

Adopt-A-Dog, Inc.

Financial Statements

December 31, 2018

MASOTTI & MASOTTI LLC

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

ROBERT P. MASOTTI, CPA
RPM@MASOTTI.COM
DANIEL GREENBERG, CPA
DG@MASOTTI.COM
JOHN K. TOAL, MST, CPA
SKT@MASOTTI.COM
JOHN A. CURRAN, CPA
JAC@MASOTTI.COM
JOHN W. MASOTTI, CMA, CPA
JWM@MASOTTI.COM
KEVIN M. MERRITT, CPA
KMM@MASOTTI.COM
FREDRICK L. SKERVIN, CPA
FLS@MASOTTI.COM
ADAM D. GANSFRIED, MSA, CPA
ADG@MASOTTI.COM

1100 SUMMER STREET, SUITE 401, STAMFORD, CONNECTICUT 06905-5534
TELEPHONE (203) 323-1191 FACSIMILE (203) 324-3607

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, 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

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, 2018, 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.

Morath & Morath, LLC

Stamford, Connecticut
November 14 2019

ADOPT-A-DOG, INC.

Statement of Financial Position
December 31, 2018

| | |
|---------------------------------------|--------------------------------|
| <u>Assets</u> | |
| <u>Current Assets</u> | |
| Cash and Cash Equivalents | \$ 464,903 |
| Investments | 960,888 |
| Miscellaneous Receivable | 6 |
| Prepaid Expenses | 2,457 |
| Total Current Assets | <u>\$ 1,428,254</u> |
| <u>Fixed Assets</u> | |
| Fixed Assets | \$ 1,752,243 |
| Accumulated Depreciation | (643,145) |
| Net Fixed Assets | <u>\$ 1,109,098</u> |
| Total Assets | <u><u>\$ 2,537,352</u></u> |
| <u>Liabilities and Net Assets</u> | |
| <u>Current Liabilities</u> | |
| Accrued Expenses | \$ 20,754 |
| Payroll Taxes Payable | 467 |
| Total Current Liabilities | <u>\$ 21,221</u> |
| <u>Net Assets</u> | |
| Without Donor Restrictions | \$ 2,516,131 |
| With Donor Restrictions | - |
| Total Net Assets | <u>\$ 2,516,131</u> |
| Total Liabilities and Net Assets | <u><u>\$ 2,537,352</u></u> |

See accompanying notes and auditor's report

ADOPT-A-DOG, INC.

Statement of Activities
For the Year Ended December 31, 2018

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|---------------------|
| Operating Activities: | | | |
| <u>Support and Revenues:</u> | | | |
| Contributions | \$ 597,473 | \$ - | \$ 597,473 |
| Program Services | 163,579 | | 163,579 |
| Donations in Kind | 63,658 | | 63,658 |
| Fund Raising | 19,348 | | 19,348 |
| License Fee Income | 12 | - | 12 |
| Total Support and Revenues | <u>\$ 844,070</u> | <u>\$ -</u> | <u>\$ 844,070</u> |
| <u>Expenses:</u> | | | |
| Program Services | \$ 716,021 | \$ - | \$ 716,021 |
| General and Administrative | 99,095 | | 99,095 |
| Fund Raising | 33,908 | - | 33,908 |
| Total Expenses | <u>\$ 849,024</u> | <u>\$ -</u> | <u>\$ 849,024</u> |
| Change In Net Assets from Operating Activities: | <u>\$ (4,954)</u> | <u>\$ -</u> | <u>\$ (4,954)</u> |
| Nonoperating Activities: | | | |
| Net Investment Loss | <u>\$ (32,955)</u> | <u>\$ -</u> | <u>\$ (32,955)</u> |
| Change In Net Assets from Nonoperating Activities: | <u>\$ (32,955)</u> | <u>\$ -</u> | <u>\$ (32,955)</u> |
| Total Change In Net Assets | <u>\$ (37,909)</u> | <u>\$ -</u> | <u>\$ (37,909)</u> |
| Net Assets, Beginning of Year | <u>2,554,040</u> | <u>-</u> | <u>2,554,040</u> |
| Net Assets, End of Year | <u>\$ 2,516,131</u> | <u>\$ -</u> | <u>\$ 2,516,131</u> |

See accompanying notes and auditor's report

ADOPT-A-DOG, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2018

| | Program Services | General and Administrative | Fund Raising | Total Expenses |
|-----------------------------------|---------------------|----------------------------------|------------------|-------------------|
| Salaries | \$ 343,896 | \$ 69,205 | \$ 12,776 | \$ 425,877 |
| Payroll Taxes | 29,811 | 2,921 | 1,014 | 33,746 |
| Advertising | 3,798 | | | 3,798 |
| Credit Card Charges | | 3,404 | | 3,404 |
| Depreciation | 64,675 | | | 64,675 |
| Donations in Kind | 62,908 | 750 | | 63,658 |
| Entertainment and Food | 548 | | | 548 |
| Equipment Rental | 18,232 | | | 18,232 |
| Event Cancellation Fee | | | 18,000 | 18,000 |
| Filing Fees | | 875 | | 875 |
| Insurance | 27,597 | 964 | | 28,561 |
| Maintenance and Repairs | 12,161 | | | 12,161 |
| Marketing and Public Relations | 4,182 | | | 4,182 |
| Miscellaneous | 2,051 | 749 | 533 | 3,333 |
| Office and Technology | 21,449 | | | 21,449 |
| Payroll Processing Fees | | 1,735 | | 1,735 |
| Pet Assistance Program | 11,399 | | | 11,399 |
| Postage and Printing | 10,826 | | 1,535 | 12,361 |
| Prizes | 777 | | | 777 |
| Professional Fees | 9,475 | 16,580 | | 26,055 |
| Shelter Related Expenses | 5,453 | | | 5,453 |
| Staff Expenses and Meetings | 6,683 | 1,912 | | 8,595 |
| Supplies | 13,388 | | 50 | 13,438 |
| Temporary Help | 2,722 | | | 2,722 |
| Utilities | 40,391 | | | 40,391 |
| Vehicle Expenses | 3,313 | | | 3,313 |
| Veterinarian Expenses | 20,286 | - | - | 20,286 |
| Total | \$ 716,021 | \$ 99,095 | \$ 33,908 | \$ 849,024 |

See accompanying notes and auditor's report

ADOPT-A-DOG, INC.

