

FRIENDS OF THE ALAMEDA
ANIMAL SHELTER

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED
JUNE 30, 2018

FRIENDS OF THE ALAMEDA ANIMAL SHELTER

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of the Friends of the Alameda Animal Shelter

We audited the accompanying financial statements of Friends of the Alameda Animal Shelter (the "Shelter"), a California nonprofit corporation which comprise the statement of financial position as of June 30, 2018, and 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 the 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 the 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 the 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 Shelter as of June 30, 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.



January 8, 2018
Walnut Creek, California

FRIENDS OF THE ALAMEDA ANIMAL SHELTER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS

Current Assets:

Cash and cash equivalents	\$ 110,954
Accounts receivable	129,714
Donated rent receivable, current portion	56,049
Prepaid expenses	<u>5,355</u>

Total current assets 302,072

Non-Current Assets:

Property, equipment, and improvements, net	740,790
Certificates of deposit	282,597
Investment	<u>130,218</u>

Total non-current assets 1,153,605

Total Assets \$ 1,455,677

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 44,100
Accrued payroll	<u>4,695</u>

Total current liabilities 48,795

Net Assets:

Unrestricted	1,110,088
Temporarily restricted (Note 8)	196,794
Permanently restricted (Note 9)	<u>100,000</u>
Total net assets	<u>1,406,882</u>

Total Liabilities and Net Assets \$ 1,455,677

The accompanying notes are an integral part of these financial statements.
See Independent Auditor's Report.

FRIENDS OF THE ALAMEDA ANIMAL SHELTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support - Contributions:				
Contributions	\$ 994,834	\$ 182,361	\$ -	\$ 1,177,195
Fundraising, net	134,722	-	-	134,722
Merchandise sales, net	713	-	-	713
Interest income	4,449	-	-	4,449
In-kind contributions	765,117	-	-	765,117
Realized and unrealized gains/(losses) on investments	(3,164)	8,357	-	5,193
Release from restriction	149,198	(149,198)	-	-
Total contributions	<u>2,045,869</u>	<u>41,520</u>	<u>-</u>	<u>2,087,389</u>
Support - Fees:				
Pet licenses	14,475	-	-	14,475
Pet services	39,425	-	-	39,425
Boarding	75	-	-	75
Other fees	8,913	-	-	8,913
Total fees	<u>62,888</u>	<u>-</u>	<u>-</u>	<u>62,888</u>
Total Contributions and Fees	<u>2,108,757</u>	<u>41,520</u>	<u>-</u>	<u>2,150,277</u>
Expenses:				
Program services	1,089,548	-	-	1,089,548
Management and general	77,094	-	-	77,094
Fundraising and development	103,255	-	-	103,255
Total Expenses	<u>1,269,897</u>	<u>-</u>	<u>-</u>	<u>1,269,897</u>
Change in Net Assets	838,860	41,520	-	880,380
Net Assets, Beginning of the Year	<u>271,228</u>	<u>155,274</u>	<u>100,000</u>	<u>526,502</u>
Net Assets, End of the Year	<u>\$ 1,110,088</u>	<u>\$ 196,794</u>	<u>\$ 100,000</u>	<u>\$ 1,406,882</u>

The accompanying notes are an integral part of these financial statements.
See Independent Auditor's Report.

FRIENDS OF THE ALAMEDA ANIMAL SHELTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services	Management and General	Fundraising and Development	Total
Salaries and fringes	\$ 432,355	\$ 32,427	\$ 75,662	\$ 540,444
Employee benefits	57,807	4,336	10,116	72,259
Pet services and supplies	248,939	-	-	248,939
Insurance	17,323	962	962	19,248
Operating expense	115,120	28,386	14,193	157,698
In-kind expense	130,305	-	-	130,305
Occupancy	41,792	2,322	2,322	46,436
Depreciation expense	26,123	4,610	-	30,733
Professional services	19,783	4,052	-	23,835
Total	<u>\$ 1,089,548</u>	<u>\$ 77,094</u>	<u>\$ 103,255</u>	<u>\$ 1,269,897</u>

The accompanying notes are an integral part of these financial statements.
See Independent Auditor's Report.

