



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

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

LOST DOG RESCUE FOUNDATION

**TABLE OF CONTENTS
DECEMBER 31, 2017 AND 2016**

| | <u>Pages</u> |
|--|--------------|
| Independent Auditors' Report..... | 3 |
| Financial Statements | |
| Statements of Financial Position | 4 |
| Statements of Activities | 5 |
| Statements of Cash Flows..... | 6 |
| Notes to Financial Statements..... | 7-9 |

Independent Auditors' Report

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, 2017 and 2016, 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, 2017 and 2016, 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.
October 30, 2018

Certified Public Accountants

LOST DOG RESCUE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

| | 2017 | 2016 |
|--|-------------------|-------------------|
| Assets | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ 217,801 | \$ 224,835 |
| Bequests Receivable | 150,000 | - |
| Total Current Assets | 367,801 | 224,835 |
| Deposits | 10,000 | - |
| Fixed Assets | | |
| 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 | (294,281) | (260,912) |
| Total Fixed Assets | 394,762 | 428,131 |
| Total Assets | \$ 772,563 | \$ 652,966 |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts Payable and Accrued Expenses | \$ 143,934 | \$ 73,207 |
| Total Current Liabilities | 143,934 | 73,207 |
| Net Assets | | |
| Unrestricted | 628,629 | 579,759 |
| Total Net Assets | 628,629 | 579,759 |
| Total Liabilities and Net Assets | \$ 772,563 | \$ 652,966 |

See accompanying Notes to Financial Statements.

LOST DOG RESCUE FOUNDATION

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

| | 2017 | 2016 |
|---|-------------------|-------------------|
| Unrestricted Revenue | | |
| Adoptions | \$ 439,341 | \$ 589,927 |
| Donations | 662,746 | 668,954 |
| Bequests | 150,000 | - |
| In-Kind Donations | 42,000 | 42,000 |
| Other Revenue | 2,500 | 2 |
| | 1,296,587 | 1,300,883 |
| Expenses | | |
| Advertising and Promotions | 8,635 | 4,967 |
| Animal Medical and Health | 657,800 | 736,587 |
| Vehicle Expense | 35,279 | 40,056 |
| Credit Card Processing Fees | 26,357 | 29,643 |
| Conferences and Education | 550 | 1,994 |
| Depreciation and Amortization | 33,369 | 33,867 |
| Supplies | 12,471 | 4,043 |
| Payroll and Related Expenses | 331,986 | 323,982 |
| Office Expenses | 1,139 | 1,021 |
| Professional Fees | 17,703 | 17,039 |
| Rent | 73,752 | 37,602 |
| Telephone | 2,781 | 2,222 |
| Repairs and Maintenance | 22,867 | 18,150 |
| Miscellaneous | 9,282 | 3,695 |
| Contributions | 6,550 | - |
| Website Maintenance | 7,196 | 8,341 |
| | 1,247,717 | 1,263,209 |
| Change in Net Assets | 48,870 | 37,674 |
| Unrestricted Net Assets, Beginning of Year | 579,759 | 542,085 |
| Unrestricted Net Assets, End of Year | \$ 628,629 | \$ 579,759 |

See accompanying Notes to Financial Statements.

LOST DOG RESCUE FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|--|--------------------------|--------------------------|
| Cash Flows from Operating Activities | | |
| Change in Net Assets | \$ 48,870 | \$ 37,674 |
| Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities | | |
| Depreciation and Amortization | 33,369 | 33,867 |
| Increase in Bequest Receivable | (150,000) | - |
| Increase in Security Deposit | (10,000) | - |
| Increase (Decrease) in Accounts Payable and Accrued Expenses | <u>70,727</u> | <u>(11,810)</u> |
| Net Cash (Used in) Provided by Operating Activities | <u>(7,034)</u> | <u>59,731</u> |
| Net (Decrease) Increase in Cash and Cash Equivalents | (7,034) | 59,731 |
| Cash and Cash Equivalents, Beginning of Year | <u>224,835</u> | <u>165,104</u> |
| Cash and Cash Equivalents, End of Year | <u><u>\$ 217,801</u></u> | <u><u>\$ 224,835</u></u> |

See accompanying Notes to Financial Statements.

LOST DOG RESCUE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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.

LOST DOG RESCUE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

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 of \$2,500 and above 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 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 received roughly 21,000 volunteer hours in 2017 and 18,500 volunteer hours in 2016, 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 2017 and 2016. In addition, the Organization is allowed the use of a van, for an estimated value of \$6,000 annually for both 2017 and 2016. Accordingly, contribution revenue

LOST DOG RESCUE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

3. RELATED PARTY (CONTINUED)

and related program expense of approximately \$42,000 has been recorded for the years ended December 31, 2017 and 2016.

The Organization entered into a sixty-month lease agreement with the LLC commencing August 15, 2011 through 2016. The LLC continues to allow the Organization to lease the Ranch under the original lease agreement. 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.

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, 2017 and 2016 are as follows:

| | <u>2017</u> | <u>2016</u> |
|------------------------|---------------------|---------------------|
| Program | \$ 1,191,463 | \$ 1,200,113 |
| Management and General | 51,425 | 57,543 |
| Fundraising | <u>4,829</u> | <u>5,553</u> |
| Total | <u>\$ 1,247,717</u> | <u>\$ 1,263,209</u> |

5. CONCENTRATION

For the years ended December 31, 2017 and 2016, approximately 12% and 15%, respectively, of the Organization's donations were provided by the founders.

The bequest receivable as of December 31, 2017, is due from one estate.

6. SUBSEQUENT EVENTS

Subsequent events were evaluated through October 30, 2018, which is the date the financial statements were available to be issued.

On September 17, 2018, the Organization purchased a kennel which the Organization had previously rented on a month-to-month basis. The purchase price was \$2,000,000 and was partially financed with a loan of \$1,600,000. Interest on the loan shall accrue at 4% providing for repayment on a 30 year amortization with equal payments of principal and interest in the amount of \$7,638.63 beginning November 1, 2018 and continuing until the loan balloons in five years. The loan is secured by a first lien deed of trust on the kennel and has been guaranteed by one of the Organization's Founders and by the Organization's Treasurer.