

**Gateway Pet Guardians**  
(A NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEARS ENDED  
DECEMBER 31, 2020 AND 2019

GATEWAY PET GUARDIANS

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# Linda A. Howdeshell, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Gateway Pet Guardians  
East St. Louis, IL 62205

### *Report on the Financial Statements*

I have audited the accompanying financial statements of Gateway Pet Guardians (a nonprofit organization) which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statement.

### *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*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

***Opinion***

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Gateway Pet Guardians, as of December 31, 2020, and 2019, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Linda A. Hardsshell CPA*

St. Louis, Missouri

April 19, 2021

Gateway Pet Guardians  
STATEMENTS OF FINANCIAL POSITION

ASSETS		December 31,	
	2020	2019	
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 301,992	\$ 92,053	
Cash and cash equivalents-Capital Campaign	-	64,057	
Receivables	49,401	79,311	
Inventory	16,722	-	
Prepaid expenses	6,907	6,807	
Total Current Assets	375,022	242,228	
<b>PROPERTY AND EQUIPMENT, net accumulated depreciation</b>			
	550,778	474,085	
<b>TOTAL ASSETS</b>	<b>\$ 925,800</b>	<b>\$ 716,313</b>	
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 71,852	\$ 42,936	
Accrued expenses	15,648	10,263	
Current portion of long-term debt	21,226	20,003	
Total Current Liabilities	108,726	73,202	
<b>LONG-TERM LIABILITIES</b>			
Long-term debt	130,128	126,554	
<b>TOTAL LIABILITIES</b>	238,854	199,756	
<b>NET ASSETS</b>			
Net assets without donor restrictions			
Invested in capital assets	399,424	327,528	
Available for operations	132,522	189,029	
Total net assets without donor restrictions	531,946	516,557	
Net assets with donor restrictions	155,000	-	
Total Net Assets	686,946	516,557	
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 925,800</b>	<b>\$ 716,313</b>	

See accompanying notes to financial statements  
(3)

Gateway Pet Guardians  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2020

	Funds without Donor Restrictions	Funds with Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Support			
Contributions	\$ 428,706	\$ 64,257	\$ 492,963
Grants	83,579	155,000	238,579
Special events	54,684	259,664	314,348
Paycheck Protection Plan	63,750	-	63,750
Revenue			
Adoption income	128,990	-	128,990
Clinic income	29,475	-	29,475
Interest and miscellaneous	9,965	-	9,965
Net assets released from restrictions	323,921	(323,921)	-
<b>TOTAL SUPPORT AND REVENUE</b>	1,123,070	155,000	1,278,070
 <b>EXPENSES</b>			
Program services	833,102	-	833,102
Supporting services			
Management and general	178,165	-	178,165
Fundraising	96,414	-	96,414
<b>TOTAL EXPENSES</b>	1,107,681	-	1,107,681
 CHANGE IN NET ASSETS	 15,389	 155,000	 170,389
NET ASSETS, Beginning of year	516,557	-	516,557
NET ASSETS, End of year	\$ 531,946	\$ 155,000	\$ 686,946

See accompanying notes to financial statements

Gateway Pet Guardians  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2019

	<u>Funds without</u> <u>Donor Restrictions</u>	<u>Funds with</u> <u>Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Support			
Contributions	\$ 373,835	\$ 322,902	\$ 696,737
Grants	15,319	55,480	70,799
Special events	233,368	-	233,368
Paycheck Protection Plan	-	-	-
Revenue			
Adoption income	75,625	-	75,625
Clinic income	-	-	-
Interest and miscellaneous	268	-	268
Net assets released from restrictions	<u>533,559</u>	<u>(533,559)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>1,231,974</u>	<u>(155,177)</u>	<u>1,076,797</u>
 <b>EXPENSES</b>			
Program services	781,670	-	781,670
Supporting service			
Management and general	32,805	-	32,805
Fundraising	<u>73,052</u>	<u>-</u>	<u>73,052</u>
TOTAL EXPENSES	<u>887,527</u>	<u>-</u>	<u>887,527</u>
 CHANGE IN NET ASSETS	 344,447	 (155,177)	 189,270
NET ASSETS, Beginning of year	<u>172,110</u>	<u>155,177</u>	<u>327,287</u>
NET ASSETS, End of year	<u>\$ 516,557</u>	<u>\$ -</u>	<u>\$ 516,557</u>

