

Austin Pets Alive!

Financial Statements

December 31, 2012
(with Summarized Comparative
Totals for December 31, 2011)

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Independent Accountant's Review Report

November 7, 2013

To the Board of Directors of
Austin Pets Alive!
P O Box 6247
Austin, TX 78762

I have reviewed the accompanying statement of financial position of Austin Pets Alive! (a nonprofit organization) as of December 31, 2012 and the related statements of activities and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion. The prior year's summarized comparative information has been derived from the organization's 2011 financial statements, and in our review report date July 26, 2013, I expressed that I am not aware of any material modifications that should be made to the financial statements.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the accounting principles generally accepted in the United States of America.



William Ford Taylor, CPA
Sugar Land, TX

Austin Pets Alive!
Statement of Financial Position
December 31, 2012 with Summarized Comparative
Totals for the Year Ended December 31, 2011

ASSETS		
	2012	2011
Current assets		
Cash (Note 1)	\$ 355,279	\$ 216,400
Restricted cash (Note 1)	76,500	-
Accounts receivable (Note 4)	-	15,000
Prepaid rent (Note 3)	-	3,500
Gift cards	315	-
Total current assets	432,094	234,900
Fixed assets		
Vehicles	121,298	29,023
Leasehold improvements	58,570	39,428
Medical equipment	44,672	13,371
Furniture and fixtures	21,500	21,500
Total cost	246,040	103,322
Accumulated depreciation	(64,869)	(28,691)
Net book value of fixed assets	181,171	74,631
Security deposit (Note 3)	-	2,000
Total assets	\$ 613,265	\$ 311,531
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 67,914	\$ 58,032
Deferred revenue (Note 1)	6,630	-
Current portion of long-term debt (Note 6)	9,259	-
Total current liabilities	83,803	58,032
Long-term liabilities		
Long-term debt, less current portion (Note 6)	33,473	-
Total long-term liabilities	33,473	-
Total liabilities	117,276	58,032
Net assets		
Unrestricted	419,489	253,499
Temporarily restricted	76,500	-
Total net assets	495,989	253,499
Total liabilities and net assets	\$ 613,265	\$ 311,531

See accompanying notes and independent accountant's review report.

Austin Pets Alive!
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2012 with Summarized
Comparative Totals for the Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	2012 Total	2011 Total
Revenues				
Contributions	\$ 1,383,582	\$ 410,069	\$ 1,793,651	\$ 1,096,955
Adoption revenue	668,788	-	668,788	511,623
Services revenues and other income	156,395	-	156,395	78,344
Donated services and rent	41,400	-	41,400	38,082
Total revenues	<u>2,250,165</u>	<u>410,069</u>	<u>2,660,234</u>	<u>1,725,004</u>
Net assets released from restrictions	333,569	(333,569)	-	-
Total revenue and reclassifications	<u>2,583,734</u>	<u>76,500</u>	<u>2,660,234</u>	<u>1,725,004</u>
Expenses				
Program services	2,107,203	-	2,107,203	1,425,737
Management and general	204,878	-	204,878	147,267
Fundraising	105,663	-	105,663	83,596
Total expenses	<u>2,417,744</u>	<u>-</u>	<u>2,417,744</u>	<u>1,656,600</u>
Total change in net assets	165,990	76,500	242,490	68,404
Net assets, beginning of year	<u>253,499</u>	<u>-</u>	<u>253,499</u>	<u>185,095</u>
Net assets, end of year	<u>\$ 419,489</u>	<u>\$ 76,500</u>	<u>\$ 495,989</u>	<u>\$ 253,499</u>

See accompanying notes and independent accountant's review report.