FRIENDS OF THE ALAMEDA ANIMAL SHELTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

Cash Flows From Operating Activities:	
Change in net assets	\$ 880,380
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	30,733
In-kind donation of land	(690,000)
Realized and unrealized gain on investment	(5,193)
(Increase)/decrease in operating assets:	
Accounts receivable	(129,714)
Inventory	1,139
Prepaid expenses	(498)
Receivable - donated rent	55,188
Increase/(decrease) in operating liabilities:	
Accounts payable	30,877
Accrued payroll	(1,610)
Net Cash Provided by Operating Activities	171,302
Cash Flows From Investing Activities:	
Acquisition of furniture and equipment	(25,759)
Purchase of certificates of deposit	(111,610)
Net Cash Used in Investing Activities	(137,369)
Net Increase in Cash and Cash Equivalents	33,933
Cash and Cash Equivalents, Beginning of Year	77,021
Cash and Cash Equivalents, End of Year	\$ 110,954
Supplemental Cash Flow Information:	
Cash paid during the period for interest	\$ -
Cash paid during the period for taxes	\$ -

The accompanying notes are an integral part of these financial statements.
See Independent Auditor's Report.

FRIENDS OF THE ALAMEDA ANIMAL SHELTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Note 1. Organization:

The Friends of the Alameda Animal Shelter (the "Shelter"), is a California nonprofit corporation, founded in 2009 by a small group of volunteers dedicated to shelter and care for Alameda's abandoned companion animals. The Shelter provides the best possible care for these animals until they are adopted and are committed to educate the community on the prevention of animal cruelty. The Shelter is located in Alameda, California.

Note 2. Summary of Significant Accounting Policies:

Basis of Accounting

The financial statements of the Shelter have been prepared on the accrual basis of accounting consistent with the generally accepted accounting principles in the United States of America.

Financial Statement Presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Shelter and changes therein are classified and reported 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 Shelter and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed restrictions stipulating that the corpus generally be held in perpetuity.

Promises to Give/Donated Rent

Unconditional promises to give are recognized as contributions in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefit received. Promises to give are recorded at net realizable value if they are expected to be collected within one year. Promises to give that are expected to be collected in more than one year will be recorded at net present value, if the impact of discounting is material. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Risk and Uncertainties

The Shelter maintains cash and investment balances at various financial institutions. Cash and cash equivalents are insured by the Federal Deposit Insurance (FDIC) up to \$250,000. There are times during the year when cash balances exceeded the FDIC insured limits. The Shelter has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

FRIENDS OF THE ALAMEDA ANIMAL SHELTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Note 2. Summary of Significant Accounting Policies (continued):

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the Shelter considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those asset classes. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets 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 unrestricted support.

Accounts Receivable

Accounts receivable represents amounts owed to the Shelter by various government agencies and are stated at unpaid balances.

Bad Debt Reserve

The Shelter records bad debts using the reserve method. A reserve is not required at June 30, 2018. There is no bad debt reserve for the year ended June 30, 2018 as all accounts receivable are determined to be collectible.

Fixed Assets

The Shelter records purchases of property and equipment at cost. Donated property and equipment is stated at fair market value at the date of donation. The Shelter capitalizes all property and equipment items over \$2,500. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from five to fifteen years. Major renewals and improvements are capitalized; repairs and maintenance are charge to operations as incurred. When equipment and other property are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in operating results.

Income Tax Status

The Shelter has been granted the tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes is provided. The Shelter is subject to routine audits by taxing jurisdictions; however, currently there are no audits in progress. The Shelter is no longer subject to examination for years prior to 2011. There are no uncertain tax positions at June 30, 2018.