See accompanying notes to financial statements

Gateway Pet Guardians  
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 170,389	\$ 189,270
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	18,096	3,147
(Increase) decrease in assets:		
Receivables	29,910	28,855
Prepaid expenses	(100)	(1,600)
Inventory	(16,722)	-
(Decrease) increase in liabilities:		
Accounts payable	28,916	16,139
Accrued expenses	5,385	2,621
Net Change in Cash and Cash Equivalents from Operating Activities	235,874	238,432
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital additions	(94,789)	(442,010)
Net Change in Cash and Cash Equivalents from Investing Activities	(94,789)	(442,010)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	24,800	160,800
Repayment of long-term debt	(20,003)	(14,243)
Net Change in Cash and Cash Equivalents from Financing Activities	4,797	146,557
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	145,882	(57,021)
<b>CASH AND CASH EQUIVALENTS -- BEGINNING OF THE YEAR</b>	156,110	213,131
<b>CASH AND CASH EQUIVALENTS -- END OF THE YEAR</b>	\$ 301,992	\$ 156,110
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid during the year for interest	\$ 8,038	\$ 6,788
Cash paid during the year for income taxes	\$ -	\$ -

See accompanying notes to financial statements



Gateway Pet Guardians  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2020

Supporting Services

	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total</u>
Salaries	\$ 255,589	\$ 94,874	\$ 58,519	\$ 153,393	\$ 408,982
Payroll taxes	30,056	11,157	6,882	18,039	48,095
Total Payroll and taxes	<u>285,645</u>	<u>106,031</u>	<u>65,401</u>	<u>171,432</u>	<u>457,077</u>
Professional services	163,496	33,318	588	33,906	197,402
Occupancy	39,568	644	387	1,031	40,599
Supplies	177,091	357	6,958	7,315	184,406
Travel and meetings	2,622	50	-	50	2,672
Miscellaneous	4,412	5,409	7,849	13,258	17,670
Information technology	24,227	258	6,234	6,492	30,719
Insurance	38,574	28,787	7,475	36,262	74,836
Repairs and maintenance	48,215	208	74	282	48,497
Printing	950	769	200	969	1,919
Interest expense	7,288	701	49	750	8,038
Depreciation expense	15,683	1,524	889	2,413	18,096
Postage and shipping	25,331	109	310	419	25,750
Total Expenses	<u>\$ 833,102</u>	<u>\$ 178,165</u>	<u>\$ 96,414</u>	<u>\$ 274,579</u>	<u>\$ 1,107,681</u>

See accompanying notes to financial statements

Gateway Pet Guardians  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2019

	Supporting Services				Total
	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 254,876	\$ 3,822	\$ 44,300	\$ 48,122	\$ 302,998
Payroll taxes	25,534	383	4,438	4,821	30,355
Total Payroll and taxes	280,410	4,205	48,738	52,943	333,353
Professional services	266,105	9,562	83	9,645	275,750
Occupancy	48,323	767	3,656	4,423	52,746
Supplies	45,976	-	4,645	4,645	50,621
Travel and meetings	36,036	3,414	7,122	10,536	46,572
Miscellaneous	50,715	4,088	118	4,206	54,921
Information technology	8,145	120	8,690	8,810	16,955
Insurance	10,587	9,005	-	9,005	19,592
Repairs and maintenance	13,307	40	-	40	13,347
Printing	11,071	7	-	7	11,078
Interest expense	6,109	679	-	679	6,788
Depreciation expense	2,360	787	-	787	3,147
Postage and shipping	2,526	131	-	131	2,657
Total Expenses	\$ 781,670	\$ 32,805	\$ 73,052	\$ 105,857	\$ 887,527

See accompanying notes to financial statements

Gateway Pet Guardians  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Gateway Pet Guardians (the “Organization”) is a non-profit organization founded in 2004 dedicated to ending homelessness for animals in the Metro East St. Louis Community through rescue, rehabilitation, adoption, community outreach, and education. During 2019, the Organization officially changed its name from PJ’s Pet Guardians to Gateway Pet Guardians, removing the “doing business as” designation, to better represent the purpose and mission.