Austin Pets Alive!
Statement of Cash Flows
For the Year Ended December 31, 2012 with Summarized
Comparative Totals for the Year Ended December 31, 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ 242,490	\$ 68,404
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	36,577	16,200
Loss on disposal of fixed assets	799	16,281
In-kind contribution of fixed assets	-	(10,000)
Contributions temporarily restricted	(410,069)	(198,001)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	15,000	(15,000)
(Increase) decrease in prepaid rent	3,500	(3,500)
(Increase) in gift cards	(315)	-
Decrease in security deposit	2,000	-
Increase in accounts payable and accrued expenses	9,882	44,546
Increase in deferred revenue	6,630	-
	<u>(93,506)</u>	<u>(81,070)</u>
Cash flows from investing activities:		
Purchase of fixed assets	(143,916)	(66,298)
Disposal of fixed assets	-	1,075
Withdrawals from restricted cash	333,569	270,645
	<u>189,653</u>	<u>205,422</u>
Cash flows from financing activities:		
Borrowings from long-term debt	86,923	-
Payments on long-term debt	(44,191)	-
	<u>42,732</u>	<u>-</u>
Net increase in cash	138,879	124,352
Cash at beginning of year	<u>216,400</u>	<u>92,048</u>
Cash at end of year	<u>\$ 355,279</u>	<u>\$ 216,400</u>
Supplementary disclosures of cash flow information:		
Cash paid during the year for interest	<u>\$ 1,873</u>	<u>\$ -</u>

See accompanying notes and independent accountant's review report.

Austin Pets Alive!
Notes to the Financial Statements
December 31, 2012 and 2011

Note 1 – Summary of Significant Accounting Policies

Date of Management Review – Management has evaluated subsequent events through November 7, 2013, the date on which the financial statements were available to be issued.

Nature of Business – Austin Pets Alive! (the “Organization”) is organized under the Non-Profit Corporation Act of the State of Texas as a 501(c)(3) organization. The Organization promotes and provides the resources, education, and programs needed to eliminate the killing of companion animals in Austin, Texas. The Organization primarily receives its funding from individual donations and pet adoption fees.

During 2011, the Organization created a program called American Pets Alive to assist communities on how to create and manage programs to help make other cities “no kill”. During 2012 and 2011, the Organization raised \$11,580 and \$4,200, respectively. In 2012, \$6,630 is included in deferred revenue for the 2013 conference. In 2012 and 2011, \$4,950 and \$4,200 is included in Service revenues and other income.

Basis of Accounting – The financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States.

Basis of Presentation – Net assets and revenues, expense, gains and losses 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:

Unrestricted net assets – net assets that are not subject to donor-imposed stipulations. As reflected in the accompanying statement financial position, the Organization’s Board of Directors has designated a portion of unrestricted net assets for special purposes.

Temporarily restricted net assets – net assets that are subject to donor-imposed stipulations that require the passage of time or the occurrence of a specific event.

Permanently restricted net assets – net assets required to be maintained in perpetuity with only the income to be used for the Organization’s activities, due to donor-imposed restrictions.

The Organization did not have any permanently restricted net assets as of December 31, 2012 or 2011. The Organization had \$76,500 in temporarily restricted net assets as of December 31, 2012. The Organization did not have any temporarily restricted net assets as of December 31, 2011.

Austin Pets Alive!
Notes to the Financial Statements – continued

Note 1 – Summary of Significant Accounting Policies (continued)

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.

Cash and Cash Equivalents – For the purpose of the statement of cash flows, the Organization considers cash in demand deposits accounts to be cash and cash equivalents. The Organization considers highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk – The Organization maintained its cash balances at two and three financial institutions as of December 31, 2012 and 2011, respectively. Federal Deposit Insurance Corporation (“FDIC”) insurance covers all deposit accounts up to \$250,000 per depositor and per insured bank. At December 31, 2012, the Organization’s uninsured balances were approximately \$180,548. The Organization did not have an uninsured balances at December 31, 2011.

Restricted Cash – The Organization records temporarily restricted donations and board-designated unrestricted donations as restricted cash when received. At December 31, 2012, the organization had \$76,500 recorded as restricted cash. The organization does not have any restricted cash as of December 31, 2011.

Equipment, Vehicles and Depreciation – Leasehold improvements, equipment and vehicles are stated at cost, except for donated items which are stated at fair market value at the time of donation. Leasehold improvements, equipment and vehicle purchases are capitalized if the estimated useful service life of the asset is greater than one year and the cost is greater than \$1,000. Depreciation is calculated using the straight-line method over their estimated useful lives, generally three to five years. Depreciation expense for the years ended December 31, 2012 and 2011 is \$36,577 and \$16,200, respectively. During 2012 and 2011, there were capital additions to vehicles totaling \$92,274 and \$0, respectively property and equipment totaling \$32,500 and \$26,870, respectively, and leasehold improvement totaling \$19,142 and \$39,428, respectively.

Income Tax Status – The Organization is a non-profit corporation exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Under IRC Section 170(b)(1), the Organization is classified as a public charity and thus, donations to the Organization qualify for the maximum allowable charitable deduction.