FRIENDS OF THE ALAMEDA ANIMAL SHELTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Note 2. Summary of Significant Accounting Policies (continued):

In-Kind Contributions

Contributions of donated non-cash assets are recorded at their fair value in the period received. Contributions of donated services to the Shelter are recognized as in-kind donations when services received create or enhance nonfinancial assets or require specialized skills. The value of the services contributed by the volunteers do not meet the criteria described above and are not reflected in the accompanying financial statements. During the year there were approximately 430 volunteers donating a total of 16,878 hours of their time to the Shelter. Please refer to Note 7 for additional discussion on in-kind contributions.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values based on quoted prices in active markets (all Level 1 measurements) in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Allocations to Functional Expenses

The costs of programs and supporting services activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

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

Note 3. Cash and Cash Equivalents:

Cash and cash equivalents consisted of the following at June 30, 2018:

US Bank - Checking	\$	105,649
Edward Jones		5,035
Petty cash		270
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Total	\$	110,954
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FRIENDS OF THE ALAMEDA ANIMAL SHELTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Note 4. Fair Value Measurements:

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that provides 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 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Shelter has the ability to access.
Level 2	<p>Inputs to the valuation methodology include:</p> <ul style="list-style-type: none">• Quoted prices for similar assets or liabilities in active markets;• Quoted prices for identical or similar assets or liabilities in inactive markets;• Inputs other than quoted prices that are observable for the asset or liability;• Inputs that are derived principally from or corroborated by observable market data by correlation or other means. <p>If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.</p>
Level 3	<p>Inputs to the valuation methodology include:</p> <ul style="list-style-type: none">• Valuation methodology is unobservable and significant to the fair value measurement.

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. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

FRIENDS OF THE ALAMEDA ANIMAL SHELTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Note 4. Fair Value Measurements (continued):

The following table sets forth by level, within the fair value hierarchy, the Shelter's assets at fair value as of June 30, 2018:

	YEAR ENDED JUNE 30, 2018			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ 282,597	\$ -	\$ -	\$ 282,597
Mutual Funds				
Income	54,692	-	-	54,692
Growth and Income	46,878	-	-	46,878
Growth	27,346	-	-	27,346
Aggressive	1,302	-	-	1,302
Total Mutual Funds	130,218	-	-	130,218
Total Investments at Fair Value	<u>\$ 412,815</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 412,815</u>

Methodology Used to Determine Fair Value of Investments

Certificates of Deposit
Contract value.

Mutual Funds

Mutual funds are valued at the daily closing prices as reported by the fund. These funds are required to publish their daily net assets value and transact at that price. A fund's net asset value per share is the current value of all the fund's assets, minus liabilities, divided by the total number of shares.

The Shelter believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

For the year ended June 30, 2018, there have been no significant transfers between level 1 and level 2 and no transfers in and out of level 3.

FRIENDS OF THE ALAMEDA ANIMAL SHELTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Note 5. Furniture and Equipment:

Furniture and equipment consisted of the following at June 30, 2018:

Furniture and equipment	\$ 116,649
Vehicle	23,311
Software	6,492
Leasehold improvements	57,518
Land	690,000
Total	<u>893,970</u>
Less accumulated depreciation	<u>(153,180)</u>
Property and equipment, net	<u>\$ 740,790</u>

Depreciation expense totaled \$30,733 for the year ended June 30, 2018.

Note 6. Operating Leases:

On January 1, 2012, the Shelter entered into a 15-year lease agreement with the City of Alameda (the "City"). The lease provides for an annual base rent of one dollar. The lease covers a 4,480 square foot facility with an estimated monthly rental value of \$.75 per square foot. Using \$.75 per square foot as the estimated monthly rental value, discount rate of \$1.97 and a total period of 180 months, the Shelter calculated a net present value of \$524,119 at the inception of the lease.

