

LEAGUE FOR ANIMAL WELFARE

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
League for Animal Welfare

I have audited the accompanying financial statements of League for Animal Welfare (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, 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 Responsibilities 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of League for Animal Welfare as of December 31, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Kathleen F. Wesp CPA

Kathleen F. Wesp, CPA
April 2, 2019

LEAGUE FOR ANIMAL WELFARE
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2018 AND 2017

ASSETS		
	2018	2017
Cash and cash equivalents	\$ 638,311	\$ 295,316
Contributions receivable	400,000	2,000
Investments, at market value	3,515,475	3,702,164
Prepaid expenses	2,553	11,215
Property and equipment, net	1,877,133	1,995,177
Construction in progress	26,887	1,265
TOTAL ASSETS	\$ 6,460,359	\$ 6,007,137
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 33,660	\$ 25,132
Accrued expenses	3,093	9,595
TOTAL LIABILITIES	36,753	34,727
NET ASSETS		
Without donor restriction	5,628,459	5,841,502
With donor restriction	795,147	130,908
TOTAL NET ASSETS	6,423,606	5,972,410
TOTAL LIABILITIES AND NET ASSETS	\$ 6,460,359	\$ 6,007,137

See notes to financial statements

LEAGUE FOR ANIMAL WELFARE
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
SUPPORT						
Contributions and grants	\$ 1,085,507	\$ 668,925	\$ 1,754,432	\$ 575,899	\$ 222,206	\$ 798,105
Adoption fees	97,235	-	97,235	101,510	-	101,510
Program fees	9,145	-	9,145	28,101	-	28,101
In-kind contributions	24,797	-	24,797	-	-	-
Merchandise sales less cost of goods	3,848	-	3,848	870	-	870
Rental income	400	-	400	3,600	-	3,600
Other income	503	-	503	1,333	-	1,333
Special events less direct cost	13,962	-	13,962	18,277	-	18,277
Investment earnings (losses), net	(68,073)	-	(68,073)	441,809	-	441,809
Net assets released from restriction	4,686	(4,686)	-	124,607	(124,607)	-
TOTAL SUPPORT	1,172,010	664,239	1,836,249	1,296,006	97,599	\$ 1,393,605
EXPENSES						
Animal Care	1,120,654	-	1,120,654	1,040,273	-	1,040,273
Management and general	106,253	-	106,253	187,844	-	187,844
Fundraising	158,146	-	158,146	258,312	-	258,312
TOTAL EXPENSES	1,385,053	-	1,385,053	1,486,429	-	1,486,429
INCREASE (DECREASE)						
IN NET ASSETS	(213,043)	664,239	451,196	(190,423)	97,599	(92,824)
NET ASSETS						
BEGINNING OF YEAR	5,841,502	130,908	5,972,410	6,031,925	33,309	6,065,234
NET ASSETS, END OF YEAR	\$ 5,628,459	\$ 795,147	\$ 6,423,606	\$ 5,841,502	\$ 130,908	\$ 5,972,410

See notes to financial statements

LEAGUE FOR ANIMAL WELFARE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 451,196	\$ (92,824)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	118,044	124,573
Unrealized/realized change in market value	142,333	(362,247)
Contributions restricted for construction	(663,105)	(128,575)
Changes in:		
Pledges receivable	(398,000)	(1,505)
Prepaid expenses	8,662	671
Accounts payable	8,528	(21,772)
Accrued expenses	(6,502)	(2,780)
NET CASH USED (PROVIDED) BY OPERATING ACTIVITIES	(338,844)	(484,459)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of securities	608,748	997,718
Purchase of securities	(564,392)	(553,793)
Construction in progress payments	(25,622)	(1,265)
NET CASH PROVIDED BY INVESTING ACTIVITIES	18,734	442,660
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for construction	663,105	128,575
NET CASH PROVIDED BY FINANCING ACTIVITIES	663,105	128,575
NET CHANGE IN CASH	342,995	86,776
CASH AT BEGINNING OF YEAR	295,316	208,540
CASH AT END OF YEAR	\$ 638,311	\$ 295,316

