



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

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2016 AND 2015**

**LOST DOG RESCUE FOUNDATION**

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DECEMBER 31, 2016 AND 2015**

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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, 2016 and 2015, 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, 2016 and 2015, 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.*

Washington, D.C.  
December 5, 2017

Certified Public Accountants



**LOST DOG RESCUE FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2016 AND 2015**

	2016	2015
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 224,835	\$ 165,104
Total Current Assets	224,835	165,104
<b>Fixed Assets</b>		
Property and Equipment	68,990	68,990
Website	3,000	3,000
Leasehold Improvements	617,053	617,053
	689,043	689,043
Less Accumulated Depreciation and Amortization	(260,912)	(227,045)
Total Fixed Assets	428,131	461,998
<b>Total Assets</b>	<b>\$ 652,966</b>	<b>\$ 627,102</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable and Accrued Expenses	\$ 73,207	\$ 85,017
Total Current Liabilities	73,207	85,017
<b>Net Assets</b>		
Unrestricted	579,759	542,085
Total Net Assets	579,759	542,085
<b>Total Liabilities and Net Assets</b>	<b>\$ 652,966</b>	<b>\$ 627,102</b>

*See accompanying Notes to Financial Statements.*

**LOST DOG RESCUE FOUNDATION**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>Unrestricted Revenue</b>		
Adoptions	\$ 589,927	\$ 639,918
Donations	668,954	577,985
In-Kind Donations	42,000	42,300
Other Revenue	<u>2</u>	<u>15</u>
Total Unrestricted Revenue	1,300,883	1,260,218
<b>Expenses</b>		
Advertising and Promotions	4,967	1,652
Animal Medical and Health	736,587	868,847
Vehicle Expense	40,056	39,029
Credit Card Processing Fees	29,643	31,885
Conferences and Education	1,994	-
Depreciation and Amortization	33,867	38,977
Insurance	2,771	4,530
Licenses and Permits	325	285
Supplies	1,362	1,157
Payroll and Related Expenses	323,982	300,854
Printing and Reproduction	1,021	855
Professional Fees	17,039	16,898
Rent	36,779	36,000
Telephone	1,807	1,099
Gas and Electric	714	1,622
Repairs and Maintenance	17,436	20,784
Miscellaneous	4,518	1,081
Website Maintenance	<u>8,341</u>	<u>8,776</u>
Total Expenses	<u>1,263,209</u>	<u>1,374,331</u>
Change in Net Assets	37,674	(114,113)
Unrestricted Net Assets, Beginning of Year	<u>542,085</u>	<u>656,198</u>
<b>Unrestricted Net Assets, End of Year</b>	<u><u>\$ 579,759</u></u>	<u><u>\$ 542,085</u></u>

*See accompanying Notes to Financial Statements.*

**LOST DOG RESCUE FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 37,674	\$ (114,113)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation and Amortization	33,867	38,977
Decrease in Prepaid Expenses	-	4,530
(Decrease) Increase in Accounts Payable and Accrued Expenses	<u>(11,810)</u>	<u>(26,536)</u>
Net Cash Provided by (Used in) Operating Activities	59,731	(97,142)
<b>Cash Flows from Investing Activities</b>		
Purchases of Property and Equipment	<u>-</u>	<u>(444)</u>
Net Cash Used in Investing Activities	<u>-</u>	<u>(444)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	59,731	(97,586)
Cash and Cash Equivalents, Beginning of Year	<u>165,104</u>	<u>262,690</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 224,835</u></u>	<u><u>\$ 165,104</u></u>

*See accompanying Notes to Financial Statements.*

**LOST DOG RESCUE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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**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**  
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**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 statements 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.

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 2016 and 2015. In addition, the Organization is allowed the use of a van, for an estimated value of \$6,000 annually for both 2016 and 2015. Accordingly, contribution revenue and related program expense of approximately \$42,000 has been recorded for the years ended December 31, 2016 and 2015.

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.

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**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, 2016 and 2015, are as follows:

	<u>2016</u>	<u>2015</u>
Program	\$ 1,200,113	\$ 1,308,484
Management and General	57,543	60,781
Fundraising	5,553	5,066
<b>Total</b>	<b><u><u>\$ 1,263,209</u></u></b>	<b><u><u>\$ 1,374,331</u></u></b>

**5. CONCENTRATION**

For the years ended December 31, 2016 and 2015, approximately 15% and 17%, respectively, of the Organization's donations were provided by the founders.

**6. SUBSEQUENT EVENTS**

Subsequent events were evaluated through December 5, 2017, which is the date the financial statements were available to be issued.