

**CITIZENS FOR ANIMAL PROTECTION, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 and 2016**

with Report of Independent Auditor

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors of
Citizens for Animal Protection, Inc.

Report on Financial Statements

We have audited the accompanying financial statements of Citizens for Animal Protection, Inc. which comprise the statement of financial position as of June 30, 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 audit 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.

Accountants Opinion

The financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Citizens for Animal Protection Inc. as of June 30, 2017 and 2016, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Patrick J. Karr, CPA

Patrick J. Karr, CPA
Certified Public Accountants

Houston, Texas
March 20, 2018

CITIZENS FOR ANIMAL PROTECTION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017 and 2016

ASSETS	2017	2016
Cash and cash equivalents	\$ 489,156	\$1,022,403
Investments	3,182	3,181
Unconditional pledges receivable	1,664,725	599,290
Pet store supplies and resale items	1,500	3,663
Prepaid expenses	22,719	27,453
Land and land improvements	1,507,000	1,507,000
Fixed assets, net	5,518,920	5,498,874
Restricted Endowment Investments	<u>337,314</u>	<u>186,694</u>
TOTAL ASSETS	<u>\$9,544,516</u>	<u>\$8,842,558</u>
NET ASSETS		
Accounts payable	\$ 38,856	\$ 89,640
Accrued payroll	20,412	23,881
Notes payable	<u>1,219,029</u>	<u>1,568,464</u>
Total liabilities	<u>1,278,297</u>	<u>1,681,985</u>
Unrestricted	6,287,755	6,150,589
Temporarily restricted	1,641,150	823,290
Endowment Funds - restricted	<u>337,314</u>	<u>186,694</u>
TOTAL NET ASSETS	<u>8,266,219</u>	<u>7,160,573</u>
	<u>\$9,544,516</u>	<u>\$8,842,558</u>

The accompanying notes are an integral part of the financial statement.

CITIZENS FOR ANIMAL PROTECTION, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017 and 2016

	2017	2016
UNRESTRICTED NET ASSETS		
Support		
Contributions from individuals	\$ 914,196	\$ 917,854
Special events	850,548	948,380
Adoptions	334,382	347,373
Clinic support	332,664	327,017
Pet supply sales	141,095	167,186
Drop-off donations	134,887	129,901
Bequests and Endowments	93,992	585,200
Feral Cat assistance	65,031	52,833
In-kind contributions	57,211	47,350
Thrift store/E-bay sales	22,992	108,937
Investment & miscellaneous income	449	17,538
Total unrestricted support	<u>2,947,437</u>	<u>3,649,669</u>
Net assets released from restrictions		
Restrictions satisfied by payments	1,016,097	127,050
Total unrestricted support	<u>3,963,534</u>	<u>3,776,719</u>
Expenses		
Program services		
Animal care/shelter	2,320,967	2,320,239
Clinic	528,212	533,571
Pet ownership programs	93,847	125,638
Feral cat program	110,712	96,025
	<u>3,053,738</u>	<u>3,075,467</u>
Supporting services		
Fund-raising	479,656	498,814
Thrift Store/E-Bay Sales	79,721	154,443
Management and general	213,253	244,838
Total Expenses	<u>3,826,368</u>	<u>3,973,562</u>
Increase (decrease) in		
Unrestricted Net Assets	<u>137,166</u>	<u>(196,843)</u>
Temporarily Restricted Net Assets		
Contributions/present value recognition	1,833,957	945,321
Net assets released from restriction	(1,016,097)	(127,050)
Increase in Temporarily		
Restricted Net Assets	<u>817,860</u>	<u>818,271</u>
Endowment Restricted Net Assets		
Endowment contributions	100,000	-
Contributions designated as restricted	19,444	69,036
Unrealized investment gains	40,176	16,617
Increase in Endowment Net Assets	<u>159,620</u>	<u>85,653</u>
Increase in Net Assets	1,105,646	707,081
Net Assets at Beginning of Year	7,160,573	6,453,492
Net Assets at End of Year	<u>\$8,266,219</u>	<u>\$7,160,573</u>

The accompanying notes are an integral part of the financial statement.

