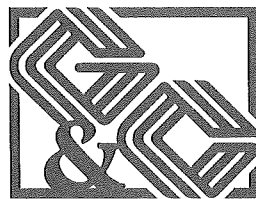


San Antonio Pets Alive, Inc.

Financial Statements

December 31, 2018



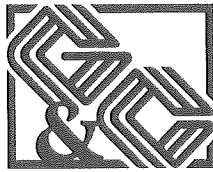
GREGORY & CRUTCHFIELD, LLC

CERTIFIED PUBLIC ACCOUNTANTS

San Antonio Pets Alive, Inc.

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GREGORY & CRUTCHFIELD, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

The Board of Directors
San Antonio Pets Alive, Inc.

We have audited the accompanying financial statements of San Antonio Pets Alive, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, 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.

Auditor's 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Antonio Pets Alive, Inc. 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.

Gregory & Crutchfield, LLC
San Antonio, Texas
December 27, 2019

San Antonio Pets Alive, Inc.
Statement of Financial Position
December 31, 2018

| Assets | |
|--|----------|
| Current assets | |
| Cash in banks | 305,829 |
| Fee for service receivables | 75 |
| Prepaid insurance | 481 |
| Total current assets | 306,385 |
| Fixed assets | |
| Vehicle and mobile adoption unit | 179,093 |
| Medical equipment | 12,383 |
| Leasehold improvements | 29,938 |
| Accumulated depreciation | (74,227) |
| Total fixed assets | 147,187 |
| Other assets | |
| Operating lease right-of-use asset | 8,340 |
| Total other assets | 8,340 |
| Total assets | 461,912 |
| Liabilities and Net Assets | |
| Current liabilities | |
| Accounts payable | 16,283 |
| Accrued expenses | 37,664 |
| Payroll liabilities | 524 |
| Operating lease liability - current portion | 1,534 |
| Unearned revenue | 32,925 |
| Total current liabilities | 88,930 |
| Long-term liabilities | |
| Operating lease liability - net of current portion | 6,806 |
| Total long-term liabilities | 6,806 |
| Total liabilities | 95,736 |
| Net assets | |
| Net assets without donor restrictions | 203,375 |
| Net assets with donor restrictions | 162,801 |
| Total net assets | 366,176 |
| Total liabilities and net assets | 461,912 |

San Antonio Pets Alive, Inc.
Statements of Activities and Changes in Net Assets
For the year ended December 31, 2018

| | Unrestricted | Donor Restrictions | Total |
|--|--------------|-----------------------|-----------|
| Revenues | | | |
| Donations | 791,681 | - | 791,681 |
| Grants from foundations | 339,998 | 279,000 | 618,998 |
| Fees for services from City of San Antonio | 362,875 | - | 362,875 |
| Fundraisers | 44,435 | - | 44,435 |
| Program fees | 217,475 | - | 217,475 |
| Other revenue | 8,694 | - | 8,694 |
| In-kind revenue | 73,263 | - | 73,263 |
| Release of funds with donor restrictions | 320,543 | (320,543) | - |
| Total revenues | 2,158,964 | (41,543) | 2,117,421 |
| Expenses | | | |
| Program expenses | 2,041,616 | - | 2,041,616 |
| General and administrative | 287,816 | - | 287,816 |
| Fundraising expenses | 95,942 | - | 95,942 |
| Total expenses | 2,425,374 | - | 2,425,374 |
| Change in net assets | (266,410) | (41,543) | (307,953) |
| Net assets - beginning of year | 469,785 | 204,344 | 674,129 |
| Net assets - end of year | 203,375 | 162,801 | 366,176 |

