

EMANCIPET, INC.
REVIEWED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

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YEAR ENDED DECEMBER 31, 2019

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ERICKSON DEMEL & Co., PLLC

CERTIFIED PUBLIC ACCOUNTANTS

7800 N. MOPAC, SUITE 105

AUSTIN, TEXAS 78759

Board of Directors
Emancipet, Inc.
Austin, Texas

Independent Accountant's Review Report

We have reviewed the accompanying financial statements of Emancipet, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activity, and cash flow for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principle generally accepted in the United States of America.

Ed A + Co., PLLC

Certified Public Accountants

September 2, 2021

EMANCIPET, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

Cash and Cash Equivalents	\$	861,566
Contributions Receivable, Net of Allowance of \$1,000		971,297
Program Services Receivables, Net of Allowance of \$5,000		521,320
Inventories		530,502
Prepaid Expenses		190,401
Land Available for Sale		840,184
Property and Equipment, Net		<u>1,292,686</u>
	<u>\$</u>	<u>5,207,956</u>

LIABILITIES

Accounts Payable	\$	701,003
Accrued Expenses		605,297
Deferred Revenue		82,382
Note Payable		<u>260,000</u>
		<u>1,648,682</u>

NET ASSETS

Without Donor Restrictions		3,329,541
With Donor Restrictions		<u>229,733</u>
		<u>3,559,274</u>
	<u>\$</u>	<u>5,207,956</u>

See notes to financial statements

EMANCIPET, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2019

NET ASSETS WITHOUT DONOR RESTRICTIONS

Support

Contributions	\$ 2,239,706
Donated Goods and Services	274,357
Total Support	<u>2,514,063</u>

Other Revenues

Program Revenue	10,603,285
Special Events	534,018
Less: Costs of Direct Benefit to Donors	(66,557)
Investment Income	3,493
Rental Income	4,000
Total Other Revenues	<u>11,078,239</u>

Net Assets Released from Restrictions	<u>1,034,835</u>
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Total Support and Other Revenues	<u>14,627,137</u>
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Expenses

Program Services	10,825,986
Management and General	2,443,526
Fundraising	907,513
Total Expenses	<u>14,177,025</u>

Change in Net Assets without Donor Restrictions	<u>450,112</u>
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NET ASSETS WITH DONOR RESTRICTIONS

Contributions	614,377
Net Assets Released from Restrictions	<u>(1,034,835)</u>
Change in Net Assets with Donor Restrictions	<u>(420,458)</u>

CHANGE IN NET ASSETS

29,654

Net Assets at Beginning of Year	<u>3,529,620</u>
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Net Assets at End of Year	<u>\$ 3,559,274</u>
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See notes to financial statements

EMANCIPET, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 29,654
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:	
Bad Debts	10,000
Depreciation and Amortization	279,685
Contributions of Property and Equipment	(150,000)
Change in Operating Assets and Liabilities:	
Contributions Receivable	(446,197)
Program Services Receivable	(18,543)
Inventories	(7,826)
Prepaid Expenses	(89,339)
Accounts Payable	278,786
Accrued Expenses	141,523
Deferred Revenue	58,182
Cash Provided by Operating Activities	<u>85,925</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Additions to Property and Equipment	<u>(404,015)</u>
Cash Used In Investing Activities	<u>(404,015)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from Borrowings on Revolving Line of Credit	660,000
Payments on Borrowings on Revolving Line of Credit	<u>(400,000)</u>
Cash Provided by Financing Activities	<u>260,000</u>
Net Change in Cash and Cash Equivalents	(58,090)
Cash and Cash Equivalents at Beginning of Year	<u>919,656</u>
Cash and Cash Equivalents at End of Year	<u>\$ 861,566</u>

Supplemental Cash Flow Information:

Interest Paid During the Year	<u>\$ 2,998</u>
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Noncash Investing and Financing Activities:

Donated Property and Equipment	<u>\$ 150,000</u>
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See notes to financial statements

EMANCIPET, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

A. DESCRIPTION OF THE ORGANIZATION

Organization

Emancipet, Inc. (Organization) is a not-for-profit community service agency founded in June 1999. The Organization provides free and low-cost spay/neuter services and wellness clinics to various private, not-for-profit, and governmental entities in Central Texas, Houston and Philadelphia.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. The entity reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activity as net assets released from restrictions.

Accounting Pronouncements Adopted

The entities follow FASB ASC 958, *Classification of Net Assets*. The FASB issued ASU 2016-14 "Presentation of Financial Statements of Not-for-Profit Entities". The ASU amended the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes to the financial statements, (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (d) presenting investment return net of external and direct internal investment expenses, and (e) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

EMANCIPET, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Program Services

The Organization's major programs include free and low-cost spay/neuter services and wellness clinics. The Organization's spay/neuter program is designed to address the issue of pet homelessness and overpopulation in Central Texas, Houston, and Philadelphia. The wellness clinics provide low cost, walk-in services for pets including vaccines and preventative medicine.

Contributions and Program Services Receivable

Contributions and Program Services Receivables with collectability issues are recorded net of an allowance for uncollectible accounts. As of December 31, 2019, the Organization had \$6,000 as an allowance for uncollectible accounts. Receivables are written-off after all reasonable collection attempts have been exhausted.

