

MAIN LINE RESCUE, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016



Certified Public Accountants and Business Consultants

MAIN LINE RESCUE, INC.
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YEARS ENDED DECEMBER 31, 2017 AND 2016

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Independent Auditors' Report

To the Board of Directors
Main Line Rescue, Inc.
Chester Springs, Pennsylvania

We have audited the accompanying financial statements of Main Line Rescue, Inc., which comprise the statements of assets, liabilities and net assets--modified cash basis as of December 31, 2017 and 2016, and the related statements of support and revenue, expenses and changes in net assets--modified cash basis and functional expenses--modified cash basis 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 the modified cash basis of accounting described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 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 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.

To the Board of Directors
Main Line Rescue, Inc.
Chester Springs, Pennsylvania

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Main Line Rescue, Inc. as of December 31, 2017 and 2016, and its support and revenue and expenses during the years then ended in accordance with the modified cash basis of accounting described in Note A.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Maille LLP

Oaks, Pennsylvania
June 19, 2018

MAIN LINE RESCUE, INC.STATEMENTS OF ASSETS, LIABILITIES AND NET
ASSETS--MODIFIED CASH BASIS
DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 145,424	\$ 266,194
Investments	512,777	608,653
Inventory	882	6,108
Intangible assets	52,347	61,496
Land, buildings and equipment, net	<u>4,671,513</u>	<u>4,739,517</u>
TOTAL ASSETS	<u>\$ 5,382,943</u>	<u>\$ 5,681,968</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Line of credit	\$ 925,000	\$ 525,000
Sales tax payable	3	96
Payroll tax withholdings payable	4,642	2,413
Credit cards payable	<u>5,194</u>	<u>-</u>
TOTAL LIABILITIES	<u>934,839</u>	<u>527,509</u>
NET ASSETS		
Unrestricted	4,428,431	4,959,493
Temporarily restricted	<u>19,673</u>	<u>194,966</u>
TOTAL NET ASSETS	<u>4,448,104</u>	<u>5,154,459</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,382,943</u>	<u>\$ 5,681,968</u>

See accompanying notes.

MAIN LINE RESCUE, INC.

STATEMENTS OF SUPPORT AND REVENUE, EXPENSES AND CHANGES IN NET ASSETS--MODIFIED CASH BASIS YEARS ENDED DECEMBER 31, 2017 AND 2016

	Totals		Unrestricted		Temporarily Restricted	
	2017	2016	2017	2016	2017	2016
SUPPORT AND REVENUE						
Contributions	\$ 1,638,463	\$ 1,373,967	\$ 1,552,067	\$ 1,136,355	\$ 86,396	\$ 237,612
Special events	359,629	935,283	359,629	932,633	-	2,650
Investment income	78,958	59,889	78,958	59,889	-	-
Shop sales	4,869	7,204	4,869	7,204	-	-
Rental income	27,000	29,700	27,000	29,700	-	-
Loss on disposal of intangible assets	-	(17,240)	-	(17,240)	-	-
Net assets released from restrictions	-	-	261,689	116,200	(261,689)	(116,200)
TOTAL SUPPORT AND REVENUE	2,108,919	2,388,803	2,284,212	2,264,741	(175,293)	124,062
EXPENSES						
Program services						
Rescue, rehabilitation and placement	2,000,609	2,126,338	2,000,609	2,126,338	-	-
Supporting services						
Management and general	415,713	300,286	415,713	300,286	-	-
Fund-raising	398,952	455,172	398,952	455,172	-	-
TOTAL EXPENSES	2,815,274	2,881,796	2,815,274	2,881,796	-	-
CHANGE IN NET ASSETS	(706,355)	(492,993)	(531,062)	(617,055)	(175,293)	124,062
NET ASSETS AT BEGINNING OF YEAR	5,154,459	5,647,452	4,959,493	5,576,548	194,966	70,904
NET ASSETS AT END OF YEAR	\$ 4,448,104	\$ 5,154,459	\$ 4,428,431	\$ 4,959,493	\$ 19,673	\$ 194,966

See accompanying notes.

MAIN LINE RESCUE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES--

MODIFIED CASH BASIS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			
	Program Services	Supporting Services		Totals
	Rescue, Rehabilitation and Placement	Management and General	Fund-Raising	
FUNCTIONAL EXPENSES				
Advertising	\$ -	\$ -	\$ 79,413	\$ 79,413
Amortization	13,872	-	-	13,872
Animal boarding	41,911	-	-	41,911
Automobile	9,974	-	-	9,974
Bank fees and service charges	10,498	413	-	10,911
Depreciation	205,817	-	-	205,817
Direct animal expenses	373,618	-	-	373,618
Education	26,117	-	-	26,117
Events	-	-	117,570	117,570
Insurance	-	161,079	-	161,079
Interest	-	28,187	-	28,187
Office	60,274	31,947	-	92,221
Other	63,000	-	-	63,000
Payroll taxes	94,039	3,920	9,920	107,879
Professional fees	7,706	137,672	62,375	207,753
Salaries and wages	889,067	51,236	129,674	1,069,977
Shop expenses	7,083	-	-	7,083
Taxes and licenses	-	1,259	-	1,259
Utilities and occupancy	80,614	-	-	80,614
Veterinarian fees	117,019	-	-	117,019
TOTAL FUNCTIONAL EXPENSES	<u>\$ 2,000,609</u>	<u>\$ 415,713</u>	<u>\$ 398,952</u>	<u>\$ 2,815,274</u>

See accompanying notes.