San Antonio Pets Alive, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2018

| | Program | General & Administrative | Fundraising | Total |
|--------------------------------|-----------|-----------------------------|-------------|-----------|
| Auto expense | 4,136 | - | - | 4,136 |
| Credit card settlement fees | 13,059 | 2,449 | 814 | 16,322 |
| Depreciation | 24,824 | - | - | 24,824 |
| Development | 1,272 | 239 | 79 | 1,590 |
| Dues and subscriptions | 2,496 | 468 | 156 | 3,120 |
| Employee benefits | 30,706 | 5,757 | 1,920 | 38,383 |
| In-kind pet food | 27,408 | - | - | 27,408 |
| In-kind rent | 33,600 | 6,300 | 2,100 | 42,000 |
| In-kind supplies and equipment | 3,084 | 578 | 193 | 3,855 |
| Insurance | 22,187 | 4,160 | 1,387 | 27,734 |
| Marketing and fundraising | 54,547 | 10,227 | 3,409 | 68,183 |
| Pet medical | 296,527 | - | - | 296,527 |
| Occupancy | 57,579 | 10,795 | 3,601 | 71,975 |
| Office expenses | 4,420 | 829 | 277 | 5,526 |
| Other | 2,006 | 376 | 126 | 2,508 |
| Payroll | 1,282,686 | 240,504 | 80,167 | 1,603,357 |
| Pet Services | 153,695 | - | - | 153,695 |
| Professional fees | 24,359 | 4,567 | 1,523 | 30,449 |
| Repairs and maintenance | 3,025 | 567 | 190 | 3,782 |
| Totals | 2,041,616 | 287,816 | 95,942 | 2,425,374 |

San Antonio Pets Alive, Inc.
Statement of Cash Flows
For the year ended December 31, 2018

Cash flows from operating activities:

Change in net assets (307,953)

Adjustments to reconcile excess of revenue over expenses
to net cash provided (used) by operating activities:

| | |
|---|-----------|
| Depreciation | 24,825 |
| (Increase) / decrease in grants and fee for service receivables | 27,450 |
| (Increase) / decrease in prepaid insurance | 1,956 |
| (Increase) / decrease in operating lease right-of-use asset | (8,340) |
| Increase / (decrease) in accounts payable | 9,594 |
| Increase / (decrease) in accrued expenses | 31,300 |
| Increase / (decrease) in payroll liabilities | (476) |
| Increase / (decrease) in unearned revenue | 32,925 |
| Increase / (decrease) in operating lease liability | 8,340 |
| Net decrease in cash provided by operating activities | (180,379) |

Cash flows used by investing activities:

| | |
|---------------------------------------|----------|
| Purchase of leasehold improvements | (29,938) |
| Net cash used by investing activities | (29,938) |

Cash flows used by financing activities:

| | |
|---------------------------------------|---|
| Net cash used by financing activities | - |
|---------------------------------------|---|

| | |
|----------------------|-----------|
| Net decrease in cash | (210,317) |
|----------------------|-----------|

| | |
|---|---------|
| Cash and cash equivalents - beginning of year | 516,146 |
|---|---------|

| | |
|---|---------|
| Cash and cash equivalents - end of year | 305,829 |
|---|---------|

Supplemental disclosure:

| | |
|-------------------------------|---|
| Interest paid during the year | - |
|-------------------------------|---|

San Antonio Pets Alive, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2018

Note 1 – The Organization

San Antonio Pets Alive, Inc. (“the Organization”) is a nonprofit organization incorporated under the laws of the State of Texas on December 20, 2011. The Organization also does business under the assumed name San Antonio Pets Alive! The Organization rescues adoptable dogs and cats in danger of being euthanized at the City of San Antonio Shelter and places them in as many foster homes as possible until they can be adopted. A clinic is maintained for the examination and treatment of the rescued animals.

Note 2 – Summary of Significant Accounting Policies

Accounting Basis – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets, support and revenue, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions or assets restricted solely through actions of the Board of Directors (Board) are reported as net assets without donor restrictions. The Organization reports donor-restricted support whose restrictions are met in the same reporting period as unrestricted support.

Net assets with Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met by actions of the Organization and/or the passage of time are reported as net assets with donor restrictions. For donor-restricted support whose restrictions are not met within the same reporting period, the net assets with donor restrictions are reclassified to net assets without donor restrictions when a restriction expires and reported in the Statement of Activities as net assets released from donor restrictions.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

Property and Equipment – All property and equipment is valued at historical cost or estimated fair market value at date of donation. Expenditures for betterments and all furniture and equipment greater than \$5,000 that materially extend the useful life of an asset are capitalized. Depreciation is recorded using the straight-line method over the estimated useful lives of the related asset, which is generally five to seven years for equipment.