During the year the Shelter renegotiated the current lease and a new lease agreement was finalized. The new agreement is a 2-year lease commencing on July 1, 2017. In its sole and absolute discretion, the City Council may offer a two-year extension on this lease once it expires. The new lease provides for annual base rent of one dollar. The lease covers 4,480 square feet of facility with an estimated monthly rental value of \$1.05 per square foot. Using the \$1.05 per square foot as the estimated monthly value, discount rate of \$1.55 and a total period of 24 months, the Shelter calculated a net present value to be \$111,237 at inception of the lease. This was recorded as temporarily restricted revenue subject to time and use restrictions. The time restrictions will expire ratably over the lease term. Listed below is summary of the donated rent receivable and unamortized discount at June 30, 2018:

Donated rent receivable	\$ 56,448
Unamortized discount	<u>(399)</u>
Total	<u>\$ 56,049</u>

FRIENDS OF THE ALAMEDA ANIMAL SHELTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Note 6. Operating Leases (continued):

Donated rent receivable is classified as current on the statement of financial position. The net present value of donated rent receivable is scheduled to mature as follows:

2019	\$	56,049
Thereafter		-
	\$	<u>56,049</u>

Prior to the renegotiation of the lease the net present value remaining on the old lease was \$349,646. Due to the renegotiation, a new net present value was calculated at \$56,049 as noted above.

In addition, the Shelter leases its copy machines on a month to month basis. Lease expense for the year ended June 30, 2018 totaled \$2,929.

Note 7. In-kind Contributions:

During the year ended June 30, 2018, the Shelter received non-cash donations of materials and services that were reflected in the financial statements of the Shelter. Listed below is a summary of the items and services received for the year ended June 30, 2018.

Supplies, materials and food	\$	57,095
Professional services		18,022
Land		<u>690,000</u>
	\$	<u>765,117</u>

Note 8. Temporarily Restricted:

Temporarily restricted net assets consisted of the following at June 30, 2018:

City of Alameda	\$	56,049
Sasha Fund		32,025
Angel Fund		1,698
North Loop		75,000
Advertising Fund		1,698
Accumulated income on endowment		<u>30,324</u>
	\$	<u>196,794</u>

FRIENDS OF THE ALAMEDA ANIMAL SHELTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Note 9. Permanently Restricted Endowment:

At June 30, 2013, the Shelter received \$50,000 from an anonymous donor. The Shelter was required to match this amount with its own general funds to establish an Endowment Fund for the long-term future needs of the Shelter. The income earned from the Endowment Fund will be used for non-routine operational purposes, projects and programs designated by the Board of Directors. This endowment is reported as permanently restricted. Gains and losses are reported as temporarily restricted.

The endowed fund balance consists of the following at June 30, 2018:

	<u>2018</u>
Beginning Balance	\$ 100,000
Contributions	-
Income and Unrealized gain/(loss)	-
Distributions	<u>-</u>
Ending Balance	<u><u>\$ 100,000</u></u>

Investment Return, Risk Parameters and Strategies - The Shelter has adopted an investment policy and it has been approved by the Board. The objective of the investment is to maximize returns on the portfolio while maintaining the safety of its assets, subject to the desired balance between risk and return and meeting its ongoing cash flow and liability needs.

There are two components to the Shelter's investment portfolio and their objectives. They are as follows:

Core Reserves - These are funds in excess of those required to meet the short-term cash, an average of two months of operational needs of the Shelter. The Core Reserves objective is to achieve desired investments results by maintaining a balance between risk and return with investment horizon of 3 or more years.

Operational Account - This account meets the short-term liquidity needs of the Shelter and the anticipated cash needs within a 1-2-year time frame, while generating returns on available short-term funds through acceptable highly liquid, yield generating investments.

Investments held by the Shelter consist of debt and equity securities and are maintained in an institutionally managed account. The endowment assets are invested in a diversified investment portfolio in accordance with the investment policy and guidelines of the Shelter.

FRIENDS OF THE ALAMEDA ANIMAL SHELTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Note 10. Concentration:

The Humane Society of Alameda (HSOA) has been donating to the Shelter since its inception. They have committed to providing assistance through in-kind contributions, paying for medical care, supplies and facility improvements. The Shelter relies heavily on their donations to help run their program. During the year ended June 30, 2018, the Shelter received \$35,197 of in-kind contributions from HSOA.

Note 11. Subsequent Events:

Subsequent events were evaluated through January 8, 2018, which is the date the financial statements were available to be issued. Management has not identified any other subsequent event that would require an adjustment or disclosure as required under the generally accepted accounting principles.