

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

**AUDITED FINANCIAL STATEMENTS**

**December 31, 2011**

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Board of Directors  
Lost Dog Rescue Foundation  
Arlington, VA

Report of Independent Auditors

We have audited the accompanying statement of financial position of the Lost Dog Rescue Foundation (the Organization) as of December 31, 2011 and the related statements of activities and cash flows for the year 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 audit. The prior year summarized comparative information has been derived from the Organization's 2010 financial statements and, in our report dated October 5, 2011, we expressed an unqualified opinion on those statements.

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 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 audit provides 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, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Drolet + Associates, PLLC*

Washington, DC  
November 1, 2012

**LOST DOG RESCUE FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2011**  
(With Summarized Financial Information for December 31, 2010)

	2011	2010
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 38,846	\$ 18,420
Prepaid expenses	3,660	3,753
Accounts receivable	29,386	17,667
<b>TOTAL CURRENT ASSETS</b>	<b>71,892</b>	39,840
<b>FIXED ASSETS</b>		
Property and equipment	61,568	50,306
Website	3,000	3,000
Leasehold improvements	479,525	334,882
	<b>544,093</b>	388,188
Less accumulated depreciation and amortization	(75,175)	(45,895)
<b>TOTAL FIXED ASSETS</b>	<b>468,918</b>	342,293
<b>TOTAL ASSETS</b>	<b>\$ 540,810</b>	\$ 382,133
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 88,080	\$ 81,691
<b>TOTAL CURRENT LIABILITIES</b>	<b>88,080</b>	81,691
<b>NET ASSETS</b>		
Unrestricted	452,730	297,838
Temporarily restricted	-0-	2,604
<b>TOTAL NET ASSETS</b>	<b>452,730</b>	300,442
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 540,810</b>	\$ 382,133

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

**LOST DOG RESCUE FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2011**  
(With Summarized Financial Information for the Year Ended December 31, 2010)

	Unrestricted	Temporarily Restricted	Total 2011	Total 2010
<b>REVENUE</b>				
Adoptions	\$ 788,415		\$ 788,415	\$ 673,384
Donations	675,090		675,090	593,866
In-kind donations	44,268		44,268	42,000
Interest income	-0-		-0-	11
Other revenue	-0-		-0-	6,839
Net assets released from restrictions	2,604	\$ (2,604)	-0-	-0-
<b>TOTAL REVENUE</b>	<b>1,510,377</b>	<b>(2,604)</b>	<b>1,507,773</b>	<b>1,316,100</b>
<b>EXPENSES</b>				
Advertising and promotions	18,710		18,710	21,006
Animal medical and health	892,789		892,789	680,065
Vehicle expense	31,275		31,275	24,926
Bank service charges	32,967		32,967	18,831
Depreciation and amortization	29,280		29,280	17,686
Dues and subscriptions	325		325	390
Insurance	4,829		4,829	1,210
Licenses and permits	125		125	725
Supplies	6,837		6,837	3,791
Payroll and related expenses	270,036		270,036	263,795
Printing and reproduction	4,675		4,675	2,986
Professional fees	12,332		12,332	7,190
Rent	36,000		36,000	36,000
Telephone	1,142		1,142	956
Gas and electric	1,913		1,913	3,061
Repairs and maintenance	10,132		10,132	12,668
Miscellaneous	897		897	1,725
Website	1,221		1,221	699
<b>TOTAL EXPENSES</b>	<b>1,355,485</b>		<b>1,355,485</b>	<b>1,097,710</b>
<b>CHANGE IN NET ASSETS</b>	<b>154,892</b>	<b>(2,604)</b>	<b>152,288</b>	<b>218,390</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>297,838</b>	<b>2,604</b>	<b>300,442</b>	<b>82,052</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 452,730</b>	<b>\$ -0-</b>	<b>\$ 452,730</b>	<b>\$ 300,442</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, 2011**  
(With Summarized Financial Information for the Year Ended December 31, 2010)

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>CHANGE IN NET ASSETS</b>	<b>\$ 152,288</b>	\$ 218,390
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	29,280	17,686
Decrease (increase) in prepaid expenses	93	(3,753)
Increase in accounts receivable	(11,719)	(17,667)
Increase in accounts payable and accrued expenses	6,389	10,028
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>176,331</b>	224,684
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(11,262)	(23,048)
Website development	-0-	(3,000)
Purchase of leasehold improvements	(144,643)	(240,807)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(155,905)</b>	(266,855)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>20,426</b>	(42,171)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>18,420</b>	60,591
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 38,846</b>	\$ 18,420

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

**LOST DOG RESCUE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011**

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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, VA, 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.

Tax years from December 31, 2008 through the current year remain open for examination by the Federal and state tax authorities.

**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 (Continued)**  
**December 31, 2011**

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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** 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 and disclosures. Accordingly, actual results could differ from those estimates.

**Prior Year  
Information**

The financial statements include certain prior year summarized comparative totals as of and for the year ended December 31, 2010. 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, 2010, 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, 2011, the Organization recorded donated services for professional legal services in the amount of \$2,280. 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 16,000 volunteer hours per year which were not recorded because they did not qualify for recording under generally accepted accounting standards.

**NOTE C – RELATED PARTY**

The Lost Dog Ranch, LLC is owned by the founders of the Organization. The LLC 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

**LOST DOG RESCUE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2011**

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**NOTE C – RELATED PARTY (Continued)**

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, 2011.

The Organization entered into a sixty-month lease agreement with the Lost Dog Ranch, 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, 2011 is as follows:

<b>For the Year Ending December 31,</b>	<b>Amount</b>
Program	\$ 1,294,878
Management and general	55,083
Fundraising	5,524
<b>TOTAL</b>	<b>\$ 1,355,485</b>

**NOTE E – CONCENTRATION**

For the year ended December 31, 2011, approximately 33% of the Organization's donations was provided by a Board Member. These contributions from a Board Member were significantly higher in 2011 because they were given to the Organization to fund the leasehold improvements/renovations at the Organization's Ranch Facility.

**NOTE F – TEMPORARILY RESTRICTED NET ASSETS**

Net assets released from restrictions for the years ended December 31, 2011 was as follows:

<b>Description</b>	<b>2011</b>
Building Fund	\$ 2,604
<b>Total releases</b>	<b>\$ 2,604</b>

**LOST DOG RESCUE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2011**

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**NOTE G – SUBSEQUENT EVENTS**

Subsequent events were evaluated through November 1, 2012, which is the date the financial statements were available to be issued.