

**UNITED ANIMAL NATIONS
(dba REDROVER)**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED
DECEMBER 31, 2016 AND 2015**

INDEPENDENT AUDITOR'S REPORT

Board of Directors
United Animal Nations (dba RedRover)
Sacramento, California

We have audited the accompanying financial statements of United Animal Nations (dba RedRover), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years 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 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.

Board of Directors
United Animal Nations (dba RedRover)
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Animal Nations (dba RedRover) as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Gilbert Associates, Inc." The signature is written in black ink and is positioned above the printed name of the firm.

GILBERT ASSOCIATES, INC.
Sacramento, California

May 15, 2017

UNITED ANIMAL NATIONS (dba REDROVER)

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,221,662	\$ 1,072,495
Accounts receivable	16,116	14,203
Bequest receivable	7,500	50,000
Foundation grants receivable		20,000
Prepaid expenses and other assets	<u>57,507</u>	<u>57,288</u>
Total current assets	1,302,785	1,213,986
INVESTMENTS	4,787,381	5,246,455
PROPERTY AND EQUIPMENT, Net	<u>17,125</u>	<u>26,470</u>
TOTAL ASSETS	<u>\$ 6,107,291</u>	<u>\$ 6,486,911</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 27,040	\$ 23,084
Accrued expenses and other liabilities	<u>74,468</u>	<u>48,275</u>
Total liabilities	<u>101,508</u>	<u>71,359</u>
NET ASSETS:		
Unrestricted	5,836,164	6,090,652
Temporarily restricted	<u>169,619</u>	<u>324,900</u>
Total net assets	<u>6,005,783</u>	<u>6,415,552</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,107,291</u>	<u>\$ 6,486,911</u>

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

UNITED ANIMAL NATIONS (dba REDROVER)

STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
UNRESTRICTED NET ASSETS:		
REVENUES:		
Contributions	\$ 1,365,068	\$ 1,275,141
Bequests	353,753	1,668,614
Interest and investment income	223,256	22,462
Program services	15,776	20,550
Other income	12,828	18,980
Net assets released from restrictions	<u>155,281</u>	<u>43,000</u>
Total revenues	<u>2,125,962</u>	<u>3,048,747</u>
EXPENSES:		
Program services:		
RedRover Relief	792,278	643,225
RedRover Responders	476,914	512,154
RedRover Readers	318,650	333,573
Advocacy, public education and outreach	<u>285,010</u>	<u>249,868</u>
Total program services	1,872,852	1,738,820
Supporting services:		
Management and general	278,530	240,887
Fundraising	<u>229,068</u>	<u>199,673</u>
Total expenses	<u>2,380,450</u>	<u>2,179,380</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>(254,488)</u>	<u>869,367</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions		304,900
Net assets released from restrictions	<u>(155,281)</u>	<u>(43,000)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>(155,281)</u>	<u>261,900</u>
INCREASE (DECREASE) IN NET ASSETS	(409,769)	1,131,267
NET ASSETS, Beginning of Year	<u>6,415,552</u>	<u>5,284,285</u>
NET ASSETS, End of Year	<u>\$ 6,005,783</u>	<u>\$ 6,415,552</u>

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

UNITED ANIMAL NATIONS (dba REDROVER)

