

FYIMS, INC. dba Friends for Life Animal Shelter and Sanctuary

Financial Statements for the Year Ended December 31, 2018
(with comparative totals for 2017)
Along with Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
FYIMS, Inc. dba Friends for Life Animal Shelter
and Sanctuary
Houston, Texas

We have audited the accompanying financial statements of FYIMS, Inc. dba Friends for Life Animal Shelter and Sanctuary (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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

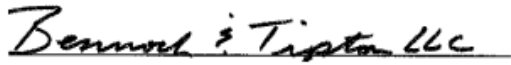
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FYIMS, Inc. dba Friends for Life Animal Shelter and Sanctuary as of December 31, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the FYIMS, Inc. dba Friends for Life Animal Shelter and Sanctuary's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 23, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Bennoch & Tipton LLC
Certified Public Accountants
Houston, Texas

June 18, 2019

**FYIMS, INC. dba Friends for Life
Animal Shelter and Sanctuary**
Statement of Financial Position

<i>As of December 31,</i>	2018	2017
Assets		
Cash and cash equivalents	\$ 626,675	\$ 1,742,307
Investments	2,417,719	1,574,793
Property and equipment, net	2,651,811	2,731,982
Other assets	2,145	2,927
Total Assets	\$ 5,698,350	\$ 6,052,009
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ -	\$ -
Total Liabilities	-	-
Net Assets		
Without donor restrictions	5,673,774	5,971,942
With donor restrictions	24,576	80,067
Total Net Assets	5,698,350	6,052,009
Total Liabilities and Net Assets	\$ 5,698,350	\$ 6,052,009

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

FYIMS, INC. dba Friends for Life
Animal Shelter and Sanctuary
Statement of Activities

Year ended December 31,	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and Support				
Donations	\$ 624,111	\$ 41,867	\$ 665,978	\$ 1,067,575
Grants	45,328	13,750	59,078	269,494
Animal adoption fees	93,104	-	93,104	64,339
Gifts in-kind	-	-	-	51,541
Special events: (Integral and Ongoing)				
Special event revenue	297,944	500	298,444	255,339
Cost of direct benefit to donor	(39,656)	-	(39,656)	(81,572)
Net special events revenue	258,288	500	258,788	173,767
Fundraising events, net	27,200	-	27,200	28,673
Investment income/(loss), net	(84,385)	-	(84,385)	37,686
Other income	1,900	-	1,900	1,455
Net assets released from restriction	111,608	(111,608)	-	-
Total Revenue and Support	1,077,154	(55,491)	1,021,663	1,694,530
Expenses				
Program Activities:				
Animal adoptions and rehabilitation	803,881	-	803,881	936,317
Fix Houston	111,826	-	111,826	118,462
Total Program Activities	915,707	-	915,707	1,054,779
Supporting Activities:				
Management and general expenses	274,044	-	274,044	123,697
Fundraising	185,571	-	185,571	124,894
Total Supporting Activities	459,615	-	459,615	248,591
Total Expenses	1,375,322	-	1,375,322	1,303,370
Change in Net Assets	(298,168)	(55,491)	(353,659)	391,160
Net Assets, beginning of year	5,971,942	80,067	6,052,009	5,660,849
Net Assets, End of Year	\$ 5,673,774	\$ 24,576	\$ 5,698,350	\$ 6,052,009

FYIMS, INC. dba Friends for Life
Animal Shelter and Sanctuary
Statement of Functional Expenses

