

Companion Animal Alliance

Baton Rouge, Louisiana

*Financial Statements
and Supplementary Information*

Year Ended December 31, 2018

William D. Mercer, CPA

A PROFESSIONAL ACCOUNTING CORPORATION

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WILLIAM D. MERCER, CPA

A PROFESSIONAL ACCOUNTING
CORPORATION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Companion Animal Alliance
Baton Rouge, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of Companion Animal Alliance (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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.

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Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Companion Animal Alliance as of December 31, 2018, 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.

Other Matters

My audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise Companion Animal Alliance's basic financial statements. The schedule of compensation, benefits, and other payments to agency head on pages 26-29 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of compensation, benefits, and other payments to agency head on pages 26-29 is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of compensation, benefits, and other payments to agency head on pages 26-29 is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated June 27, 2019, on my consideration of Companion Animal Alliance's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Companion Animal Alliance's internal control over financial reporting and compliance.

WILLIAM D. MERCER, CPA (APAE)

Baton Rouge, Louisiana
June 27, 2019

COMPANION ANIMAL ALLIANCE
Baton Rouge, Louisiana

STATEMENT OF FINANCIAL POSITION

December 31, 2018

ASSETS

CURRENT:

Cash and cash equivalents	\$	557,712
Pledges receivable – current		224,570
Other receivables		888
Inventory		<u>5,828</u>

Total Current Assets 788,998

PROPERTY AND EQUIPMENT:

Building and improvements		9,085,787
Equipment and furniture		287,439
Transportation equipment		<u>135,489</u>

9,508,715
Less accumulated depreciation 163,426

Net Property and Equipment 9,345,289

LONG-TERM:

Pledges receivable – noncurrent		<u>152,000</u>
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TOTAL ASSETS \$ 10,286,287

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

LIABILITIES

CURRENT:

Accounts payable and accrued expenses	\$	585,096
Due to Baton Rouge Area Foundation		2,033
Line of credit		<u>220,000</u>

TOTAL LIABILITIES (all current) 807,129

NET ASSETS

With donor restrictions:		1,196,762
Without donor restrictions		<u>8,282,366</u>

TOTAL NET ASSETS 9,479,158

TOTAL LIABILITIES AND NET ASSETS \$ 10,286,287

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

COMPANION ANIMAL ALLIANCE
Baton Rouge, Louisiana

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS

Year Ended December 31, 2018

	<u>With Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>Totals</u>
REVENUES:			
Contributed support	\$ 1,743,983	\$ 850,909	\$ 2,594,892
Earned revenues:			
Adoption and other revenues	-	224,607	224,607
Governmental contracts and fees	-	596,140	596,140
License fee revenue	-	150,000	150,000
Investment income	26,033	15,672	41,705
Net assets released from restrictions	(<u>7,838,222</u>)	<u>7,838,222</u>	<u>-</u>
Total Revenues	(<u>6,068,206</u>)	<u>9,675,550</u>	<u>3,607,344</u>
EXPENSES:			
Program services	-	1,497,607	1,497,607
Supporting services:			
Management services	-	390,964	390,964
Fundraising	<u>-</u>	<u>279,332</u>	<u>279,332</u>
Total Expenses	<u>-</u>	<u>2,167,903</u>	<u>2,167,903</u>
Change in net assets	(6,068,206)	7,507,647	1,439,441
NET ASSETS, beginning of year	<u>7,264,998</u>	<u>774,719</u>	<u>8,039,717</u>
NET ASSETS, end of year	\$ <u>1,196,792</u>	\$ <u>8,282,366</u>	\$ <u>9,479,158</u>

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

COMPANION ANIMAL ALLIANCE
Baton Rouge, Louisiana

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

	<u>Program Services</u>	<u>Management Services</u>	<u>Fundraising</u>
Administrative fees	\$ -	\$ 13,824	\$ -
Advertising	-	-	1,382
Auto and truck expense	12,866	-	-
Cleaning	37,508	-	-
Depreciation	53,807	14,348	3,587
Employee benefits	68,323	18,220	4,555
Food	40,092	-	-
Fundraising	-	-	195,437
Insurance	74,164	24,722	2,045
Interest	-	1,072	-
Medical supplies	221,036	-	-
Occupancy expense	83,072	22,152	5,538
Office expense	8,683	2,737	86
Payroll expenses	815,650	217,506	54,377
Postage and delivery	721	240	40
Printing and communications	7,681	1,888	8,021
Professional services	41,981	66,749	-
Repairs and maintenance	127	34	9
Supplies	11,353	-	-
Technology	10,209	3,377	1,527
Telephone	267	1,267	-
Travel	<u>10,067</u>	<u>2,828</u>	<u>2,728</u>
Totals	<u>\$ 1,497,607</u>	<u>\$ 390,964</u>	<u>\$ 279,332</u>