The Organization has evaluated its tax position and feels they are “more likely than not” to be sustained upon examination by a taxing authority.

Austin Pets Alive!
Notes to the Financial Statements – continued

Note 1 – Summary of Significant Accounting Policies (continued)

Revenues and Support – Revenue consists of individual and corporate donations, pet adoption fees and grants.

The Organization records contributions as unrestricted, temporarily restricted, and permanently restricted depending on the existence or nature of donor restrictions. Service revenue and other income includes Medical Services provided of \$14,562 in 2012 and \$25,116 in 2011, retail sales of \$15,183 in 2012 and \$32,876 in 2011, American Pets Alive conference income of \$4,950 in 2012 and \$4,200 in 2011, licensing revenues under Austin Pets Alive!’s agreement with the City of Austin of \$120,000 in 2012 and \$15,000 in 2011, and other income of \$1,700 in 2012 and \$1,152 in 2011.

Contributions of non-cash assets are recorded at their fair values in the period received. The organization received non-cash assets which included donated animal food, printing costs, gift cards and janitorial supplies aggregating \$58,793 in 2012 and \$32,800 in 2011.

Donated services are recognized as in-kind revenues at their estimated fair value when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated. For the years ended December 31, 2012 and 2011, donated professional services, which consisted of veterinary services, were \$10,400 and \$20,000, respectively. These amounts are reflected in the statements of activity as donated service revenues with equal included in medical program expense. The Organization also received donated services from a variety of unpaid volunteers assisting the Organization in its charitable programs. However, these donated services are not reflected in the financial statements because they do not meet the criteria for recognition.

Donated rent is recognized as in-kind revenues at its estimated fair value provided by the landlord. For the years ended December 31, 2012 and 2011, donated rent, which consisted of space at the Tarrytown Center, was \$31,000 and \$18,081, respectively. See Note 3 for further details regarding the Tarrytown Center Lease.

Functional Expense Allocation – The cost of providing various programs have been summarized on a functional basis in the statement of activity. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Costs – Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2012 and 2011 amounted to \$18,435 and \$3,109, respectively.

Reclassification – We have reclassified certain amounts in prior-period financial statements to conform to the current period’s presentation.

Austin Pets Alive!
Notes to the Financial Statements – continued

Note 2 – Related party transactions

The executive director received \$69,038 and \$64,019 in salary reported in management and general expenses during the years ended December 31, 2012 and 2011, respectively.

During 2012 and 2011, the organization paid \$12,627 and \$9,172, respectively to a company owned by a board member for the purchase of t-shirts.

During 2012, the Organization assisted San Antonio Pets Alive (“SAPA”) in setting up its organization to handle the contract between the City of San Antonio and SAPA to rescue 4,000 animals over the course of 2012. SAPA and the organization share a common executive director.

The organization received \$200,000 which was used to reimburse program costs incurred in assisting SAPA. The amount received has been netted against program expenses.

During 2012, the organization also received a \$300,000 grant from a non-profit organization as funding to set up SAPA to handle the City of San Antonio contract. These funds were not recorded as revenue to the organization and were transferred to SAPA within days of receipt.

Note 3 – Leases

The Organization entered into a lease agreement from August 1, 2010 to July 31, 2011 for buildings at 2807 Manchaca Road (“Manchaca”). On August 1, 2011 an amendment to the lease agreement was signed extending the lease term through March 31, 2012. During the year ended December 31, 2011, the Organization paid \$45,500 under the terms of this lease agreement of which \$42,000 was included in program services and \$3,500 was recorded as prepaid rent. During the year ended December 31, 2012, the Organization paid \$17,500 under the terms of this lease agreement. During 2010, the Organization paid to the landlord \$2,000 as a security deposit. During May 2012, the Organization’s right to the Manchaca rental space was terminated. The Organization agreed to forfeit its deposit as compensation to the landlord for expenses incurred in connection with clean-up activities.

During May 2011, the Organization received 1,126 square feet of donated space for a period of one year at Tarrytown Center for the primary use of the adoption of homeless cats and kittens. In June 2012, this lease was extended until May 31, 2013. According to the landlord, this property has a monthly rental value of approximately \$2,583. For the years ended December 31, 2012 and 2011, the Organization recorded donated rent in the amounts of \$31,000 and \$18,081, respectively.

