

Gateway Pet Guardians
(A NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020

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

Opinion

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, 2021, and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gateway Pet Guardians, as of December 31, 2021, and 2020, 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.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Gateway Pet Guardians and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Gateway Pet Guardians' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Gateway Pet Guardians' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Gateway Pet Guardians' ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

Linda O. Hardshell CPA

St. Louis, Missouri

April 25, 2022

Gateway Pet Guardians
STATEMENTS OF FINANCIAL POSITION

ASSETS

| | December 31, | |
|---|-------------------|-------------------|
| | 2021 | 2020 |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 180,408 | \$ 301,992 |
| Receivables | 70,342 | 49,401 |
| Inventory | 8,989 | 16,722 |
| Prepaid expenses | 9,698 | 6,907 |
| Total Current Assets | 269,437 | 375,022 |
| PROPERTY AND EQUIPMENT, net accumulated depreciation | 536,979 | 550,778 |
| TOTAL ASSETS | <u>\$ 806,416</u> | <u>\$ 925,800</u> |

LIABILITIES AND NET ASSETS

| | | |
|---------------------------------------|-------------------|-------------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 75,484 | \$ 71,852 |
| Accrued expenses | 34,465 | 15,648 |
| Current portion of long-term debt | 20,779 | 21,226 |
| Total Current Liabilities | 130,728 | 108,726 |
| LONG-TERM LIABILITIES | | |
| Long-term debt | 158,120 | 130,128 |
| TOTAL LIABILITIES | 288,848 | 238,854 |
| NET ASSETS | | |
| Net assets without donor restrictions | 458,063 | 531,946 |
| Net assets with donor restrictions | 59,505 | 155,000 |
| Total Net Assets | 517,568 | 686,946 |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 806,416</u> | <u>\$ 925,800</u> |

See accompanying notes to financial statements

Gateway Pet Guardians
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

| | Funds without Donor Restrictions | Funds with Donor Restrictions | Total |
|---------------------------------------|-------------------------------------|----------------------------------|-------------------|
| SUPPORT AND REVENUE | | | |
| Support | | | |
| Contributions | \$ 1,037,471 | \$ 32,838 | \$ 1,070,309 |
| Grants | 10,825 | - | 10,825 |
| Special events | - | - | - |
| In-kind | 300 | - | 300 |
| Paycheck Protection Plan | 95,140 | - | 95,140 |
| Revenue | | | |
| Adoption income | 206,754 | - | 206,754 |
| Clinic income | 166,079 | - | 166,079 |
| Interest and miscellaneous | 3,672 | - | 3,672 |
| Net assets released from restrictions | 128,333 | (128,333) | - |
| | <u>1,648,574</u> | <u>(95,495)</u> | <u>1,553,079</u> |
| TOTAL SUPPORT AND REVENUE | <u>1,648,574</u> | <u>(95,495)</u> | <u>1,553,079</u> |
| EXPENSES | | | |
| Program services | 1,372,412 | - | 1,372,412 |
| Supporting services | | | |
| Management and general | 128,235 | - | 128,235 |
| Fundraising | 221,810 | - | 221,810 |
| | <u>1,722,457</u> | <u>-</u> | <u>1,722,457</u> |
| TOTAL EXPENSES | <u>1,722,457</u> | <u>-</u> | <u>1,722,457</u> |
| CHANGE IN NET ASSETS | (73,883) | (95,495) | (169,378) |
| NET ASSETS, Beginning of year | <u>531,946</u> | <u>155,000</u> | <u>686,946</u> |
| NET ASSETS, End of year | <u>\$ 458,063</u> | <u>\$ 59,505</u> | <u>\$ 517,568</u> |

