

FRIENDS FOR ANIMALS OF METRO DETROIT

Dearborn, Michigan

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2018

FRIENDS FOR ANIMALS OF METRO DETROIT

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Friends for Animals of Metro Detroit
Dearborn, Michigan

We have audited the accompanying financial statements of Friends for Animals of Metro Detroit (the "Organization"), which comprise the statement of financial position as of December 31, 2018, and the related statement of activities, cash flows and functional expenses 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.

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 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 the Organization as of December 31, 2018, 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.

Correction of Error

As discussed in Note 2 of the financial statements, the beginning of year net assets have been restated to correct an error related to the timing of recording unconditional promises to give. Our opinion is not modified with respect to that matter.

Baker Tilly Virchow Krause, LLP

Southfield, Michigan
April 15, 2020

FRIENDS FOR ANIMALS OF METRO DETROIT

STATEMENT OF FINANCIAL POSITION As of December 31, 2018

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,868,912
Accounts receivable, net	38,826
Promises to give, net of long-term portion	30,369
Grants receivable	17,041
Inventories	2,183
Prepaid expenses	<u>28,198</u>
Total Current Assets	<u>1,985,529</u>
PROPERTY AND EQUIPMENT, NET	<u>4,332,878</u>
OTHER ASSETS	
Investments	493,290
Promises to give, net of current and discount	<u>9,737</u>
Total Other Assets	<u>503,027</u>
TOTAL ASSETS	<u>\$ 6,821,434</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 430,428
Accrued expenses	24,108
Deferred revenues	<u>30,000</u>
Total Current Liabilities	484,536
NET ASSETS	
Net assets without donor restrictions	5,689,219
Net assets with donor restrictions	<u>647,679</u>
Total Net Assets	<u>6,336,898</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,821,434</u>

See accompanying notes to financial statements.

FRIENDS FOR ANIMALS OF METRO DETROIT

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2018

	Without Donor Restriction	With Donor Restrictions	Total
OPERATING REVENUE AND SUPPORT			
New shelter contributions	\$ -	\$ 556,666	\$ 556,666
Donations	354,589	-	354,589
Special events, net expenses of \$129,063	299,362	-	299,362
Giving programs	234,274	-	234,274
Adoption fees and animal care	173,498	-	173,498
Donated services	112,902	-	112,902
City of Dearborn revenue	84,999	-	84,999
Grant revenue	-	27,240	27,240
Merchandise sales	7,854	-	7,854
Other	15,949	-	15,949
Net assets released from restriction	<u>2,951,089</u>	<u>(2,951,089)</u>	<u>-</u>
Total Operating Revenue and Support	<u>4,234,516</u>	<u>(2,367,183)</u>	<u>1,867,333</u>
OPERATING EXPENSES			
Program	1,129,926	-	1,129,926
Management and general	236,633	-	236,633
Fundraising	<u>265,820</u>	<u>-</u>	<u>265,820</u>
Total Operating Expenses	<u>1,632,379</u>	<u>-</u>	<u>1,632,379</u>
Excess of Operating Revenue and Support Over Operating Expenses	<u>2,602,137</u>	<u>(2,367,183)</u>	<u>234,954</u>
NON OPERATING INCOME (EXPENSES)			
Investment loss	14,055	(28,218)	(14,163)
Gain on disposal of property and equipment	1,095	-	1,095
Other expense	<u>(5,016)</u>	<u>-</u>	<u>(5,016)</u>
Total Non Operating Income (Expenses)	<u>10,134</u>	<u>(28,218)</u>	<u>(18,084)</u>
CHANGE IN NET ASSETS	2,612,271	(2,395,401)	216,870
NET ASSETS - Beginning of Year, as restated	<u>3,076,948</u>	<u>3,043,080</u>	<u>6,120,028</u>
NET ASSETS - END OF YEAR	<u>\$ 5,689,219</u>	<u>\$ 647,679</u>	<u>\$ 6,336,898</u>

See accompanying notes to financial statements.

FRIENDS FOR ANIMALS OF METRO DETROIT

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 216,870
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation	39,841
Realized and unrealized loss on investments	14,163
Gain on disposal of property and equipment	1,095
Changes in assets and liabilities	
Accounts receivable	273,898
Promises to give	(40,106)
Grants receivable	(17,041)
Inventories	79
Prepaid expenses	(20,176)
Accounts payable	279,112
Accrued expenses	<u>(51,025)</u>
Net cash flows from operating activities	<u>696,710</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(2,852,178)
Proceeds from sale of investments	<u>252,439</u>
Net cash flows from investing activities	<u>(2,599,739)</u>
Net Change in Cash and Cash Equivalents	(1,903,029)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>3,771,941</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,868,912</u></u>

See accompanying notes to financial statements.