CITIZENS FOR ANIMAL PROTECTION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Animal	Care	Illite	Operable	Pet	Feral	Program	Fundraising	E-Bay	Stores	General	Management
Payroll	1,391,063	246,834	51,631	38,850	1,728,378	73,421	44,158	105,432	1,951,389			
Payroll taxes	107,409	19,071	4,025	2,960	128,465	4,830	4,216	8,062	145,573			
Employee benefits	78,861	1,937	2,018	-	82,816	4,828	3,061	17,213	107,418			
Medicines & Veterinary	131,454	236,363	-	21,968	369,785	-	-	-	389,785			
Special events	-	-	-	-	0	315,814	-	-	315,814			
Depreciation expense	226,484	1,713	-	-	228,197	-	-	-	237,705			
Occupancy costs	128,928	1,102	-	-	130,030	62	15,940	320	146,352			
Repair costs	90,368	-	-	-	90,368	-	1,580	6,072	98,040			
Operational expense	15,086	14,853	-	46,934	76,873	15,816	137	3,167	95,993			
Supplies	75,142	996	519	-	76,657	6,751	4,871	1,795	90,074			
Professional fees	28,505	4,254	-	-	32,759	29,309	375	-	62,413			
Interest expense	-	-	-	-	0	-	-	-	60,819			
Cost of pet supplies sold	-	35,215	-	-	35,215	-	-	-	60,819			
Automobile costs	19,268	-	-	-	19,268	-	1,650	568	21,486			
Computer service	7,279	1,061	499	-	8,779	10,839	315	-	19,933			
Printing/postage	-	-	-	-	0	18,188	-	-	18,188			
Volunteer cost	8,089	28	-	-	8,117	298	2,074	111	10,600			
Telephone	8,966	-	-	-	8,966	-	1,344	186	10,496			
Humane education	9,045	-	-	-	9,045	-	-	-	9,045			
Total	2,320,967	528,212	99,847	110,712	3,053,738	479,656	79,721	213,253	3,826,368			

See accompanying notes are an integral part of the financial statements.

CITIZENS FOR ANIMAL PROTECTION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Animal	Clinic	Dwelling	Pet	Feral	Total	Fund	Thrift	Store	General	Total
Payroll	1,407,483	272,073	64,274	39,140	1,782,970	69,689	59,742	116,633	2,029,934	151,208	2,029,934
Payroll taxes	109,823	20,873	4,848	2,960	132,504	4,919	5,425	8,360	151,208	151,208	151,208
Employee benefits	90,744	1,353	2,456	-	94,553	-	3,755	2,796	101,104	101,104	101,104
Contract labor	212	-	-	-	212	-	232	-	444	444	444
Special events	-	-	-	-	-	351,969	-	-	351,969	351,969	351,969
Depreciation expense	226,422	1,716	-	-	228,138	-	-	9,501	237,639	237,639	237,639
Occupancy costs	136,752	4,445	338	-	141,535	-	67,881	5,800	215,216	215,216	215,216
Interest expense	-	-	-	-	-	-	-	75,041	75,041	75,041	75,041
Medicines & Veterinary	223,921	220,042	-	53,184	397,147	-	-	-	397,147	397,147	397,147
Supplies	67,586	3,858	420	55	71,919	580	4,982	17,578	95,059	95,059	95,059
Miscellaneous expense	5,566	-	-	-	5,566	-	-	470	8,271	8,271	8,271
Repair costs	51,176	4,394	-	-	55,570	-	3,539	-	59,109	59,109	59,109
Cost of pet supplies sold	-	-	53,302	-	53,302	-	-	-	53,302	53,302	53,302
Printing/postage	4,533	186	-	412	5,131	51,777	50	-	56,958	56,958	56,958
Humane education	9,482	-	-	-	9,482	-	-	-	9,482	9,482	9,482
Computer service	16,870	1,402	-	-	18,272	289	63	644	19,268	19,268	19,268
Automobile costs	17,126	-	-	-	17,126	40	1,861	-	19,027	19,027	19,027
Travel and conferences	4,024	964	-	274	5,262	-	111	400	5,773	5,773	5,773
Professional fees	-	-	-	-	-	19,551	-	5,000	24,551	24,551	24,551
Dues and subscriptions	1,250	2,170	-	-	3,420	-	-	-	3,420	3,420	3,420
Website/advertising	23,747	95	-	-	23,842	-	3,613	-	27,455	27,455	27,455
Telephone	19,434	-	-	-	19,434	-	2,719	850	23,003	23,003	23,003
Uniforms	10,082	-	-	-	10,082	-	-	-	10,082	10,082	10,082
Total	2,320,233	533,571	125,638	96,025	3,075,467	498,814	154,443	244,838	3,973,562		

See accompanying notes are an integral part of the financial statements.

