

MAXFUND ANIMAL ADOPTION CENTER

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

MAXFUND ANIMAL ADOPTION CENTER
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

Taylor, Roth & Company, PLLC
Certified Public Accountants
working exclusively with nonprofit organizations

August 23, 2019

INDEPENDENT AUDITORS' REPORT

Board of Directors
MaxFund Animal Adoption Center
Denver, Colorado

We have audited the accompanying financial statements of **MaxFund Animal Adoption Center**, (a Colorado nonprofit corporation) which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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 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 audit. 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 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 auditor considers internal control relevant to the entity'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 entity'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 MaxFund Animal Adoption Center as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited MaxFund Animal Adoption Center's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 27, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Taylor, Roth & Company, PLLC
TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

MAXFUND ANIMAL ADOPTION CENTER
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018	2017
<u>Assets</u>		
Cash and cash equivalents	\$ 3,286,801	\$ 2,288,497
Contributions receivable	-	21,052
Investments (Note 3)	4,502,081	3,257,584
Property and equipment (Note 4)	5,000,858	4,951,486
Total assets	\$ 12,789,740	\$ 10,518,619
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 61,934	\$ 21,709
Accrued payroll costs	21,397	20,520
Annuity payable to founder (Note 5)	55,891	116,659
Capital lease obligation (Note 6)	17,700	24,561
Total liabilities	156,922	183,449
<u>Net assets</u>		
Without donor restrictions		
Undesignated	5,013,692	4,077,291
Net investment in fixed assets	4,983,158	4,926,925
Board designated reserve	2,523,468	1,253,454
	12,520,318	10,257,670
With donor restrictions		
Donor specific purpose (Note 7)	112,500	77,500
Total net assets	12,632,818	10,335,170
Total liabilities and net assets	\$ 12,789,740	\$ 10,518,619

The accompanying notes are an integral part of these financial statements

MAXFUND ANIMAL ADOPTION CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018		2017	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Bequests	\$ 2,616,338	-	\$ 2,616,338	\$ 1,234,612
Veterinary services	1,391,190	-	1,391,190	1,415,669
Contributions - individuals	519,619	35,000	554,619	639,977
Grants - foundations	507,739	-	507,739	354,873
Special event income	153,853	-	153,853	136,209
Less: direct event expenses	(70,670)	-	(70,670)	(71,085)
Adoptions	127,685	-	127,685	123,349
Memorials	71,078	-	71,078	50,679
Membership	35,113	-	35,113	35,587
Pet Pals	5,100	-	5,100	3,140
Merchandise	2,508	-	2,508	-
Investment income, net of fees	(95,638)	-	(95,638)	273,393
Other	6,758	-	6,758	1,996
In-kind (Note 8)	75,160	-	75,160	16,590
Total revenue and other support	<u>5,345,833</u>	<u>35,000</u>	<u>5,380,833</u>	<u>4,214,989</u>
<u>Expense</u>				
Program services				
Shelter/Adoption Education	1,350,711	-	1,350,711	1,164,511
Veterinary/Clinic	1,165,432	-	1,165,432	1,077,499
Outreach	139,741	-	139,741	92,465
Total program	<u>2,655,884</u>	<u>-</u>	<u>2,655,884</u>	<u>2,334,475</u>
Supporting services				
Management and general	308,449	-	308,449	340,888
Fundraising	118,852	-	118,852	90,569
Total expense	<u>3,083,185</u>	<u>-</u>	<u>3,083,185</u>	<u>2,765,932</u>
Change in net assets	2,262,648	35,000	2,297,648	1,449,057
Net assets, beginning of year	<u>10,257,670</u>	<u>77,500</u>	<u>10,335,170</u>	<u>8,886,113</u>
Net assets, end of year	<u>\$ 12,520,318</u>	<u>\$ 112,500</u>	<u>\$ 12,632,818</u>	<u>\$10,335,170</u>