See notes to financial statements

LEAGUE FOR ANIMAL WELFARE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017

	ANIMAL CARE	MANAGEMENT AND GENERAL	FUND RAISING	TOTAL	2017
Bank fees	\$ 3,597	\$ -	\$ 5,024	\$ 8,621	\$ 8,288
Bottle feeding program	3,562	-	-	3,562	2,271
Caretaker house	3,391	847	4,238	8,476	1,998
Communications	5,994	1,853	653	8,500	7,910
Contingencies	-	-	-	-	21
Contract labor	104	-	-	104	-
Continuing education	1,420	26	-	1,446	433
Depreciation	115,682	1,181	1,181	118,044	124,573
Dues and memberships	310	-	3,020	3,330	2,620
Employee appreciation	367	-	-	367	48
Fundraising	-	-	8,305	8,305	72,736
Grounds	26,561	271	271	27,103	32,534
Health insurance	51,339	7,059	5,776	64,174	53,571
Information technology	16,545	169	169	16,883	16,587
Insurance	7,704	2,093	78	9,875	10,403
Kennel supplies	92,523	-	-	92,523	71,290
Marketing	5,768	-	26,987	32,755	36,214
Medical RV	22,252	2,145	5,362	29,759	37,600
Mileage reimbursement	790	-	2,386	3,176	4,604
Newsletter	-	-	10,353	10,353	13,523
None left behind program	25,575	-	-	25,575	18,840
Office expense	7,641	1,462	4,028	13,131	14,287
Other taxes	-	-	-	-	200
Payroll processing	2,066	284	232	2,582	2,317
Payroll taxes	46,353	6,373	5,215	57,941	66,073
Pre-hire expense	1,535	-	-	1,535	1,271
Professional fees	-	4,560	-	4,560	3,954
Salaries	545,189	74,963	61,334	681,486	698,851
Shelter exterior	1,796	-	-	1,796	5,467
Shelter interior	9,515	2,379	11,895	23,789	19,499
Spay and neuter vouchers	41,163	-	-	41,163	55,397
Stewardship	-	-	1,098	1,098	1,440
Uniforms	1,843	254	207	2,304	2,669
Utilities	32,722	334	334	33,390	29,917
Vehicle	17,435	-	-	17,435	9,914
Veterinary	28,399	-	-	28,399	56,000
Volunteer training	1,513	-	-	1,513	3,109
	<u>\$ 1,120,654</u>	<u>\$ 106,253</u>	<u>\$ 158,146</u>	<u>\$ 1,385,053</u>	<u>\$ 1,486,429</u>

See notes to financial statements

LEAGUE FOR ANIMAL WELFARE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	ANIMAL CARE	MANAGEMENT AND GENERAL	FUND RAISING	TOTAL
Bank fees	\$ 1,653	\$ -	\$ 6,635	\$ 8,288
Bottle feeding program	2,271	-	-	2,271
Caretaker house	1,998	-	-	1,998
Communications	4,746	1,582	1,582	7,910
Contingencies	-	21	-	21
Continuing education	-	433	-	433
Depreciation	105,887	17,440	1,246	124,573
Dues and memberships	1,048	-	1,572	2,620
Employee appreciation	30	15	3	48
Fundraising	-	-	72,736	72,736
Grounds	22,774	8,133	1,627	32,534
Health insurance	36,872	9,091	7,608	53,571
Information technology	8,293	4,147	4,147	16,587
Insurance	6,930	2,978	495	10,403
Kennel supplies	71,290	-	-	71,290
Marketing	18,107	-	18,107	36,214
Medical RV	37,600	-	-	37,600
Mileage reimbursement	1,152	-	3,452	4,604
Newsletter	-	-	13,523	13,523
None left behind program	18,840	-	-	18,840
Office expense	3,572	6,429	4,286	14,287
Other taxes	88	-	112	200
Payroll processing	1,597	377	343	2,317
Payroll taxes	45,549	10,748	9,776	66,073
Pre-hire expense	876	207	188	1,271
Professional fees	-	-	3,954	3,954
Salaries	481,767	113,684	103,400	698,851
Shelter exterior	4,647	547	273	5,467
Shelter interior	16,574	2,925	-	19,499
Spay and neuter vouchers	55,397	-	-	55,397
Stewardship	-	-	1,440	1,440
Uniforms	1,868	801	-	2,669
Utilities	20,942	7,479	1,496	29,917
Vehicle	9,418	496	-	9,914
Veterinary	56,000	-	-	56,000
Volunteer training	2,487	311	311	3,109
	<u>\$ 1,040,273</u>	<u>\$ 187,844</u>	<u>\$ 258,312</u>	<u>\$ 1,486,429</u>