Tax Exempt Status – San Antonio Pets Alive, Inc. is a tax-exempt organization under Internal Revenue Code Section 501(c)(3). Therefore, no provision for income taxes has been provided in these financial statements. In addition, the Organization is not a “private foundation” within the meaning of Section 509(a) of the Code; accordingly, donors of money and/or property are entitled to the maximum charitable contribution deduction allowed by law.

**San Antonio Pets Alive, Inc.
Notes to Financial Statements
December 31, 2018**

Note 2 – Summary of Significant Accounting Policies - *continued*

Tax Exempt Status - *continued*

Management is not aware of any tax positions that would have a significant impact on its financial position. Its Form 990 information returns for the last four years remain subject to examination. The Organization is exempt from the Texas Franchise tax.

Cash and Cash Equivalents – Cash and cash equivalents consist of cash on hand, demand deposits held by financial institutions and PayPal. Cash and cash equivalents in the bank as of December 31, 2018 were restricted as to use general use due to unspent contributions subject to donor-imposed restrictions in the amount of \$162,801.

Donated Services, Material, and Facilities – The Organization receives donated services from a variety of unpaid volunteers assisting the Organization in its programs. For these types of donated services no amounts have been recognized in the accompanying Statement of Activities because the criteria for recognition of such volunteer effort under GAAP have not been satisfied. Donated materials, supplies, equipment and office rent are valued based on their estimated fair market value on the date of contribution (*See Note 7*).

Revenue Recognition – Revenue is recognized when earned. Contributions are reported when an unconditional promise to give or other asset is received. Gifts of securities, if applicable, are recorded at their fair market value when received.

Contributions – The Organization reports gifts of cash and other assets as restricted support if they are received with donor restrictions that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, such assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Fee for Services Revenue – During the year, a significant portion of the Organization's revenue was from fee for services under a contract with the City of San Antonio. Revenue from these contracts is recorded as qualified pets are rescued from being euthanized based on a set fee per animal.

Functional Expenses – The costs of providing the services and other activities of the Organization have been summarized on a functional basis in the Statement of Activities. Functional expenses are allocated on the basis of estimates by management. These estimates are based primarily on the nature of the expense concerned and percentages of time allocated to program services, fundraising, and general and administrative.

Concentrations of Credit Risk – Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and grants receivable. The Organization maintains cash balances during the year that exceeded the Federal Deposit Insurance Corporation (FDIC) \$250,000 insured limits. One bank account balance exceeded the FDIC insured limit by \$34,217 as of December 31, 2018 and no losses were incurred as a result of the excess.

San Antonio Pets Alive, Inc.
Notes to Financial Statements
December 31, 2018

Note 2 – Summary of Significant Accounting Policies - *continued*

Subsequent Events – Subsequent events have been evaluated by management through the date of the independent auditor’s report. Material subsequent events, if any, are disclosed in a separate footnote to these financial statements.

New Accounting Pronouncement Adopted – The Organization adopted FASB Accounting Standards Update 2016-02 *Leases – Topic 842*. Under this accounting pronouncement, a lessee is be required to recognize on the balance sheet the assets and liabilities for leases with lease terms of more than 12 months. The pronouncement is effective for reporting periods beginning after December 15, 2019 with early adoption permitted.

Note 3 – Property and Equipment

Property and equipment are recorded at cost if purchased or fair value if contributed and consist of the following at December 31, 2018:

| | |
|--|------------------|
| Vehicle and mobile adoption unit | 179,093 |
| Medical equipment | 12,383 |
| Leasehold improvements | 29,938 |
| Total property and equipment | <u>\$221,414</u> |
| Less accumulated depreciation | <u>(74,227)</u> |
| Total property and equipment, net of depreciation | <u>\$147,187</u> |

Depreciation expense for the year ended December 31, 2018 was \$24,825

Note 4 – Note Payable

Line of Credit

The Organization has a \$200,000 unsecured, revolving line of credit with Frost Bank. The interest rate is the Wall Street Journal prime rate plus 1.25% (6.0% at December 31, 2018). The maturity date of the loan is February 26, 2020. There was no outstanding balance on the line of credit as of December 31, 2018.

