

Adopt-A- Dog, Inc.

Financial Statements

December 31, 2017

MASOTTI & MASOTTI LLC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Adopt-A-Dog, Inc.

We have audited the accompanying financial statements of Adopt-A-Dog, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, 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

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 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, 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 Adopt-A-Dog, Inc., as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Stamford, Connecticut
November 7, 2018

Masotti & Masotti, LLC

ADOPT-A-DOG, INC.

Statement of Financial Position
December 31, 2017

<u>Assets</u>	
<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 401,595
Investments	979,654
Contribution Receivables	835
Miscellaneous Receivables	6
Prepaid Expenses	10,906
Total Current Assets	<u>\$ 1,392,996</u>
 <u>Fixed Assets</u>	
Fixed Assets	\$ 1,749,748
Accumulated Depreciation	(578,470)
Net Fixed Assets	<u>\$ 1,171,278</u>
 Total Assets	 <u><u>\$ 2,564,274</u></u>
 <u>Liabilities and Net Assets</u>	
<u>Current Liabilities</u>	
Accrued Expenses	\$ 1,846
Payroll Taxes Payable	8,388
Total Current Liabilities	<u>\$ 10,234</u>
 <u>Net Assets</u>	
Unrestricted	\$ 2,554,040
Temporarily Restricted	-
Permanently Restricted	-
Total Net Assets	<u>\$ 2,554,040</u>
 Total Liabilities and Net Assets	 <u><u>\$ 2,564,274</u></u>

See accompanying notes and auditor's report

ADOPT-A-DOG, INC.

Statement of Activities
For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Support and Revenues</u>			
Contributions	\$ 609,011	\$ -	\$ 609,011
Program Services	181,337		181,337
Donations in Kind	85,119		85,119
Fund Raising	44,530		44,530
Net Investment Income	133,140		133,140
License Fee Income	12	-	-
Total Support and Revenues	<u>\$ 1,053,149</u>	<u>\$ -</u>	<u>\$ 1,053,149</u>
<u>Expenses</u>			
Program Services	\$ 704,999	\$ -	\$ 704,999
General and Administrative	98,943		98,943
Fund Raising	37,556	-	37,556
Total Expenses	<u>\$ 841,498</u>	<u>\$ -</u>	<u>\$ 841,498</u>
Change in Net Assets	\$ 211,651	\$ -	\$ 211,651
Net Assets, Beginning of Year	<u>2,342,389</u>	<u>-</u>	<u>2,342,389</u>
Net Assets, End of Year	<u>\$ 2,554,040</u>	<u>\$ -</u>	<u>\$ 2,554,040</u>

See accompanying notes and auditor's report

ADOPT-A-DOG, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Services	General and Administrative	Fund Raising	Total Expenses
Salaries	\$ 335,340	\$ 66,460	\$ 8,200	\$ 410,000
Payroll Taxes	29,015	5,741	708	35,464
Advertising	9,529			9,529
Credit Card Charges	553	3,950		4,503
Depreciation	54,074			54,074
Donations in Kind	56,424	600	28,095	85,119
Entertainment and Food	548			548
Equipment Rental	16,294			16,294
Filing Fees		645		645
Insurance	28,881	964		29,845
Maintenance and Repairs	11,856			11,856
Marketing and Public Relations	6,216			6,216
Miscellaneous	2,312			2,312
Office and Technology	23,834	932		24,766
Payroll Processing Fees		1,186		1,186
Pet Assistance Program	15,483			15,483
Postage and Printing	9,815			9,815
Prizes	412			412
Professional Fees	13,230	17,901		31,131
Shelter Related Expenses	3,768			3,768
Staff Expenses and Meetings	6,210	564		6,774
Supplies	7,553		553	8,106
Temporary Help	1,562			1,562
Utilities	32,077			32,077
Vehicle Expenses	3,442			3,442
Veterinarian Expenses	36,571	-	-	36,571
Total	\$ 704,999	\$ 98,943	\$ 37,556	\$ 841,498

See accompanying notes and auditor's report

ADOPT-A-DOG, INC.

Statement of Cash Flows
For the Year Ended December 31, 2017

<u>Cash Flows From Operating Activities</u>	
Change in Net Assets	\$ 211,651
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	54,074
Realized Gains on Investments	(8,732)
Unrealized Gains on Investments	(62,396)
(Increase) Decrease in Assets	
Contribution Receivables	6,006
Prepaid Expenses	(707)
Increase (Decrease) in Liabilities	
Accrued Expenses	(36,899)
Payroll Taxes Payable	7,618
Net Cash Provided by Operating Activities	<u>\$ 170,615</u>
<u>Cash Flows From Investing Activities</u>	
Purchase of Fixed Assets	\$ (125,398)
Proceeds from Sale of Investments	129,142
Purchase of Investments	(58,212)
Reinvested Dividends	(61,887)
Net Cash Used by Investing Activities	<u>\$ (116,355)</u>
<u>Cash Flows From Financing Activities</u>	
	-
Net Increase in Cash and Cash Equivalents	\$ 54,260
Cash and Cash Equivalents, Beginning of Year	<u>347,335</u>
Cash and Cash Equivalents, End of Year	<u>\$ 401,595</u>
<u>Supplemental Disclosures of Cash Flow Information:</u>	
Cash Paid During the Year For:	
Income Taxes Paid	<u>\$ -</u>
Interest Paid	<u>\$ -</u>
<u>Supplemental Schedule of Noncash Investing:</u>	
Donated Stocks Included in Purchase of Investments	<u>\$ 15,971</u>

See accompanying notes and auditor's report

Adopt-A-Dog, Inc.