See notes to financial statements

LEAGUE FOR ANIMAL WELFARE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the League for Animal Welfare is presented to assist in understanding the organization's financial statements. The financial statements and notes are representations of the organization's management who is responsible for the integrity and objectivity of the financial statements.

Nature of Operations

Founded in 1949, League for Animal Welfare provides much needed care for unwanted, lost and neglected cats and dogs in the community. As the oldest and one of the largest no-kill shelters in the area, the League serves the Greater Cincinnati area through initiatives to reduce the number of homeless animals and to help people better care for their pets. Using the resources of its dedicated staff, volunteers and supports, the League provides medical care, behavioral training and socialization needed to match homeless animals with lifelong homes. The League's shelter has the capacity to care for approximately 40 dogs and 100 cats with the permanent placement in appropriate, screened and loving homes. Volunteers foster additional dogs and cats and bottle-feed kittens and puppies in their own homes until they are eligible for adoption.

Basis of Presentation

The financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United State of America. Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

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. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

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 passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restriction, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of donated assets.

LEAGUE FOR ANIMAL WELFARE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributions - continued

When a restriction expires, that is, when the stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents. Cash and highly liquid financial instruments restricted to building projects or other long term purposes are excluded from this definition.

Investments

Investments are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair value in the statements of financial position. Net investment return/loss is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Contributions receivable

The organization considers all contributions receivable to be fully collectible; accordingly no allowance for doubtful accounts is considered necessary.

Property and Equipment

Property and equipment is stated at cost, or if donated, at the approximate fair market value at the date of donation. Depreciation expense is computed on the straight-line method over the estimated useful life of the assets. Expenditures for major renewals and betterments that extend the useful lives of fixed assets are capitalized. Expenditures for maintenance and repairs are charged to expenses as incurred. Depreciation was \$118,044 and \$124,573 during 2018 and 2017.

Donated Services and In-Kind Contributions

Donated services are recognized as contribution if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the organization. The organization relies on many volunteers to carry out its programs but no amounts have been recorded in the statements of activities because the criteria for recognition have not been satisfied. Contributed supplies are recorded at fair value the date of donation.

LEAGUE FOR ANIMAL WELFARE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fair Value of Financial Instruments

Assets and liabilities measured at fair value are categorized into one of three different levels depending on the observability of the inputs employed in their measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are market-observable inputs for measuring the asset or liability other than quoted prices included within Level 1. Level 3 inputs are observable inputs for measuring the asset or liability reflecting significant modifications to observable related market data or the organization's assumptions about pricing by market participants. The carrying amounts of cash and cash equivalents, accounts payable and accrued expenses approximate fair value due to the short-term nature of the items, and are considered to fall within Level 1 of the fair value hierarchy.

Advertising

Advertising and marketing is expensed as incurred Expenses for the years ending December 31, 2018 and 2017 was \$32,755 and \$36,214, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include: caretaker house, communications, depreciation, grounds, information technology, insurance, shelter interior and exterior, and, utilities which are allocated on a square-footage basis, as well as payroll and payroll taxes which are allocated on the basis of estimates of time and effort.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code pursuant to a determination letter from the Internal Revenue Service. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions. The Organization's returns are subject to examination by the IRS generally for 3 years from filing date. Management believes that all positions taken in the tax returns would be sustained upon examination based on the technical merits should the returns be examined. For the years ended December 31, 2018 and 2017, there were no income tax penalties and interest recorded.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

LEAGUE FOR ANIMAL WELFARE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Concentration and Credit Risk

The Organization manages deposit concentration risk by placing cash with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, no losses have been experienced in any of those accounts.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented with no change to net assets.