Note 5 – Lease Commitments

In January 2018, the Organization extended/renewed its animal clinic lease agreement for 6 months from August 1, 2018 through January 31, 2019. The monthly rental rate is \$1,950.

In November 2018, the Organization entered into a 60-month non-cancelable operating lease for a copy machine at the base rate of \$166 per month.

**San Antonio Pets Alive, Inc.
Notes to Financial Statements
December 31, 2018**

Note 5 – Lease Commitments – *continued*

The Organization adopted FASB Accounting Standards Update 2016-02 *Leases – Topic 842* during 2018 for its one 60-month copier lease that was executed in November 2018. The Organization has presented on the statement of financial position the present value of the operating lease right-of-use asset of \$8,340 and the corresponding current and long-term lease liabilities of \$1,534 and \$6,806 respectively. The 12-month animal clinic lease is not subject to this presentation since the FASB pronouncement only applies to leases over 12 months.

The future operating lease costs for the next five years as of December 31, 2018 are as follows:

| | |
|---------------------|-----------------|
| 2019 | 3,942 |
| 2020 | 1,992 |
| 2021 | 1,992 |
| 2022 | 1,992 |
| 2023 and thereafter | 1,660 |
| Total | <u>\$15,952</u> |

Rent expense for the animal clinic for the year ended December 31, 2018 was \$23,904.

Rent expense for the copy machine leases for the year ended December 31, 2018 was \$1,606.

Note 6 – Related Party Transactions

During 2018, a company owned by one of the Organization’s board of directors donated in-kind rent for the Organization’s administrative office (see Note 7 – *Donated Services & Goods*) which was valued at \$42,000.

Note 7 – Donated Services & Goods

Donated services or goods (in-kind) reported in the Statement of Activities at December 31, 2018:

| | |
|------------------------|-----------------|
| Pet food | 27,408 |
| Office rent | 42,000 |
| Supplies and equipment | <u>3,855</u> |
| Total | <u>\$73,263</u> |

Note 8 - Dependence on Major Funding Sources

The Organization receives a major part of its revenue under fee for services contracts with the City of San Antonio. As of December 31, 2018, the High Volume Per Partnership Agreement funding was approved through September 2019.

**San Antonio Pets Alive, Inc.
Notes to Financial Statements
December 31, 2018**

Note 9 – Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following as of December 31, 2018:

| | |
|--|------------------|
| Leadership and sustainability | 67,863 |
| Development and marketing | 47,688 |
| Medical clinic support | 21,000 |
| Kennel construction | 10,000 |
| Kitten food | 10,000 |
| Transport | 6,250 |
| Total net assets with donor restrictions | <u>\$162,801</u> |
| Amounts released from restrictions during year | <u>\$320,543</u> |

Note 10 – Fee for Services – City of San Antonio

The Organization’s contract with the City of San Antonio provides payments to San Antonio Pet’s Alive, Inc. based on various services provided to dogs and cats from the City’s Animal Care Services Department. The fees to be paid to the Organization are set forth in the contracts based on the types of services performed.

Note 11 - Concentration of Animal Base

San Antonio Pets Alive, Inc. provides the majority of its program services to dogs and cats within the City of San Antonio’s Animal Care Services. This is considered a concentration risk for the animal base. However, the Organization does not expect a significant reduction in the number of dogs and cats needing rescue in the near future.

Note 12 – Liquidity and Availability of Financial Assets

The following reflects the Organization’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

| | |
|--|------------------|
| Financial assets as of 12/31/2018 | 305,829 |
| Less those unavailable for general expenditures within one year, due to donor-imposed restrictions | <u>(162,801)</u> |
| Financial assets available to meet cash needs for general expenditure within one year | <u>\$143,028</u> |

The Organization also had its \$200,000 line of credit fully available as of December 31, 2018 since there was no outstanding balance on the loan at that time.

**San Antonio Pets Alive, Inc.
Notes to Financial Statements
December 31, 2018**

Note 13 – Litigation

The Organization's management is not aware of any threatened or pending claims against it.