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

COMPANION ANIMAL ALLIANCE
Baton Rouge, Louisiana

STATEMENTS OF CASH FLOWS

Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 1,439,441
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	71,742
(Increase) decrease in:	
Pledges receivable	437,839
Prepaid expenses	7,773
Inventory	(5,828)
Other assets	(888)
Increase (decrease) in:	
Accounts payable and accrued expenses	138,222
Amounts due to Baton Rouge Area Foundation	(92)
Net cash provided by operating activities	<u>2,088,209</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Cash payments for purchase of property and equipment	(7,326,133)
Cash proceeds from disposal of assets	<u>54,834</u>
Net cash used by investing activities	<u>(7,271,299)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Net borrowings on line of credit	<u>220,000</u>
NET DECREASE IN CASH	(4,963,090)
CASH AND CASH EQUIVALENTS, beginning of year	<u>5,520,802</u>
CASH AND CASH EQUIVALENTS, end of year	\$ <u>557,712</u>

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

COMPANION ANIMAL ALLIANCE
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Companion Animal Alliance (the Organization) is a nonprofit organization committed to reducing the number of animals entering the animal shelter, treating animals humanely while they are in the shelter's care, and to finding homes for animals, returning lost animals to their families while finding foster care and permanent homes for other dogs and cats.

Method of accounting

The accompanying financial statements have been prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Organization regularly assesses these estimates and, while actual results could differ, management believes that the estimates are reasonable.

Significant estimates included in or affecting the presentation of the accompanying financial statements include estimated useful lives of property and equipment.

COMPANION ANIMAL ALLIANCE
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation

Net assets of the Organization and changes therein are classified and reported as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations. This also includes previously restricted gifts and grants for buildings and equipment that have been placed into service.

With donor restrictions – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt, including gifts and pledges for buildings and equipment not yet placed in service. Also included in this net asset category are net assets subject to donor-imposed restrictions to be maintained permanently by the Organization, including gifts and pledges wherein donors stipulate that the corpus of the gift be held in perpetuity and that only income be made available for program operations.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed stipulations. Expenses are recorded as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated passage of time has elapsed) are reported as net assets released from restrictions.

Cash and cash equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Inventory

The Organization's inventory, consisting of retail pet supplies, is stated at cost.

COMPANION ANIMAL ALLIANCE
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

All property and equipment is stated at cost. Expenditures for maintenance, repairs, and minor renewals are expensed as incurred. Major expenditures for renewals and betterments are capitalized.

As a general rule, when items are retired or otherwise disposed, accumulated depreciation is reduced by the accumulated amount of depreciation applicable thereto. Any gain or loss from such retirement or disposal is credited or charged to income in the year of the disposal.

Depreciation and amortization

Depreciation is computed on the straight-line method over the following estimated useful lives of the various classes of depreciable assets:

Buildings and improvements	10 – 40 years
Equipment and furniture	3 – 10 years
Transportation equipment	3 – 5 years

The useful lives are estimated based on historical experience with similar assets, taking into account anticipated technological or other changes. The Organization periodically reviews these lives relative to physical factors, economic factors, and industry trends. If there are changes in the planned use of property and equipment or if technological changes occur more rapidly than anticipated, the useful lives assigned to those assets may be shortened, resulting in the recognition of increased depreciation and amortization expense in future periods.

COMPANION ANIMAL ALLIANCE
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

The Organization reports contributions as support with donor restrictions if they are received with donor or grantor restrictions that limit the use of the contributions. When a restriction expires (i.e., when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions are considered to be available for unrestricted use and recorded as such, unless specifically restricted by the donor.

Revenues from government agency contracts and fees are recognized in the period in which the Organization provides the service.

Advertising

The Organization expenses the production costs of advertising the first time the advertising takes place, except for direct response advertising, which is capitalized and amortized over its expected period of future benefits. As of December 31, 2018, the Organization had no advertising classified as assets, and advertising costs of \$ 1,382 were expensed as incurred.

Income taxes

The Organization is a not-for-profit organization that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state income tax under Section 121(5) of Title 47 of the Louisiana Revised Statutes. Accordingly, no provision or liability for federal or state income taxes has been included in the accompanying financial statements.