Year ended December 31,	Program Activities			Supporting Activities			2018	2017
	Animal Adoptions and Rehabilitation	Fix Houston	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total	Total
Expenses								
Advertising	\$ 1,161	\$ -	\$ 1,161	\$ -	\$ 26,348	\$ 26,348	\$ 27,509	\$ 33,375
Bank charges	-	-	-	14,221	-	14,221	14,221	20,950
Charitable contributions	-	-	-	-	-	-	-	550
Contract labor	-	-	-	41,189	-	41,189	41,189	342
Depreciation	52,111	8,017	60,128	8,017	12,026	20,043	80,171	88,951
Dues and subscriptions	234	-	234	703	234	937	1,171	965
Fees and licenses	-	-	-	-	641	641	641	1,088
Insurance	15,350	1,833	17,183	2,291	3,437	5,728	22,911	23,908
IT support	6,278	837	7,115	1,779	3,069	4,848	11,963	10,579
Microchip registrations	2,904	-	2,904	-	-	-	2,904	5,032
Postage, freight and delivery	-	-	-	439	759	1,198	1,198	1,670
Professional fees	2,244	192	2,436	14,216	42,693	56,909	59,345	28,884
Recognition and appreciation	2,011	207	2,218	296	1,664	1,960	4,178	2,805
Rent	1,343	149	1,492	1,679	8,070	9,749	11,241	3,392
Repairs and maintenance	13,775	1,752	15,527	2,006	3,009	5,015	20,542	20,995
Salaries and wages	499,414	69,870	569,284	164,354	60,343	224,697	793,981	725,334
Scholarships	2,132	-	2,132	-	-	-	2,132	4,308
Software	917	131	1,048	1,310	6,588	7,898	8,946	9,791
Staff development	958	-	958	-	-	-	958	-
Supplies	31,049	122	31,171	3,115	2,805	5,920	37,091	86,002
Supplies - animal care	24,994	1,315	26,309	-	-	-	26,309	26,362
Taxes - payroll	38,979	5,455	44,434	12,828	4,710	17,538	61,972	57,933
Taxes - sales	-	-	-	-	560	560	560	443
Telephone	4,116	524	4,640	1,122	1,721	2,843	7,483	7,079
Travel, lodging and meals	804	789	1,593	-	-	-	1,593	2,945
Utilities	30,010	3,583	33,593	4,479	6,894	11,373	44,966	38,440
Veterinary fees	73,097	17,050	90,147	-	-	-	90,147	101,247
Total Expenses	\$ 803,881	\$ 111,826	\$ 915,707	\$ 274,044	\$ 185,571	\$ 459,615	\$ 1,375,322	\$ 1,303,370

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

**FYIMS, INC. dba Friends for Life
Animal Shelter and Sanctuary**
Statement of Cash Flows

<i>Year Ended December 31,</i>	2018	2017
Cash Flows From Operating Activities		
Change in net assets	\$ (353,659)	\$ 391,160
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	80,171	88,951
Net unrealized (gain)/loss on investments	118,182	(141,099)
Net realized (gain)/loss on investments	14,902	111,799
Changes in assets and liabilities:		
Other assets	782	(543)
Accounts payable	-	(41,121)
Total Adjustments	214,037	17,987
Net Change in Operating Activities	(139,622)	409,147
Cash Flows From Investing Activities		
Purchases of investments net of sales	(927,311)	(1,264,910)
Dividends and interest reinvested, net of fees	(48,699)	(8,386)
Purchases of property and equipment	-	(22,126)
Net Change in Investing Activities	(976,010)	(1,295,422)
Net Change in Cash and Cash Equivalents	(1,115,632)	(886,275)
Cash and Cash Equivalents, beginning of year	1,742,307	2,628,582
Cash and Cash Equivalents, end of year	\$ 626,675	\$ 1,742,307

FYIMS, INC. dba Friends for Life Animal Shelter and Sanctuary

Notes to Financial Statements

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

FYIMS, Inc. dba Friends For Life Animal Shelter and Sanctuary (the “Organization”), a Texas nonprofit organization, was founded in 1992, and was approved as a 501(c)(3) entity in 2002. The mission of the Organization is to provide a no kill option to the Houston community by rescuing, treating and rehoming animals within the no kill model of sheltering.

Significant operations of the organization include: Don Sanders Adoption Center (no kill, LEED-certified shelter), Fix Houston (providing free spay/neuter services to animals in low-income communities), Thinking Outside the Shelter (food bank, behavioral services, micro grants for veterinary fees, and animal containment assistance).

