



**Financial Statements**

**December 31, 2017**

**Pets of the Homeless**

Table of Contents

December 31, 2017

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	Page
<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5
<b>Supplementary Information</b>	
Schedule of Functional Expenses	10

**Cupit, Milligan,  
Ogden & Williams**  
*Certified Public Accountants*

Shareholders  
*Edward R. Cupit, CPA (1943-2010)*  
*Ronald A. Milligan, CPA*  
*Thomas M. Ogden, CPA*  
*Melvin L. Williams, CPA*

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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, 2017, and the related statements of activities 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, 2017, 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.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The schedule of functional expenses on page ten is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Cupit, Milligan, Ogden & Williams*

Reno, Nevada  
February 19, 2018

**Pets of the Homeless**

## Statement of Financial Position

December 31, 2017

<b>Assets</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<i>Current Assets</i>			
Cash and cash equivalents	\$ 154,248	\$ 10,572	\$ 164,820
Investments	84,492	-	84,492
Supplies inventory	200	-	200
<i>Total Current Assets</i>	<u>238,940</u>	<u>10,572</u>	<u>249,512</u>
<i>Fixed Assets</i>			
Furniture and equipment	6,953	-	6,953
Accumulated depreciation	<u>(4,199)</u>	<u>-</u>	<u>(4,199)</u>
<i>Net Fixed Assets</i>	<u>2,754</u>	<u>-</u>	<u>2,754</u>
<i>Intangible Assets</i>			
Website	13,908	-	13,908
Accumulated amortization	<u>(10,131)</u>	<u>-</u>	<u>(10,131)</u>
<i>Net Intangible Assets</i>	<u>3,777</u>	<u>-</u>	<u>3,777</u>
<b>Total Assets</b>	<u><u>\$ 245,471</u></u>	<u><u>\$ 10,572</u></u>	<u><u>\$ 256,043</u></u>
<b>Liabilities and Net Assets</b>			
<i>Current liabilities</i>			
Accounts payable	\$ 9,825	\$ -	\$ 9,825
Accrued payroll taxes and expenses	<u>2,613</u>	<u>-</u>	<u>2,613</u>
<i>Total Current Liabilities</i>	<u>12,438</u>	<u>-</u>	<u>12,438</u>
<b>Total Liabilities</b>	<u>12,438</u>	<u>-</u>	<u>12,438</u>
<i>Net Assets</i>	<u>233,033</u>	<u>10,572</u>	<u>243,605</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 245,471</u></u>	<u><u>\$ 10,572</u></u>	<u><u>\$ 256,043</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, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenue and Other Support</b>			
Contributions	\$ 436,053	\$ 8,093	\$ 444,146
Donated supplies	304,370	-	304,370
Grants	125,909	250	126,159
Donated services	44,730	-	44,730
Other income	3,249	-	3,249
Investment income	1,826	-	1,826
	<u>916,137</u>	<u>8,343</u>	<u>924,480</u>
Net assets released from restrictions:			
Expiration of restrictions on grant awards and donations	15,302	(15,302)	-
	<u>931,439</u>	<u>(6,959)</u>	<u>924,480</u>
<b>Expense</b>			
<i>Program Services</i>			
Care of homeless pets	677,844	-	677,844
<i>Supporting Services</i>			
General and administrative	105,851	-	105,851
Fundraising	24,616	-	24,616
	<u>808,311</u>	<u>-</u>	<u>808,311</u>
<b>Changes in Net Assets</b>	123,128	(6,959)	116,169
<b>Net Assets, Beginning of Year</b>	<u>109,905</u>	<u>17,531</u>	<u>127,436</u>
<b>Net Assets, End of Year</b>	<u>\$ 233,033</u>	<u>\$ 10,572</u>	<u>\$ 243,605</u>

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, 2017

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**Cash Flows from Operating Activities**

Changes in net assets	\$ 116,169
<i>Adjustments to reconcile changes in net assets to net cash provided by operating activities</i>	
Depreciation	1,138
Amortization	4,636
Unrealized gain on investments	(1,246)
 <i>Changes in operating assets and liabilities</i>	
Supplies inventory	(200)
Accounts payable	3,973
Accrued payroll taxes and expenses	710

**Net Cash Provided by Operating Activities** 125,180

**Cash Flows from Investing Activities**

Equipment purchases	(875)
Interest income reinvested, net of fees	(475)
Investment purchases	(65,000)