Functional allocation of expenses

The costs of providing programs have been summarized on functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

COMPANION ANIMAL ALLIANCE
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Management of liquid resources

The Organization is primarily funded by contributions and contract fees that may contain restrictions. Those restrictions require that resources be used in a certain manner or in a future period. Therefore, the Organization must maintain adequate resources to meet those responsibilities to its donors and certain financial assets may not be available for general expenditure within one year. As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. The Organizations also invests its cash in investments held by Baton Rouge Area Foundation. The Board of Directors may occasionally designate amounts to its liquidity reserve that could be utilized in the event of an unanticipated liquidity need.

Recent accounting pronouncements

During 2018, the Organization adopted ASU 2016-14 – *Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

Subsequent events

In preparing the accompanying financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through June 27, 2019, the date the financial statements were available to be issued.

COMPANION ANIMAL ALLIANCE
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2018, were as follows:

Cash on hand	\$	350
Cash in bank – checking / savings		34,796
Cash in bank – money market		<u>522,566</u>
	\$	<u>557,712</u>

As of December 31, 2018, the Organization’s money market funds were being held by Baton Rouge Area Foundation, a non-profit organization located in Baton Rouge, Louisiana, who allows nonprofit organizations to set up funds for their own benefit. Baton Rouge Area Foundation serves as an agent on behalf of the nonprofit organization.

NOTE C – LEASE COMMITMENTS

The Company utilized office and shelter facilities provided to it under a cooperative endeavor agreement with the City of Baton Rouge/Parish of East Baton Rouge through December 2018. This agreement does not require any payment of rent or utilities, which are borne by the City/Parish. The estimated fair value of the occupancy expense under this agreement was \$ 106,025 for the year ended December 31, 2018. This amount of donated facility costs is included as a component of unrestricted revenues and expenses in the accompanying financial statements.

NOTE D – CONTRIBUTED SUPPORT

The Organization utilizes certain accounting and other professional services provided by Baton Rouge Area Foundation. The value of these services for the year ended December 31, 2018, was estimated at \$60,000, which is included as a component of unrestricted revenues and expenses in the accompanying financial statements.

COMPANION ANIMAL ALLIANCE
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE D – CONTRIBUTED SUPPORT (continued)

The Organization received in-kind donations of pet food and fundraising expenses during the year ended December 31, 2018. The value of these donations was estimated at \$ 77,570, which is included as a component of unrestricted revenues and expenses in the accompanying financial statements.

NOTE E – INVESTMENT INCOME

Investment income in the accompanying financial statements is calculated on overall return from investments owned by Baton Rouge Area Foundation. Interest and investment gains and losses are allocated proportionately among all organizations holding funds with Baton Rouge Area Foundation.

NOTE F – LONG-TERM OBLIGATIONS

At December 31, 2018, the Organization had outstanding debt under a line of credit with a local bank. This liability is currently payable in installments of interest only, at an annual rate of 5.5%, and is secured by receivables of the Organization. As of December 31, 2018, the outstanding debt under this obligation was \$ 220,000. Available credit under this line of credit totaled \$ 1,780,000 at December 31, 2018.

The Organization had no other long-term liabilities as of December 31, 2018.

NOTE G – SUPPLEMENTARY CASH FLOW INFORMATION

Cash payments for interest and income taxes for the year ended December 31, 2018, were as follows:

Interest	\$ <u>1,072</u>
Income taxes	\$ <u>-</u>

COMPANION ANIMAL ALLIANCE
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE G – SUPPLEMENTARY CASH FLOW INFORMATION

Noncash investing and financing activities for the year ended December 31, 2018, were as follows:

Use of City/Parish shelter facilities and related utility costs, estimated at \$ 106,025

Utilization of Baton Rouge Area Foundation accounting and professional services estimated at \$60,000

In-kind donations of pet food and fundraising services estimated at \$ 77,570

NOTE H – RELATED PARTY TRANSACTIONS

As of December 31, 2018, the Organization had an outstanding liability totaling \$ 2,033 payable to Baton Rouge Area Foundation, which provides fiscal agency, accounting, and professional services to the Organization. This liability represents funds paid for operating expenses by Baton Rouge Area Foundation on behalf of the Organization. Management anticipates this liability will be liquidated within the current period.

