

**UNITED ANIMAL NATIONS
(dba REDROVER)**

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

**YEARS ENDED
DECEMBER 31, 2017 AND 2016**

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, 2017 and 2016, 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, 2017 and 2016, 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 black ink that reads "Gilbert Associates, Inc." in a cursive script.

GILBERT ASSOCIATES, INC.
Sacramento, California

May 17, 2018

UNITED ANIMAL NATIONS (dba REDROVER)

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 865,931	\$ 1,221,662
Accounts receivable	12,709	16,116
Grants and bequests receivable, current portion	20,000	7,500
Prepaid expenses and other assets	<u>61,723</u>	<u>57,507</u>
Total current assets	960,363	1,302,785
INVESTMENTS	5,740,753	4,787,381
GRANTS RECEIVABLE, Net	20,000	
PROPERTY AND EQUIPMENT, Net	<u>84,540</u>	<u>17,125</u>
TOTAL ASSETS	<u>\$ 6,805,656</u>	<u>\$ 6,107,291</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 37,024	\$ 27,040
Accrued expenses	81,054	74,468
Deferred revenue	<u>61,752</u>	<u> </u>
Total liabilities	<u>179,830</u>	<u>101,508</u>
NET ASSETS:		
Unrestricted	6,015,270	5,836,164
Temporarily restricted	<u>610,556</u>	<u>169,619</u>
Total net assets	<u>6,625,826</u>	<u>6,005,783</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,805,656</u>	<u>\$ 6,107,291</u>

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

UNITED ANIMAL NATIONS (dba REDROVER)

STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
UNRESTRICTED NET ASSETS:		
REVENUES:		
Contributions and grants	\$ 1,691,419	\$ 1,365,068
Interest and investment income	540,600	223,256
Bequests	363,682	353,753
Program services	21,979	15,776
Kind News, net of cost of goods sold of \$71,938	15,094	
Other income	14,271	12,828
Net assets released from restrictions	<u>152,312</u>	<u>155,281</u>
Total revenues	<u>2,799,357</u>	<u>2,125,962</u>
EXPENSES:		
Program services:		
RedRover Relief	791,029	792,278
RedRover Responders	491,852	476,914
Advocacy, public education and outreach	412,263	285,010
RedRover Readers	<u>391,965</u>	<u>318,650</u>
Total program services	2,087,109	1,872,852
Supporting services:		
Fundraising	267,069	229,068
Management and general	<u>266,073</u>	<u>278,530</u>
Total expenses	<u>2,620,251</u>	<u>2,380,450</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>179,106</u>	<u>(254,488)</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	593,249	
Net assets released from restrictions	<u>(152,312)</u>	<u>(155,281)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>440,937</u>	<u>(155,281)</u>
INCREASE (DECREASE) IN NET ASSETS	620,043	(409,769)
NET ASSETS, Beginning of year	<u>6,005,783</u>	<u>6,415,552</u>
NET ASSETS, End of year	<u>\$ 6,625,826</u>	<u>\$ 6,005,783</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, 2017**

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total</u>
	<u>RedRover Relief</u>	<u>RedRover Responders</u>	<u>Advocacy, Public Education & Outreach</u>	<u>RedRover Readers</u>	<u>Fundraising</u>	<u>Mgmt & General</u>	
Salaries and benefits	\$ 247,431	\$ 215,896	\$ 203,872	\$ 235,363	\$ 22,164	\$ 120,261	\$ 1,044,987
Grants and aid	413,924						413,924
Printing	47,393	113,665	42,400	31,556	127,826	1,625	364,465
Postage and mailing services	17,942	50,343	97,334	12,325	87,042	229	265,215
Professional services	5,534	5,029	12,958	34,351	18,309	54,646	130,827
Taxes and fees	7,680	7,484	4,779	8,970	88	63,606	92,607
Transportation	6,726	46,415	934	6,091	44	5,473	65,683
Occupancy	14,722	12,348	11,654	13,700	1,334	7,245	61,003
Computer services	9,006	8,374	5,691	21,343	1,753	2,994	49,161
Depreciation	7,397	5,570	6,214	7,003	639	3,624	30,447
Media and communications	2,372	1,984	16,953	3,416	1,498		26,223
Disaster relief	21	10,114	988	5,259	17	2	16,401
Insurance	2,852	3,354	1,698	2,595	307	1,195	12,001
Conferences and training	1,979	2,847	1,210	2,967	284	2,523	11,810
Equipment rental and maintenance	2,424	1,840	2,158	2,262	223	1,196	10,103
Telephone	1,428	3,938	1,474	1,927	131	638	9,536
Supplies	1,485	1,918	1,274	2,025	241	640	7,583
Other expenses	713	733	672	812	5,169	176	8,275
Total	<u>\$ 791,029</u>	<u>\$ 491,852</u>	<u>\$ 412,263</u>	<u>\$ 391,965</u>	<u>\$ 267,069</u>	<u>\$ 266,073</u>	<u>\$ 2,620,251</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>Advocacy, Public Education & Outreach</u>	<u>RedRover Readers</u>	<u>Fundraising</u>	<u>Mgmt & General</u>	
Salaries and benefits	\$ 245,447	\$ 212,535	\$ 121,492	\$ 167,847	\$ 17,765	\$ 132,056	\$ 897,142
Grants and aid	387,551						387,551
Printing	53,148	68,017	36,347	26,882	94,627	473	279,494
Postage and mailing services	29,678	41,672	85,362	14,458	73,413	2,644	247,227
Professional services	8,227	9,084	7,455	55,837	34,082	61,728	176,413
Taxes and fees	6,040	5,908	3,453	3,700	120	53,515	72,736
Transportation	6,993	74,416	1,041	7,715	126	4,803	95,094
Occupancy	15,077	13,677	7,375	10,057	1,075	8,394	55,655
Computer services	19,865	15,680	7,152	9,675	3,230	3,654	59,256
Depreciation	3,373	2,832	1,540	2,231	271	1,898	12,145
Media and communications	1,961	2,206	4,613	5,640	532		14,952
Disaster relief		14,196	129	3,056	82	500	17,963
Insurance	2,920	3,421	1,287	1,887	200	1,764	11,479
Conferences and training	3,404	3,773	1,803	4,244	609	2,319	16,152
Equipment rental and maintenance	2,695	2,199	1,315	1,815	199	1,487	9,710
Telephone	1,584	4,891	744	1,541	111	859	9,730
Supplies	1,270	1,643	642	887	143	1,189	5,774
Other expenses	3,045	764	3,260	1,178	2,483	1,247	11,977
Total	<u>\$ 792,278</u>	<u>\$ 476,914</u>	<u>\$ 285,010</u>	<u>\$ 318,650</u>	<u>\$ 229,068</u>	<u>\$ 278,530</u>	<u>\$ 2,380,450</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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 620,043	\$ (409,769)
Reconciliation to net cash provided (used) by operating activities:		
Net realized and unrealized gain on investments	(454,595)	(130,503)
Donated investments	(4,329)	(36,893)
Depreciation	30,447	12,145
Changes in:		
Accounts receivable	3,407	(1,913)
Grants and bequests receivable	(32,500)	62,500
Prepaid expenses and other assets	(4,216)	(219)
Accounts payable	9,984	3,956
Accrued expenses	6,586	26,193
Deferred revenue	61,752	
Net cash provided (used) by operating activities	<u>236,579</u>	<u>(474,503)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(4,903,993)	(3,800,555)
Proceeds from sale and maturities of investments	4,409,545	4,427,025
Purchases of equipment and furniture	(97,862)	(2,800)
Net cash provided (used) by investing activities	<u>(592,310)</u>	<u>623,670</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(355,731)	149,167
CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,221,662</u>	<u>1,072,495</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 865,931</u>	<u>\$ 1,221,662</u>

