depreciated over their estimated useful life of three to thirty-nine years. Depreciation and amortization is calculated using the straight-line method.

Investments

The Organization records its investments in marketable equity securities in accordance with ASC topic *Not-for-Profit Entities Investments*. Investments are stated at fair values based upon quoted market prices using prevailing financial market information. Realized gains and losses represent the difference between the proceeds received and the cost of investments sold. Unrealized gains and losses represent the change in the market value of the investments during the year.

Functional Allocation of Expenses

The cost of providing program and support services are reported on a functional basis in the statements of functional expense. Indirect costs including salaries and wages, fringe benefits, payroll taxes, supplies, insurance, depreciation and occupancy, have been allocated between the various programs and support services based on the percentage of the program or supportive service salaries as compared to the whole organization. Such allocations are determined by management on an equitable basis.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3).

ASC guidance regarding accounting for uncertainty in income taxes clarifies the accounting for income taxes by prescribing the minimum recognition threshold an income tax position is required to meet before being recognized in the financial statements and applies to all income tax positions. Each income tax position is assessed using a two-step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement. At December 31, 2019, there were no uncertain tax positions that required accrual.

Functional Expenses

The Organization allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated on various statistical bases. Although the methods used are considered reasonable, other methods could be used that would produce different results.

Inventory Valuation

Inventories are valued at the lower of cost or market, with cost determined on a first-in, first-out basis (FIFO). Donated goods inventory is valued at fair market value.

Advertising

The costs of advertising are expensed as incurred. Advertising expense for the year ended December 31, 2019 amounted to $3,676.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	$ 1,957,273
Operating investments	3,626,218
Accounts receivable	19,253
Pledges receivable - within 1 year	442,562
Total financial assets	6,045,306
Less amounts not available for general use	
Board designated endowment	53,275
With donor restrictions	5,030,092
	5,083,367
Financial assets available to meet general expenditures in one year	$ 961,939

Accounts receivable consist of donations made to the Organization through a third party (Facebook, PayPal, or a Retail Store) during 2019 and donations received during the last days of 2019.

Pledge Receivable only consists of written pledges due within one year of the statement of financial position date.

NOTE 3 – PLEDGES RECEIVABLE

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates of 5.50% as of December 31, 2019.

Pledges receivable is committed by one donor and consist of the following:

	December 31, 2019
Pledges receivable	$ 3,235,144
Less: Pledges unamortized discount	(530,138)
Net pledges receivable	$ 2,705,006
Amounts due in:	
Less than one year	$ 442,562
One to five years	2,262,444
Total pledges receivable	$ 2,705,006

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31, 2019
Furniture, equipment & software	$ 118,205
Vehicles	65,987
Building & land improvements	69,372
Land	116,024
Kennels	99,913
Construction in progress	2,282,268
Total cost	2,751,769
Less: Accumulated depreciation and amortization	(150,531)
Net carrying amount	$ 2,601,238

Depreciation and amortization expense totaled $30,922 for the year ended December 31, 2019.

The Organization entered the construction and term loan contract effective August 28, 2019 with first withdrawal being processed subsequent to year end. Additions to the construction work in progress for year ending December 31, 2019 were $2,114,260.

NOTE 5 – IN-KIND CONTRIBUTIONS AND EXPENSES

The Organization received professional veterinarian and graphic design services as in-kind contributions. The Organization records in-kind contributions and expenses related to these contributions. The total value of the in-kind contributions received meeting the criteria for being recorded in the financial statements was $35,295 which is recorded in the accompanying statements of activities.

NOTE 5 – IN-KIND CONTRIBUTIONS AND EXPENSES (Continued)

The in-kind expenses, related to the in-kind contributions, are included in the statements of functional expenses. Total in-kind expenses are categorized as follows:

	December 31, 2019
Food and supplies	$ 11,999
Vet services	24,893
Professional fees	10,402
Office expenses	320
	$ 47,614

NOTE 6 – INVESTMENTS – BOARD DESIGNATED ENDOWMENT

As of December 31, 2019, the Board of Directors had designated $49,903 of unrestricted net assets as a general endowment fund to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

The Board designated funds' principal is to remain invested in perpetuity. The investment income and appreciation generated by the designated funds are available to the organization's management and the Board of Directors for operational or improvement expenses.

Changes in endowment net assets for the year ended December 31, 2019 were as follows:

	December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 49,141	$ -	$ 49,141
Reinvested investment income	428	-	428
Investment loss and depreciation	3,706	-	3,706
Endowment net assets, end of year	$ 53,275	$ -	$ 53,275

NOTE 7 – NET ASSETS – WITH DONOR RESTRICTIONS

Donor restricted net assets consist for the following purposes as of December 31, 2019**:**

Subject to expenditure for specified purpose:	
Prior year balance	$ 3,495,154
Contributions received for the comprehensive campaign	86,250
Contributions pledged to the comprehensive campaign	1,448,688
Total net assets with donor restrictions	$ 5,030,092

NOTE 8 – FAIR VALUE MEASUREMENTS

ASC topic *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC topic *Fair Value Measurements* are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the abilities to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specific (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NOTE 8 – FAIR VALUE MEASUREMENTS (Continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Equity securities: Valued at the closing price reported in the active market in which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value or certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value:

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Equities	$ 7,086	$ -	$ -	$ 7,086
Mutual funds	3,619,132	-	-	3,619,132
Total	$ 3,626,218	$ -	$ -	$ 3,626,218

NOTE 9 – INVENTORIES

Inventories consist of the following:

	December 31, 2019
Retail Inventory	$ 2,463

Retail inventory consists primarily of goods purchased for resale.

NOTE 10 – OPERATING LEASE COMMITMENTS

The Organization leases office space under a lease agreement that expires on April 30, 2020. Subsequent to April 30, 2020, the lease agreement was verbally extended until the end of September 2020. The lease agreement requires payments of $5,000 per month. Total lease expenses for year ending December 31, 2019 is $40,000. Future minimum lease payments required by the lease for the year succeeding December 31, 2019 is $45,000.

NOTE 11 – SUBSEQUENT EVENTS

The Organization has performed a review of events subsequent to the Statement of Financial Position through July 23, 2020, the date the financials were available to be issued.

Toward the end of December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. There have been mandates from federal, state, and local authorities requiring forced closures of events, and the Organization has cancelled some of its planned events following those mandates. It is not currently possible to know how long these mandates will continue. As a result, these mandates could negatively impact the Organization's fundraising events. Although it is not possible to reliably estimate the length or severity of this outbreak and hence its financial impact, any significant reduction in performances and events caused by COVID-19 could result in a loss of revenues and may have other materially adverse effects.

In April 2020, the Organization received a Small Business Administration Paycheck Protection Program loan in the amount of $147,900. The Organization intends to use such loan proceeds in the manner that will maximize loan forgiveness.