The Organization is supported through contributions received from individuals, corporations and foundations, as well as fundraisers.

Basis of Accounting

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

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: with and without donor restrictions.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly-liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,500 are capitalized. Property and equipment are carried at cost or, if donated, at fair value at the date of donation. Depreciation is computed using primarily the straight-line method.

FYIMS, INC. dba Friends for Life Animal Shelter and Sanctuary

Notes to Financial Statements

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and improvements	10-40 years
Furniture and fixtures	5 years
Vehicles	5-8 years
Construction in progress	Not applicable
Land	Not applicable

Contributions

Gifts of cash and other assets received without donor stipulations are reported as support and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as support and net assets with donor restrictions. When a donor-stipulated time restriction ends, or 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. Gifts having donor stipulations that are satisfied in the period the gift is received are reported as support and net assets without donor restrictions.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Gifts of land, buildings, equipment, and other long-lived assets are reported as support and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as support and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions to net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met, and the gift becomes unconditional.

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs of the animal shelter.

Donated Assets

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

FYIMS, INC. dba Friends for Life Animal Shelter and Sanctuary

Notes to Financial Statements

Income Taxes

The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and application of state law. The most significant tax positions of the Organization are its assertion that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business tax. All significant tax positions have been considered by management. It has been determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities.

Investments and Fair Value of Financial Instruments

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

(i) Level 1—Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

(ii) Level 2—Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or by other means.

(iii) Level 3—Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

At December 31, 2018, the Organization's Level 1 assets consisted of cash and cash equivalents totaling \$626,675 and investments totaling \$2,417,719. At December 31, 2017, the Organization's Level 1 assets consisted of cash and cash equivalents totaling \$1,742,307 and investments totaling \$1,574,793.

Advertising

Advertising costs are expensed as incurred. Advertising expenses for the years ended December 31, 2018 and 2017 were \$17,749 and \$33,375, respectively.

FYIMS, INC. dba Friends for Life Animal Shelter and Sanctuary

Notes to Financial Statements

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018, comprise the following:

Total financial assets	\$3,044,394
Less donor imposed restrictions	(24,576)
Financial assets available to meet cash needs for general expenditures within one year	\$3,019,818

The Organization is primarily funded by contributions from donors and a small number of these (less than 5% in 2018) are restricted. Those restrictions require that the donation be used for certain programs. A separate budget is kept for those programs so that the funds and their use can be tracked. As part of its liquidity management, the Organization maintains balances in a general checking account sufficient to cover monthly expenditures and any other obligations that become due. All other cash balances are invested in short-term investments. In the event of an unanticipated expense, the Organization can request that a certain amount of invested funds be transferred to the checking account. The Organization can also draw upon an available \$2,000,000 line of credit, if needed.

NOTE 3 – CONCENTRATION OF CREDIT RISKS

Financial instruments that potentially subject the Organization to credit risk consist primarily of cash and investments. All of a depositor's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the Federal Deposit Insurance Corporation (FDIC) up to the standard maximum deposit insurance amount (\$250,000), for each deposit insurance ownership category. The Organization maintains its cash balances in two financial institutions. At December 31, 2018 and 2017 the excess above the insured limit was \$299,160 and \$1,212,758, respectively. The Organization has not experienced any losses in such accounts and believes the risk of future loss is mitigated by monitoring the balances and the financial institutions where the cash is deposited.

Additionally, cash and securities held by a customer at a Security Investor Protection Corporation (SIPC) member brokerage firm are protected up to \$500,000 which includes a limit of \$250,000 for cash. At December 31, 2018 and 2017, the excess above the insured limit was \$1,917,719 and \$1,074,793, respectively.

NOTE 4 – INVESTMENTS

The cost and fair value of investments at December 31, 2018 and 2017 were as follows:

	Cost	Gross Unrealized Gains/(Losses)	2018 Fair Value	2017 Fair Value
Cash held for long-term investment	\$1,049,000	\$(9,991)	\$1,039,009	\$543,149
Equities	1,413,328	(34,618)	1,378,710	1,031,644
Totals	\$2,462,328	\$(44,609)	\$2,417,719	\$1,574,793

FYIMS, INC. dba Friends for Life Animal Shelter and Sanctuary

Notes to Financial Statements

The fair value of all investments have been measured on a recurring basis using Level 1 inputs. There were no changes in valuation methodologies and related inputs used at December 31, 2018.