NOTE #2 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	2018	2017
Contributions due in less than one year		
More than a shelter campaign	\$100,000	\$ -0-
Unrestricted	-0-	2,000
Total due in less than one year	\$100,000	\$2,000
Contributions due in more than one year		
More than a shelter campaign	300,000	-0-
Total due in more than one year	300,000	-0-
	\$400,000	\$2,000

These receivables are recorded at their face amounts rather than being reduced to their net present values because the amount of discounts would be immaterial to the financial statements.

LEAGUE FOR ANIMAL WELFARE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE #3 - INVESTMENTS

Long term investments, carried at market value based on quoted prices in active markets (all level 1 measurements) at December 31, 2018 and 2017 consisted of the following:

	2018	2018 Cost	2017	2017 Cost
Cash and money funds	\$ 207,454	\$ 207,454	\$ 126,483	\$ 126,483
Fixed income	931,935	949,902	944,039	946,409
Mutual funds	545,922	592,252	577,424	565,901
Equities	1,830,164	1,175,314	2,054,218	1,205,409
	<u>\$3,515,475</u>	<u>\$2,924,922</u>	<u>\$3,702,164</u>	<u>\$2,844,202</u>

NOTE #4 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2018 and 2017 consisted of the following:

	2018	2017
Equipment and furniture	\$ 229,976	\$ 229,976
Buildings and improvements	1,848,389	1,848,389
Medical RV and equipment	164,544	164,544
Vehicles	154,069	154,069
Land	632,742	632,742
	<u>3,029,720</u>	<u>3,029,720</u>
Less: accumulated depreciation	<u>(1,152,587)</u>	<u>(1,034,543)</u>
	<u>\$ 1,877,133</u>	<u>\$ 1,995,177</u>

NOTE #5– LIQUIDITY AND AVAILABILITY

The following reflects the Organization’s financial assets reduced by amounts not available for general use within 12 months because of contractual or donor-imposed restrictions.

Financial assets at year end	\$4,553,786
Less: funds unavailable for general expenditures within one year	
Restricted by donor for specific purposes	<u>(795,147)</u>
Financial assets available to meet cash needs for general operations within one year	<u>\$3,758,639</u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

LEAGUE FOR ANIMAL WELFARE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE #6– NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restrictions are restricted for the following purposes:

	2018	2017
More than a shelter campaign	\$ 791,680	\$ 128,575
Cat shelving	2,333	2,333
Agricultural grant	1,134	-0-
	\$ 795,147	\$ 130,908

NOTE #7– LEASES

The organization has a lease for office equipment that will expire in 2020.

Future minimum lease payments are as follows:

2019	\$ 4,860
2020	3,240
2021	-0-
2022	-0-
2023 and thereafter	-0-
Total minimum lease payments	\$ 8,100

NOTE #8– SUBSEQUENT EVENTS

The organization has evaluated subsequent events for recognition and disclosure through April 2, 2019, the date the financial statements were available to be issued. Through that date, there were no events requiring adjustments to or disclosures in the financial statements except as disclosed below.

On March 29, 2019, the Organization broke ground for the construction of the Sis and Dick Miller Animal Wellness Clinic. The League is planning on the opening of the clinic in September 2019. The clinic is designed to better serve the veterinary needs of the League animals, as well as provide medical services to other shelters, rescue groups and ultimately the community at large. It will be built as a separate wing connected to the existing shelter, the clinic will include specialized animal intake and isolation areas, surgical and exam rooms, as well as neonatal and post-natal rooms for new moms and their litters.

On April 2, 2019, the construction contract was signed for \$1,294,502.