Austin Pets Alive!
Notes to the Financial Statements – continued

Note 4 – License Agreement with the City of Austin

On November 10, 2011 the Organization entered into a Temporary License Agreement (the “License Agreement”) with the City of Austin to operate the Town Lake Animal Center site (“TLAC”) for a “Primary Term” of one year with an option to extend for one six-month “Extension Term”. The terms of the License Agreement allow either party to terminate the License Agreement upon ninety (90) days written notice. If the Organization remains at TLAC after the license term, it will incur a \$1,500 per week license fee. On April 26, 2012, the City of Austin and Austin Pets Alive! entered into an Amended and Restated Temporary License Agreement which extended the term of the agreement until May 23, 2015.

The Organization receives dogs from Austin Animal Services (“AAS”) and is required to maintain a minimum average inventory of 30 dogs and not to exceed a maximum average inventory of 60 dogs and 50 cats. During the Primary Term, the City of Austin pays for all utility charges for TLAC and pays \$12,000 per month to the Organization for operating expenses. After November 10, 2012, the City and the Organization share equally the utility charges and the Organization no longer receives \$12,000 per month for operating expenses. During December 31, 2012 and 2011, the organization recorded \$120,000 and \$15,000 from the City of Austin under this agreement in service revenue and other income. As of December 31, 2011, accounts receivable includes the \$15,000 of payments received in 2012 under the agreement.

Note 5 – Temporarily Restricted Net Assets

The Organization had the following temporarily restricted activity during the year ended December 31, 2012:

	Beginning balance	Donations received	Released from restrictions	Ending balance
Medical care & equipment	\$ -	\$ 158,897	\$ 110,397	\$ 48,500
PASS	-	13,642	13,642	-
SAPA	-	125	125	-
American Pets Alive!	-	15,103	12,103	3,000
Behavioral training	-	122,975	97,975	25,000
Vehicle expense	-	40,000	40,000	-
TLAC Operations	-	25,000	25,000	-
Outreach Coordinator	-	25,162	25,162	-
Other	-	9,165	9,165	-
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Totals	\$ -	\$ 410,069	\$ 333,569	\$ 76,500

Austin Pets Alive!
Notes to the Financial Statements – continued

Note 5 – Temporarily Restricted Net Assets (continued)

The Organization had the following temporarily restricted activity during the year ended December 31, 2011:

	Beginning balance	Donations received	Released from restrictions	Ending balance
Salaries	\$ -	\$ 14,879	\$ (14,879)	\$ -
Medical Care	8,975	53,000	(61,975)	-
Housing	22,204	27,721	(49,925)	-
PASS	11,324	379	(11,703)	-
Office and Operating Exp	-	32,252	(32,252)	-
Specialty wards	-	10,546	(10,546)	-
Behavioral training	-	46,274	(46,274)	-
Dog park	-	2,950	(2,950)	-
Events	-	10,000	(10,000)	-
Other	11,197	-	(11,197)	-
	<u>\$ 53,700</u>	<u>\$ 198,001</u>	<u>\$ (251,701)</u>	<u>\$ -</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Note 6 – Vehicle Loans

In May 2012, the Organization purchased three (3) vehicles to use to transport dogs and cats to and from adoption sites at a cost of \$28,974 each. An installment sales contract was executed in connection with the purchase of each vehicle. Terms of the installment sales contracts were identical and included 100% financing, a six (6) year term, an annual interest rate of 5.99% and monthly payments of principal and interest aggregating \$480. One of the loans was paid off in July 2012. An early principal payment of \$11,040 was made in July 2012 on a second loan. The aggregate principal amount owed on the installment sales contracts as of December 31, 2012 is \$42,732. The following is a schedule of future payments under the sales contracts for the years ending December 31:

2013	\$ 11,520
2014	11,520
2015	10,946
2016	5,760
2017	5,760
2018	2,515

Austin Pets Alive!
Notes to the Financial Statements – continued

Note 7 – Subsequent Events

In August 2013, the Organization received an extension of the lease at Tarrytown Center for the primary use of adoption of homeless cats and kittens until May 31, 2014.

During October 2013, the Organization received an additional 2,837 square feet of donated space for a period of sixty months at Tarrytown Center for the primary use of the adoption of homeless dogs and cats. According to the landlord, this property has a monthly rental value of approximately \$6,000