**CITIZENS FOR ANIMAL PROTECTION, INC.
STATEMENT OF CASH FLOWS**

Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATIONS ACTIVITIES		
Increase (decrease) in net assets	1,105,646	\$ 707,061
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	237,523	237,639
Loss on removal of clinic building	13,000	
Change in operating assets and liabilities		
Decrease (increase) in investments	(1)	(2,649)
Decrease (increase) in pet store supplies	2,163	888
Decrease (increase) in pledge receivables	(1,071,435)	(588,271)
Decrease (increase) in prepaid expenses	4,734	(790)
Increase (decrease) in accounts payable	(50,784)	1,748
Increase (decrease) in accrued payroll	(3,469)	14,396
	<u>237,377</u>	<u>370,042</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Cash provided by investing activities		
Purchase of fixed assets	(270,569)	(98,093)
Endowment fund investments	(150,620)	(85,653)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(421,189)</u>	<u>(183,746)</u>
Cash provided by financing activities		
Payment on note payable	(349,435)	(201,586)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(349,435)</u>	<u>(201,586)</u>
Increase (decrease) in cash	(533,247)	(15,290)
BEGINNING CASH AND CASH EQUIVALENTS	<u>1,022,403</u>	<u>1,037,693</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 489,156</u>	<u>\$1,022,403</u>
Cash paid for:		
Interest expense	\$ 60,819	\$ 75,041
Total Interest	<u>\$ 60,819</u>	<u>\$ 75,041</u>

The accompanying notes are an integral part of the financial statement.

CITIZENS FOR ANIMAL PROTECTION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

1. SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Citizens for Animal Protection, Inc., a Texas non-profit community service organization, was incorporated January 9, 1973. The purpose of the Association is the prevention of cruelty to animals, the relief and suffering among animals and the extension of humane education.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Financial Statement Presentation

The Organization has elected to adopt Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

CITIZENS FOR ANIMAL PROTECTION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

The Organization has also adopted SFAS No. 116, Accounting for Contributions Received and Contributions Made. The Organization previously deferred revenue when it was notified of the contributions to be received in the future and recognized the revenue in the period to which they related. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. The Organization has internally designated 10% of any unrestricted endowment as permanently restricted support.

Functional Expenses

Expenses are charged to each program based on direct expenditures incurred. Any expenditure not directly chargeable to a specific program are allocated to a program based on related salary expenses or other applicable ratios.

Federal Income Tax

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Investment Securities

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Financial Statement Reclassification

Certain financial statement data for the prior year has been reclassified to conform to the presentation of the June 30, 2017 financial statements.

CITIZENS FOR ANIMAL PROTECTION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

1. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Donated Materials and Services

Volunteers, business firms and others contribute substantial amounts of materials and services toward the fulfillment of projects initiated by the Organization. To the extent that contributions of materials are made under the control of the Organization, are objectively measurable and represent program or support expenditures which would otherwise be incurred by Organization personnel, they are reflected in both public support and program expense or special events in the accompanying financial statements. Donated materials and equipment are reflected as contributions at their estimated values at the date of receipt. The financial statements include \$53,611 and \$43,750 for in-kind contributions for the 2017 and 2016 annual gala, respectively and \$3,600 for free use of an automobile in 2017 and 2016. Services donated to the construction of the new facility are addressed in footnote 6. In addition, a substantial number of volunteers have donated significant amounts of their time in the Organization's program services and its fund-raising campaigns. We found no objective basis to measure the value of such services.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Pet Store and Thrift Shop Supplies and Resale Items

Certain Pet Store items are marked for resale. These items are in support of the pet ownership and care program. The first-in, first-out method of inventory costing is utilized. Items donated and placed in the pet shop for resale are included at no cost unless the item is deemed to have resale value. Items donated to the thrift shop are deemed to have no value until sold.

CITIZENS FOR ANIMAL PROTECTION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Fair Value Measurements and Disclosures topic of the Accounting Standards Codification (ASC) Topic 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The Fair Value Measurements and Disclosures topic applies to all other ASC topics that require or permit fair value measurements and does not require any new fair value measurements. The provisions of the Fair Value Measurements and Disclosure topic for financial assets and liabilities were effective beginning January 1, 2008. The fair value of the Citizens for Animal Protection, Inc. cash and cash equivalents, accounts receivable and payable approximates the carrying amounts of such instruments due to their short maturity.