See accompanying notes to financial statements

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

| | <u>Funds without Donor Restrictions</u> | <u>Funds with Donor Restrictions</u> | <u>Total</u> |
|---------------------------------------|---|--|------------------------------|
| SUPPORT AND REVENUE | | | |
| Support | | | |
| Contributions | \$ 428,706 | \$ 64,257 | \$ 492,963 |
| Grants | 83,579 | 155,000 | 238,579 |
| Special events | 54,684 | 259,664 | 314,348 |
| In-kind materials | - | - | - |
| 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 | <u>323,921</u> | <u>(323,921)</u> | <u>-</u> |
| TOTAL SUPPORT AND REVENUE | <u>1,123,070</u> | <u>155,000</u> | <u>1,278,070</u> |
| EXPENSES | | | |
| Program services | 833,102 | - | 833,102 |
| Supporting service | | | |
| Management and general | 178,165 | - | 178,165 |
| Fundraising | <u>96,414</u> | <u>-</u> | <u>96,414</u> |
| TOTAL EXPENSES | <u>1,107,681</u> | <u>-</u> | <u>1,107,681</u> |
| CHANGE IN NET ASSETS | 15,389 | 155,000 | 170,389 |
| NET ASSETS, Beginning of year | <u>516,557</u> | <u>-</u> | <u>516,557</u> |
| NET ASSETS, End of year | <u><u>\$ 531,946</u></u> | <u><u>\$ 155,000</u></u> | <u><u>\$ 686,946</u></u> |

See accompanying notes to financial statements
(5)

Gateway Pet Guardians
STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | |
|---|-------------------------|-------------------|
| | 2021 | 2020 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (169,378) | \$ 170,389 |
| Adjustments to reconcile change in net assets to net change in cash from operating activities: | | |
| Depreciation | 23,418 | 18,096 |
| (Increase) decrease in assets: | | |
| Receivables | (20,941) | 29,910 |
| Prepaid expenses | (2,791) | (100) |
| Inventory | 7,733 | (16,722) |
| (Decrease) increase in liabilities: | | |
| Accounts payable | 3,632 | 28,916 |
| Accrued expenses | 18,817 | 5,385 |
| Net Change in Cash and Cash Equivalents from Operating Activities | (139,510) | 235,874 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital additions | (9,619) | (94,789) |
| Net Change in Cash and Cash Equivalents from Investing Activities | (9,619) | (94,789) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from long-term debt | 160,800 | 24,800 |
| Repayment of long-term debt | (133,255) | (20,003) |
| Net Change in Cash and Cash Equivalents from Financing Activities | 27,545 | 4,797 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (121,584) | 145,882 |
| CASH AND CASH EQUIVALENTS -- BEGINNING OF THE YEAR | 301,992 | 156,110 |
| CASH AND CASH EQUIVALENTS -- END OF THE YEAR | <u>\$ 180,408</u> | <u>\$ 301,992</u> |
| SUPPLEMENTAL DISCLOSURES | | |
| Cash paid during the year for interest | \$ 8,206 | \$ 8,038 |
| 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, 2021

