

**MAXFUND, INC.**  
**INDEPENDENT AUDITOR'S REPORT AND**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

## INDEPENDENT AUDITOR'S REPORT

**DOUGLAS W. SCHELLINGER, CPA**  
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**PHONE: (303) 989-9025**

Board of Directors  
MaxFund, Inc.  
Denver, Colorado

I have audited the accompanying statement of financial position of MaxFund, Inc. (a not-for-profit corporation) as of December 31, 2011, and the related statements of activities and net assets, and cash flows for the year then ended. These financial statements are the responsibility of MaxFund, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MaxFund, Inc. as of December 31, 2011, and the changes in its activities, net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

*Douglas W. Schellinger, CPA*

July 29, 2012

**MAXFUND, INC.**  
Statement of Financial Position  
December 31, 2011

**Assets**

Current Assets:

Cash and cash equivalents-unrestricted	\$1,416,978
Cash and cash equivalents-restricted	<u>439,889</u>
Total Cash and cash equivalents	1,856,867

Other current assets:

Deposits	<u>2,300</u>
Total other current assets	2,300

Total Current Assets	<u>1,859,167</u>
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Property and equipment:

Inca – Office equipment	9,601
Inca – Building 100	436,977
Inca – Leasehold Improvements	352,947
Inca – Equipment	66,551
Furniture and fixtures	108,540
Software	2,500
Garage	19,273
Leasehold improvements	132,937
Medical and other equipment	115,508
Office Building	21,375
Spay and Neuter Trailer	134,260
Storage Building	5,400
Vehicles	159,505
Cattery - Land	562,187
Cattery-Building	1,043,013
Cattery-Furniture,Fixtures	133,758
Real Estate – SS	19,000
Cattery-Furniture,Fixtures	<u>244,252</u>

\$3,567,584

Less accumulated depreciation and amortization	<u>(869,542)</u>
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Property and equipment, net	<u>\$2,698,042</u>
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Other Assets:

Investments-net	<u>1,578,081</u>
Total other assets	<u>1,578,081</u>

Total Assets	<u><b>\$6,135,290</b></u>
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Statement of Financial Position (Continued)  
December 31, 2011

**Liabilities**

Current Liabilities

Accounts Payable \$ 581

Total current liabilities \$ 581

Total Liabilities \$ 581

**Net assets:**

Unrestricted: \$6,067,060

Temporarily restricted: 67,649

Total net assets \$6,134,709

Total liabilities and net assets **\$6,135,290**

*See accompanying notes to financial statements*

**MAXFUND, INC.**  
Statement of Activities and Net Assets  
For the Year Ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Public Support, Revenues, and Reclassifications</b>				
Adoptions	\$ 112,300	--	--	112,300
Contributions:				
Individual	341,354	--	--	341,354
Interest/Dividend income	32,056	--	--	32,056
Estate Donations	2,243,520	--	--	2,243,520
Estate Donations – In Kind	235,000	--	--	235,000
Grants/Foundations/Trusts/Gifts	189,930	82,628	--	272,558
Medical Services	593,925	--	--	593,925
Memberships	37,705	--	--	37,705
Memorials	63,172	--	--	63,172
Misc. income	5,550	--	--	5,550
Pet Pals	7,949	--	--	7,949
Stock Donations & Market Adjustments	5,343	--	--	5,343
Vehicle Donations	17,435	--	--	17,435
Special Events:				
Puttin on the Max and others	130,659	--	--	130,659
Total public support, revenues and reclassifications	<u>4,015,898</u>	<u>82,628</u>	<u>--</u>	<u>4,098,526</u>
<b>Expenses</b>				
Programs:				
Animal food & supplies	60,581	--	--	60,581
Program office costs and utilities	139,209	--	--	139,209
Program personnel	668,359	--	--	668,359
Veterinarian expense	507,198	82,628	--	589,826
Other administrative costs	84,050	--	--	84,050
Promotion & Newsletter	37,127	--	--	37,127
Depreciation and amortization expense	86,537	--	--	86,537
Total programs	<u>1,583,061</u>	<u>82,628</u>	<u>--</u>	<u>1,665,689</u>
Administration:				
Office costs and utilities	374	--	--	374
Personnel	233,234	--	--	233,234
Other Administrative costs	11,550	--	--	11,550
Total administration	<u>245,158</u>	<u>--</u>	<u>--</u>	<u>245,158</u>
Fundraising:				
Event expense	68,261	--	--	68,261
Total fundraising	<u>68,261</u>	<u>--</u>	<u>--</u>	<u>68,261</u>
Total Expenses	<u>1,896,480</u>	<u>82,628</u>	<u>--</u>	<u>1,979,108</u>
Change in net assets	2,119,418	--	--	2,119,418
Net assets as of beginning of year	3,947,642	67,649	--	4,015,291
Net assets as of end of year	<u>6,067,060</u>	<u>67,649</u>	<u>--</u>	<u>6,134,709</u>