Use of Estimates

The preparation of 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 contingent assets and liabilities 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.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents.

Donated Services and Goods

During the year ended December 31, 2019, volunteers donated 33 hours, to the Organizations program services and fund-raising campaigns. No amounts have been recognized in the statement of activities because the criteria for recognition of such volunteer efforts have not been satisfied. Donated professional services are reflected in the statement of activities at their fair value and are utilized by the Organization's primary spay/neuter and wellness programs. During 2019, the Organization received donated services of \$24,000, consisting of marketing services.

Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

EMANCIPET, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Depreciation and Amortization

The Organization follows the practice of capitalizing all major expenditures for property and equipment; the fair market value of donated assets is similarly capitalized. Depreciation is provided by the straight-line method over the estimated useful lives of the related assets.

Inventories

Inventories consist of medical supplies and animal health products. Inventories are stated at the lower of cost (first-in, first-out method) or market.

Income Taxes

The Organization is a not-for-profit corporation, exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization follows the provisions of FASB ASC 740, *Accounting for Uncertainty in Income Taxes*. Management believes there are no uncertain tax positions for which a liability must be accrued as of December 31, 2019. The Organization is no longer subject to U.S. federal examinations by tax authorities for years before 2016.

Concentrations of Credit and Market Risk

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash equivalents as well as program and contribution receivables. Cash equivalents are maintained at a high-quality financial institution. Cash held does exceed FDIC limits, however, the Organization has not experienced any losses on its cash equivalents. The amounts on deposit as of December 31, 2019 exceeded the insured limits by \$914,075. At December 31, 2019, approximately 72% of the Organization's receivables were due from two sources. There were no concentrations of the Organization's revenue during 2019.

Functional Expenses

The costs of providing the various programs, fund raising and other activities have been summarized on a functional basis; accordingly, certain costs have been allocated among the programs and fund raising activities.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the year ended December 31, 2019 totaled \$62,175.

EMANCIPET, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Special Events

Costs associated with special events are netted against the related revenue.

Fair Value Measurements

Certain financial instruments are carried at cost on the statement of financial position, which approximates fair value due to their short-term, highly liquid nature. These instruments include cash and cash equivalents, contributions receivable, program service receivables, inventory, prepaid expenses, accounts payable, and accrued expenses.

C. CONTRIBUTIONS RECEIVABLE

Contributions receivable due in less than one year consisted of the \$971,297 as of December 31, 2019.

D. LAND AVAILABLE FOR SALE

Land was acquired by Organization through a merger with Animal Trustees of Austin in 2016. As of December 31, 2019, the land is held at a value of \$840,184. The Organization classifies this land as land available for sale.

E. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2019
Buildings	\$ 169,933
Leasehold Improvements	772,719
Surgical and Wellness Equipment	480,561
Office Equipment and Other	125,745
Automotive Equipment	898,876
Construction in Progress	268,494
Artwork	18,000
	<hr/> 2,734,328
Less Accumulated Depreciation and Amortization	1,441,642
	<hr/> \$ 1,292,686

EMANCIPET, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

F. COLLECTIONS

All contributions of works of art or similar assets, whether held as part of a collection or for other purposes, are recognized at their estimated fair value at the date of receipt based upon appraisal or similar valuation. All such items, whether contributed or purchased, are capitalized.

G. LINE OF CREDIT

The Organization maintains a revolving line of credit for business use, collateralized by various assets of the Organization. The maximum available credit on this line is \$400,000 and the interest rate is 4.75%. The outstanding balance at December 31, 2019 is \$260,000.

H. RENTAL AND PURCHASE COMMITMENTS

The Organization leases office equipment under a non-cancelable operating lease. During 2019 rental expense for the office equipment totaled \$8,340.

The Organization has a non-cancelable lease for office space in Austin, TX under an operating lease which expires in June 2020. During 2019 rental expense for the office space totaled \$53,605. This location was expanded with a second non-cancelable lease which also expires in June 2020 to allow for an additional 1,357 rentable square feet. During 2019 rental expense for the expansion totaled \$27,267. The lease for this office space was renewed and extended through September 2027.

The Organization has a non-cancelable lease for a clinic in Austin, TX under an operating lease expiring in July 2024. During 2019 rental expense for the office space totaled \$97,322.

The Organization has a non-cancelable lease for a clinic in Pflugerville, TX under an operating lease expiring in February 2024. During 2019 rental expense for the office space totaled \$28,024.

The Organization has a non-cancelable lease for a clinic in Killeen, TX under an operating lease expiring in May 2024. During 2019 rental expense for the office space totaled \$18,000.

The Organization has a non-cancelable lease for a clinic in Philadelphia, PA under an operating lease expiring in May 2024. During 2019 rental expense for the office space totaled \$73,649.

The Organization has a non-cancelable lease for a clinic in Houston, TX under an operating lease expiring in September 2021. During 2019 rental expense for the office space totaled \$50,641.

