



**Financial Statements**

**December 31, 2018**

**Pets of the Homeless**

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## **Independent Auditors' Report**

To the Board of Directors of Pets of the Homeless:

We have audited the accompanying financial statements of Feeding Pets of the Homeless dba Pets of the Homeless (a non-profit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **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 Pets of the Homeless 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.

*Cupit, Milligan, Ogden & Williams*

Reno, Nevada  
February 28, 2019

**Pets of the Homeless**

Statement of Financial Position

December 31, 2018

<b>Assets</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<i>Current Assets</i>			
Cash and cash equivalents	\$ 154,406	\$ 13,898	\$ 168,304
Investments	130,155	-	130,155
Supplies inventory	200	-	200
<i>Total Current Assets</i>	<u>284,761</u>	<u>13,898</u>	<u>298,659</u>
<i>Fixed Assets</i>			
Furniture and equipment	46,775	-	46,775
Accumulated depreciation	<u>(8,481)</u>	<u>-</u>	<u>(8,481)</u>
<i>Net Fixed Assets</i>	<u>38,294</u>	<u>-</u>	<u>38,294</u>
<b>Total Assets</b>	<u><u>\$ 323,055</u></u>	<u><u>\$ 13,898</u></u>	<u><u>\$ 336,953</u></u>
<b>Liabilities and Net Assets</b>			
<i>Current liabilities</i>			
Accounts payable	\$ 17,332	\$ -	\$ 17,332
Accrued payroll taxes and expenses	<u>2,295</u>	<u>-</u>	<u>2,295</u>
<i>Total Current Liabilities</i>	<u>19,627</u>	<u>-</u>	<u>19,627</u>
<b>Total Liabilities</b>	<u>19,627</u>	<u>-</u>	<u>19,627</u>
<i>Net Assets</i>	<u>303,428</u>	<u>13,898</u>	<u>317,326</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 323,055</u></u>	<u><u>\$ 13,898</u></u>	<u><u>\$ 336,953</u></u>

The accompanying notes are an integral part of these financial statements.

**Pets of the Homeless**  
Statement of Activities  
For the Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue and Other Support</b>			
Contributions	\$ 772,880	\$ 1,354	\$ 774,234
Donated supplies	453,930	-	453,930
Grants	114,480	54,250	168,730
Donated services	103,602	-	103,602
Other income	4,891	-	4,891
Investment loss, net of fees	(5,343)	-	(5,343)
<b>Total Revenue</b>	<u>1,444,440</u>	<u>55,604</u>	<u>1,500,044</u>
Net assets released from restrictions:			
Expiration of restrictions on grant awards and donations	<u>52,278</u>	<u>(52,278)</u>	<u>-</u>
<b>Total Revenue and Other Support</b>	<u>1,496,718</u>	<u>3,326</u>	<u>1,500,044</u>
<b>Expense</b>			
<i>Program Services</i>			
Care of homeless pets	1,266,093	-	1,266,093
<i>Supporting Services</i>			
General and administrative	129,997	-	129,997
Fundraising	<u>30,233</u>	<u>-</u>	<u>30,233</u>
<b>Total Expense</b>	<u>1,426,323</u>	<u>-</u>	<u>1,426,323</u>
<b>Changes in Net Assets</b>	70,395	3,326	73,721
<b>Net Assets, Beginning of Year</b>	<u>233,033</u>	<u>10,572</u>	<u>243,605</u>
<b>Net Assets, End of Year</b>	<u>\$ 303,428</u>	<u>\$ 13,898</u>	<u>\$ 317,326</u>

The accompanying notes are an integral part of these financial statements.

**Pets of the Homeless**  
Statement of Functional Expenses  
For the Year Ended December 31, 2018

	Program Services	Supporting Services		Total
	Care of Homeless Pets	General and Administrative	Fundraising	
Emergency veterinarian care	\$ 459,290	\$ -	\$ -	\$ 459,290
Donated pet food and supplies	454,633	-	-	454,633
Salaries and wages	90,007	82,347	19,150	191,504
Donated professional services	103,602	-	-	103,602
Advertising	82,069	-	-	82,069
Rent	11,421	10,449	2,430	24,300
Wellness clinics	16,000	-	-	16,000
Information technology	6,495	5,942	1,382	13,819
Dues and subscriptions	5,245	4,798	1,116	11,159
Professional fees	4,778	4,371	1,017	10,166
Depreciation and amortization	3,788	3,465	806	8,059
Office supplies	3,724	3,407	792	7,923
Health insurance	3,586	3,280	763	7,629
Postage	2,959	2,707	630	6,296
Other	2,698	2,469	574	5,741
Printing	2,603	2,382	554	5,539
Third party donation fees	5,302	-	-	5,302
Outside services	1,722	1,575	366	3,663
Spay and neuter	3,104	-	-	3,104
Telephone	1,337	1,223	285	2,845
Insurance	937	857	199	1,993
Travel	532	487	113	1,132
Training	176	161	38	375
Bank fees	85	77	18	180
<b>Total Expenses</b>	<b>\$ 1,266,093</b>	<b>\$ 129,997</b>	<b>\$ 30,233</b>	<b>\$ 1,426,323</b>

The accompanying notes are an integral part of these financial statements.

