

Gabriel's Angels, Inc.

**Financial Statements
With Independent Auditor's Report**

For the Year Ended April 30, 2018

**With Summarized Comparative Information
For the Year Ended April 30, 2017**

Gabriel's Angels, Inc.
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April 30, 2018 and 2017

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Independent Auditor's Report

The Board of Directors
Gabriel's Angels, Inc.
Phoenix, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of Gabriel's Angels, Inc. (a nonprofit organization), which comprise the statement of financial position as of April 30, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 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 Gabriel's Angels, Inc. as of April 30, 2018 and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The financial statements of Gabriel's Angels, Inc. as of April 30, 2017 were audited by predecessor auditors whose report dated September 15, 2017 expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Yinsola + Butler, CPA, PLLC

Tempe, Arizona
September 10, 2018

Gabriel's Angels, Inc.
Statement of Financial Position
April 30, 2018
(With Summarized Comparative Totals as of April 30, 2017)

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ 182,967	\$ 109,819
Endowment cash	6,010	6,010
Contributions and pledges receivable	286,351	308,316
Other receivables	6,382	10,000
Product inventory	88	284
Prepaid expenses and deposits	37,427	24,517
Cash surrender value, life insurance	211,487	186,074
Property and equipment, net	2,353	4,305
Total assets	<u>733,065</u>	<u>649,325</u>
Liabilities and Net Assets		
Accounts payable	156	2,256
Accrued payroll and related expenses	50,985	56,907
Deferred rent	10,256	13,629
Deferred revenue	19,175	13,618
Total liabilities	<u>80,572</u>	<u>86,410</u>
Net Assets		
Unrestricted		
Undesignated	297,545	326,046
Board designated for replacement reserves	26,509	20,000
Total unrestricted	<u>324,054</u>	<u>346,046</u>
Temporarily restricted	322,429	210,859
Permanently restricted	6,010	6,010
Total net assets	<u>652,493</u>	<u>562,915</u>
Total liabilities and net assets	<u>\$ 733,065</u>	<u>\$ 649,325</u>

See Accompanying Notes to Financial Statements.

Statement of Activities
For the Year Ended April 30, 2018
(With Summarized Comparative Totals for the Year Ended April 30, 2017)

	Total			
	Unrestricted	Temporarily Restricted	Permanently Restricted	2017
Revenues and other support				
Contributions	\$ 224,665	\$ 176,600	\$ -	\$ 335,174
Grants	222,000	50,800	-	265,250
In-kind contributions	1,637	-	1,637	1,207
Interest income	1,666	-	-	399
Increase in cash surrender value of life insurance policy	25,413	-	25,413	20,010
	<u>475,381</u>	<u>227,400</u>	<u>-</u>	<u>622,040</u>
Special events	701,451	-	701,451	734,185
Direct cost benefit of special events	<u>(308,012)</u>	<u>-</u>	<u>(308,012)</u>	<u>(265,807)</u>
	<u>393,439</u>	<u>-</u>	<u>393,439</u>	<u>468,378</u>
Charm sales	345	-	-	22
Book sales	94	-	-	40
	<u>439</u>	<u>-</u>	<u>439</u>	<u>62</u>
	<u>869,259</u>	<u>227,400</u>	<u>-</u>	<u>1,096,659</u>
Net assets released from restrictions	213,287	<u>(213,287)</u>	-	-
Total revenues and other support	<u>1,082,546</u>	<u>14,113</u>	<u>-</u>	<u>1,096,659</u>
Expenses				
Program Services	820,378	-	820,378	785,039
Support services				
Fundraising and Development	79,807	-	-	105,116
Management and General	106,896	-	-	80,634
Total expenses	<u>1,007,081</u>	<u>-</u>	<u>1,007,081</u>	<u>970,789</u>
Change in Net Assets	75,465	14,113	-	119,691
Net Assets, Beginning of Year	248,589	308,316	6,010	443,224
Net Assets, End of Year	<u>\$ 324,054</u>	<u>\$ 322,429</u>	<u>\$ 6,010</u>	<u>\$ 562,915</u>

See Accompanying Notes to Financial Statements.