**Net Cash Used by Investing Activities** (66,350)

**Net Increase in Cash and Cash Equivalents** 58,830

**Cash and Cash Equivalents, Beginning of Year** 105,990

**Cash and Cash Equivalents, End of Year** \$ 164,820

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

## **Pets of the Homeless**

Notes to Financial Statements  
December 31, 2017

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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 and Australia. The Organization is generally exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

#### 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.

- 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, 2017:

Contributions	48.0%
Donated supplies	32.9%
Grants	13.7%
Donated services	4.8%
Investment and other income	0.6%
	<hr/>
	100.0%
	<hr/>

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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets as follows:

- Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.
- Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Temporarily restricted net assets consist of cash designated by donors to be used in specific locations and amounted to \$10,572 at December 31, 2017.
- Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that may be maintained permanently. The Organization had no net assets in this classification at December 31, 2017.

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 19, 2018, the date the financial statements were available to be issued.

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 \$500 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, 2017 was \$1,138.

## **Pets of the Homeless**

Notes to Financial Statements  
December 31, 2017

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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 temporarily restricted net assets to unrestricted net assets at that time.

### Intangible Assets

Intangible assets consist of the Organization's website. Website development costs are amortized over a three year period. Improvements to the existing website that update content or improve ease of use, but not functionality, are expensed as incurred. Amortization expense for the year ended December 31, 2017 was \$4,636.

### 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 temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

### 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 \$79,845 during the year ended December 31, 2017. 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.

### Expense Allocation

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 \$10,325 for the year ended December 31, 2017.

**2. Fair Value Measurements**

The Organization invests its excess unrestricted cash 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:

- Level 1*      Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2*      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
- Level 3*      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, 2017, 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, 2017.

**3. Investments**

Investments at fair value consisted of the following as of December 31, 2017:

Money market	\$ 999
U.S. equities	31,690
Fixed income & preferreds	<u>51,803</u>
	<u>\$ 84,492</u>

Investment income and related fees consisted of the following for the year ended December 31, 2017:

Interest income	\$ 580
Unrealized gains (losses)	1,246
Realized gains (losses)	<u>-</u>
Investment income	<u>\$ 1,826</u>
Investment fees	<u>\$ 86</u>

**4. Donated Services and Supplies**

In-kind revenue from donated services for the year ended December 31, 2017 was \$44,730 and primarily included discounts given by veterinarians. In-kind revenue from donated pet food and supplies for the year ended December 31, 2017 was \$304,367.

## Pets of the Homeless

Notes to Financial Statements

December 31, 2017

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### 5. Donation Expense and 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, 2017, the Fund balance was \$62,542. For the year ended December 31, 2017, investment income was \$666 and investment and administrative fees totaled \$124.

### 6. 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,

2018	\$	16,430
2019		16,683
2020		16,101
2021		16,564
2022		<u>11,248</u>
Total minimum lease payments	\$	<u>77,026</u>

### 7. Related Party Transactions

During the year ended December 31, 2017, two veterinarians that serve on the Board of Directors of the Organization provided professional veterinarian care for a total cost of \$3,484.

## **Supplementary Information**

**Pets of the Homeless**  
Schedule of Functional Expenses  
For the Year Ended December 31, 2017

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Care of Homeless Pets</u>	<u>General and Administrative</u>	<u>Fundraising</u>	
Donated pet food and supplies	\$ 304,734	\$ -	\$ -	\$ 304,734
Emergency veterinarian care	177,738	-	-	177,738
Salaries and wages	50,597	46,291	10,765	107,653
Donation expense	29,140	26,660	6,200	62,000
Donated professional services	44,730	-	-	44,730
Wellness Clinics	16,160	-	-	16,160
Rent	6,443	5,895	1,371	13,709
Professional fees	5,489	5,022	1,168	11,679
Dues and subscriptions	5,468	5,003	1,163	11,634
Information technology	5,005	4,579	1,065	10,649
Advertising	10,325	-	-	10,325
Third party donation fees	6,328	-	-	6,328
Depreciation and amortization	2,714	2,483	577	5,774
Other	2,543	2,327	541	5,411
Postage	2,427	2,221	516	5,164
Office supplies	2,264	2,071	482	4,817
Printing	1,472	1,347	313	3,132
Spay and neuter	2,133	-	-	2,133
Telephone	866	792	184	1,842
Insurance	864	791	184	1,839
Travel	153	140	33	326
Training	140	128	30	298
Bank and investment fees	111	101	24	236
<b>Total Expenses</b>	<b>\$ 677,844</b>	<b>\$ 105,851</b>	<b>\$ 24,616</b>	<b>\$ 808,311</b>