The Organization opened a new clinic in Houston, TX in 2019 under a non-cancelable operating lease expiring in June 2029. During 2019 rental expense for the office space totaled \$26,883.

EMANCIPET, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

I. RENTAL AND PURCHASE COMMITMENTS – Continued

Future minimum payments by year and in the aggregate for all non-cancelable operating leases with initial terms of one year or more consisted of the following at December 31, 2019:

2020	\$	385,364
2021		342,690
2022		400,262
2023		405,652
2024		291,662
Thereafter		633,452
		<u>\$ 2,459,082</u>

J. NET ASSETS WITH DONOR IMPOSED RESTRICTIONS

The Organization had the following net assets with donor restrictions as of December 31, 2019:

Funding Source	Nature of Donor Imposed Restriction	
Grants and Contracts	Houston 2	\$ 105,098
Grants and Contracts	North Philadelphia Cats	10,032
Grants and Contracts	Bark	9,935
Grants and Contracts	KILN Cats 3	147
Grants and Contracts	ASPCA Scholarships	10,000
Grants and Contracts	EmanciCredit	50,000
Grants and Contracts	Puerto Rico	31,021
Grants and Contracts	Julie Scholarship	13,500
		<u>\$ 229,733</u>

K. RELATED PARTY TRANSACTIONS

As of December 31, 2019, the Organization had related party contributions in the amount of \$264,479 from key employees and members of the board of directors.

L. DONATED REAL ESTATE AND UTILITIES

The City of Austin donates the use of real estate for the placement of the Organization's physical operations. As of December 31, 2019, the value for the use of this real estate is \$18,567. The City of Austin also donates the monthly utilities used in the Organization's operations. As of December 31, 2019, the value of these utilities is \$8,712. The agreement with the City of Austin is verbal and is cancellable upon notice

EMANCIPET, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

M. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization’s financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	2019
Cash and Cash Equivalents	\$ 861,566
Contributions Receivable	971,297
Program Services Receivable	521,320
Total Financial Assets	<u>2,354,183</u>
Less Amounts Not Available to be Used Within One Year Funds With Donor Imposed Restrictions	<u>229,733</u>
Total Financial Assets Available to Meet Cash Needs for General Expenditures within one year	<u>\$ 2,124,450</u>

N. SUBSEQUENT EVENTS

Management has evaluated subsequent events for disclosure and/or recognition through September 2, 2021, which is the date the financial statements were available to be issued.

As a result of the global pandemic declared by the World Health Organization in March 2020, economic uncertainties have arisen that could materially impact the Organization’s operations. The related financial impact and duration of these events cannot be reasonably estimated at the time.

During May 2020, the Company applied for a federal stimulus loan pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title 1 of the Coronavirus Aid, Relief, and Economic Security (the “CARES”) Act, which was enacted March 27, 2020. This loan advance required certain certifications by the Company and imposed specific limitations on the use of the proceeds. On May 3, 2020, the Company received a \$1,358,000 PPP loan. The PPP loan was available to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The PPP loan and accrued interest was forgivable after eight-weeks if the borrower used the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintained its payroll levels. On July 12, 2021, the Company applied for and received PPP loan forgiveness of the \$1,358,000.

EMANCIPET, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

O. FUNCTIONAL EXPENSES

Functional expenses for the year ended December 31, 2019 consisted of the following:

	Total	Program Services	Management and General	Fund Raising
Medical Supplies	\$ 3,499,241	\$ 3,499,241	\$ –	\$ –
Cost of Rent	1,682	1,682	–	–
Automobile	45,044	39,797	5,025	222
Bad Debts	10,000	–	–	10,000
Bank Charges	149,152	107,581	29,413	12,158
Continuing Education	8,607	1,605	1,576	5,426
Dues and Subscriptions	30,216	8,080	12,658	9,478
Emergency Vet Care	31,291	31,291	–	–
Employee Benefits	574,781	448,871	124,994	916
Equipment	263,432	220,239	40,115	3,078
Insurance	54,039	20,946	33,093	–
Interest	2,998	2,998	–	–
Licenses & Permits	488	488	–	–
Marketing	62,175	8,549	6,183	47,443
Miscellaneous	12,688	11,997	88	603
Payroll and Related Expenses	7,005,942	4,975,298	1,675,032	355,612
Postage and Delivery	12,932	2,015	1,047	9,870
Printing and Reproduction	22,778	5,995	3,868	12,915
Professional Fees	593,885	257,221	38,164	298,500
Recruiting	30,138	6,540	20,261	3,337
Rent	470,297	333,543	136,754	–
Supplies	249,637	229,128	12,023	8,486
Technology	198,215	1,717	139,386	57,112
Telephone	92,691	23,178	69,503	10
Travel and Entertainment	226,134	169,492	51,449	5,193
Utilities	124,499	108,744	15,755	–
Total Expenses Before Depreciation and Donated Supplies	13,772,982	10,516,236	2,416,387	840,359
Depreciation and Amortization on Property and Equipment	279,685	267,468	12,217	–
Donated Supplies and Services	124,358	42,282	14,922	67,154
	\$ 14,177,025	\$ 10,825,986	\$ 2,443,526	\$ 907,513