FRIENDS FOR ANIMALS OF METRO DETROIT

STATEMENTS OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2018

	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 517,864	\$ 172,836	\$ 143,849	\$ 834,549
Employee benefits	39,539	7,055	6,737	53,331
Total Salaries and Related Expenses	557,403	179,891	150,586	887,880
Accounting	3,830	12,417	1,050	17,297
Advertising and promotion	-	-	93,016	93,016
Depreciation	39,841	-	-	39,841
Fundraising	-	-	11,461	11,461
Information technology	-	20,872	-	20,872
Insurance	16,824	3,647	1,043	21,514
New shelter expenses	7,537	882	4,655	13,074
Meals and entertainment	448	1,888	-	2,336
Office expenses	8,120	7,528	-	15,648
Pet supplies, housing, and care	159,180	-	-	159,180
Professional dues and fees	3,780	7,793	4,009	15,582
Special events	-	-	129,063	129,063
Utilities and rental	93,487	1,410	-	94,897
Vehicle expense	6,019	-	-	6,019
Veterinary services	227,652	-	-	227,652
Volunteer expenses	5,805	305	-	6,110
Total Functional Expenses	1,129,926	236,633	394,883	1,761,442
Less: Special event costs	-	-	129,063	129,063
Total Operating Expenses	<u>\$ 1,129,926</u>	<u>\$ 236,633</u>	<u>\$ 265,820</u>	<u>\$ 1,632,379</u>

See accompanying notes to financial statements.

FRIENDS FOR ANIMALS OF METRO DETROIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

Friends for Animals of Metro Detroit (the "Organization") is dedicated to the rescue and protection of animals in the community, while inspiring healthy relationships between people and their companion animals. As animal advocates, the Organization is committed to saving all adoptable animals, providing high quality animal care and adoption services. They are also focused on delivering innovative outreach programs and activities that promote education, animal welfare legislation and embracing environmental responsibility with earth-friendly practices and facilities.

Cash and Cash Equivalents

The Organization defines cash equivalents as highly liquid, short-term deposits with a maturity at the date of acquisition of three months or less not held in the Organization's investment accounts. During the normal course of business, the Organization may maintain cash-on-deposit with financial institutions in excess of the federally insured limit of \$250,000.

Accounts Receivable

Accounts receivable have been adjusted for all known uncollectible accounts. No allowance for doubtful accounts is considered necessary as of December 31, 2018.

Promises to Give

Unconditional promises to give made to the Organization are recorded in the year the pledge is made. Amounts that are expected to be collected after one year have been discounted at 2.63% and are reflected in the financial statements at their net present value. Discounts on long-term promises to give as of December 31, 2018 were \$263. An allowance for uncollectible promises to give is determined based on experience. No allowance was considered necessary for the year ended December 31, 2018.

Inventories

Inventories are stated at the lower of cost or net realizable value, with cost determined on the first-in, first-out basis.

Investments

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). Those investments for which fair value is not readily determinable are carried at cost or, if donated, at fair value at the date of donation, or if no value can be estimated, at a nominal value. The Organization records the change of ownership of bonds and stocks on the day a trade is made. Investment income or loss and unrealized gains or losses are included in the statement of activities as increases or decreases in net assets without donor restriction unless the income or loss is restricted by donor or law.

FRIENDS FOR ANIMALS OF METRO DETROIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Property and Equipment

Property and equipment are stated at cost if purchased or fair market value at date of the gift if donated. All acquisitions of property and equipment in excess of \$2,000 and all expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in operating income.

Donated property and equipment are recorded as increases in net assets without donor restriction at their estimated fair market value as of the date received. Contributions of cash that must be used to acquire property and equipment are reported as donor restricted contributions. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Property and equipment are depreciated using the straight-line method over their estimated useful lives.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Deferred Revenues

Sponsorship donations for special events applying to special events to be occur in future periods are recorded as deferred revenues when received and reflected as special event revenue in the year when the event is held.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, or are required to be maintained permanently by the Organization.

FRIENDS FOR ANIMALS OF METRO DETROIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Board Designated Net Assets

The Organization's Board of Directors ("Board") has the ability to designate identified amounts of net assets without donor restriction to be used by management for specific future projects and activities. These designations can be modified or removed by the Board at any time. As of December 31, 2018, there were \$421,015 of board designated net assets from the recent capital campaign without donor restriction.

Tax-Exempt Status

The Organization has received notification that it qualifies as a tax-exempt organization under Section 501 (c)(3) of the U.S. Internal Revenue Code and corresponding provisions of state law and, accordingly, is not subject to federal or state income taxes.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

The Organization reports gifts of cash and other assets as support without donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 support without donor restrictions.