Subsequent Events

Citizens For Animal Protection, Inc. has evaluated subsequent events that occurred after June 30, 2017 through the filing of this report on March 20, 2018.

2. Disclosures About Fair Value of Financial Instruments

The requirements of the Fair Value Measurements and Disclosures topic of the Accounting Standards Codification apply to all financial instruments as of June 30, 2017 that are being measured and reported on a fair value basis. The Fair Value Measurement and Disclosure topic defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Fair Value Measurements and Disclosure topic also establishes a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

- Level 1 Inputs - Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that can be corroborated by observable market data for substantially the full term of the assets or liabilities.

CITIZENS FOR ANIMAL PROTECTION, INC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

2. Disclosures About Fair Value of Financial Instruments
(Continued)

• Level 3 Inputs - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or other valuation techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

All investments held by the Citizens for Animal Protection are valued using Level 1 inputs.

3. Cash and Investments

For purposes of reporting cash flows, cash is comprised of cash deposits with banking institutions. As of June 30 2017 and 2016, cash and investments includes as follows;

	2017	2016
Operating accounts	\$249,735	\$ 370,369
Money Market account	238,921	651,534
Petty cash fund	<u>500</u>	<u>500</u>
	<u>\$ 489,156</u>	<u>\$1,022,403</u>

For purposes of reporting cash flow, cash and cash equivalents include money market accounts and any highly liquid debt instruments purchased with a maturity of three months or less.

Investments are stated at fair value and consist primarily of U. S. Treasury bills, and high-grade corporate bonds. Equity stocks contributed are sold as received and are reinvested in money markets or bond funds.

	Year Ended June 30, 2017	
	Fair Value	Appreciation (Depreciation)
Money Market Sweep Funds	\$ 3,182	\$ -
	<u>\$ 3,182</u>	<u>\$ -</u>
	Year Ended June 30, 2016	
	Fair Value	Appreciation (Depreciation)
Money Market Sweep Funds	\$ 3,181	\$ -
	<u>\$ 3,181</u>	<u>\$ -</u>

CITIZENS FOR ANIMAL PROTECTION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

3. Cash and Investments (Continued)

In addition to the above investments, the Organization has received contributions of shares of privately owned corporate stocks in which there is no readily available valuation basis nor a market in which the shares can be sold. These contributions will not be recognized as revenue until converted into cash.

Investment returns for the years ended June 30, 2017 and 2016 are summarized as follows:

	2017	2016
Interest and dividends	\$ 447	\$ 17,638

4. ENDOWMENT FUND CASH AND INVESTMENTS - RESTRICTED

The Board of Directors has designated ten percent of contributions received from estates and bequests as permanently restricted funds. The entire contribution revenue from estates and bequests is recognized as contributions in the year proceeds are received. For the years ended June 30, 2017 and 2016, the ten percent portion of estate and bequest contributions (referred to as "Restricted Endowment Funds") is presented in the financial statements as follows:

	2017	2016
Beginning balance	\$186,694	\$191,041
New Board Designated Endowment Funds	10,444	59,036
New Endowment Funds Restricted by donor	100,000	-
Appreciated unrealized gain on investment	40,176	16,617
Total Endowment Funds	<u>\$337,314</u>	<u>\$186,694</u>
Net Assets - Endowment Funds Restricted	<u>\$337,314</u>	<u>\$186,694</u>

The endowment funds are invested in mutual funds (Blackrock Funds). As of June 30, 2017 and 2016, the endowment funds since creation in 2015 include as follows:

	2017	2016
Board Designated Endowment Funds	\$180,521	\$170,077
Endowment Funds Restricted by Donor	100,000	-
Appreciated unrealized gain on investment	56,793	16,617
Total Endowment Funds	<u>\$337,314</u>	<u>\$186,694</u>

CITIZENS FOR ANIMAL PROTECTION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