In 2020, Gateway Pet Guardians opened a 54,000 sq ft. facility in East St. Louis, creating the first and largest pet resource center in the region. GPG established the first-ever vet clinic in East St. Louis, offering subsidized veterinary care to more than 500 pets since opening in August. GPG became the largest transfer partner for St. Clair County Animal Services and the Rescue Bank Affiliate partner for the St. Louis region. GPG earned the Points of Light Service Enterprise certification.

In 2020, Gateway Pet Guardians impacted 3,480 animals, a 27% increase compared to 2019. The organization took in 820 cats and dogs and conducted 782 adoptions. This was a 56% increase from 2019. The organization has a 96% save rate.

GPG saved \$184,000 by reducing the length of stay in the shelter by 45 days, which also enabled a 48% increase in intake. \$41,827 in emergency vet services was provided to the community served by GPG. 1,010 community pets were served through spay/neuter, vaccinations, nail trims, and basic care exams. GPG distributed 18 tons of food and litter to the communities in its service area. GPG spayed and neutered 642 cats and dogs, preventing 1,352,694 future unwanted pets from being born and saving St. Clair County millions of dollars in animal care.

During COVID-19, GPG successfully moved all animals from the shelter and into foster homes. Staff worked remotely and two staff members were furloughed. By the end of 2020, all staff had been reinstated to their positions, and the organization was operating with animals and staff in the shelter. A Clinic Manager position was added. In December of 2020, the Executive Director announced her resignation and a new Executive Director, Emily Stuart, was hired with a start date of January 5th, 2021.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, prepaids, accounts payable, and other liabilities.

Gateway Pet Guardians  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

The Organization presents its financial statements in conformity with generally accepted accounting principles. Under these principles, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers cash on hand, cash in banks, certificates of deposit, time deposits, and U.S. government and other short-term securities with maturities of three months or less when purchased as cash and cash equivalents.

Property and Equipment

Property and equipment is reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All equipment with a cost of \$5,000 or more is capitalized. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

	<u>Years</u>
Equipment	3 - 10
Vehicles	5
Building and improvements	10 - 39

Property and equipment is reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

Gateway Pet Guardians  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Gifts-in-Kind Contributions

If the organization receives a contribution of land, buildings, equipment, or supplies, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the organization's capitalization policy. Donated supplies are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed.

The organization benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the organization's program operations and in its fund-raising campaigns. However, the majority of the contributed services do not meet the criteria for recognition in financial statements. GAAP allow recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Such services are assigned a value based on rates commensurate with the type of services performed.

Revenue Recognition

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board ("FASB"). In accordance with FASB guidance, contributions received are recorded as funds without donor restrictions or funds with donor restrictions, depending on the existence or nature of any donor restrictions. As of December 31, 2020, and 2019, the Organization does not have any funds with donor restrictions that will not expire due to expiration of time or for meeting the purpose of the donor.

Contributions are recognized when the donor makes a promise to give the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions, if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. 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. The Organization considers grants receivable at December 31, 2020, and 2019, to be fully collectible.

Gateway Pet Guardians  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Recognition and Allocation

The cost of providing the organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited based on time spent by staff. The allocation is reviewed annually by the Finance Committee.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising.

Advertising Expense

Costs of advertising are expensed in the period incurred.

Income Taxes

The Organization is a tax-exempt organization under Section 501 (c) (3) of the Internal Revenue Code and similar provisions of the state code. Therefore, no provision for income taxes has been made.

Gateway Pet Guardians  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the organization’s management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization’s management believes that the estimates and assumptions are reasonable in the circumstances, however, the actual results could differ from those estimates.

NOTE B – CAPITAL CAMPAIGN

In 2018, the Organization began a capital campaign to fund a larger facility to house operations located in the community it serves of East St. Louis, Illinois. During 2020 and 2019, renovations took place and the building was put into service January, 2020.