Donated Services

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Such services, the majority of which were for veterinary services, totaled \$112,902 in December 31, 2018 and is reflected within the statement of activities.

In addition, numerous individuals volunteer their time and perform a variety of tasks that assist the Organization with daily operations. The Organization received 14,729 volunteer hours for fundraising activities, administrative support and various committee assignments for the year ended December 31, 2018. Many volunteers also foster animals in their home and donated 20,103 hours for the care of those animals. No amounts have been reflected in the financial statements for the volunteer or foster hours.

FRIENDS FOR ANIMALS OF METRO DETROIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

NOTE 1 - Summary of Significant Accounting Policies (cont.)

In-Kind Contributions

The Organization reports gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions.

For the year ended December 31, 2018 the Organization included as contributions \$46,650 for pet, event and office supplies donated by businesses and individuals.

Contributed Facilities

The Organization occupies, without charge, premises owned by the City of Dearborn. The fair rental value of \$46,000 is recognized in the accompanying statement of functional expenses under utilities and rental expenses, and statement of activities under donations. There was no lease in place for this location as of December 31, 2018.

Expense Allocation

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.

Expenses are allocated based on a wage allocation percentage calculated by department. The Organization allocated employee expenses, building, maintenance, and office expenses, and professional fees utilizing the wage allocation percentage. Other expenses are program specific and not allocated based upon wage.

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.

Subsequent Events

The Organization has evaluated events through April 15, 2020, which is the date the financial statements were approved and available to be issued.

In December 2019, a novel strain of coronavirus was reported in Wuhan, Hubei province, China. In the first quarter of 2020, COVID-19 has caused business disruption through mandated closings. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions and cannot be reasonably estimated at this time.

FRIENDS FOR ANIMALS OF METRO DETROIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE 2 - Restatement

In prior years, the Organization accounted for its unconditional promises to give as revenue in the year the cash was received rather than in the year the pledge was made, as required by accounting principles generally accepted in the United States of America ("GAAP"). Accordingly, revenue during the year the cash was received was overstated and net assets were understated during the year the pledges were made. The Organization has corrected its accounting for unconditional promises to give by restating the net asset at the beginning of the year in the statement of activities.

The following line items in the statement of activities were affected by the restatement:

Net assets - Beginning of year:

	As Previously Stated	As Restated	Effect of Corrections
With donor restrictions	\$ 2,732,646	\$ 3,043,080	\$ 310,434
Total	5,809,593	6,120,027	310,434

NOTE 3 - Promises to Give

The Organization expects payment for unconditional promises to give as follows:

Less than one year	\$ 30,369
One to five years	10,000
Less: Discount to present value	<u>(263)</u>
Total promises to give	<u>\$ 40,106</u>

At December 31, 2018, no allowance for doubtful accounts was deemed necessary.

FRIENDS FOR ANIMALS OF METRO DETROIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

NOTE 4 - Property and Equipment

The major categories of property and equipment at December 31, 2018 are as follows:

	<u>Useful lives</u>	
Land	n/a	\$ 300,000
Building	39 years	3,736,061
Vehicles	5 - 7 years	44,556
Computer equipment	5 - 7 years	49,064
Furniture and fixtures	5 - 10 years	78,023
Animal housing	5 - 10 years	133,273
Appliances	5 - 7 years	51,233
Other	5 years	<u>44,170</u>
Total		4,436,380
Less: Accumulated depreciation		<u>(103,502)</u>
Property and equipment, net		<u>\$ 4,332,878</u>

Depreciation expense was \$39,841 for the year ended December 31, 2018.

NOTE 5 - Endowment Funds

The Organization's endowments consist of donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization follows accounting standards that provide a framework for classifying net assets with donor restricted endowment funds held by organizations that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). A key component of that framework is a requirement to classify the portion of donor restricted endowment funds net assets with donor restriction until appropriated for expenditure. Another key component is a requirement for expanded disclosures about all endowment funds

FRIENDS FOR ANIMALS OF METRO DETROIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

NOTE 5 - Endowment Funds (cont.)

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as donor restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restriction is classified as with donor restriction until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

Endowment net asset composition by type of fund as of December 31, 2018 is as follows:

	Earnings with Donor Restriction	Principal With Donor Restriction	Total
Donor-restricted endowment funds	\$ (62,171)	\$ 555,461	\$ 493,290

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2018:

	Earnings with Donor Restriction	Principal With Donor Restriction	Total
Endowment net assets - Beginning of year	\$ 41,708	\$ 555,461	\$ 597,169
Investment return	(28,218)	-	(28,218)
Appropriation of endowment assets for expenditure	(75,661)	-	(75,661)
Endowment net assets - End of Year	\$ (62,171)	\$ 555,461	\$ 493,290

FRIENDS FOR ANIMALS OF METRO DETROIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

NOTE 5 - Endowment Funds (cont.)