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016**

	<u>Program Services</u>				<u>Supporting Services</u>		<u>Total</u>
	<u>RedRover Relief</u>	<u>RedRover Responders</u>	<u>RedRover Readers</u>	<u>Advocacy, Public Education & Outreach</u>	<u>Mgmt & General</u>	<u>Fundraising</u>	
Salaries and benefits	\$ 245,447	\$ 212,535	\$ 167,847	\$ 121,492	\$ 132,056	\$ 17,765	\$ 897,142
Grants and aid	387,551						387,551
Printing	53,148	68,017	26,882	36,347	473	94,627	279,494
Postage and mailing services	29,678	41,672	14,458	85,362	2,644	73,413	247,227
Professional services	8,227	9,084	55,837	7,455	61,728	34,082	176,413
Transportation	6,993	74,416	7,715	1,041	4,803	126	95,094
Taxes and fees	6,040	5,908	3,700	3,453	53,515	120	72,736
Computer services	19,865	15,680	9,675	7,152	3,654	3,230	59,256
Occupancy	15,077	13,677	10,057	7,375	8,394	1,075	55,655
Disaster relief		14,196	3,056	129	500	82	17,963
Conferences and training	3,404	3,773	4,244	1,803	2,319	609	16,152
Media and communications	1,961	2,206	5,640	4,613		532	14,952
Depreciation	3,373	2,832	2,231	1,540	1,898	271	12,145
Insurance	2,920	3,421	1,887	1,287	1,764	200	11,479
Telephone	1,584	4,891	1,541	744	859	111	9,730
Equipment rental and maintenance	2,695	2,199	1,815	1,315	1,487	199	9,710
Supplies	1,270	1,643	887	642	1,189	143	5,774
Other expenses	3,045	764	1,178	3,260	1,247	2,483	11,977
Total	\$ 792,278	\$ 476,914	\$ 318,650	\$ 285,010	\$ 278,530	\$ 229,068	\$ 2,380,450

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

UNITED ANIMAL NATIONS (dba REDROVER)

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015**

	<u>Program Services</u>				<u>Supporting Services</u>			<u>Total</u>
	<u>RedRover Relief</u>	<u>RedRover Responders</u>	<u>RedRover Readers</u>	<u>Advocacy, Public Education & Outreach</u>	<u>Mgmt & General</u>	<u>Fundraising</u>		
Salaries and benefits	\$ 224,972	\$ 222,901	\$ 164,469	\$ 103,515	\$ 148,821	\$ 18,002	\$ 882,680	
Grants and aid	274,353	1,000					275,353	
Printing	40,712	63,579	23,142	34,363	1,016	94,513	257,325	
Postage and mailing services	20,929	31,367	11,070	72,313	1,203	55,972	192,854	
Professional services	2,669	2,020	63,293	919	22,588	7,710	99,199	
Transportation	8,904	75,880	9,809	1,779	4,132		100,504	
Taxes and fees	6,009	5,674	3,732	2,955	38,811	1,301	58,482	
Computer services	30,973	31,732	18,809	17,509	2,638	17,228	118,889	
Occupancy	13,673	13,507	8,560	5,942	8,560	873	51,115	
Disaster relief	395	17,295	8,202	213	161	27	26,293	
Conferences and training	5,269	6,669	6,454	2,615	3,879	1,108	25,994	
Media and communications	1,027	24,434	5,389	1,409			32,259	
Depreciation	2,637	2,311	1,638	1,186	1,758	103	9,633	
Insurance	2,324	2,715	1,494	1,232	1,619	97	9,481	
Telephone	1,878	5,343	1,646	822	1,161	123	10,973	
Equipment rental and maintenance	2,761	2,469	1,870	1,211	1,738	169	10,218	
Supplies	3,509	3,091	2,344	1,385	2,100	362	12,791	
Other expenses	231	167	1,652	500	702	2,085	5,337	
Total	<u>\$ 643,225</u>	<u>\$ 512,154</u>	<u>\$ 333,573</u>	<u>\$ 249,868</u>	<u>\$ 240,887</u>	<u>\$ 199,673</u>	<u>\$ 2,179,380</u>	

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

UNITED ANIMAL NATIONS (dba REDROVER)

