

**LOST DOG RESCUE FOUNDATION  
dba LOSTDOG&CATRESCUE**

**AUDITED FINANCIAL STATEMENTS**

**December 31, 2014**

**LOST DOG RESCUE FOUNDATION  
AUDITED FINANCIAL STATEMENTS  
December 31, 2014**

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Board of Directors  
Lost Dog Rescue Foundation  
Arlington, VA

## Independent Auditor's Report

We have audited the accompanying financial statements of the Lost Dog Rescue Foundation (the Organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities 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 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 Organization'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 Organization'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 Lost Dog Rescue Foundation as of December 31, 2014, 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.

***Report on Summarized Comparative Information***

We have previously audited the Organization's 2013 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 10, 2014. In our opinion, the summarized comparative information presented herein as and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Councilor, Buchanan + Mitchell, P.C.*

Washington, DC  
September 10, 2015

Certified Public Accountants

**LOST DOG RESCUE FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2014**  
(With Summarized Financial Information for December 31, 2013)

	2014	2013
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 262,690	\$ 123,533
Prepaid expenses	4,530	4,352
<b>TOTAL CURRENT ASSETS</b>	<b>267,220</b>	<b>127,885</b>
<b>FIXED ASSETS</b>		
Property and equipment	68,546	68,546
Website	3,000	3,000
Leasehold improvements	617,053	586,496
	<b>688,599</b>	<b>658,042</b>
Less accumulated depreciation and amortization	(188,068)	(148,095)
<b>TOTAL FIXED ASSETS</b>	<b>500,531</b>	<b>509,947</b>
<b>TOTAL ASSETS</b>	<b>\$ 767,751</b>	<b>\$ 637,832</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 111,553	\$ 38,803
<b>TOTAL CURRENT LIABILITIES</b>	<b>111,553</b>	<b>38,803</b>
<b>NET ASSETS</b>		
Unrestricted	656,198	584,029
Temporarily restricted	-0-	15,000
<b>TOTAL NET ASSETS</b>	<b>656,198</b>	<b>599,029</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 767,751</b>	<b>\$ 637,832</b>

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

**LOST DOG RESCUE FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2014**  
**(With Summarized Financial Information for the Year Ended December 31, 2013)**

	Unrestricted	Temporarily Restricted	2014	2013
<b>REVENUE</b>				
Adoptions	\$ 770,060		\$ 770,060	\$ 891,673
Donations	630,283	\$ -0-	630,283	656,545
In-kind donations	44,795		44,795	44,844
Other revenue	19		19	-0-
Net assets released from restrictions	15,000	(15,000)	-0-	-0-
<b>TOTAL REVENUE</b>	<b>1,460,157</b>	<b>(15,000)</b>	<b>1,445,157</b>	<b>1,593,062</b>
<b>EXPENSES</b>				
Advertising and promotions	2,458		2,458	14,654
Animal medical and health	915,715		915,715	1,016,048
Vehicle expense	23,307		23,307	28,450
Credit card processing fees	32,117		32,117	33,435
Depreciation and amortization	39,973		39,973	38,594
Dues and subscriptions	249		249	1,890
Insurance	5,064		5,064	4,551
Licenses and permits	375		375	350
Supplies	1,088		1,088	4,182
Payroll and related expenses	293,692		293,692	286,059
Printing and reproduction	598		598	2,519
Professional fees	20,217		20,217	15,371
Rent	36,000		36,000	36,000
Telephone	877		877	1,646
Gas and electric	1,757		1,757	2,175
Repairs and maintenance	12,698		12,698	11,278
Miscellaneous	1,309		1,309	1,552
Website	494		494	148
<b>TOTAL EXPENSES</b>	<b>1,387,988</b>		<b>1,387,988</b>	<b>1,498,902</b>
<b>CHANGE IN NET ASSETS</b>	<b>72,169</b>	<b>(15,000)</b>	<b>57,169</b>	<b>94,160</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>584,029</b>	<b>15,000</b>	<b>599,029</b>	<b>504,869</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 656,198</b>	<b>\$ -0-</b>	<b>\$ 656,198</b>	<b>\$ 599,029</b>

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

**LOST DOG RESCUE FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2014**  
(With Summarized Financial Information for the Year Ended December 31, 2013)

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>CHANGE IN NET ASSETS</b>	<b>\$ 57,169</b>	\$ 94,160
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	<b>39,973</b>	38,594
Increase in prepaid expenses	<b>(178)</b>	(197)
Decrease in accounts receivable	<b>-0-</b>	4,552
Increase (decrease) in accounts payable and accrued expenses	<b>72,750</b>	(100,964)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>169,714</b>	36,145
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of leasehold improvements	<b>(30,557)</b>	(23,128)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(30,557)</b>	(23,128)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>139,157</b>	13,017
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>123,533</b>	110,516
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 262,690</b>	\$ 123,533

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

**LOST DOG RESCUE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

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**NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Program Services**

The Lost Dog Rescue Foundation (the Organization) is a highly dedicated group of volunteers and small paid staff that rescues abandoned or displaced animals, mainly dogs and cats, from the threat of euthanasia by area shelters or other at-risk situations. Once in their care, these companion animals are fully vaccinated and spayed or neutered. The Organization also provides for those animals that need additional time and medical care before going to a new home. The Organization operates under the name of LostDog&CatRescue.

