



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

FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

LOST DOG RESCUE FOUNDATION

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Independent Auditors' Report

To the Board of Directors
Lost Dog Rescue Foundation
Arlington, Virginia

We have audited the accompanying financial statements of the Lost Dog Rescue Foundation (the Organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years 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.

Auditors' Responsibility

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 audits 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 auditors' 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 auditors consider 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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Councilor, Buchanan & Mitchell, P.C.

Certified Public Accountants

Washington, D.C.
November 7, 2016



LOST DOG RESCUE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	2015	2014
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 165,104	\$ 262,690
Prepaid Expenses	-	4,530
Total Current Assets	165,104	267,220
Fixed Assets		
Property and Equipment	68,990	68,546
Website	3,000	3,000
Leasehold Improvements	617,053	617,053
	689,043	688,599
Less Accumulated Depreciation and Amortization	(227,045)	(188,068)
Total Fixed Assets	461,998	500,531
Total Assets	\$ 627,102	\$ 767,751
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 85,017	\$ 111,553
Total Current Liabilities	85,017	111,553
Net Assets		
Unrestricted	542,085	656,198
Total Net Assets	542,085	656,198
Total Liabilities and Net Assets	\$ 627,102	\$ 767,751

See accompanying Notes to Financial Statements.

LOST DOG RESCUE FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Revenue		
Adoptions	\$ 639,918	\$ 770,060
Donations	577,985	630,283
In-Kind Donations	42,300	44,795
Other Revenue	15	19
	<u>1,260,218</u>	<u>1,445,157</u>
Expenses		
Advertising and Promotions	1,652	2,458
Animal Medical and Health	868,802	915,715
Vehicle Expense	39,029	23,307
Credit Card Processing Fees	31,885	32,117
Depreciation and Amortization	38,977	39,973
Dues and Subscriptions	-	249
Insurance	4,530	5,064
Licenses and Permits	285	375
Supplies	1,157	1,088
Payroll and Related Expenses	300,854	293,692
Printing and Reproduction	855	598
Professional Fees	16,898	20,217
Rent	36,000	36,000
Telephone	1,099	877
Gas and Electric	1,622	1,757
Repairs and Maintenance	20,784	12,698
Miscellaneous	1,126	1,309
Website	8,776	494
	<u>1,374,331</u>	<u>1,387,988</u>
Change in Net Assets	(114,113)	57,169
Net Assets, Beginning of Year	<u>656,198</u>	<u>599,029</u>
Net Assets, End of Year	<u>\$ 542,085</u>	<u>\$ 656,198</u>

See accompanying Notes to Financial Statements.

LOST DOG RESCUE FOUNDATION

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
Cash Flows from Operating Activities		
Change in Net Assets	\$ (114,113)	\$ 57,169
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities		
Depreciation and Amortization	38,977	39,973
Decrease (Increase) in Prepaid Expenses	4,530	(178)
(Decrease) Increase in Accounts Payable and Accrued Expenses	(26,536)	72,750
	(97,142)	169,714
Net Cash (Used in) Provided by Operating Activities	(97,142)	169,714
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(444)	-
Purchases of Leasehold Improvements	-	(30,557)
	(444)	(30,557)
Net Cash Used in Investing Activities	(444)	(30,557)
Net (Decrease) Increase in Cash and Cash Equivalents	(97,586)	139,157
Cash and Cash Equivalents, Beginning of Year	262,690	123,533
Cash and Cash Equivalents, End of Year	\$ 165,104	\$ 262,690

See accompanying Notes to Financial Statements.

LOST DOG RESCUE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

1. 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, D.C., 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, 2015 AND 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2. 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.

3. 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 was \$3,000 per month for both 2015 and 2014. In addition, the Organization is allowed the use of a van, for an estimated value of \$6,000 annually for both 2015 and 2014. Accordingly, contribution revenue and related program expense of approximately \$42,000 has been recorded for the years ending December 31, 2015 and 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.

LOST DOG RESCUE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

4. 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, 2015 and 2014, are as follows:

	<u>2015</u>	<u>2014</u>
Program	\$ 1,308,484	\$ 1,326,757
Management and General	60,781	60,435
Fundraising	<u>5,066</u>	<u>796</u>
Total	<u><u>\$ 1,374,331</u></u>	<u><u>\$ 1,387,988</u></u>

5. CONCENTRATION

For the years ended December 31, 2015 and 2014, approximately 17% and 12%, respectively, of the Organization's donations were provided by the founders.

6. SUBSEQUENT EVENTS

Subsequent events were evaluated through November 7, 2016, which is the date the financial statements were available to be issued.