

**MAXFUND ANIMAL ADOPTION CENTER**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

**MAXFUND ANIMAL ADOPTION CENTER**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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July 27, 2018

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, 2017, 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.

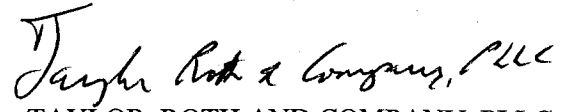
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 5, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

  
TAYLOR, ROTH AND COMPANY, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

**MAXFUND ANIMAL ADOPTION CENTER**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2017**

**(WITH COMPARATIVE TOTALS FOR 2016)**

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Cash and cash equivalents - unrestricted	\$ 2,210,997	\$ 805,635
Cash and cash equivalents - temporarily restricted	77,500	77,500
Contributions receivable	21,052	-
Investments (Note 3)	3,257,584	3,190,911
Property and equipment (Note 4)	4,951,486	5,089,857
Total assets	<u>\$ 10,518,619</u>	<u>\$ 9,163,903</u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 21,709	\$ 45,761
Accrued payroll costs	20,520	54,717
Annuity payable to founder (Note 5)	116,659	146,289
Capital lease obligation (Note 6)	24,561	31,023
Total liabilities	<u>183,449</u>	<u>277,790</u>
<u>Net assets</u>		
Unrestricted		
Operating	4,077,291	2,634,661
Net investment in fixed assets	4,926,925	5,058,834
Board designated reserve	1,253,454	1,115,118
Temporarily restricted (Note 7)	77,500	77,500
Total net assets	<u>10,335,170</u>	<u>8,886,113</u>
Total liabilities and net assets	<u>\$ 10,518,619</u>	<u>\$ 9,163,903</u>

The accompanying notes are an integral part of these financial statements

**MAXFUND ANIMAL ADOPTION CENTER**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR 2016)**

	2017		2016	
	Unrestricted	Temporarily Restricted	Total	Total
<u>Revenue and other support</u>				
Veterinary services	\$ 1,415,669	-	\$ 1,415,669	\$ 1,014,154
Bequests	1,234,612	-	1,234,612	399,100
Contributions	639,977	-	639,977	579,049
Grants	338,308	16,565	354,873	352,442
Investment income	297,282	-	297,282	207,016
Special event income	136,209	-	136,209	151,444
Less: direct event expenses	(71,085)	-	(71,085)	(69,085)
Adoptions	123,349	-	123,349	131,525
Memorials	50,679	-	50,679	49,703
Membership	35,587	-	35,587	41,334
Pet Pals	3,140	-	3,140	4,990
Other	1,996	-	1,996	1,833
In-kind (Note 8)	16,590	-	16,590	74,701
Net assets released from restrictions (Note 9)	16,565	(16,565)	-	-
<b>Total revenue and other support</b>	<b>4,238,878</b>	<b>-</b>	<b>4,238,878</b>	<b>2,938,206</b>
<u>Expense</u>				
<u>Program services</u>				
Shelter/Adoption Education	1,164,511	-	1,164,511	1,380,436
Veterinary/Clinic	1,077,499	-	1,077,499	1,046,761
Outreach	92,465	-	92,465	120,958
<b>Total program</b>	<b>2,334,475</b>	<b>-</b>	<b>2,334,475</b>	<b>2,548,155</b>
<u>Supporting services</u>				
Management and general	364,777	-	364,777	455,280
Fundraising	90,569	-	90,569	150,607
<b>Total expense</b>	<b>2,789,821</b>	<b>-</b>	<b>2,789,821</b>	<b>3,154,042</b>
Change in net assets	1,449,057	-	1,449,057	(215,836)
Net assets, beginning of year	8,808,613	77,500	8,886,113	9,101,949
<b>Net assets, end of year</b>	<b>\$ 10,257,670</b>	<b>\$ 77,500</b>	<b>\$ 10,335,170</b>	<b>\$ 8,886,113</b>

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, 2017**  
**(WITH COMPARATIVE TOTALS FOR 2016)**

	2017				2016			
	Program Services			Supporting Services				
	Shelter Operations/ Adoption	Veterinary Clinic	Outreach	Total Program	Management and General	Fund- raising	Total	Total
Salaries	\$ 477,308	\$ 408,684	\$ 64,242	\$ 950,234	\$ 270,370	\$ 64,242	\$1,284,846	\$1,610,283
Payroll taxes and benefits	45,798	39,840	6,958	92,596	39,609	6,958	139,163	171,416
Medical supplies	89,550	293,126	2,876	385,552	-	-	385,552	361,751
Veterinarians and medical consultants	37,084	172,302	14,645	224,031	-	-	224,031	250,192
Supplies	95,737	21,382	216	117,335	-	573	117,908	151,269
Contract services	46,996	17,323	3,025	67,344	-	-	67,344	28,745
Utilities	49,266	13,725	-	62,991	-	-	62,991	65,859
Professional fees	28,728	7,687	-	36,415	25,919	-	62,334	60,769
Printing	27,327	40	-	27,367	-	11,174	38,541	32,430
Repairs and maintenance	24,783	12,623	286	37,692	817	-	38,509	40,578
Insurance	29,030	-	-	29,030	-	-	29,030	23,736
Advertising	19,903	318	-	20,221	-	6,634	26,855	21,063
Telephone and internet	19,878	5,741	-	25,619	-	224	25,843	18,024
Accounting	-	-	-	-	23,168	-	23,168	20,448
Merchant fees	6,299	16,598	-	22,897	-	-	22,897	19,498
Postage	6,402	718	-	7,120	-	210	7,330	7,453
Contributions to others	6,500	-	-	6,500	-	-	6,500	3,375
Meals and entertainment	4,803	285	-	5,088	152	45	5,285	4,456
Travel	4,996	209	-	5,205	15	-	5,220	1,250
Technology	3,843	1,374	-	5,217	-	-	5,217	9,337
Taxes and license fees	1,240	2,593	-	3,833	-	268	4,101	3,862
Legal services	-	3,500	-	3,500	-	-	3,500	32,892
Bank fees	1,184	460	217	1,861	1,175	-	3,036	806
Animal disposal	339	2,382	-	2,721	-	-	2,721	1,727
Interest expense	15	192	-	207	1,686	-	1,893	1,333
Equipment	1,305	386	-	1,691	-	-	1,691	7,940
Education and training	115	425	-	540	-	117	657	7,629
Dues and subscriptions	502	-	-	502	-	124	626	626
Miscellaneous	603	-	-	603	1,174	-	1,777	835
	1,029,534	1,021,913	92,465	2,143,912	364,085	90,569	2,598,566	2,959,582
Depreciation	134,977	55,586	-	190,563	692	-	191,255	194,460
<b>Total</b>	<b>\$1,164,511</b>	<b>\$1,077,499</b>	<b>\$ 92,465</b>	<b>\$2,334,475</b>	<b>\$ 364,777</b>	<b>\$ 90,569</b>	<b>\$2,789,821</b>	<b>\$3,154,042</b>