The following schedule summarizes the investment return and its classification recording in the Statement of Activities for the years ended December 31, 2018 and 2017:

	2018	2017
Interest and dividend income	\$66,944	\$13,858
Unrealized gains/(losses)	(118,182)	141,099
Realized gains/(losses)	(14,902)	(111,799)
Investment fees	(18,245)	(5,472)
Totals	\$(84,385)	\$37,686

NOTE 5 – PROPERTY AND EQUIPMENT

As of December 31, 2018 and 2017, property and equipment consisted of the following:

	2018	2017
Land	\$272,378	\$272,378
Buildings and improvements	2,790,610	2,790,610
Furniture and fixtures	51,300	51,300
Vehicles	177,333	177,333
Construction in progress	26,955	26,955
Subtotal property and equipment	3,318,576	3,318,576
Less: accumulated depreciation	(666,765)	(586,594)
Total property and equipment, net	\$2,651,811	\$2,731,982

Depreciation expense charged to operations for the years ended December 31, 2018 and 2017 was \$80,171 and \$88,951, respectively.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2018 and 2017 are restricted for the following purposes or periods:

	2018	2017
Subject to expenditure for specified purpose:		
Fix Houston	\$24,576	\$80,067
Total Net Assets with Donor Restrictions	\$24,576	\$80,067

FYIMS, INC. dba Friends for Life Animal Shelter and Sanctuary

Notes to Financial Statements

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. The following amounts were released from restrictions for the fiscal years ended December 31, 2018 and 2017:

	2018	2017
Satisfaction of purpose restrictions:		
Fix Houston	\$111,608	\$118,462
Total Net Assets Released from Restrictions	\$111,608	\$118,462

NOTE 7 – OPERATING LEASES

The Organization leases a storage unit and certain office equipment. Lease expense for the years ended December 31, 2018 and 2017 was \$3,731 and \$3,392, respectively. Terms of the leases are for periods ranging from 12 to 48 months.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 2018, are:

2019	\$2,518
2020	2,016
2021	2,016
2022	1,596
Thereafter	0
Total	\$8,146

NOTE 8 – CONCENTRATIONS

For the years ended December 31, 2018 and 2017, approximately twenty percent (20%) and fifteen percent (15%), respectively, of the Organization's operating revenues came from an annual fundraising event. Additionally, the Organization conducts its operations solely in the Houston area, and, therefore, is subject to risks from changes in local economic conditions. A downturn in the local economy could cause a decrease in contributions concurrently with an increase in community need for the Organization's services.

NOTE 9 – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The Organization allocates these expenses based on time and effort. Expenses that can be identified with a specific program or supporting service are allocated directly according to their natural expenditure classification.

FYIMS, INC. dba Friends for Life Animal Shelter and Sanctuary

Notes to Financial Statements

NOTE 10 – RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

On August 18, 2016, FASB issued Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958)—Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods. The reclassifications had no effect on the previously reported change in net assets.

NOTE 11 – NEW ACCOUNTING PRONOUNCEMENTS

Accounting for Leases

In February 2016, the FASB issued a new accounting pronouncement regarding lease accounting for reporting periods after December 15, 2019. A lessee will be required to recognize on the balance sheet the assets and liabilities for leases with lease terms of more than twelve months. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

Accounting for Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued a new accounting pronouncement regarding revenue recognition effective for reporting periods beginning after December 15, 2018. Management does not expect the new standard to have a significant impact to its financial position, results of operations and related disclosures.

NOTE 12 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 18, 2019, the date which the financial statements were available to be issued. The Organization has determined that no change to the financial statements for the year ended December 31, 2018 is deemed necessary as a result of this evaluation.