COMPANION ANIMAL ALLIANCE
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE I – AVAILABILITY OF FINANCIAL RESOURCES

The below represents the Organization’s financial assets as of December 31, 2018, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts that are not available also include board designated amounts that could be utilized if the Board of Directors approved the use.

Financial assets, December 31, 2018:	
Cash and equivalents	\$ 557,712
Pledges receivable – current	224,570
Other receivables	<u>888</u>
	783,170
Less those unavailable for general expenditures within one year, due to:	
Restricted by donor with time or purpose restrictions	1,044,792
Board designations	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ (261,622)</u></u>

As discussed in Note F, the Organization has unused funds available under a line of credit totaling \$1,780,000 at December 31, 2018.

NOTE J – SIGNIFICANT CONCENTRATIONS OF RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and contract revenues.

The Organization maintains its cash account in a checking account at a commercial bank located in Louisiana. Accounts at this bank are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Amounts on deposit at various times throughout the year may exceed the federally insured limit. As of December 31, 2018, the Organization had no uninsured cash balances. Additionally, the Organization’s funds held in money market accounts totaling \$ 522,566 at December 31, 2018, are held by Baton Rouge Area Foundation.

COMPANION ANIMAL ALLIANCE
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE J – SIGNIFICANT CONCENTRATIONS OF RISK (continued)

The Organization receives a significant portion of its support under a cooperative endeavor agreement with the City of Baton Rouge/Parish of East Baton Rouge. A reduction in the amount of support and revenue provided under this agreement, should this occur, could have a significant impact on the Organization's ability to carry out its activities and support services at current levels.

NOTE K – COMMITMENTS AND CONTINGENCIES

In May 2016, a former employee of the Organization filed a charge of disability and race discrimination with the Equal Employment Opportunity Commission (EEOC). The Organization filed a response with the EEOC outlining its defenses. In May 2018, the EEOC issued a dismissal and notice of right to sue, stating that it was unable to conclude the information obtained established a violation of the statutes.

An individual filed a lawsuit in the 19th Judicial District Court alleging disability discrimination under federal and state law. The Organization removed the case the United States District Court of the Middle District of Baton Rouge. In February 2019, the Magistrate issued a report and recommendation that the plaintiff's complaint be dismissed without prejudice. The judge in this case has not yet adopted the Magistrate's recommendation.

In December 2012, a plaintiff sustained injuries when she was attacked by a pit bull that was in the custody and control of the Organization. The Organization paid workers' compensation benefits to the plaintiff. Thereafter, the plaintiff filed suit against the City of Baton Rouge/Parish of East Baton Rouge, alleging that the City/Parish was liable for the damages sustained by the plaintiff due to the fact that it did not label the pit bull as aggressive. The City/Parish then filed a Third Party Demand against the Organization in August 2014, alleging that the plaintiff's injuries were caused by the fault of the Organization. The Organization's insurance carrier and City/Parish filed cross motions for summary judgement which were both denied. Both parties subsequently appealed the denial of its motions to the First Circuit Court of Appeals. In November 2017, the First Circuit reversed the judgement denying the City/Parish's motion for summary judgement and instead granted the motion. Therefore, all claims asserted by the plaintiff were dismissed with prejudice. The Court signed an order dismissing claims against the Organization, with prejudice, in February 2018.

COMPANION ANIMAL ALLIANCE
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE K – COMMITMENTS AND CONTINGENCIES (continued)

A former employee was termination following violation of organizational policy. In May 2019, the employee filed a charge of discrimination with the EEOC alleging discrimination on the basis of race and religion when terminated. The Organization is in the process of determining how to proceed with defense of this charge.

NOTE L – CAPITAL CAMPAIGN

In 2015, the Organization began a capital campaign to raise funds for the construction of a new animal shelter facility. Pledges for this campaign totaled \$ 9,149,464 as of December 31, 2018, of which \$376,570 remain outstanding at that date. Anticipated receipts of the outstanding pledges receivable as of December 31, 2018, are as follows:

Year ended <u>December 31,</u>	
2019	\$ 224,570
2020	127,000
2021	25,000
2022 and later	<u>-</u>
	\$ <u>376,570</u>

COMPANION ANIMAL ALLIANCE
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

NOTE M – DONOR RESTRICTED FUNDS

Net assets with donor restrictions at December 31, 2018, consisted of the following:

Animal health and welfare	\$ 801,228
Building fund	<u>395,534</u>
Total net assets with donor restrictions	\$ <u>1,196,762</u>