Notes to Financial Statements
December 31, 2017

SUMMARY OF OPERATIONS & SIGNIFICANT ACCOUNTING POLICIES

Adopt-A-Dog, Inc, (Adopt-A-Dog) is a not-for-profit corporation established under the laws of the State of Connecticut in 1981. Adopt-A-Dog secures homes for homeless dogs that are being cared for at their kennel, as well as dogs held for adoption at local animal shelters or by private individuals. Adopt-A-Dog supports its operations through contributions and various fund-raising events. On June 4, 2002 Adopt-A-Dog purchased their kennel in Armonk, New York.

Contributions are available for unrestricted use unless restricted by the donor for specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose with restricted funding is accomplished, these temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Donated materials and equipment are recorded at their fair market value when an objective basis exists for the determination of said market value. The value of donated services is not reflected since there is not an objective basis of valuation. For example, individuals volunteer their time and perform a variety of tasks that assist Adopt-A-Dog at the kennel.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Accordingly, actual results could differ from those estimates.

The costs of providing programs and supporting services have been summarized on a functional basis in the statement of activities.

Adopt-A-Dog, Inc.

Notes to Financial Statements
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SUMMARY OF OPERATIONS & SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Cash and cash equivalents include liquid cash investments with maturity of three months or less in banks and money market funds. Adopt-A-Dog maintains cash balances in one Connecticut financial institution and money market funds and investments in a brokerage account. At times, such cash in bank may be in excess of the Federal Deposit Insurance Corporation's insured limit of \$250,000. At December 31, 2017 the Company had \$ 171,386 in uninsured cash balances at the bank. At times, such money market funds in the brokerage account may be in excess of the Securities Investor Protection Corporation's insured limit of \$100,000. There were no uninsured money market funds in excess of the Securities Investor Protection Corporation limit at December 31, 2017.

FAIR VALUE MEASUREMENTS

The Adopt-A-Dog's investments are reported at fair value in the accompanying statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Adopt-A-Dog believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

		Fair Value Measurements Using:
		Quoted Prices In Active Markets for Identical Assets (Level 1)
December 31, 2017:	<u>Fair Value</u>	
Mutual Fund	\$ <u>979,654</u>	\$ <u>979,654</u>
Total	\$ <u>979,654</u>	\$ <u>979,654</u>

Adopt-A-Dog, Inc.

Notes to Financial Statements
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FAIR VALUE MEASUREMENTS (CONTINUED)

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. Adopt-A-Dog uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, Adopt-A-Dog measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 and Level 3 inputs were available to Adopt-A-Dog.

The fair value of the common stock and mutual fund is based on quoted net asset values of the shares held by Adopt-A-Dog at year-end. The fair values of the common stock and mutual fund are based on the closing price reported on the active market where the individual securities are traded.

The investment activity consists of the following:

	<u>2017</u>
Interest and Dividend Income	\$62,012
Net Realized Gains	\$ 8,732
Net Unrealized Gains	\$62,396

FIXED ASSETS

Fixed assets are carried at cost. Repair and maintenance costs are charged to expense while expenditures incurred to improve or to extend the lives of existing assets are capitalized.

Depreciation expense is computed on a straight-line method over the estimated useful lives of the fixed assets ranging from five to forty years. The following is a summary of fixed assets and the related accumulated depreciation:

Adopt-A-Dog, Inc.

Notes to Financial Statements
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FIXED ASSETS (CONTINUED)

	<u>2017</u>	
	<u>Cost</u>	<u>Accumulated Depreciation</u>
Land	\$ 210,882	\$ -
Land Improvements	169,111	113,246
Buildings and Improvements	1,141,856	339,831
Construction In Progress	2,400	-
Equipment	162,395	82,796
Transportation Equipment	63,104	42,597
Total	<u>\$ 1,749,748</u>	<u>\$ 578,470</u>

FUND RAISING

The following represents the total revenues and expenses incurred for the various fund-raising activities by Adopt-A-Dog:

	<u>2017</u>	
	<u>Revenues</u>	<u>Expenses</u>
Studio 54 Party	\$ 25,220	\$ 32,223
New Canaan Dog Days	6,460	1,412
Pawsome Girls	3,946	-
Fall Photo	2,600	761
Howl and Prowl	1,295	1,412
Other	5,009	1,748
Total	<u>\$ 44,530</u>	<u>\$ 37,556</u>

LICENSE AGREEMENT

Adopt-A-Dog (licensor) has entered into a license agreement with a neighboring company (licensee) to use a parking lot on the licensor's property which was constructed and paid for by the licensee. This license agreement is effective on July 1, 2013 and will expire on June 30, 2028. The monthly license fees will range from \$1 to \$1,159.

Adopt-A-Dog, Inc.

Notes to Financial Statements
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INCOME TAXES

Adopt-A-Dog is a not-for-profit organization exempt from federal and state income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Contributions to the organization qualify for the charitable contributions deduction to the extent provided by Section 170 of the Internal Revenue Code.

Adopt-A-Dog adopted ACS Topic 740, Income Taxes, effective January 1, 2010. ASC Topic 740 provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon adoption of ASC Topic 740 and in subsequent periods. Management is not aware of any uncertain tax positions taken by the Adopt-A-Dog as of that date. Tax returns for the tax years ended December 31, 2014 through, December 31, 2017 remain subject to examination by major tax jurisdictions.

SUBSEQUENT EVENTS

The Company has evaluated subsequent events through November 7, 2018 which is the date the financial statements were available to be issued.