**Statement of Functional Expenses
For the Year Ended April 30, 2018
(With Summarized Comparative Totals for the Year Ended April 30, 2017)**

	Management			Totals	
	Programs	and General	Fundraising	2018	2017
Salaries	\$ 587,776	\$ 47,292	\$ 40,536	\$ 675,604	\$ 641,038
Payroll benefits and taxes	73,593	6,622	5,075	85,290	83,513
	661,369	53,914	45,611	760,894	724,551
Program promotion and community outreach	38,421	-	-	38,421	32,947
Uniforms and apparel	-	-	2,642	2,642	1,861
Program supplies	9,940	-	-	9,940	9,278
Dues and subscriptions	6,818	470	549	7,837	11,977
Professional and consulting fees	17,765	5,922	15,791	39,478	56,438
Facilities and equipment rents and utilities	33,049	24,037	3,005	60,091	55,355
Repairs and maintenance	-	4,249	-	4,249	4,486
Equipment	2,800	264	230	3,294	1,226
Telephone and internet	11,759	1,547	2,166	15,472	15,019
Insurance	14,415	8,409	1,201	24,025	24,228
Postage	5,126	298	536	5,960	5,553
Printing and reproduction	9,705	564	1,016	11,285	7,391
Supplies	5,759	542	474	6,775	4,983
Bank charges/credit card fees	-	6,582	6,547	13,129	12,337
In-kind expenses	1,637	-	-	1,637	1,207
Depreciation and amortization	1,815	98	39	1,952	1,952
Total Expenses	\$ 820,378	\$ 106,896	\$ 79,807	\$ 1,007,081	\$ 970,789

See Accompanying Notes to Financial Statements.

Gabriel's Angels, Inc.
Statement of Cash Flows
For the Year Ended April 30, 2018
(With Summarized Comparative Totals for the Year Ended April 30, 2017)

	<u>2018</u>	<u>2017</u>
Operating Activities		
Change in net assets	\$ 89,578	\$ 119,691
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	1,952	1,952
Change in discount and pledges	-	6,328
Write off of uncollectible pledges	19,070	35,636
Change in cash surrender value of life insurance	(25,413)	(20,010)
Changes in operating assets and liabilities		
(Increase) decrease in		
Grants and events receivable	3,618	(5,417)
Contributions and pledges receivable	2,895	(172,937)
Product inventory	196	-
Prepaid expenses and deposits	(12,910)	11,990
Increase (decrease) in		
Accounts payable	(2,100)	(1,491)
Accrued payroll and related expenses	(5,922)	22,426
Deferred rent	(3,373)	(1,879)
Deferred revenue	5,557	(62,406)
Total adjustments	<u>(16,430)</u>	<u>(185,808)</u>
Net Cash provided (used) for Investing Activities	73,148	(66,117)
Net Change in Cash and Cash Equivalents	73,148	(66,117)
Cash and Cash Equivalents, Beginning of Year	<u>115,829</u>	<u>181,946</u>
Cash and Cash Equivalents, End of year	<u>\$ 188,977</u>	<u>\$ 115,829</u>

See Accompanying Notes to Financial Statements.

Gabriel's Angels, Inc.
Notes to Financial Statements
For the Year Ended April 30, 2018
(With Summarized Comparative Totals for the Year Ended April 30, 2017)

Note 1 - Principal Business Activity and Significant Accounting Policies

Organization

Gabriel's Angels, Inc. (the Organization) was incorporated under the laws of the State of Arizona in May 2000. The Organization is a not-for-profit organization dedicated to providing healing pet therapy and animal assisted activities to abused, neglected and at-risk children, nurturing their ability to love and trust, and thereby freeing them from the cycle of violence. The Organization provides services at various shelters and other sites throughout Phoenix and southern Arizona.