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to generate income in the form of investment earnings that can be used to support the annual operating budget and to provide a financial resource to the Organization in perpetuity. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the board of trustees, the endowment assets are invested in a portfolio mix between fixed-income securities, and equities and may vary greatly during market cycles.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Decisions to appropriate funds from each endowment for expenditures or to accumulate such funds shall be made by the Board. The Board may authorize a committee of the Board to make recommendations to the Board in carrying out its responsibilities with respect to the expenditure of Organization's endowment funds. Such committee and the Board must act in good faith, and must consider the uses, benefits, purposes and duration for which the endowment fund was established.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. At December 31, 2018 donor restricted funds with original gift values of \$555,461, fair values of \$493,290 and deficiencies of \$62,171, were reported in net assets with donor restrictions. These deficiencies resulted from continued appropriation for certain programs that was deemed prudent by the governing board.

FRIENDS FOR ANIMALS OF METRO DETROIT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE 6 - Fair Value Measurements

The Organization utilizes fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Beneficial interests and investments are recorded at fair value on a recurring basis. Additionally, from time to time, the Organization may be required to record at fair value other assets on a nonrecurring basis, such as property held for sale and other long lived assets. These nonrecurring fair value adjustments typically involve the application of lower of cost or market accounting or write downs of individual assets.

Following is a description of the valuation methodologies and key inputs used to measure consolidated financial assets recorded at fair value. The fair value hierarchy is categorized into three levels as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Valuations based on inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Fair value is a market-based measure, based on assumptions of prices and inputs considered from the perspective of a market participant that are current as of the measurement date, rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Organization's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date.

The Organization's policy is to recognize transfers in and out of Level 1, 2, and 3 fair value classifications as of the actual date of the event of change in circumstances that caused the transfer. There were no significant transfers between levels of fair value hierarchy during the year ended December 31, 2018.

The following table presents information about the Organization's assets measured at fair value on a recurring basis as of December 31, 2018 based upon the three-level hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 19,673	\$ -	\$ -	\$ 19,673
Mutual funds	<u>473,617</u>	<u>-</u>	<u>-</u>	<u>473,617</u>
Total	<u>\$ 493,290</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 493,290</u>

FRIENDS FOR ANIMALS OF METRO DETROIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

NOTE 7 - Net Assets with Donor Restrictions

Net assets with donor restrictions are comprised of the following at December 31, 2018:

	<u>Restriction</u>	
New shelter building expenses	Purpose	\$ 154,389
Endowment funds	Purpose	<u>493,290</u>
Total		<u>\$ 647,679</u>

NOTE 8 - Liquidity and Availability

The Organization's financial assets available within one year of the statement of financial position date for general expenditure such as operating expenses and fixed asset additions not financed with debt are as follows as of December 31, 2018:

Financial assets:	
Cash and cash equivalents	\$ 1,868,912
Accounts receivable	38,826
Pledges receivable	30,369
Grants receivable	17,041
Investments	<u>493,290</u>
Financial assets available	2,448,438
Less: Net assets with donor restrictions	<u>(647,679)</u>
Financial assets available for general expenditures within one year	<u>\$ 1,800,759</u>

Net assets with Board restrictions totaling \$421,015 represent a Board-directed reserve fund raised through the Organization's most recent capital campaign. The reserve fund balance is free of donor restrictions and can be utilized by the Organization with Board approval on general expenditures, liabilities, and on other obligations as they come due.

FRIENDS FOR ANIMALS OF METRO DETROIT

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2018

NOTE 9 - Recent Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") has issued Accounting Standard Update ("ASU") No. 2016-02, "Leases". ASU No. 2016-02 establishes principles that require a lessee to recognize a lease asset and a lease liability for those leases classified as operating leases under previous accounting principles generally accepted in the United States of America. ASU No. 2016-02 is effective for annual periods beginning after December 15, 2020. The Organization is currently assessing the effect that ASU No. 2016-02 will have on its results of operations and financial position.

The FASB has issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958): "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made". The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance; and (2) determining whether a contribution is conditional. The amendments must be applied to the Organization's financial statements for fiscal years beginning after December 15, 2018. The Organization is currently assessing the impact that ASU No.2018-08 will have on its results of operations, financial position and cash flows.

The FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, Revenue Recognition. ASU No. 2014-09 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. ASU No. 2014-09 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 new guidance will be effective for the Organization's year ending December 31, 2019. The Organization is not anticipating a material impact to its financial statements upon the adoption of this guidance.