| | <u>Supporting Services</u> | | | | |
|---------------------------|-----------------------------------|-----------------------------------|--------------------------|--------------------------------------|----------------------------|
| | <u>Total Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total Supporting Services</u> | <u>Total</u> |
| Salaries | \$ 654,292 | \$ 25,704 | \$ 135,694 | \$ 161,398 | \$ 815,690 |
| Benefits | 96,217 | 6,123 | 20,535 | 26,658 | 122,875 |
| Payroll taxes | 58,118 | 2,350 | 11,752 | 14,102 | 72,220 |
| Total Payroll and taxes | <u>808,627</u> | <u>34,177</u> | <u>167,981</u> | <u>202,158</u> | <u>1,010,785</u> |
| Supplies | 257,324 | 3,556 | 4,592 | 8,148 | 265,472 |
| Professional services | 86,650 | 52,320 | 3,276 | 55,596 | 142,246 |
| Occupancy | 52,263 | 7,501 | 4,960 | 12,461 | 64,724 |
| Postage and shipping | 50,163 | 27 | 3,564 | 3,591 | 53,754 |
| Information technology | 21,780 | 2,806 | 6,509 | 9,315 | 31,095 |
| Bank and credit card fees | 7,383 | 3,645 | 19,239 | 22,884 | 30,267 |
| Depreciation expense | 19,048 | 2,760 | 1,610 | 4,370 | 23,418 |
| Insurance | 16,594 | 4,174 | 1,120 | 5,294 | 21,888 |
| Miscellaneous | 3,337 | 12,627 | 375 | 13,002 | 16,339 |
| Marketing and advertising | 10,455 | 651 | 3,597 | 4,248 | 14,703 |
| Sales tax | 13,114 | - | - | - | 13,114 |
| Repairs and maintenance | 9,024 | 581 | 339 | 920 | 9,944 |
| Interest expense | 5,408 | 2,365 | 433 | 2,798 | 8,206 |
| Grantmaking | 7,000 | - | - | - | 7,000 |
| Printing | 1,037 | 1,041 | 4,211 | 5,252 | 6,289 |
| Travel and meetings | <u>3,206</u> | <u>4</u> | <u>3</u> | <u>7</u> | <u>3,213</u> |
| Total Expenses | <u><u>\$ 1,372,412</u></u> | <u><u>\$ 128,235</u></u> | <u><u>\$ 221,810</u></u> | <u><u>\$ 350,045</u></u> | <u><u>\$ 1,722,457</u></u> |

See accompanying notes to financial statements

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

| | Supporting Services | | | | |
|---------------------------|---------------------------|---------------------------|------------------|------------------------------|---------------------|
| | Total Program Services | Management and General | Fundraising | Total Supporting Services | Total |
| 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 | 285,645 | 106,031 | 65,401 | 171,432 | 457,077 |
| Supplies | 174,081 | 357 | 6,958 | 7,315 | 181,396 |
| Professional services | 163,496 | 33,318 | 588 | 33,906 | 197,402 |
| Occupancy | 39,568 | 644 | 387 | 1,031 | 40,599 |
| Postage and shipping | 25,331 | 109 | 310 | 419 | 25,750 |
| Information technology | 24,227 | 258 | 6,234 | 6,492 | 30,719 |
| Bank and credit card fees | 2,854 | - | - | - | 2,854 |
| Depreciation expense | 15,683 | 1,524 | 889 | 2,413 | 18,096 |
| Insurance | 38,574 | 28,787 | 7,475 | 36,262 | 74,836 |
| Miscellaneous | 1,397 | 4,442 | 5,658 | 10,100 | 11,497 |
| Marketing and advertising | 161 | 967 | 2,191 | 3,158 | 3,319 |
| Sales tax | 3,010 | - | - | - | 3,010 |
| Repairs and maintenance | 48,215 | 208 | 74 | 282 | 48,497 |
| Interest expense | 7,288 | 701 | 49 | 750 | 8,038 |
| Grantmaking | - | - | - | - | - |
| Printing | 950 | 769 | 200 | 969 | 1,919 |
| Travel and meetings | 2,622 | 50 | - | 50 | 2,672 |
| 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
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

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 2021, Gateway Pet Guardians had their first full year of operating out of their new building, which meant growth in all programming as well as launching new programs and services, including an affordable pet spa, the Pet Supply Donation Marketplace, a free in-house spay/neuter program, walk-in public clinic hours and self-service low- cost bulk pet food, to name a few. With expanded staff capacity and the dedication of countless volunteers and fosters, they were able to set several lifetime organizational records, including the number of pets returned to owners and adopted by community members, as well as hours devoted to foster care, total volunteer hours, annual animal intake and adoption.

GPG provided medical care for 1,845 owned pets in their community. The organization took in 1139 cats and dogs, conducted 1,011 adoptions and returned 42 pets to their owners. These numbers were a 30% increase over 2020 thanks to length of stay before adoption dropping to 25 days (30%). The organization has a 97% save rate. GPG distributed 29 tons of food and cat litter to the communities in its service area through their pet food pantry and other pet food partnerships. GPG spayed and neutered 728 owned cats and dogs (including feral cats), preventing 1,533,896 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. 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. Emily resigned effective February 14, 2022 and Alisha Vianello will serve as interim Executive Director.