The Organization funds its programs and operations through grants, contributions and fundraising activities.

Accounting Framework

The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations as described in the American Institute of Certified Public Accountants' *Audit and Accounting Guide for Not-for-Profit Organizations* and standards promulgated by the American Institute of Certified Public Accountants for not-for-profit organizations in accordance with FASB ASC 958 in conformity with United States of America generally accepted accounting principles. Accordingly, the financial statements are prepared on the accrual basis of accounting. Under this method of accounting, revenue and expenses are identified with specific periods of time and are recorded as earned and incurred, respectively, without regard to the date of receipt or payment. The Organization's activities are reported according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization, at times, maintains cash at financial institutions in excess of the \$250,000 per bank limit insured by the Federal Deposit Insurance Corporation (FDIC). The Organization manages this risk by maintaining funds in high level financial organizations and management believes it is not exposed to significant credit risk in its cash accounts.

Contributions

Contribution revenue is recognized when the Organization is notified of the existence of a pledge or receives a contribution. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as released from restrictions.

Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as pledges receivable at net realizable value. Unconditional promises to give that are expected to be collected in periods greater than one year are recorded at the net present value of expected cash flows. The Organization provides an allowance for estimated uncollectible pledges.

Gabriel's Angels, Inc.
Notes to Financial Statements
For the Year Ended April 30, 2018
(With Summarized Comparative Totals for the Year Ended April 30, 2017)

Pledges receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on pledges receivable using the allowance method. The allowance is based on experience, knowledge of the donors and the industry and other circumstances which may affect the ability of donors to meet their obligations. It is the Organization's policy to charge off uncollectible pledges when management determines the receivable will not be collected. An allowance for doubtful pledges of approximately \$20,000 is recorded as a reduction of pledges receivable at April 30, 2018 and 2017. The Organization wrote off uncollectible pledges of approximately \$19,070 and \$35,636 during the years ended April 30, 2018 and 2017, respectively.

Product Inventory

Inventory is valued at the lower of cost (first-in, first out method) or market. Charm inventory consists of keepsake charms customized for the Organization. Book inventory consists of a book written by the founder of Gabriel's Angels telling the story of the Organization and of Gabriel, the dog who inspired the Organization and other inspirational books. Other products include various items promoting Gabriel's Angels and its programs. Inventory may be used for marketing purposes as well as for sales.

Donated Assets and Services

Donated assets, services and other non-cash donations are recorded as contributions at their estimated values at the date of donation. Donated services and time are recognized as contributions if the services create or enhance non-financial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization pays for most services requiring specific expertise. However, if such services are donated and the value is ascertainable, the fair market value is reflected in the financial statements as revenue and expense.

For the years ended April 30, 2018 and 2017, the Organization recognized donated materials of \$1,637 and \$1,207, respectively. For the years ended April 30, 2018 and 2017, \$64,461 and \$62,462, respectively, of donated materials and services directly related to special events are included in special events revenues and direct costs.

In addition, the Organization received numerous hours of donated services by volunteers dedicated to the Organization's programs. The Organization's registered pet therapy teams donate all services, as is required to maintain their therapy team registration status. The Organization has 185 and 180 pet therapy teams, respectively, and 47 Helping Hands who donated approximately 12,635 and 12,500 hours of service for the years ended April 30, 2018 and 2017, respectively. The monetary value of volunteer hours for these teams would be valued at \$24.69 and \$24.14 per hour, respectively, as published in the *2017 and 2016 Economic Reports of the President by the Independent Sector*. The estimated value of the donated services provided by the pet therapy teams is approximately \$311,958 and \$301,750 for 2018 and 2017, respectively. Volunteers also provide other donated time to the Organization for educational and program support; marketing and public relations; and fundraising events. The fair value of these donated services is not recognized in the statement of activities since they do not meet the criteria for recognition under generally accepted accounting principles.