5. PROPERTY, BUILDING, AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2017 and 2016:

	2017	2016
Animal Care Center	\$6,414,832	\$6,414,733
Clinic Facility	51,385	51,385
Construction in progress Clinic	357,387	86,911
Spay & Neuter Building	-	15,000
Machinery and equipment	106,605	196,606
Computer equipment	36,294	36,294
Transportation equipment	43,677	43,677
Furniture and equipment	<u>72,498</u>	<u>72,498</u>
Accumulated depreciation	7,082,679	6,827,104
	<u>(1,563,753)</u>	<u>(1,328,230)</u>
Land	5,518,920	5,498,874
	<u>1,507,000</u>	<u>1,507,000</u>
	<u>\$7,025,920</u>	<u>\$7,005,874</u>

Depreciation expense for the years ended June 30, 2017 and 2016 totaled \$237,523 and \$237,639, respectively. Equipment is depreciated over a 7 year life and the new facility is depreciated over 30 years utilizing straight line depreciation.

6. PROMISES TO GIVE

Unconditional promises to give, in support of clinic construction, clinic operations and in support of the executive and administrative director positions, as of June 30, 2017 and 2016, are as follows:

	2017	2016
Receivable in less than one year	\$ 797,880	\$ 593,290
Receivable in one to five years	943,167	-
Total unconditional promises to give	<u>1,741,047</u>	<u>593,290</u>
Less discounts to net present value	<u>(76,322)</u>	<u>-</u>

Net unconditional promises to give \$1,664,725 \$ 593,290

Discount rates used on long-term promises to give average 4.25%.

Unconditional promises to give, in support of construction of the new shelter and office facility plus construction of a new clinic facility as of June 30, 2017 and 2016, are as follows:

CITIZENS FOR ANIMAL PROTECTION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016

6. PROMISES TO GIVE (Continued)

	2017	2016
Endowment pledge for director position	\$ 900,000	-
Capital pledge for clinic construction	234,713	\$ 443,290
Pledge to support clinic operations	306,334	150,000
Grant pledge Clutch City Foundation	<u>300,000</u>	-
Total unconditional promises to give	1,741,047	<u>593,290</u>
Less Pledge net present value adjustment	(76,322)	-
Net unconditional promises to give	<u>\$1,664,725</u>	<u>\$ 593,290</u>

Pledges have been received to replace the temporary clinic building with a new clinic facility. Total pledges received as of June 30, 2017 and 2016 include as follows:

	2017	2016
Beginning clinic pledges	\$ 447,944	-
New clinic pledges	-	542,944
Pledges collected	(213,231)	(95,000)
Total Pledges receivable	<u>\$ 234,713</u>	<u>\$ 447,944</u>

7. ACCOUNTS PAYABLE

Accounts payable as of June 30, 2017 and 2016 include as follows:

	2017	2016
Payables to vendors	\$ 27,730	\$ 80,028
Installment payments for insurance	<u>11,126</u>	<u>9,612</u>
Total accounts payable	<u>\$ 38,856</u>	<u>\$ 89,640</u>

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2017 and 2016 include as follows:

	2017	2016
Pledges for clinic/shelter operations		
Uncollected net pledges	\$ 282,759	\$ -
Pledges for building fund debt payment		
Uncollected net pledges	-	217,257
Capital Campaign for new clinic		
Uncollected net pledges	234,713	447,944
Collected awaiting usage	-	6,089
Diane Mattly Directorship in support of the Executive Director position		
Uncollected net pledges	900,000	-
Clutch City pledge	300,000	-
Less net present value adjustment	(76,322)	-
	<u>\$ 1,641,150</u>	<u>\$ 823,290</u>

**CITIZENS FOR ANIMAL PROTECTION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 and 2016**

8. TEMPORARILY RESTRICTED NET ASSETS

Total increases in temporarily restricted funds for fiscal year ended June 30, 2017 includes as follows:

Diane Mattly Directorship	\$ 900,000
Pledges for payment of shelter debt	313,000
Clutch City Foundation pledge	300,000
Houston Rockets grant collected	100,000
Mark Chapman Foundation collected	100,000
Brown Foundation grant collected	54,000
Increase in pledge for building clinic	53,245
Jayne Murray Sr. Foundation collected	25,000
Marc A. Chapman Foundation collected	10,000
Cynthia & George Mitchell Foundation collected	5,000
The Strake Foundation collected	5,000
Huffington Foundation grant collected	4,500
ASPCA Grant collected	4,000
Houston Pet Set grant collected	2,750
Exxon Mobil grant collected	28,784
Various other grant collections	76,322)
Less Pledge net present value adjustment	(
2017 temporarily restricted fund increase	<u>\$1,833,957</u>