The accompanying notes are an integral part of these financial statements

MAXFUND ANIMAL ADOPTION CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018				2017			
	Program Services			Total Program	Supporting Services			Total
	Shelter Operations/ Adoption	Veterinary Clinic	Outreach		Management and General	Fund- raising	Total	
Salaries	\$ 475,341	\$ 492,286	\$ 73,670	\$1,041,297	\$ 230,320	\$ 95,713	\$1,367,330	\$1,284,846
Payroll taxes and benefits	44,072	45,973	7,522	97,567	42,334	10,529	150,430	139,163
Medical supplies	98,729	322,735	13,926	435,390	-	-	435,390	385,552
Veterinarians and medical consultants	140,798	140,018	38,796	319,612	-	-	319,612	224,031
Supplies	162,639	14,820	1,618	179,077	1,539	1,542	182,158	117,908
Contract services	91,364	23,860	1,800	117,024	1,442	2,000	120,466	67,344
Utilities	43,416	12,262	-	55,678	6,187	6,874	68,739	62,991
Professional fees	31,061	8,893	-	39,954	1,807	-	41,761	38,445
Printing	11,202	22,404	2,240	35,846	1,494	-	37,340	38,541
Merchant fees	4,065	17,724	-	21,789	-	1,147	22,936	22,897
Telephone and internet	16,211	5,080	-	21,291	-	-	21,291	25,843
Insurance	21,131	-	-	21,131	-	-	21,131	29,030
Repairs and maintenance	16,475	284	-	16,759	-	-	16,759	38,509
Advertising	13,351	595	-	13,946	-	-	13,946	26,855
Accounting	-	-	-	-	13,569	-	13,569	23,168
Postage	12,175	250	-	12,425	-	31	12,456	7,330
Contributions to others	10,000	-	-	10,000	-	-	10,000	6,500
Meals and entertainment	6,396	196	-	6,592	-	71	6,663	5,285
Technology	5,845	150	-	5,995	-	-	5,995	5,217
Education and training	5,509	-	-	5,509	-	-	5,509	657
Animal disposal	182	4,758	-	4,940	-	-	4,940	2,721
Equipment	3,424	386	-	3,810	-	-	3,810	1,691
Legal services	3,020	-	-	3,020	-	-	3,020	3,500
Taxes and license fees	1,898	831	-	2,729	163	-	2,892	4,101
Travel	2,311	-	-	2,311	14	-	2,325	5,220
Dues and subscriptions	1,225	-	-	1,225	-	945	2,170	626
Interest expense	-	-	-	-	1,289	-	1,289	1,893
Bank fees	714	125	169	1,008	6	-	1,014	3,036
Miscellaneous	144	-	-	144	-	-	144	1,777
	1,222,698	1,113,630	139,741	2,476,069	300,164	118,852	2,895,085	2,574,677
Depreciation	128,013	51,802	-	179,815	8,285	-	188,100	191,255
Total	\$1,350,711	\$1,165,432	\$ 139,741	\$2,655,884	\$ 308,449	\$ 118,852	\$3,083,185	\$2,765,932

The accompanying notes are an integral part of these financial statements

MAXFUND ANIMAL ADOPTION CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	<u>2018</u>	<u>2017</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 2,297,648	\$ 1,449,057
Adjustments to reconcile change in net assets to net cash provided by operating activities		
(Gain) loss on investments	194,919	(198,929)
Depreciation	188,100	191,255
Change in value of annuity payable	(60,768)	(29,630)
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in contributions receivable	21,052	(21,052)
Increase(decrease) in accounts payable	40,225	(24,052)
Increase(decrease) in payroll accruals	877	(34,197)
Net cash provided(used) by operating activities	<u>2,682,053</u>	<u>1,332,452</u>
<u>Cash flows from investing activities</u>		
(Purchase) of fixed assets	(237,472)	(52,884)
(Purchase) proceeds of investments	(1,340,135)	229,566
(Reinvestment) proceeds of earnings	<u>(99,281)</u>	<u>(97,310)</u>
Net cash provided(used) by investing activities	<u>(1,676,888)</u>	<u>79,372</u>
<u>Cash flows from financing activities</u>		
(Payments) on capital lease obligation	<u>(6,861)</u>	<u>(6,462)</u>
Net cash provided(used) by financing activities	<u>(6,861)</u>	<u>(6,462)</u>
Net increase(decrease) in cash and cash equivalents	998,304	1,405,362
Cash and cash equivalents, beginning of year	<u>2,288,497</u>	<u>883,135</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,286,801</u></u>	<u><u>\$ 2,288,497</u></u>
Supplemental disclosure of information:		
Cash paid during the period for interest	<u><u>\$ 1,289</u></u>	<u><u>\$ 1,893</u></u>

The accompanying notes are an integral part of these financial statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Continued)

4. Capitalization and Depreciation

The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$2,500. The fair value of donated assets is similarly capitalized. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

5. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

6. Income Taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

The Organization follows the guidance of FASB codification (ASC) 740-10 and related subsections. The Organization determined that no uncertain tax positions have been taken (or are expected to be taken) that could have a material effect on its income tax liabilities. The Organization believes that it has conducted its operations in accordance with, and has properly maintained, its tax-exempt status.