**Pets of the Homeless**  
Statement of Cash Flows  
For the Year Ended December 31, 2018

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**Cash Flows from Operating Activities**

Changes in net assets	\$ 73,721
<i>Adjustments to reconcile changes in net assets to net cash provided by operating activities</i>	
Contribution of marketable securities	(1,077)
Depreciation	4,282
Amortization	3,777
Realized gain on investments	(1,029)
Unrealized loss on investments	8,259
<i>Changes in operating assets and liabilities</i>	
Accounts payable	7,507
Accrued payroll taxes and expenses	<u>(318)</u>

**Net Cash Provided by Operating Activities** 95,122

**Cash Flows from Investing Activities**

Purchase of equipment	(39,822)
Interest income reinvested, net of fees	(1,816)
Purchase of investments	<u>(50,000)</u>

**Net Cash Used by Investing Activities** (91,638)

**Net Increase in Cash and Cash Equivalents** 3,484

**Cash and Cash Equivalents, Beginning of Year** 164,820

**Cash and Cash Equivalents, End of Year** \$ 168,304

The accompanying notes are an integral part of these financial statements.

## **Pets of the Homeless**

Notes to Financial Statements  
December 31, 2018

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### **1. Nature of Operations & Summary of Significant Accounting Policies**

#### Organization

Feeding Pets of the Homeless, doing business as Pets of the Homeless (the Organization), received nonprofit status in July 2008 as a public charity. The Organization is the only national nonprofit that provides pet food and veterinary care to the homeless in local communities across the United States and parts of Canada. The Organization is generally exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

#### Financial Statement Presentation

The Organization follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958, *Not for Profit Entities*. Under ASC No. 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions 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. When a 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 restriction. Net assets with donor restrictions consist of cash designated by donors to be used in specific locations or specific purposes and amounted to \$13,898 at December 31, 2018.

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 28, 2019, the date the financial statements were available to be issued.

#### Description of Program and Supporting Services

##### *Program Services*

The mission of the Organization is to provide nationwide, food and basic emergency veterinary care to the pets of the homeless and thus relieve the anguish and anxiety of the homeless who cannot provide for their pets. Program expenses include costs related to the following initiatives:

- Pet Food and Supplies - Pet food and supplies collected at donation sites are delivered to food banks and soup kitchens that have agreed to distribute the items to the homeless with pets. The Organization supports and provides assistance to donation sites and pet food providers and helps coordinate their efforts.
- Veterinary Care - The Organization pays veterinarians directly for the costs of emergency pet services. Services are always provided at a discount and include updating vaccinations, if necessary.
- Wellness Clinics - The Organization sponsors Wellness Clinics where volunteer veterinarians see pets twice monthly and monthly at shelters and food banks. Expenses include costs of vaccines, syringes, gloves, disinfectants and worm and flea treatments.
- Crate Program - The Organization ships metal sleeping crates to homeless shelters so pets can sleep next to their guardians. Expenses include the costs of the crates which become the property of the shelter.

*Supporting Services*

- General and Administrative

These services include functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination of the Organization's programs, and manage the financial and budgetary responsibilities of the Organization.

- Fundraising

The board of directors and executive director are responsible for all fundraising efforts including foundation grants, corporate giving and individual donations.

Concentrations of Revenue

The following schedule shows the concentrations of the Organization's revenue for the year ended December 31, 2018:

Contributions	51.6%
Donated supplies	30.3%
Grants	11.3%
Donated services	6.9%
Investment and other income	<u>-0.1%</u>
	<u>100.0%</u>

Use of Estimates

The preparation of the financial statements requires management to make a number of estimates and assumptions relating to the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expense during the period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with an initial maturity of three months or less. The Organization invests its temporary cash investments with high credit quality financial institutions.

Property and Equipment

Property and equipment with an acquisition cost in excess of \$1,000 and with an expected useful life of more than one year are capitalized at cost. Property and equipment are depreciated over their estimated useful lives of five to seven years using the straight-line method. Depreciation expense for the year ended December 31, 2018 was \$4,282.

Donations of property and equipment are recorded as support revenue at their estimated fair value. Such donations are reported as unrestricted support revenue unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support revenue. Absent donor stipulations regarding how long those donated assets must be maintained, 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.

## **Pets of the Homeless**

Notes to Financial Statements  
December 31, 2018

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### Contribution Revenue

Contribution revenue is recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Donor-restricted support revenue is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

### Donated Services

Contributions of services are recognized as in-kind revenue when the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation in accordance with ASC No. 958-605-25-16, *Not for Profit Entities – Contributions Received*. Contributions of services are measured at their fair market value.