Statement of Cash Flows
For the Year Ended December 31, 2018

| | |
|--|---------------------|
| <u>Cash Flows From Operating Activities</u> | \$ (37,909) |
| Change in Net Assets | |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities | |
| Depreciation | 64,675 |
| Realized Gains on Investments | (55) |
| Unrealized Losses on Investments | 118,687 |
| (Increase) Decrease in Assets | |
| Contribution Receivables | 835 |
| Prepaid Expenses | 8,449 |
| Increase (Decrease) in Liabilities | |
| Accrued Expenses | 18,908 |
| Payroll Taxes Payable | (7,921) |
| Net Cash Provided by Operating Activities | <u>\$ 165,669</u> |
| <u>Cash Flows From Investing Activities</u> | |
| Purchase of Fixed Assets | \$ (2,495) |
| Proceeds from Sale of Investments | 11,444 |
| Purchase of Investments | (25,892) |
| Reinvested Dividends | (85,418) |
| Net Cash Used by Investing Activities | <u>\$ (102,361)</u> |
| <u>Cash Flows From Financing Activities</u> | <u>-</u> |
| Net Increase in Cash and Cash Equivalents | \$ 63,308 |
| Cash and Cash Equivalents, Beginning of Year | <u>401,595</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 464,903</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>\$ 11,389</u> |

See accompanying notes and auditor's report

Adopt-A-Dog, Inc.

Notes to Financial Statements
December 31, 2018

NATURE OF OPERATIONS

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.

SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Adopt-A-Dog have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). ASC 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Adopt-A-Dog and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Adopt-A-Dog. Adopt-A-Dog board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Adopt-A-Dog or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

Adopt-A-Dog, Inc.

Notes to Financial Statements
December 31, 2018

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When a restriction expires, that is, 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. 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 represents the value of volunteered time provided by individuals to all the various program services.

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.

Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments, is presented in the statement of activities in accordance with donor restrictions as investment return. Investment return is presented net of investment fees. The average cost method is primarily used to determine the basis for computing realized gains or losses.

The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to Adopt-A-Dog ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

Adopt-A-Dog, Inc.

Notes to Financial Statements
December 31, 2018

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On August 18, 2016, FASB issued ASU 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 Adopt-A-Dog has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

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

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, 2018 the Company had \$ 221,509 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, 2018.

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.

Adopt-A-Dog, Inc.

Notes to Financial Statements
December 31, 2018

FAIR VALUE MEASUREMENTS (CONTINUED)

| December 31, 2018: | <u>Fair Value</u> | Fair Value Measurements Using: |
|--------------------|-------------------|---|
| | | Quoted Prices In Active Markets for Identical Assets (Level 1) |
| Mutual Fund | \$ <u>960,888</u> | \$ <u>960,888</u> |
| Total | \$ <u>960,888</u> | \$ <u>960,888</u> |

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 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 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:

| | 2018 |
|------------------------------|------------|
| Interest and Dividend Income | \$ 85,677 |
| Net Realized Gains | \$ 55 |
| Net Unrealized Losses | \$ 118,687 |

Adopt-A-Dog, Inc.

Notes to Financial Statements
December 31, 2018

LIQUIDITY

Adopt-A-Dog financial assets available within one year of the balance sheet date for general expenditure are as follows:

| | | |
|---------------------------|-----------|------------------|
| Cash and Cash Equivalents | \$ | 464,903 |
| Investments | | 960,888 |
| Miscellaneous Receivable | | <u>6</u> |
| | <u>\$</u> | <u>1,425,797</u> |

Adopt-A-Dog investment fund consists of a balanced mutual fund. As part of the Adopt-A-Dog liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

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:

| | <u>2018</u> | |
|----------------------------|---------------------|-------------------------------------|
| | <u>Cost</u> | <u>Accumulated Depreciation</u> |
| Land | \$ 210,882 | \$ - |
| Land Improvements | 174,006 | 121,824 |
| Buildings and Improvements | 1,141,856 | 368,377 |
| Equipment | 162,395 | 102,144 |
| Transportation Equipment | 63,104 | 50,800 |
| Total | <u>\$ 1,752,243</u> | <u>\$ 643,145</u> |

Adopt-A-Dog, Inc.

Notes to Financial Statements
December 31, 2018

FUND RAISING

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

| | 2018 | |
|---------------------|------------------|------------------|
| | Revenues | Expenses |
| Spring Fundraiser | \$ 4,175 | \$ 24,631 |
| New Canaan Dog Days | 3,500 | 2,320 |
| Fall Photo | 3,000 | 755 |
| Howl and Prowl | 1,420 | 1,273 |
| Other | 7,253 | 4,929 |
| Total | <u>\$ 19,348</u> | <u>\$ 33,908</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.

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, 2015 through, December 31, 2018 remain subject to examination by major tax jurisdictions.

Adopt-A-Dog, Inc.

Notes to Financial Statements
December 31, 2018

SUBSEQUENT EVENTS

The Company has evaluated subsequent events through November 14, 2019 which is the date the financial statements were available to be issued.