

GOOD MEWS ANIMAL FOUNDATION, INC.

FINANCIAL REPORT

DECEMBER 31, 2017

GOOD MEWS ANIMAL FOUNDATION, INC.

**FINANCIAL REPORT
DECEMBER 31, 2017**

TABLE OF CONTENTS

Page

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of financial position	2
Statements of activities.....	3
Statements of functional expenses.....	4 and 5
Statements of cash flows	6
Notes to financial statements	7-12



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Good Mews Animal Foundation, Inc.
Marietta, Georgia

We have audited the accompanying financial statements of **Good Mews Animal Foundation, Inc.** (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, 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 audits. We conducted our audits 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 Good Mews Animal Foundation, Inc. as of December 31, 2017 and 2016, 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.

A handwritten signature in cursive script that reads "Mauldin & Jenkins, LLC".

Atlanta, Georgia
November 30, 2018

GOOD MEWS ANIMAL FOUNDATION, INC.

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016**

ASSETS	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,011,635	\$ 896,966
Promises to give, current portion, net	1,780	16,997
Investments	33,434	689
Other current assets	<u>11,780</u>	<u>13,235</u>
 Total current assets	 <u>1,058,629</u>	 <u>927,887</u>
 PROPERTY & EQUIPMENT, NET	 <u>1,642,605</u>	 <u>1,609,911</u>
NONCURRENT ASSETS		
Promises to give, long-term portion, net	<u>-</u>	<u>3,077</u>
 Total noncurrent assets	 <u>-</u>	 <u>3,077</u>
 Total assets	 <u><u>\$ 2,701,234</u></u>	 <u><u>\$ 2,540,875</u></u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,348	\$ -
Accrued liabilities	9,608	9,138
Prepaid adoption fees	2,500	2,400
Note payable - current portion	<u>25,703</u>	<u>22,172</u>
 Total current liabilities	 <u>39,159</u>	 <u>33,710</u>
NONCURRENT LIABILITIES		
Note payable, net of current portion and loan costs	<u>537,019</u>	<u>607,593</u>
 Total liabilities	 <u>576,178</u>	 <u>641,303</u>
NET ASSETS		
Unrestricted	1,784,455	1,583,643
Temporarily restricted	<u>340,601</u>	<u>315,929</u>
 Total net assets	 <u>2,125,056</u>	 <u>1,899,572</u>
 Total liabilities and net assets	 <u><u>\$ 2,701,234</u></u>	 <u><u>\$ 2,540,875</u></u>

See Notes to Financial Statements.

GOOD MEWS ANIMAL FOUNDATION, INC.

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Contributions and grants	\$ 523,965	\$ 98,525	\$ 622,490	\$ 546,718	\$ 60,280	\$ 606,998
Special events	111,236	-	111,236	98,002	-	98,002
Adoptions	22,134	-	22,134	19,930	-	19,930
Merchandise	21,509	-	21,509	15,713	-	15,713
In-kind contributions	64,750	-	64,750	67,239	-	67,239
Other income	2,164	-	2,164	2,221	-	2,221
Net assets released from restrictions	73,853	(73,853)	-	38,851	(38,851)	-
Total support and revenue	819,611	24,672	844,283	788,674	21,429	810,103
EXPENSES						
Program services	469,979	-	469,979	513,430	-	513,430
Supporting services						
Fundraising	79,835	-	79,835	64,682	-	64,682
Management & general	77,806	-	77,806	77,380	-	77,380
Total expenses	627,620	-	627,620	655,492	-	655,492
OTHER INCOME (EXPENSE)						
Interest income	1,086	-	1,086	522	-	522
Investment earnings (losses)	7,735	-	7,735	(992)	-	(992)
Total other income (expense)	8,821	-	8,821	(470)	-	(470)
Change in net assets	200,812	24,672	225,484	132,712	21,429	154,141
Net assets at beginning of year	1,583,643	315,929	1,899,572	1,450,931	294,500	1,745,431
Net assets at end of year	\$ 1,784,455	\$ 340,601	\$ 2,125,056	\$ 1,583,643	\$ 315,929	\$ 1,899,572

See Notes to Financial Statements.

GOOD MEWS ANIMAL FOUNDATION, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program	Fundraising	Management & General	Total Expenses
Professional fees	\$ 121,700	\$ -	\$ 34,403	\$ 156,103
Supplies	127,737	12,533	4,196	144,466
Personnel	97,405	-	4,189	101,594
Occupancy	14,740	-	4,179	18,919
Events	-	39,951	-	39,951
Bad debt	-	-	9,634	9,634
Printing & postage	3,942	26,277	-	30,219
Telephone	7,103	-	-	7,103
Bank fees	-	-	14,841	14,841
Depreciation	41,102	-	-	41,102
Repairs & maintenance	9,062	-	-	9,062
Interest	30,141	-	6,012	36,153
Storage	4,662	-	-	4,662
Insurance	6,043	-	-	6,043
Other	6,342	1,074	352	7,768
Total expenses	<u>\$ 469,979</u>	<u>\$ 79,835</u>	<u>\$ 77,806</u>	<u>\$ 627,620</u>

See Notes to Financial Statements.