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (409,769)	\$ 1,131,267
Reconciliation to net cash provided (used) by operating activities:		
Net realized and unrealized loss (gain) on investments	(130,503)	53,543
Donated investments	(36,893)	(3,648)
Depreciation	12,145	9,633
Changes in:		
Accounts receivable	(1,913)	10,269
Bequests receivable	42,500	(50,000)
Foundation grants receivable	20,000	20,000
Prepaid expenses and other assets	(219)	18,673
Accounts payable	3,956	15,845
Accrued expenses and other liabilities	26,193	13,009
Net cash provided (used) by operating activities	<u>(474,503)</u>	<u>1,218,591</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(3,800,555)	(6,330,858)
Proceeds from sale and maturities of investments	4,427,025	5,218,987
Purchases of equipment and furniture	<u>(2,800)</u>	<u>(6,582)</u>
Net cash provided (used) by investing activities	<u>623,670</u>	<u>(1,118,453)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	149,167	100,138
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>1,072,495</u>	<u>972,357</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 1,221,662</u>	<u>\$ 1,072,495</u>

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

UNITED ANIMAL NATIONS (dba REDROVER)

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Founded in 1987, United Animal Nations (dba RedRover) brings animals from crisis to care and strengthens the bond between people and animals through the following programs:

RedRover Relief – As one of the only animal emergency programs of its kind, RedRover Relief provides guidance, case management and financial assistance to Good Samaritans, animal rescuers and pet owners to help them obtain emergency veterinary care for animals in life-threatening situations. RedRover Relief case managers also partner with domestic violence shelters to help victims safely escape abusive environments without having to leave their pets behind.

RedRover Responders – As part of its vast, trained volunteer network, RedRover Responders volunteers shelter and care for animals displaced by natural disasters, puppy mills, hoarding cases and other significant abuses. Volunteers provide daily care and comfort for the animals until they can be reunited with their families, placed in foster care or adopted into new homes.

RedRover Readers – This unique community-based literacy program is aligned with academic content standards and helps children explore the bond between people and animals through stories and discussion. Teachers and educators trained in the RedRover Readers curriculum read to children and lead discussions – helping children increase their level of empathy for people and animals.

Advocacy, Public Education and Outreach – RedRover improves the welfare of animals by educating the public on important animal issues and collaborating with others to advance the interest of animals through the legal system.

Basis of presentation – The financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entities. RedRover reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. RedRover has no permanently restricted net assets.

Revenue recognition – Private foundation grants and contributions are recognized in full when received or unconditionally promised, in accordance with professional standards. Donated materials, equipment, and services are recorded as in-kind donations and recognized at their estimated fair value as of the date of donation or service. Contributed services that do not meet the criteria for recognition, including extensive volunteer hours contributed to the RedRover Responders and RedRover Readers programs, are not reflected in the financial statements. The fair market value of these volunteer hours is estimated to be \$132,831 and \$118,764 for 2016 and 2015, respectively.

UNITED ANIMAL NATIONS (dba REDROVER)

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

All grants and contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor-restricted amounts are reported as increases in temporarily or permanently restricted net assets. Temporarily restricted net assets become unrestricted, and are reported in the statements of activities as net assets released from restrictions, when the time restrictions expire or the contributions are used for the restricted purposes. Temporarily restricted grants and contributions whose restrictions are met in the same reporting period are shown as unrestricted support.

Bequests are recognized when estates are settled and the amounts can be reasonably estimated. Bequests on unsettled estates are considered conditional promises to give and therefore not recognized, because the amounts cannot be reasonably estimated and the dates of distribution are unknown.

Cash and cash equivalents – For financial statement purposes, RedRover considers all investments with an initial maturity of three months or less to be cash equivalents, unless held for long-term purposes.

RedRover minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. RedRover has not experienced any losses in such accounts and management believes RedRover is not exposed to any significant credit risk related to cash.

Property and equipment is stated at cost or, if donated, at fair market value as of the date of donation, and depreciated using the straight-line method over an estimated useful life of 3-7 years. RedRover's policy is to capitalize such items with a cost of \$500 or more.

Investments are stated at fair value and held for long-term purposes.

Functional allocation of expenses – The costs of providing the program and supporting services have been summarized on a functional basis in the statements of activities and of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services based on employees' time incurred and management's estimate of the usage of resources.

Income taxes – RedRover is publicly supported and exempt from income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, the financial statements do not reflect any provision for income taxes.

Use of 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.