7. Functional Reporting of Expenses

For the year ended December 31, 2018, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The allocations are determined by management on a rational and systematic basis. Salaries, taxes and employee benefits, and veterinarians are allocated on a time and effort basis. Medical supplies are allocated as they are needed between programs.

8. Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

9. Fair Value Measurements

The Organization is subject to the provisions of the *Fair Value Measurements and Disclosures* accounting standard. This standard requires use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Concluded)

10. New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses net asset classification, information about liquidity, information provided about expenses, and consistency in reporting investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

11. Subsequent Events

Management has evaluated subsequent events through August 23, 2019, the date the financial statements were available to be issued.

NOTE 3 - INVESTMENTS

The carrying value of investments is based on quoted market prices (Level 1 inputs):

<u>Description</u>	<u>Amount</u>
Cash	\$ 740,679
Equities	1,436,994
International equities	57,578
Fixed income	2,134,590
Mutual funds	<u>132,240</u>
Total	<u>\$ 4,502,081</u>

Investment income is summarized as follows:

<u>Description</u>	<u>Amount</u>
Unrealized loss	\$ (194,919)
Interest and dividend income	123,144
Advisory fees	<u>(23,863)</u>
Net investment return	<u>\$ (95,638)</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Description</u>	<u>Amount</u>
Land	\$ 562,187
Buildings and improvements	5,392,403
Furniture and equipment	491,706
Vehicles	360,043
Clinic equipment	151,625
Leased medical equipment	35,121
Real estate	<u>19,000</u>
Total	7,012,085
Less: accumulated depreciation	<u>(2,011,227)</u>
Net property and equipment	<u>\$ 5,000,858</u>

Depreciation expense for the year was \$188,100.

NOTE 5 - ANNUITY PAYABLE (Split Interest Agreement)

In 2016, the Organization entered into a compensation agreement with a founder of the Organization.

Taxes on the estimated total present value of \$285,500 were paid up front and bi-monthly payments of \$1,215 will continue until neither he nor his spouse survives. On an annual basis, the Organization revalues the distribution liability based on actuarial assumptions. The present value of the estimated future payments is calculated using a discount rate of 5% and applicable mortality tables.

NOTE 6 - CAPITAL LEASE OBLIGATION

Clinic Equipment

In 2016, the Organization entered into a capital lease for clinic equipment. Under the terms of this agreement, they are obligated for future lease payments of:

<u>Year</u>	<u>Amount</u>
2019	\$ 8,148
2020	8,148
2021	<u>2,716</u>
Total payments	19,012
Less imputed interest	<u>(1,312)</u>
Total	<u>\$ 17,700</u>

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets are available for the following purposes:

<u>Description</u>	<u>Amount</u>
Building fund	\$ 57,000
Cat shelter	<u>55,500</u>
Total	<u>\$ 112,500</u>

NOTE 8 - IN-KIND CONTRIBUTIONS

Donated goods and services are reflected in the accompanying financial statements at their estimated value at date of receipt.

<u>Description</u>	<u>Amount</u>
Dog and cat food and other supplies	<u>\$ 75,160</u>

No amounts have been reflected in the financial statements for donated services not requiring specific expertise. The Organization received 58,570 volunteer hours estimated to be valued at \$585,700.

NOTE 9 - CONCENTRATION OF CREDIT RISK

The Organization places most of its cash with one financial institution. Amounts over \$250,000 are not insured by the FDIC or related entity.

NOTE 10 - IRREVOCABLE RIGHT TO RECEIVE IN PERPETUAL TRUST

The Organization was named in a trust for the benefit of various charitable organizations. The trust had a balance of \$2,341,200 at December 31, 2018, and the Organization received \$6,799 during the year. Investments and distributions are determined by the trustee rather than the Organization.

NOTE 11 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2018:

<u>Financial assets at year-end:</u>	<u>Amount</u>
Cash and cash equivalents	\$ 3,286,801
Investments	<u>4,502,081</u>
Total financial assets	7,788,882
Less: amounts not available for general expenditures within one year, due to:	
Board designated reserve – building fund	(2,523,468)
Total financial assets available to meet cash needs for general expenditures within one year:	<u>\$ 5,265,414</u>

The Organization's goal is generally to maintain financial assets to meet six months of operating expenses. The board may access its designated reserve if necessary.