The Organization has determined that discounts given by veterinarians and its tax preparer meet these criteria and are included in the Statement of Activities. The fair value of time donated by volunteers, such as those serving on the Board of Directors, those managing collection sites and those participating in Wellness Clinics amounted to \$60,036 during the year ended December 31, 2018. The Organization computed the value of such services using the Volunteer Time Index by state. These costs have not been recognized in the financial statements as they do not meet the criteria established by the ASC.

### Donated Supplies

Contributions of pet food and supplies are recognized at their estimated fair market values which are updated and reviewed by management on a bi-annual basis.

### Functional Expenses

Functional expenses, which are not directly attributable to a specific function, are allocated between program and supporting services based on the employees involved, the amount of time spent, the percentage of their salary associated with that time, and management estimates. Functional expenses are considered an expense in the year incurred and, accordingly, are charged to operations on a current basis.

### Advertising

Advertising costs are expensed as incurred and amounted to \$82,069 for the year ended December 31, 2018.

### Recent Accounting Guidance

During the year ended December 31, 2018, the Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities." ASU 2016-14 amends guidance concerning the presentation within the financial statements of not-for-profit entities and requires additional information to be disclosed concerning a not-for-profit entity's liquidity and allocation of resources. ASU 2016-14 also requires investment fees to be presented within investment income, net of fees. Previously, investment fees were reported separately as an expense.

## 2. Fair Value Measurements

The Organization invests its excess cash without donor restrictions in marketable securities with financial institutions. Investments are recorded at fair value based on quoted market prices. Unrealized gains or losses are credited or charged to the statement of activities.

Fair value accounting establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

<i>Level 1</i>	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
<i>Level 2</i>	Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
<i>Level 3</i>	Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

At December 31, 2018, the Organization's financial instruments consisted of Level 1 measurements. The Organization did not have any Level 2 or Level 3 financial instruments measured at fair value on a recurring or nonrecurring basis for the year ended December 31, 2018.

## 3. Investments

Investments at fair value consisted of the following as of December 31, 2018:

Money market	\$	783
U.S. equities		37,495
Fixed income & preferreds		<u>91,877</u>
	\$	<u>130,155</u>

Investment income and related fees consisted of the following for the year ended December 31, 2018:

Interest income	\$	3,380
Unrealized gains (losses)		(8,259)
Realized gains (losses)		1,029
Investment fees		<u>(1,493)</u>
Net investment loss	\$	<u>(5,343)</u>

## 4. Donated Services and Supplies

In-kind revenue from donated services for the year ended December 31, 2018 was \$103,602 and primarily included discounts given by veterinarians. In-kind revenue from donated pet food and supplies for the year ended December 31, 2018 was \$453,930.

## 5. Related Party Transactions

During the year ended December 31, 2018, two veterinarian's that serve on the Board of Directors of the Organization provided professional veterinarian care for a total cost of \$4,658.

## Pets of the Homeless

Notes to Financial Statements  
December 31, 2018

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### 6. Community Foundation Endowment Agreement

The Organization entered into an Endowment Agreement with the Community Foundation of Western Nevada (the Foundation). Per the Endowment Agreement, the Organization made donations to the Foundation in the amount of \$62,000 during the year ended December 31, 2017. With the donations, the Foundation established an Endowment Fund (the Fund) in the name of the Organization. The Organization's Board of Directors may make recommendations for disbursements from the Fund up to 5% of the Fund balance, payable from income. In the event of a financial emergency, the Organization may request up to an additional 3%, payable from income. The Fund will be charged an administration fee of 1% annually of the average daily balance of the Fund.

Per the Endowment Agreement, should any of the purposes, restrictions, or conditions imposed upon the Fund ever become obsolete, unnecessary, incapable of fulfillment, or inconsistent with the charitable purposes or needs served by the Foundation, then the Foundation's Board of Trustees shall have the sole variance power to modify such purpose, restriction or condition.

At December 31, 2018, the Fund balance was \$59,433. For the year ended December 31, 2018, investment loss net of investment fees was \$2,597 and administrative fees totaled \$629.

### 7. Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of December 31, 2018, reduced by amounts not available for general use because of a contractual or donor-imposed restrictions within one year of the statement of financial position.

Financial assets at year end	\$ 298,459
Less those unavailable for general expenditure within one year due to:	
Contractual or donor-imposed restrictions:	
Restricted by donors for use in specified programs	<u>(13,898)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 284,561</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization invests excess cash in investments which include money market accounts and equity, fixed income and preferred securities.

### 8. Operating Lease Commitments

The Organization leases its office space and certain office equipment. The following table represents future minimum lease payments required under operating leases for the Organization's office space and equipment for years ending December 31,

2019	\$ 29,863
2020	29,727
2021	30,634
2022	31,512
2023	<u>15,968</u>
Total minimum lease payments	<u>\$ 137,704</u>