UNITED ANIMAL NATIONS (dba REDROVER)

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

Fair value measurements – Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

- Level 1 Inputs Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2 Inputs Inputs other than quoted prices in active markets that are observable either directly or indirectly.
- Level 3 Inputs Unobservable inputs for the asset or liability.

Subsequent events have been evaluated through May 15, 2017, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2016 that requires recognition or disclosure in such financial statements.

Reclassifications – Certain 2015 amounts have been reclassified to conform to the 2016 financial statement presentation.

2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Equipment and furniture	\$ 75,591	\$ 72,791
Leasehold improvements	<u>19,962</u>	<u>19,962</u>
Total	95,553	92,753
Less accumulated depreciation	<u>(78,428)</u>	<u>(66,283)</u>
Property and equipment, net	<u>\$ 17,125</u>	<u>\$ 26,470</u>

UNITED ANIMAL NATIONS (dba REDROVER)

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

3. INVESTMENTS

Certificates of deposit, bonds and real estate investment trusts are classified within Level 2 of the fair value hierarchy because they are valued using observable inputs other than quoted market prices. Equity securities are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices with reasonable levels of price transparency.

Investments consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Certificates of deposit	\$ 1,442,379	\$ 2,421,245
Government and agency bonds:		
US Treasury	777,198	635,943
Home mortgage bonds	325,440	335,726
Corporate bonds	487,744	477,950
Equity securities:		
Information technology	456,816	362,390
Financial	388,889	325,590
Industrials	202,458	131,107
Consumer discretionary	170,648	175,601
Consumer staples	138,452	110,486
Energy	120,117	62,178
Health care	68,915	63,979
Utilities	52,961	56,045
Telecommunication services	51,371	52,763
Materials	50,692	35,435
Real estate	27,563	
Equity blend	23	17
Real estate investment trusts	<u>25,715</u>	<u> </u>
Total	<u>\$ 4,787,381</u>	<u>\$ 5,246,455</u>

Interest and investment income consist of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 92,753	\$ 76,005
Net realized and unrealized gains (losses)	<u>130,503</u>	<u>(53,543)</u>
Total	<u>\$ 223,256</u>	<u>\$ 22,462</u>

UNITED ANIMAL NATIONS (dba REDROVER)

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of unexpended funds from contributions, grants and bequests, restricted for use in the following programs:

	<u>2016</u>	<u>2015</u>
RedRover Relief	\$ 168,775	\$ 300,000
RedRover Readers	844	4,900
RedRover Responders	<u> </u>	<u>20,000</u>
Total	<u>\$ 169,619</u>	<u>\$ 324,900</u>

5. OBLIGATIONS

RedRover leases office space, equipment and services under non-cancelable operating leases expiring at various dates through October 2021. Total expenses under these obligations were \$65,365 in 2016 and \$61,333 in 2015. Future minimum payments are as follows:

	<u>Facilities</u>	<u>Equipment</u>	<u>Total</u>
2017	\$ 52,148	\$ 5,199	\$ 57,347
2018	49,088	2,505	51,592
2019		2,016	2,016
2020		2,016	2,016
2021		<u>1,680</u>	<u>1,680</u>
Total	<u>\$ 101,236</u>	<u>\$ 13,416</u>	<u>\$ 114,652</u>

6. RETIREMENT PLAN

RedRover sponsors a Simplified Employee Pension Plan (SEP) for its employees. Employees of age 18 or older are eligible to participate in the plan on the first of January following the calendar year in which the employee earns at least \$300. RedRover's contributions to this plan are at the discretion of the Board of Directors and totaled \$35,285 for 2016 and \$46,352 for 2015.

7. JOINT COSTS

RedRover incurred joint costs for mailings that included both educational messages and fundraising appeals. Joint costs were allocated as follows:

	<u>2016</u>	<u>2015</u>
Program services	\$ 315,962	\$ 218,477
Fundraising	<u>162,357</u>	<u>102,813</u>
Total	<u>\$ 478,319</u>	<u>\$ 321,290</u>