2016

Program Services	Supporting Services		
Rescue, Rehabilitation and Placement	Management and General	Fund-Raising	Totals
\$ -	\$ -	\$ 81,020	\$ 81,020
4,899	-	-	4,899
87,281	-	-	87,281
9,829	-	-	9,829
18,151	664	-	18,815
210,054	-	-	210,054
460,724	-	-	460,724
39,824	-	-	39,824
-	-	200,178	200,178
-	156,593	-	156,593
-	10,570	-	10,570
76,071	38,311	-	114,382
-	-	-	-
96,835	3,999	12,363	113,197
-	36,281	-	36,281
855,142	52,280	161,611	1,069,033
4,226	-	-	4,226
-	1,588	-	1,588
76,813	-	-	76,813
186,489	-	-	186,489
<u>\$ 2,126,338</u>	<u>\$ 300,286</u>	<u>\$ 455,172</u>	<u>\$ 2,881,796</u>

MAIN LINE RESCUE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Main Line Rescue, Inc. (the "Organization"), a Pennsylvania nonprofit corporation, specializes in the rescue and placement of abused, unwanted and abandoned companion animals. The Organization never discriminates on the basis of health, age, or breed. By involving and educating the community, the Organization works to raise the public's awareness of the plight of homeless animals as well as to realize the benefits of adopting an animal in need. The animals are examined, vaccinated, spayed or neutered and receive any and all medical treatment before they are placed in carefully screened homes. During 2017 and 2016, volunteers contributed over 66,500 hours and over 73,000 hours of service to the Organization, respectively.

Basis of Accounting

The Organization maintains its records on the modified cash basis. On this basis:

- Revenues are recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred. Consequently, receivables, accounts payable and accrued expenses are not included.
- If an expenditure results in the acquisition of an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized and depreciated or amortized over the estimated useful life of the asset.
- Investments are adjusted to fair value and land, buildings, equipment and debt are recorded.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets are available for use by the Organization at the discretion of the Board of Directors. If the Board specifies a purpose where the original donor has stated none, such funds are classified as Board designated unrestricted net assets.

Temporarily restricted net assets are available for use by the Organization for the purpose specified by the donor at the time of donation.

Permanently restricted net assets are those that the donor stipulates must be maintained by the Organization in perpetuity.

Contributions

All contributions are considered available for unrestricted use, unless specifically designated by the donor.

MAIN LINE RESCUE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories, which are carried at cost, consist of merchandise sold by the Organization.

Building and Equipment

Building and equipment are stated at cost. Depreciation is calculated by the straight-line method over the estimated useful life of the assets as follows:

	<u>Years</u>
Building	39
Vehicle and equipment	5-7

Investments

Investments consist of mutual funds and publicly traded equity securities and are reported at their fair values. Unrealized gains and losses are included in investment income.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising expenses were \$79,413 and \$81,020 for the years ended December 31, 2017 and 2016, respectively.

Income Taxes

The Organization is exempt from income taxes as provided in Section 501(c)(3) of the Internal Revenue Code.

Intangible Assets

Intangible assets have a definite life and are amortized over the estimated useful lives.

Date of Management's Review

Management has evaluated subsequent events through June 19, 2018, the date which the financial statements were available to be issued.

MAIN LINE RESCUE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE B - CASH

At December 31, 2017 and 2016, account balances were not in excess of federally insured limits.

NOTE C - INVESTMENTS AND ENDOWMENT FUNDS

FASB ASC 820 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 into three broad levels.

Level 1 inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access. *Level 2* inputs are other than quoted prices that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. *Level 3* inputs are unobservable inputs based on the assumptions used to measure assets and liabilities at fair value. 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.

Assets of the Organization for which fair values are determined on a recurring basis are summarized as follows:

	Level 1 Fair Value	
	2017	2016
Balanced mutual funds	\$ <u>512,777</u>	\$ <u>608,653</u>

The above investments are not subject to FDIC insurance coverage. Unrealized gains (loss) were \$53,421 and \$34,742 for the years ended December 31, 2017 and 2016, respectively, and included in investment income in the statements of support and revenue, expenses and changes in net assets--modified cash basis. Interest, dividends and realized gains (loss) were \$25,537 and \$25,147 for the years ended December 31, 2017 and 2016, respectively.