GOOD MEWS ANIMAL FOUNDATION, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Program	Fundraising	Management & General	Total Expenses
Professional fees	\$ 133,672	\$ -	\$ 35,358	\$ 169,030
Supplies	147,827	3,318	1,285	152,430
Personnel	102,393	-	4,189	106,582
Occupancy	15,839	-	5,763	21,602
Events	-	34,567	-	34,567
Bad debt	-	-	13,012	13,012
Printing & postage	5,717	26,381	-	32,098
Telephone	7,708	-	-	7,708
Bank fees	-	-	11,761	11,761
Depreciation	40,765	-	-	40,765
Repairs & maintenance	4,764	-	-	4,764
Interest	32,795	-	6,012	38,807
Storage	6,091	-	-	6,091
Insurance	10,157	-	-	10,157
Other	5,702	416	-	6,118
Total expenses	<u>\$ 513,430</u>	<u>\$ 64,682</u>	<u>\$ 77,380</u>	<u>\$ 655,492</u>

See Notes to Financial Statements.

GOOD MEWS ANIMAL FOUNDATION, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
OPERATING ACTIVITIES		
Change in net assets	\$ 225,484	\$ 154,141
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	41,102	40,765
Amortization of loan issuance costs included in interest expense	6,012	6,012
Realized (gain) loss on investments	(7,735)	992
Decrease in promises to give	18,294	47,163
Donated securities	(50,586)	(5,720)
Decrease (increase) in other current assets	1,455	(12,310)
Increase (decrease) in accounts payable	1,348	(1,864)
Increase in accrued liabilities	470	718
Increase (decrease) in prepaid adoption fees	100	(700)
	235,944	229,197
Net cash provided by operating activities		
INVESTING ACTIVITIES		
Purchase of property & equipment	(73,796)	(38,851)
Proceeds from sale of investments	25,576	4,039
	(48,220)	(34,812)
Net cash (used in) investing activities		
FINANCING ACTIVITIES		
Payments of note payable	(73,055)	(20,461)
	(73,055)	(20,461)
Net cash (used in) financing activities		
Increase in cash and cash equivalents	114,669	173,924
Cash and cash equivalents, beginning of year	896,966	723,042
Cash and cash equivalents, end of year	\$ 1,011,635	\$ 896,966
Supplemental disclosure of cash flow information:		
Cash payments for interest	\$ 30,141	\$ 32,795

See Notes to Financial Statements.

GOOD MEWS ANIMAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION

Good Mews Animal Foundation, Inc. (the “Organization”) was formed in 1988. Located in Marietta, Georgia, the Organization provides an alternative to shelters performing euthanasia of unwanted cats. The Organization’s mission is to provide a cage-free, no-kill haven for homeless, abused, abandoned, or owner-relinquished cats until they are placed in permanent loving homes.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization’s Summary of Significant Accounting Policies is presented to assist in understanding its financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the statements’ preparation. The financial statements and notes are representations of the Organization’s management, who are responsible for their integrity and objectivity.

Basis of Presentation

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. This basis of presentation involves the application of accrual accounting; consequently, revenues are recognized when earned, and expenses are recognized when incurred.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments purchased with an initial maturity of three months or less.

At times during the year, the Organization maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation insurance limit. The Organization believes it is not exposed to any significant credit risk on cash.

Promises to Give

Promises to give includes donations pledged and not funded for the purchase and renovation of the Organization’s new shelter. The receivable is recorded as a promise to give when the donor makes a written pledge to the Organization. Short-term pledges have a term of less than one year. Long-term pledges have a term of from one to three years. Management evaluates the need for an allowance on an annual basis based upon an evaluation of its historical experience, the creditworthiness of its debtors, and industry averages. As a result of this evaluation, the Organization recorded an allowance of \$31,646 and \$22,012 as of December 31, 2017 and 2016, respectively.

Investments

For those investments which have readily determined fair values, the Organization carries them at fair value on the statements of financial position. None of the investments are donor restricted or board designated. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. All of the Organization's investments were in common stocks and the fair market value of these stocks was \$33,434 and \$689 at December 31, 2017 and 2016, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Purchased property and equipment are carried at cost. Donated property and equipment is carried at approximate fair value at donation date. Expenditures of \$1,000 or more which prolong an asset's useful life beyond two years are capitalized. Leasehold improvements are amortized over the shorter of the lease's remaining term or the asset's estimated useful life. The cost of assets retired or sold and their associated accumulated depreciation are removed from the accounts upon disposition, with any related gain or loss included in income. Depreciation is provided under the straight-line method over each asset's estimated useful life, ranging from five to forty years.