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

UNITED ANIMAL NATIONS (dba REDROVER)

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

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. In 2017, RedRover added to our humane education resource offering with the adoption of Kind News magazine – a children’s publication with engaging articles, illustrations, activities and games that help children explore the relationship between people and animals and develop the knowledge and skills necessary for empathy.

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 \$42,197 and \$132,831 for 2017 and 2016, respectively.

UNITED ANIMAL NATIONS (dba REDROVER)

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

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.

Kind News magazine revenue related to future issues are accounted for as deferred revenue upon receipt and recognized in the year the related issue is published.

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, 2017 AND 2016

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 17, 2018, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2017 that require recognition or disclosure in financial statements.

2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Equipment and furniture	\$ 163,602	\$ 75,591
Leasehold improvements	<u>19,962</u>	<u>19,962</u>
Total	183,564	95,553
Less accumulated depreciation	<u>(99,024)</u>	<u>(78,428)</u>
Property and equipment, net	<u>\$ 84,540</u>	<u>\$ 17,125</u>

UNITED ANIMAL NATIONS (dba REDROVER)

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

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>2017</u>	<u>2016</u>
Certificates of deposit	\$ 1,399,428	\$ 1,442,379
Government and agency bonds:		
US Treasury	841,769	777,198
Home mortgage bonds	338,649	325,440
Corporate bonds	720,397	487,744
Equity securities:		
Information technology	655,327	456,816
Financials	519,746	388,889
Industrials	296,081	202,458
Consumer discretionary	279,848	170,648
Consumer staples	162,557	138,452
Energy	160,745	120,117
Utilities	80,553	52,961
Telecommunication services	76,975	51,371
Materials	75,145	50,692
Health care	68,040	68,915
Real estate	38,639	27,563
Equity blend	37	23
Real estate investment trusts	<u>26,817</u>	<u>25,715</u>
Total	<u>\$ 5,740,753</u>	<u>\$ 4,787,381</u>

Interest and investment income consist of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 86,005	\$ 92,753
Net realized and unrealized gains	<u>454,595</u>	<u>130,503</u>
Total	<u>\$ 540,600</u>	<u>\$ 223,256</u>

UNITED ANIMAL NATIONS (dba REDROVER)

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

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>2017</u>	<u>2016</u>
RedRover Relief	\$ 382,623	\$ 168,775
RedRover Responders	227,933	
RedRover Readers	<u> </u>	<u>844</u>
Total	<u>\$ 610,556</u>	<u>\$ 169,619</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 \$71,106 in 2017 and \$65,365 in 2016. Future minimum payments are as follows:

	<u>Facilities</u>	<u>Equipment</u>	<u>Total</u>
2018	\$ 49,088	\$ 3,836	\$ 52,924
2019		3,824	3,824
2020		3,824	3,824
2021		3,488	3,488
2022		1,808	1,808
Thereafter	<u> </u>	<u>603</u>	<u>603</u>
Total	<u>\$ 49,088</u>	<u>\$ 17,383</u>	<u>\$ 66,471</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 \$42,741 for 2017 and \$35,285 for 2016.

7. JOINT COSTS

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

	<u>2017</u>	<u>2016</u>
Program services	\$ 367,405	\$ 315,962
Fundraising	<u>205,907</u>	<u>162,357</u>
Total	<u>\$ 573,312</u>	<u>\$ 478,319</u>