The organization saved \$335,500 in 2021 by utilizing volunteers and 31 volunteers qualified for the President's Volunteer Service Award by giving over 100 hours of service in 2021.

Gateway Pet Guardians
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 |

Gateway Pet Guardians
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment (continued)

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.

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, 2021, and 2020, 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, 2021, and 2020, to be fully collectible.

Gateway Pet Guardians
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

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 Executive Director and outsourced accounting consultant.

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.

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.

Gateway Pet Guardians
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

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>2021</u> | <u>2020</u> |
|-------------------------------|-------------------|-------------------|
| Equipment | \$ 55,263 | \$ 50,900 |
| 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>(62,196)</u> | <u>(38,671)</u> |
| Net property and equipment | <u>\$ 536,979</u> | <u>\$ 504,077</u> |

Depreciation expense for the year ended December 31, 2021, and 2020, was \$23,418 and \$16,890 respectively. Depreciation expense is reported as a functional expense under the appropriate program or supporting service.

NOTE D – RESERVE AND LIQUIDITY

The Organization is substantially supported by program income, grants, and contributions. The Organization works to maintain 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 2020, the Organization moved into the new building and expanded programming which required investing in staff, supplies, building maintenance in 2020 and 2021 so that the Organization was not able to build a reserve. There are no new planned construction on the building or program expansions so that finances are stable and the Organization is working on a strategic plan to grow the reserve. As of December 31, 2021, the Organizations assets available within one year are comprised of the following:

| | |
|---|-------------------|
| Financial assets, at year end | \$ 806,416 |
| Less those unavailable for general expenditures, within one year: | |
| Invested in capital assets, net | (536,979) |
| Funds with donor restrictions | <u>(59,505)</u> |
| Available for operations | <u>\$ 209,932</u> |

Gateway Pet Guardians
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

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. Net assets with donor restrictions consisted of the following at December 31,:

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|-----------------------|
| COVID 19 Emergency relief | \$ - | \$ 50,000 |
| Vet care for all | 26,667 | 95,000 |
| Time restriction | <u>32,838</u> | <u>10,000</u> |
| Total net assets with donor restrictions | <u>\$ 59,505</u> | <u>\$ 155,000</u> |

NOTE F – SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 25, 2022, 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.

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.

September 7, 2021, the above mortgage was refinanced. The maturity date is August 20, 2024 and carries an interest rate of 4.75% per annum and regular monthly payments of \$2,253.75 starting September 20, 2021 and one irregular last payment of approximately \$100,470 due on August 20, 2024.

Gateway Pet Guardians
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE G – LONG-TERM DEBT (continued)

The following minimum principal payments are due as follows for the following future periods as of December 31,:

| | |
|------------|-----------|
| 2022 | \$ 20,698 |
| 2023 | 21,692 |
| 2024 | 113,590 |
| 2025 | 644 |
| Thereafter | 22,250 |

Interest expense for the year ending December 31, 2021, and 2020, was \$8,206, and \$8,038, respectively.

NOTE H – RELATED PARTY TRANSACTIONS

During the year ending December 31, 2020, the following related party transactions occurred. All transactions were negotiated at arm's length and were approved by the board. There were no related party transactions for the year ending December 31, 2021.

- Veterinary services were paid to an organization that was owned by a board member. Transactions totaled \$38,347 for the year ending December 31, 2020. Effective March 2020, the individual resigned from the board.
- The general contractor overseeing construction renovations in 2019 and 2020 was related to the Executive Director at that time. Total amount paid was \$14,840, for the year ending December 31, 2020. 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.

January 26, 2021, the Organization received a second PPP loan in the amount of \$95,139.50. All stipulations of the agreement were met and the loan was forgiven effective August 6, 2021 and the amount is appropriately recorded on the Statement of Activities.