WILLIAM D. MERCER, CPA

A PROFESSIONAL ACCOUNTING
CORPORATION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Companion Animal Alliance
Baton Rouge, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Companion Animal Alliance, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated June 27, 2019

Internal Control over Financial Reporting

In planning and performing my audits of the financial statements, I considered Companion Animal Alliance's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the effectiveness of Companion Animal Alliance's internal control. Accordingly, I do not express an opinion on the effectiveness of Companion Animal Alliance's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audits I did not identify any deficiencies in internal control that I consider to material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Companion Animal Alliance's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audits, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

William J. Mercer, CPA (ADAC)

Baton Rouge, Louisiana
June 27, 2019

COMPANION ANIMAL ALLIANCE
Baton Rouge, Louisiana

SCHEDULE OF FINDINGS

Year Ended December 31, 2018

There were no findings for the year ended December 31, 2018.

COMPANION ANIMAL ALLIANCE
Baton Rouge, Louisiana

SCHEDULE OF PRIOR YEAR FINDINGS

Year Ended December 31, 2018

The prior audit report, dated July 9, 2018, disclosed the following finding:

FINDING NO. 2017-001 – AUDIT REPORT

The Organization did not submit audited financial statements to the Louisiana Legislative Auditor within the period prescribed by applicable regulations. State law requires that audited financial statements be submitted to the Louisiana Legislative Auditor within six months of the end of the organization's fiscal year (Louisiana R.S. 24:514). The Organization was able to retain a qualified firm for the audit of its financial statements. However, the Organization's legal counsel did not timely provide information related to outstanding legal matters. The audited financial statements were submitted in July 2018. It was recommended that the Organization make arrangements with an audit firm to perform the audit engagement in future years and to make sure that such services are scheduled in advance to ensure timely submission of future reports. No similar finding was noted in the current audit period (see Schedule of Findings).

SUPPLEMENTARY INFORMATION

COMPANION ANIMAL ALLIANCE
Baton Rouge, Louisiana

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEAD
Year Ended December 31, 2018

Agency Head: Beth Brewster, Executive Director (January – May)

Purpose:	Amount:
Salary	\$ 51,444
Benefits – insurance	None
Benefits – retirement	\$ 1,543
Benefits – payroll taxes	\$ 4,069
Car allowance	None
Vehicle provided by government	None
Per diem	None
Reimbursements	None
Travel	None
Registration fees	None
Conference travel	None
Continuing professional education fees	None
Housing	None
Unvouchered expenses	None
Special needs	None

See auditor's report on supplementary information.

COMPANION ANIMAL ALLIANCE
Baton Rouge, Louisiana

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEAD (continued)
Year Ended December 31, 2018

Agency Head: Desiree Bender, Executive Director (May - October)

Purpose:	Amount:
Salary	\$ 63,554
Benefits – insurance	None
Benefits – retirement	None
Benefits – payroll taxes	\$ 5,598
Car allowance	None
Vehicle provided by government	None
Per diem	None
Reimbursements	None
Travel	None
Registration fees	None
Conference travel	None
Continuing professional education fees	None
Housing	\$ 17,499
Unvouchered expenses	None
Special needs	None

See auditor's report on supplementary information.

COMPANION ANIMAL ALLIANCE
Baton Rouge, Louisiana

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEAD (continued)
Year Ended December 31, 2018

Agency Head: Amanda Pumilia, Acting Co-Executive Director (October - December)

Purpose:	Amount:
Salary	\$ 7,692
Benefits – insurance	None
Benefits – retirement	\$ 231
Benefits – payroll taxes	\$ 588
Car allowance	None
Vehicle provided by government	None
Per diem	None
Reimbursements	None
Travel	None
Registration fees	None
Conference travel	None
Continuing professional education fees	None
Housing	None
Unvouchered expenses	None
Special needs	None

See auditor's report on supplementary information.

COMPANION ANIMAL ALLIANCE
Baton Rouge, Louisiana

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEAD (continued)
Year Ended December 31, 2018

Agency Head: Sarah Hicks, Acting Co-Executive Director (October - December)

Purpose:	Amount:
Salary	\$ 12,308
Benefits – insurance	None
Benefits – retirement	\$ 369
Benefits – payroll taxes	\$ 941
Car allowance	None
Vehicle provided by government	None
Per diem	None
Reimbursements	None
Travel	None
Registration fees	None
Conference travel	None
Continuing professional education fees	None
Housing	None
Unvouchered expenses	None
Special needs	None

See auditor's report on supplementary information.