Gabriel's Angels, Inc.
Notes to Financial Statements
For the Year Ended April 30, 2018
(With Summarized Comparative Totals for the Year Ended April 30, 2017)

Deferred revenue

Deferred revenue consists of grants, sponsorships, and advance ticket sales for events that will be used in the subsequent year. These deferred funds will be returned to the donor if not used for the specified purpose. However, the Organization plans on using all deferred funding at April 30, 2018 and 2017 in the subsequent fiscal year.

Property and Equipment

All acquisitions of property and equipment in excess of \$500 and a useful life of more than one year are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation and amortization is provided on the straight-line method over the estimated useful lives of the respective assets. The Organization reviews its valuation of property and equipment whenever events indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recorded when the sum of the future cash flows is less than the carrying amount of the asset. An impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value. No impairment losses were recorded in 2018 and 2017.

Functional Expense Allocations

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and Functional Expenses. Directly identifiable expenses are charged to programs and supporting services. Certain costs have been allocated among the programs and support services benefited based on management's estimate of employee hours devoted to each function.

Estimates

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

Income Tax Status

Gabriel's Angels, Inc. is a not-for-profit organization exempt from federal and state income taxes under the provisions of the Internal Revenue Code Section 501 (c)(3). Income determined to be unrelated business taxable income may be taxable to the Organization. The Organization did not report any unrelated business taxable income for 2018 and 2017. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b) (1)(A)(II) and is classified as an organization other than a private foundation under Section 509(a)(2). At April 30, 2018 and 2017, there were no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

Endowments

The Organization's endowment consists of one fund established under donor restrictions or as designated by the Board of Directors to hold both donor endowments and board designated endowments. As required by generally accepted accounting principles, net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions or board designated endowments.

Gabriel's Angels, Inc.
Notes to Financial Statements
For the Year Ended April 30, 2018
(With Summarized Comparative Totals for the Year Ended April 30, 2017)

The State of Arizona adopted the Uniform Prudent Management of Institutional Funds Act (the Act). The Board of Directors of the Organization has interpreted the Act as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets the original value of the gifts donated to permanent endowments; the original value of subsequent gifts to permanent endowments; and accumulations to permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by the Act and the policies established by the Board of Directors.

In accordance with the Act, the Organization considers the following factors in making a determination to appropriate or accumulate endowment funds: (a) duration and preservation of the fund; (b) purpose of the organization and the donor-restricted endowment funds; (c) general economic conditions; (d) possible effects of inflation and deflation; (e) expected total return from income and the appreciation of investments; (f) other resources of the organization; and (g) the investment policies of the Organization.

Subsequent Events

Subsequent events have been evaluated through September 10, 2018 which was the date the Organization's financial statements were available to be issued.

Note 2 - Contributions and Pledges Receivable

Unconditional promises to give are recorded as contributions and pledges receivable and revenue is recognized when the promise is made by the donor. Pledges are discounted to the anticipated net present value of the future cash flows.

Pledges receivable are summarized as follows at April 30:

	<u>2018</u>	<u>2017</u>
Receivables in less than one year	\$ 127,926	\$ 97,457
Receivables in one to five years	189,383	241,817
	<u>317,309</u>	<u>339,274</u>
Discount to net present value at 2.0%	(10,958)	(10,958)
Allowance for uncollectible pledges	<u>(20,000)</u>	<u>(20,000)</u>
Total	<u>\$ 286,351</u>	<u>\$ 308,316</u>

Gabriel's Angels, Inc.
Notes to Financial Statements
For the Year Ended April 30, 2018
(With Summarized Comparative Totals for the Year Ended April 30, 2017)

Note 3 - Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following at April 30:

	<u>2018</u>	<u>2017</u>
Implied time restriction on net contributions and pledges receivable	\$ 286,351	\$ 308,316
Purpose restricted - ABC program	36,078	-
	<u>\$ 322,429</u>	<u>\$ 308,316</u>

Temporarily restricted net assets released from restrictions consisted of the following:

	<u>2018</u>	<u>2017</u>
Implied time restriction on net contributions and pledges receivable	\$ 198,565	\$ 225,475
Program expenses	14,722	60,000
	<u>\$ 213,287</u>	<u>\$ 285,475</u>

Note 4 - Permanently Restricted Net Assets

At April 30, 2018 and 2017, permanently restricted net assets consisted of an endowment fund totaling \$6,010. The investment earnings on the endowment are temporarily restricted until appropriated by the Board of Directors. No amounts remain unappropriated at fiscal year-end 2018 and 2017.