The Organization received donated securities in the amount of \$387,018 and \$370,073 for the years ended December 31, 2017 and 2016, respectively. The securities were recorded at fair market value based on Level 1 quoted market prices. Subsequently, and in accordance with board policy, all donated investments held by the Organization were sold.

Unrestricted Board-Designated Endowments

The Board of Directors has designated \$161,371 (2017) and \$141,327 (2016) of investments to function as an endowment. These assets are transferred to operations at the discretion of the Board.

MAIN LINE RESCUE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE C - INVESTMENTS AND ENDOWMENT FUNDS (Continued)

DESIGNATED INVESTMENTS AT BEGINNING OF YEAR	\$ 141,327
Investment income	<u>20,044</u>
DESIGNATED INVESTMENTS AT END OF YEAR	<u>\$ 161,371</u>

Investment Return Objectives, Risk Parameters, Strategies and Spending Policies for Endowment Funds

The Organization's investment policy attempts to maximize total return consistent with an acceptable level of risk. Endowment funds are managed by the Endowment Committee of the Board of Directors, which has elected to be invested with the objective of preserving the long-term, real purchasing power of assets while providing a relatively predictable and growing stream of annual distributions in support of the Organization. The investment portfolio is actively managed on a total return based spending policy, meaning that it will fund distributions from net investment income, net realized capital gains and proceeds from the sale of investments. Endowment assets may be invested in fixed income and equity securities. Endowment funds may be invested up to 70% in equity securities and 30% in fixed income funds. The average market-weighted quality rating of the fixed income portfolio will be maintained at investment grade Standard & Poor's BBB or Moody's Baa or higher.

The Organization has a spending policy of appropriating funds from its endowment funds as needed for reinvestment into the endowment fund or spending for capital improvements, special projects, or program operations. The Organization's distribution of fund assets will be permitted to the extent that such distributions do not exceed a level of 5% annually. At the present time, the Committee recommends a distribution of 4%. Any additional distributions require written consent from the Board of Directors and concurrence of the Endowment Committee of the Board of Directors.

NOTE D - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consisted of:

	<u>2017</u>	<u>2016</u>
Land	\$ 76,124	\$ 76,124
Buildings	5,763,630	5,671,587
Vehicle and equipment	<u>429,125</u>	<u>383,780</u>
	6,268,879	6,131,491
Accumulated depreciation	<u>(1,597,366)</u>	<u>(1,391,974)</u>
	<u>\$ 4,671,513</u>	<u>\$ 4,739,517</u>

MAIN LINE RESCUE, INC.
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NOTE E - OPERATING LEASE

The Organization leases copy machines in its operations. The lease has been recorded as an operating lease, and, accordingly, all rent is charged to expense as incurred. Rental expense on equipment leases included in office expense was \$2,757 and \$2,712 for the years ended December 31, 2017 and 2016, respectively.

Future minimum payments under lease contracts are as follows:

<u>Year Ending December 31,</u>		
2018	\$	2,676
2019		2,676
2020		2,676
2021		2,676
2022		892
		<u>11,596</u>
	\$	<u>11,596</u>

NOTE F - INTANGIBLE ASSETS

Intangible assets has a useful life of 5 years and as of December 31, 2017 and 2016 consisted of:

	<u>2017</u>	<u>2016</u>
Website design	\$ 76,204	\$ 71,056
Accumulated amortization	<u>(23,857)</u>	<u>(9,560)</u>
	<u>\$ 52,347</u>	<u>\$ 61,496</u>

Estimated amortization expense for each of the five succeeding years is as follows:

<u>Year Ending December 31,</u>		
2018	\$	15,241
2019		15,241
2020		15,241
2021		6,624
2022		-
		<u>52,347</u>
	\$	<u>52,347</u>

MAIN LINE RESCUE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE G - LINE OF CREDIT BORROWINGS

The Organization has available a line of credit with a commercial bank providing a maximum credit of \$1,000,000. Borrowings under the line of credit are due on demand, bear interest at rates related to prime and are guaranteed by a long-term donor. There was an outstanding balance of \$925,000 and \$525,000 on the line of credit as of December 31, 2017 and 2016, respectively.

NOTE H - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of funds restricted for capital expenditures and future year's sponsorships. During 2017 and 2016, the Organization released funds from donor restrictions by making capital expenditures for the facility and holding special fundraising events.

Temporarily restricted net assets consist of:

	<u>2017</u>	<u>2016</u>
Special events and sponsorships	\$ -	\$ 2,650
Direct animal expense	4,000	-
Capital expenditures	<u>15,673</u>	<u>192,316</u>
	<u>\$ 19,673</u>	<u>\$ 194,966</u>

NOTE I - MAJOR CONTRIBUTORS

One contributor accounted for 20% and 18% of 2017 and 2016 contributions, respectively.

NOTE J - LITIGATION

The Organization is involved in litigation related to its mission of rescuing abused animals. Management believes the resolution of these matters will not have a material effect on the Organization's financial position or results of operations.