Total revenue recognized from temporarily restricted funds and for the year ended June 30, 2017 included as follows:

Clinic construction payments 2016 and 2017	\$ 221,320
Grants	215,250
Debt repayment with pledges 2016 and 2017	395,606
Restricted contributions used for clinic support	<u>183,921</u>
Total transfers from temporarily restricted Funds in 2017	<u>\$1,016,797</u>

CITIZENS FOR ANIMAL PROTECTION, INC.
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9. NOTES PAYABLE

In December 2006, the organization purchased land costing \$1,507,000 to be the new location of the shelter and offices. The land was financed by a bank loan which was paid off prior to June 30, 2011.

During fiscal year 2010 the Organization committed to a \$3,704,000 promissory note (variable interest rate starting at 6%) with a banking institution. The note is secured by land and the new shelter facility. Principal and interest payments of \$26,727 began on July 21, 2011. The note matures on June 21, 2031. In December 2012 the bank revised the index rate on the loan to 3.25 percent reducing the loan payments to \$16,876 per month. Also in December 2014 the loan payments were reduced to \$14,566 per month. On August 7, 2016 the interest rate was reset to 4.25% and monthly payments were reduced to \$12,632.35 per month. The organization has made certain lump sum payments on the loan as pledges have been received including \$258,666 in extra payments in 2017. As of June 30, 2017, the remaining balance totaled \$1,219,029. The existing portion of the loan would be paid for over the following periods:

Period ended	Loan Principal
June 30	
2018	\$ 99,973
2019	104,306
2020	108,825
2021	113,542
2022	118,463
2023 and subsequent	673,920
	<u>\$1,219,029</u>

Interest expense on the above note for the years ended June 30, 2017 and 2016 totaled \$60,819 and \$75,041 respectively.

CITIZENS FOR ANIMAL PROTECTION, INC.
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10. CONTRIBUTIONS FROM INDIVIDUALS

Contributions from individuals included as follows for the years ended June 30, 2017 and 2016:

	2017	2016
Individuals and matching gifts	\$723,380	\$684,053
Individuals from mail appeals	123,684	153,069
Memorial and honorarium	61,275	70,582
Combined Federal Campaign	<u>3,847</u>	<u>10,150</u>
Contributions from individuals	<u>\$914,186</u>	<u>\$917,854</u>

11. ALLOCATION OF EXPENSES

Expenditures of the Organization are allocated on a functional basis among the program and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases. The Citizens for Animal Protection, Inc. programs include:

Program Services

Animal Care programs provide for animal drop-off, medical evaluation, and initial care until turned over to the shelter for protection. The shelter provides protection for animals needing care. The shelter in Houston provides a temporary home for the animals. They are fed, groomed and provided medical care as they are presented for adoption.

A Clinic has been added to the animal shelter in order to provide immediate service to animals dropped off at the clinic and to administer the care needed to present the animals for adoption. Clinic services include vaccination services.

Pet ownership programs furnish educational programs on animal care, ID tags, and animal care supplies. Projects to enhance pet ownership include cat shows, dog shows, rabies clinics, etc.

A Feral cat program is in place and is accounted for as a separate program as certain grants support the program.

CITIZENS FOR ANIMAL PROTECTION, INC.
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11. ALLOCATION OF EXPENSES (continued)

Supporting Services
Fund-raising Events

Special events costs are incurred relating to community fund-raising efforts, such as an annual gala ball, garage sales, and a Spring Auction.

Fund-raising activities are direct solicitation efforts of donations from prospective contributors.

Thrift shop costs are incurred in rental of a separate facility and the personnel costs to maintain the operation. Items donated to the facility that are not usable in the shelter operation are resold at the thrift shop. The rental facility continues and Ebay sales were added.

Management and General

Management and general costs are incurred to administer the Organization. General costs include costs not allocated to programs, special events and fund-raising activities.

12. LEASE COMMITMENTS

The thrift shop/E-Bay operation downsized the rental space and the monthly rent was reduced during 2017. The lease was \$1,200 per month for ten months in fiscal year 2017 and raised to \$1,300 per month at the end of 2017. Rent will be increased to \$1,400 per month in 2018 and lease expires in April, 2019.

Total rent expense for the years ended June 30, 2017 and 2016 totaled \$14,600 and \$58,150, respectively.