While awaiting placement in permanent, loving homes, these animals stay either at the Organization's boarding facility, the Lost Dog Ranch (the Ranch), 61 acres in Sumerduck, Virginia, or in foster homes.

Each weekend, the Organization conducts adoption events at pet supply stores in the Washington, DC, metro area. Their volunteers interview and educate prospective adopters on the importance of proper veterinary care, nutrition, exercise, and obedience training to ensure a successful adoption for everyone involved.

The Organization is supported primarily by adoption fees and contributions.

**Basis of Accounting**

The accompanying financial statements are presented on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when incurred.

**Cash and Cash Equivalents**

The Organization considers cash on hand, deposits in banks, and money market operating accounts, to be cash and cash equivalents.

**Income Taxes**

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code). In addition, the Organization is not a private foundation within the meaning of Section 509(a) of the Code.

The Organization requires that a tax position be recognized or derecognized based on a "more likely-than-not" threshold. This applies to positions taken or expected to be taken in a tax return. The Organization does not believe its financial statements include, or reflect, any uncertain tax positions.

The Organization's Form 990, *Return of Organization Exempt from Income Tax*, remain open for examination by the Federal taxing authorities generally for three years after they are filed.

**Fixed Assets**

Fixed assets are recorded at cost, if purchased, or at fair market value at date of donation, if contributed, and are depreciated using the straight-line method over the estimated useful life of the asset. Expenditures for fixed assets and related betterments that extend the useful lives of the assets are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.



**LOST DOG RESCUE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

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**NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**Accounts**

**Receivable** Accounts receivable consist of uncollected contributions and adoption fees. Accounts receivable are stated at the amount management expects to collect from outstanding balances. No allowance for doubtful accounts has been deemed necessary.

**Contributions** The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Restricted contributions for which the restrictions are met in the year received are considered unrestricted for financial statement purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Estimates** Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results may vary from the estimates that were assumed in preparing the financial statements.

**Prior Year  
Information**

The financial statements include certain prior year summarized comparative totals as of and for the year ended December 31, 2013. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

**NOTE B – DONATED SERVICES**

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

For the year ended December 31, 2014, the Organization recorded donated services for professional legal services in the amount of \$2,795. In addition, many individuals volunteer their time and perform a variety of tasks for the Organization with specific assistance programs, campaign solicitations, and various assignments. The Organization receives more than 18,500 volunteer hours per year which were not recorded because they did not qualify for recording under generally accepted accounting standards.

**LOST DOG RESCUE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

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**NOTE C – RELATED PARTY**

The Lost Dog Ranch, LLC, (the LLC) is owned by the founders of the Organization. The LLC leases the Ranch at 14083 Silverhill Road, Sumerduck Virginia, to the Organization for the sum of one dollar per year. The Organization is given access to the Ranch and all structures contained therein. The Ranch consists of 61 acres, a barn and a former machine storage building converted into a kennel facility with indoor/outdoor kennel runs and storage space. The estimated rental value of the portion of the Ranch that the Organization uses is \$3,000 per month. In addition, the Organization is allowed the use of a van, for an estimated value of \$6,000 annually. Accordingly, contribution revenue and related program expense of \$42,000 has been recorded for the year ending December 31, 2014.

The Organization entered into a sixty-month lease agreement with the LLC commencing August 15, 2011 through 2016. Under the terms of the lease, the Organization pays base rent for the premises at the rate of one dollar per year. The lease can be cancelled by either party without penalty with 60 days notice.

**NOTE D – ALLOCATION OF FUNCTIONAL EXPENSES**

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The functional expenses for the year ended December 31, 2014, are as follows:

<b>Description</b>	<b>Amount</b>
Program	\$ 1,326,757
Management and general	60,435
Fundraising	796
<b>TOTAL</b>	<b>\$ 1,387,988</b>

**NOTE E – CONCENTRATION**

For the year ended December 31, 2014, approximately 12% of the Organization's donations were provided by the founders.

**NOTE F – TEMPORARILY RESTRICTED NET ASSETS**

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donor for the year ended December 31, 2014, as follows:

<b>Purpose</b>	<b>Amount</b>
Heartworm	\$ 15,000
<b>Total released from donor restriction</b>	<b>\$ 15,000</b>

**LOST DOG RESCUE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

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**NOTE G – SUBSEQUENT EVENTS**

Subsequent events were evaluated through September 10, 2015, which is the date the financial statements were available to be issued.