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, 2017**  
**(WITH COMPARATIVE TOTALS FOR 2016)**

	2017	2016
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 1,449,057	\$ (215,836)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
(Gain) loss on investments	(198,929)	(105,468)
Depreciation	191,255	194,460
Change in value of annuity payable	(29,630)	146,289
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in contributions receivable	(21,052)	55,166
Increase(decrease) in accounts payable	(24,052)	(30,016)
Increase(decrease) in payroll accruals	(34,197)	31,059
Net cash provided(used) by operating activities	1,332,452	75,654
<u>Cash flows from investing activities</u>		
(Purchase) of fixed assets	(52,884)	(408,217)
(Reinvestment) proceeds of earnings	132,256	21,342
Net cash provided(used) by investing activities	79,372	(386,875)
<u>Cash flows from financing activities</u>		
(Payments) on capital lease obligation	(6,462)	(4,099)
Net cash provided(used) by financing activities	(6,462)	(4,099)
Net increase(decrease) in cash and cash equivalents	1,405,362	(315,320)
Cash and cash equivalents, beginning of year	883,135	1,198,455
Cash and cash equivalents, end of year	\$ 2,288,497	\$ 883,135
Supplemental disclosure of information:		
Cash paid during the period for interest	\$ 1,893	\$ 1,333
Noncash investing and financing transactions		
Property purchased under a capital lease	\$ -	\$ 35,122

The accompanying notes are an integral part of these financial statements



## MAXFUND ANIMAL ADOPTION CENTER

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

#### NOTE 1 - NATURE OF ACTIVITIES

MaxFund Animal Adoption Center (the Organization) is located in Denver, Colorado, and was incorporated in 1989 as a nonprofit corporation under the laws of the State of Colorado. The Organization's mission is to provide medical care for injured pets with no known owners, and to seek out new homes for these animals once they have recovered. The Organization is funded primarily by veterinary services, bequests and contributions.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

##### 1. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

##### 2. Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

##### 3. Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

##### 4. Donations

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. 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.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless the explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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

5. 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.

6. 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.

7. 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.

8. Functional Reporting of Expenses

For the year ended December 31, 2017, 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.

9. 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, 2016, 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. Subsequent Events

Management has evaluated subsequent events through July 27, 2018, 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	\$ 255,564
Equities	1,354,561
International equities	107,832
Fixed income	<u>1,539,627</u>
Total	<u>\$ 3,257,584</u>

Investment income is summarized as follows:

<u>Description</u>	<u>Amount</u>
Unrealized gain	\$ 198,929
Interest and dividend income	<u>97,110</u>
Net investment return	<u>\$ 296,039</u>

In addition, the Organization earned \$1,243 of operating interest on its cash and cash equivalents.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Description</u>	<u>Amount</u>
Land	\$ 562,187
Buildings and improvements	5,182,392
Furniture and equipment	491,675
Vehicles	360,043
Clinic equipment	166,910
Real estate	<u>19,000</u>
Total	6,782,207
Less: accumulated depreciation	<u>(1,830,721)</u>
Net property and equipment	<u>\$ 4,951,486</u>

Depreciation expense for the year was \$191,255.

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. In the event that the founder predeceases his spouse, the amount payable to the founder shall be paid to his spouse for her lifetime. 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.

In addition to the compensation arrangement, the Organization will continue to pay all premiums associated with the founder's life insurance policy.

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>
2018	\$ 8,148
2019	8,148
2020	8,148
2021	<u>2,716</u>
Total payments	27,160
Less imputed interest	<u>(2,599)</u>
Total	<u>\$ 24,561</u>

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

<u>Description</u>	<u>Amount</u>
Building fund	\$ 57,000
Cat shelter	<u>20,500</u>
Total	<u>\$ 77,500</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>\$ 16,590</u>

No amounts have been reflected in the financial statements for donated services not requiring specific expertise. The Organization received 20,515 volunteer hours estimated to be valued at \$218,200.

NOTE 9 - NET ASSETS RELEASED FROM RESTRICTIONS

During the year, net assets were released from donor restrictions by incurring expenses, satisfying the restricted program purposes:

<u>Description</u>	<u>Amount</u>
Digital X-Ray equipment	\$ 11,565
Spay and neuter program/veterinary services	<u>5,000</u>
Total	<u>\$ 16,565</u>

NOTE 10 - 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.