Fair Value of Financial Instruments

GAAP has established a framework for measuring fair value that provides a 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 are described as follows:

Level 1 - Valuations for assets and liabilities traded in active markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets and liabilities.

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.

The Organization's financial instruments include cash, promises to give, other receivables, investments, accounts payable, accrued liabilities, and note payable. The carrying value of these instruments approximates fair value due to their relatively short-term nature.

The Organization's investments are considered level 1 as the Organization only holds common stock.

Net Assets

The Organization presents its financial statements in accordance with the Financial Accounting Standards Board (FASB)'s *Financial Statements for Not-For-Profit Organizations*. Under this guidance, the Organization is required to report information regarding its financial position and activities according to three categories of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization had no permanently restricted net assets at December 31, 2017 and 2016.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

In accordance with FASB, unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. All contributions and investment income are available for unrestricted use unless specifically restricted by the donor. Amounts received and investment income earned that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are met within the fiscal year in which the contributions are received.

Donated materials and services are reflected as contributions in the accompanying financial statements at their fair values at the date of receipt. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. A substantial number of volunteers donated significant amounts of their time to the Organization's program services. No amounts have been reflected in the statement of activities because the criteria for recognition of such volunteer effort have not been satisfied.

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.

Income Taxes

The Organization is exempt from federal and state income taxes according to IRS Section 501(c)(3). The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Management has considered the tax positions in its tax returns and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely-than-not to be sustained upon examination.

Use of Estimates

The Organization prepares its financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumption affecting the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which will require adoption of multiple changes to the non-profit reporting framework, including presentation of net assets using two new classes, changes to the requirements of the statement of cash flows, and enhanced disclosures around designations, liquidity and availability, and functional expenses, among other requirements. ASU 2016-14 is effective for financial statements issued for fiscal years beginning after December 15, 2017. The Organization is assessing the impact of the new standard on its financial statements.

NOTE 3. PROMISES TO GIVE

Promises to give consisted of the following at December 31, 2017 and 2016:

	2017	2016
Current	\$ 33,426	\$ 39,009
Due in one to five years	-	3,077
	33,426	42,086
Less allowance for uncollectible pledges	(31,646)	(22,012)
Net pledges receivable	\$ 1,780	\$ 20,074

NOTE 4. PROPERTY & EQUIPMENT

Property & equipment consisted of the following at December 31, 2017 and 2016:

	2017	2016
Building	\$ 1,399,385	\$ 1,399,385
Land	231,996	231,996
Furniture & fixtures	52,434	48,497
Equipment	20,868	15,230
Construction in progress	64,278	-
Accumulated depreciation	(126,356)	(85,197)
Net property & equipment	\$ 1,642,605	\$ 1,609,911

Depreciation expense for the years ended December 31, 2017 and 2016 was \$41,102 and \$40,765, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. NOTE PAYABLE

In February 2015 the Organization obtained a \$675,000 non-revolving line of credit to finance construction. On December 20, 2015, the loan converted to an amortizing term loan, and is payable in monthly principal and interest installments in the amount of \$4,444 commencing maturing on February 20, 2020. The loan requires simple interest on the outstanding principal balance at a rate of 4.85% per annum. The loan is collateralized by the premises constructed.

As of December 31, 2017, the note's scheduled maturities are as follows:

Year ending December 31,		
2018	\$	25,703
2019		26,978
2020		<u>523,072</u>
	\$	<u>575,753</u>
Less: unamortized debt issuance costs, net		<u>(13,031)</u>
	\$	<u><u>562,722</u></u>

Interest expense incurred totaled \$36,153 and \$38,807 for the years ended December 31, 2017 and 2016, respectively.

NOTE 6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at December 31:

	2017	2016
Capital campaign	\$ 99,306	\$ 107,666
Surgical unit	238,982	205,950
Adoption sponsorships	<u>2,313</u>	<u>2,313</u>
	<u>\$ 340,601</u>	<u>\$ 315,929</u>

Temporarily restricted net assets consist of the following at December 31:

	2017	2016
Cash	\$ 338,893	\$ 295,855
Promises to give	<u>1,708</u>	<u>20,074</u>
	<u>\$ 340,601</u>	<u>\$ 315,929</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. NET ASSETS RELEASED FROM RESTRICTIONS

For the years ended December 31, 2017 and 2016, temporarily restricted net assets were released from restrictions by incurring expenses satisfying the restricted purposes specified by donors as follows:

	<u>2017</u>	<u>2016</u>
Capital campaign	\$ 9,575	\$ 38,101
Surgical unit	<u>64,278</u>	<u>750</u>
	<u>\$ 73,853</u>	<u>\$ 38,851</u>

NOTE 8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 30, 2018, the date the financial statements were available to be issued.