

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

**AUDITED FINANCIAL STATEMENTS**

**December 31, 2009 and 2008**

**LOST DOG RESCUE FOUNDATION**  
**AUDITED FINANCIAL STATEMENTS**  
**December 31, 2009 and 2008**

---

Report of Independent Auditors .....	1
Statements of Financial Position .....	2
Statements of Activities .....	3
Statements of Cash Flows.....	4
Notes to Financial Statements .....	5-8



Board of Directors  
Lost Dog Rescue Foundation  
Chantilly, VA

Report of Independent Auditors

We have audited the accompanying statements of financial position of the Lost Dog Rescue Foundation (the Organization) as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Drolet + Associates, PLLC*

Washington, DC  
June 11, 2010

**LOST DOG RESCUE FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2009 and 2008**

	2009	2008
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 60,591	\$ 110,298
<b>TOTAL CURRENT ASSETS</b>	<b>60,591</b>	110,298
<b>FIXED ASSETS</b>		
Property and equipment	27,258	27,258
Leasehold improvements	94,075	49,154
	<b>121,333</b>	76,412
Less accumulated depreciation and amortization	(28,209)	(18,146)
<b>TOTAL FIXED ASSETS</b>	<b>93,124</b>	58,266
<b>TOTAL ASSETS</b>	<b>\$ 153,715</b>	\$ 168,564
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 71,663	\$ 69,382
<b>TOTAL CURRENT LIABILITIES</b>	<b>71,663</b>	69,382
<b>NET ASSETS</b>		
Unrestricted	74,555	63,685
Temporarily restricted	7,497	35,497
<b>TOTAL NET ASSETS</b>	<b>82,052</b>	99,182
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 153,715</b>	\$ 168,564

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

**LOST DOG RESCUE FOUNDATION**  
**STATEMENTS OF ACTIVITIES**  
**For the Years Ended December 31, 2009 and 2008**

	Unrestricted	Temporarily Restricted	Total 2009	Total 2008
<b>REVENUE</b>				
Adoptions	\$ 617,293		\$ 617,293	\$ 607,998
Donations	405,264		405,264	314,305
In-kind donations	42,000		42,000	42,000
Interest income	81		81	229
Net assets released from restrictions	28,000	\$ (28,000)	-0-	-0-
<b>TOTAL REVENUE</b>	<b>1,092,638</b>	<b>(28,000)</b>	<b>1,064,638</b>	<b>964,532</b>
<b>EXPENSES</b>				
Advertising and promotions	32,308		32,308	20,332
Animal medical and health	642,487		642,487	551,759
Adoption expense	180		180	562
Vehicle expense	24,730		24,730	24,619
Bank service charges	12,645		12,645	3,054
Clothing	2,027		2,027	8,516
Conferences and education	825		825	3,107
Depreciation and amortization	10,063		10,063	8,442
Dues and subscriptions	539		539	800
Fundraising	2,780		2,780	3,642
Insurance	504		504	1,817
Licenses and permits	25		25	325
Supplies	17,777		17,777	13,045
Payroll expenses	280,127		280,127	254,764
Printing and reproduction	4,411		4,411	4,374
Professional fees	6,750		6,750	6,765
Rent	36,000		36,000	36,000
Telephone	956		956	1,736
Building repairs	6,446		6,446	1,468
Website	188		188	229
<b>TOTAL EXPENSES</b>	<b>1,081,768</b>		<b>1,081,768</b>	<b>945,356</b>
<b>CHANGE IN NET ASSETS</b>	<b>10,870</b>	<b>(28,000)</b>	<b>(17,130)</b>	<b>19,176</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>63,685</b>	<b>35,497</b>	<b>99,182</b>	<b>80,006</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 74,555</b>	<b>\$ 7,497</b>	<b>\$ 82,052</b>	<b>\$ 99,182</b>

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

**LOST DOG RESCUE FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2009 and 2008**

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>CHANGE IN NET ASSETS</b>	<b>\$ (17,130)</b>	<b>\$ 19,176</b>
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	<b>10,063</b>	8,442
Increase in accounts payable and accrued expenses	<b>2,281</b>	37,496
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<b>(4,786)</b>	65,114
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<b>(44,921)</b>	(18,940)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(44,921)</b>	(18,940)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(49,707)</b>	46,174
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>110,298</b>	64,124
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 60,591</b>	<b>\$ 110,298</b>

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

**LOST DOG RESCUE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2009 and 2008**

---

**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, VA, or in foster homes.

Each weekend, the Organization conducts adoption events at pet supply stores in the 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, not held for investment, to be 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 Internal Revenue Code.

**LOST DOG RESCUE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2009 and 2008**

---

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

**Accounting  
Uncertain Tax  
Positions**

During 2009, the Organization adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 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 implementation of FIN 48 had no impact on the Organization's financial statements. The Organization does not believe its financial statements include, or reflect, any uncertain tax positions.

**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.

**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**

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 assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**LOST DOG RESCUE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2009 and 2008**

---

**NOTE B - DONATED SERVICES**

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, 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 years ended December 31, 2009 and 2008 the Organization received no donated services. The Organization generally pays for services requiring specific expertise. However, 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 16,000 volunteer hours per year.

**NOTE C – RELATED PARTY**

The Underwood/McAlwee Corporation (the Corporation) is owned by the founders of the Organization. The Corporation leases the property (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 use of \$6,000 annually.

**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 years ended December 31, 2009 and 2008 are as follows:

	<b>2009</b>	2008
Program	<b>\$ 1,019,924</b>	\$ 876,048
Management and General	<b>59,064</b>	65,666
Fundraising	<b>2,780</b>	3,642
<b>TOTAL</b>	<b>\$ 1,081,768</b>	\$ 945,356

**LOST DOG RESCUE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2009 and 2008**

**NOTE E – CONCENTRATION**

For the years ended December 31, 2009 and 2008, approximately 30% and 33% of the Organization's donations were provided by two donors.

**NOTE F – TEMPORARILY RESTRICTED NET ASSETS**

As of December 31, 2009 and 2008, the Organization's temporarily restricted net assets consisted of the following:

<b>Description</b>	<b>2009</b>	<b>2008</b>
Building Fund	<b>\$ 7,497</b>	\$ 35,497
<b>Total temporarily restricted net assets</b>	<b>\$ 7,497</b>	\$ 35,497

Net assets released from restrictions for the years ended December 31, 2009 and 2008, were as follows:

<b>Description</b>	<b>2009</b>	<b>2008</b>
Building Fund	<b>\$ 28,000</b>	\$ -0-
<b>Total releases</b>	<b>\$ 28,000</b>	\$ -0-

**NOTE G – SUBSEQUENT EVENTS**

Subsequent to year end, the Organization entered into various construction contracts for renovations to the Ranch. The renovations are being funded by donations from two of the Organization's board members in the amount of \$165,000 received in fiscal year 2010.

We have evaluated whether events or transactions have occurred after December 31, 2009 that would require recognition or disclosure in these financial statements through June 11, 2010, which is the date the financial statements were available to be issued.