Note 5 - Property and Equipment

Property and equipment consisted of the following at April 30:

	<u>2018</u>	<u>2017</u>
Equipment and computers	\$ 21,966	\$ 21,966
Software	8,899	8,899
Furniture	6,997	6,997
	<u>37,862</u>	<u>37,862</u>
Accumulated depreciation and amortization	<u>(35,509)</u>	<u>(33,557)</u>
	<u>\$ 2,353</u>	<u>\$ 4,305</u>

Gabriel's Angels, Inc.
Notes to Financial Statements
For the Year Ended April 30, 2018
(With Summarized Comparative Totals for the Year Ended April 30, 2017)

Note 6 - Endowments

Fund Deficiencies

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or the Uniform Prudent Management of Institutional Funds Act (the Act) requires the Organization to retain as a fund of perpetual duration.

Return Objectives and Risk Parameters

The Organization has not formally adopted investment policies for endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as Board designated funds.

Investment Strategies

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns may be achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization has currently invested its endowment fund in a money market fund to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

The Organization has no formally adopted spending policy. Accumulated earnings on the endowment are released from temporarily restricted net assets when appropriated by the Board of Directors.

Net assets in the endowment fund consist of the following at April 30, 2018 and 2017:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment funds	<u>\$ -</u>	<u>\$ 6,010</u>	<u>\$ 6,010</u>

Note 7 - Operating Leases

The Organization leases office space under a noncancelable operating lease expiring May 2021. The Organization recognized approximately \$3,373 and \$1,880 of deferred rent for the years ended April 30, 2018 and 2017, respectively. Deferred rent reflects the increase in annual lease rates over time and periodic periods of rent free occupancy. The total rental expense under the office lease, including deferred rent, was approximately \$54,926 and \$51,545 for the years ended April 30, 2018 and 2017, respectively. Future minimum payments for the office space lease are as follows for the fiscal years ending: 2019 - \$43,604; 2020 - \$53,820; 2021 - \$55,315; and 2022 - \$4,610.

The Organization entered into a new sixty-month copier lease beginning in August 2017 at a monthly lease amount of approximately \$170. Future minimum payments for the copier lease are as follows for the fiscal years ending: 2019 - \$2,026; 2020 - \$2,026; 2021 - \$2,026; 2022 - \$2,026 and 2023 - \$506.

Gabriel's Angels, Inc.
Notes to Financial Statements
For the Year Ended April 30, 2018
(With Summarized Comparative Totals for the Year Ended April 30, 2017)

Note 8 - Fair Value of Financial Instruments

The following methods and assumptions were used by the Organization in estimating the fair value of its financial instruments:

Cash and cash equivalents - The carrying amount reported in the statement for financial position for cash and cash equivalents approximates its fair value.

Accounts payable and accrued expenses - The carrying amount reported in the statement for financial position for accounts payable and accrued expenses approximates its fair value.

Note 9 - Prior Year Restatement

Management evaluated certain pledge receivable accounts and determined that an error was made in the prior year for amounts that should have been reflected as temporarily restricted at year-end. As a result, beginning net assets have been reclassified between unrestricted and temporarily restricted, as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets as previously reported, April 30, 2017	\$ 346,046	\$ 210,859	\$ 6,010	\$562,915
Reclassification of pledges receivable	(97,457)	97,457	-	-
Net assets, beginning of year, as restated	<u>\$ 248,589</u>	<u>\$ 308,316</u>	<u>\$ 6,010</u>	<u>\$562,915</u>