NOTE C – PROPERTY AND EQUIPMENT

The fair value of equipment costs and the related accumulated depreciation consisted of the following at December 31,:

	<u>2020</u>	<u>2019</u>
Equipment	\$ 50,900	\$ 4,018
Vehicles	35,619	35,619
Building and improvements	<u>456,229</u>	<u>456,229</u>
Total	495,866	495,866
Less accumulated depreciation	<u>( 38,671)</u>	<u>( 21,781)</u>
Net property and equipment	<u>\$ 504,077</u>	<u>\$ 474,085</u>

Depreciation expense for the year ended December 31, 2020, and 2019, was \$16,890 and \$3,147 respectively. Depreciation expense is reported as a functional expense under the appropriate program or supporting service.

Gateway Pet Guardians  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2020 and 2019

NOTE D – RESERVE

The Organization is substantially supported by program income, grants, and contributions. The Organization maintains a reserve to ensure the stability of the mission, programs, employment, and ongoing operations of the organization. The Organization’s goal is to maintain a reserve of three months cash on hand. During 2019, due to construction, the reserve was reduced to approximately 38 days cash on hand

NOTE E – NET ASSETS WITH DONOR RESTRICTIONS

Grants of cash are reported as funds with donor restrictions support if they are received with donor stipulations that limit the use of the funds. When the restriction’s purpose is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as net assets released from restrictions. At December 31, 2019, all net assets with donor restrictions had been released for the purpose intended by the donor. Net assets with donor restrictions consisted of the following at December 31,:

	<u>2020</u>	<u>2019</u>
COVID 19 Emergency relief	\$ 50,000	\$ -
Vet care for all	95,000	-
Time restriction	<u>10,000</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 155,000</u>	<u>\$ -</u>

NOTE F – SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 19, 2021, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

NOTE G – LONG-TERM DEBT

July 15, 2020, the Organization received a \$24,800 unsecured loan from the Small Business Administration due to COVID-19, Economic Injury Disaster Loan. Interest is 2.75% annually with payments of \$106 due monthly beginning twelve months after the date of the loan and is due by July 15, 2050.



Gateway Pet Guardians  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020 and 2019

NOTE G – LONG-TERM DEBT (continued)

The Organization successfully bid on a building located in the city of East St. Louis and closed on the property on March 19, 2019. The Organization obtained financing of the building with monthly payments of \$2,336.75 and an interest rate of 5.75% annually. The loan start date is March 20, 2019 and matures March 20, 2022. As disclosed in NOTE F, the Organization received an Economic Injury Disaster Loan. The following minimum principal payments are due as follows for the following future periods as of December 31,:

2021	\$ 21,841
2022	169,711
2023	650
2024	604
Thereafter	21,303

Interest expense for the year ending December 31, 2020, and 2019, was \$8,038, and \$6,788, respectively.

NOTE H – RELATED PARTY TRANSACTIONS

During the year ending December 31, 2020, and 2019, the following related party transactions occurred. All transactions were negotiated at arm's length and were approved by the board.

- Veterinary services were paid to an organization that was owned by a board member. Transactions totaled \$38,347 and \$119,212, for the years ending December 31, 2020, and 2019, respectively. Effective March 2020, the individual resigned from the board.
- The general contractor overseeing construction renovations in 2019 and 2020 is related to the Executive Director. Total amount paid was \$14,840, and \$32,827 for the years ending December 31, 2020, and 2019, respectively. During 2020, the Executive Director resigned from the organization.
- A contractor who is related to the Executive Director was paid \$9,600 during the year ending December 31, 2019. During 2020, the Executive Director resigned from the organization.
- The Executive Director's husband was an employee of the organization. In 2020, the employee was furloughed due to COVID-19 related cuts but was reinstated. During 2020, the Executive Director resigned from the organization.

NOTE I – PAYCHECK PROTECTION PROGRAM

April 14, 2020, in response to the COVID-19 pandemic, the Organization received an unsecured Paycheck Protection Program ("PPP") loan in the amount of \$63,750.87. All stipulations of the agreement were met and the loan was forgiven effective January 26, 2021 and the amount is appropriately recorded on the Statement of Activities.