*See accompanying notes to financial statements*

**MAXFUND, INC.**  
Statement of Cash Flows  
For the Year Ended December 31, 2011

**Operating activities**

Change in net assets	\$2,119,417
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Increase in accounts payable, etc	<u>420</u>
Net cash provided by operating activities	420

**Investing activities**

Acquisition of property plant and equipment	(1,215,980)
Deposits used	31,000
Accum. Deprec-property plant and equipment	<u>86,537</u>
Net cash provided by in investing activities	(1,098,443)

**Financing activities**

Decrease in notes payable	0
Increase in Investments	<u>(632,833)</u>
Net cash provided by financing activities	(632,833)

Net increase in cash and cash equivalents	388,561
Cash and cash equivalents as of beginning of year	<u>1,468,306</u>
Cash and cash equivalents as of end of year	<b><u>\$1,856,867</u></b>

**Supplemental Disclosures**

Interest and dividend income	<u>\$32,056</u>
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*See accompanying notes to financial statements*

**MAXFUND, INC.**  
Notes to Financial Statements  
December 31, 2011

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of MaxFund, Inc. (MaxFund) is presented to assist in understanding MaxFund's financial statements. The financial statements and notes are representations of MaxFund's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

**Organization and Nature of Activities**

MaxFund, Inc. was organized in 1988 and incorporated as a not-for-profit organization in Colorado in 1989. Maxfund provides care for injured pets in the Denver metro area and finds homes for these animals upon recovery.

**Public Support and Revenue**

The major sources of support and revenue are contributions from donors, grants, special fundraising events, corporate sponsors, various private sources and a variety of sales.

**Restricted Funds**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. These donor restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions, and are specifically identified with expenditures designated by the donor. However, excepting long-lived asset contributions, donor restricted contributions are reported as unrestricted support if the restriction is fulfilled during the same time period in which the contribution is received. MaxFund has established a policy wherein an implied time restriction on the use of long-lived assets expires over the useful life of the asset.

**Depreciation and amortization**

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Straight-line methods are used for financial and tax purposes. Leasehold improvements are amortized over the estimated lives of the assets. Leased property under capitalized leases is amortized over the service lives of the assets.

**In Kind Donations**

Contributions of services by veterinarians and other assets donated to MaxFund, Inc. are recorded at their fair market value, estimated by the donor, at the date of the donation. Donations of property and equipment are recorded as support at their estimated fair value. Donations without a known value are only recognized when sold.

**MAXFUND, INC.**  
Notes to Financial Statements  
December 31, 2011

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Income Taxes**

MaxFund, Inc. is a nonprofit organization as described in Section 501 ( c ) ( 3 ) of the Internal Revenue Code and is exempt from federal and state income taxes.

**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.

**NOTE 2: CHANGES IN ACCOUNTING PRINCIPLES**

MaxFund, Inc. adopted the provisions of Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contribution Made* and No. 117, *Financial Statements of Not-for-Profit Organizations* by stating net assets as of December 31, 2011. Statement 116 requires MaxFund to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. It also requires recognition of contributions, including contributed services meeting certain criteria, at fair values. Statement No. 117 establishes standards for general-purpose external financial statements of not-for-profit organizations and requires a statement of financial position, a statement of activities, and a statement of cash flows. MaxFund adopted Statement No. 116 by stating net assets as of December 31, 2011. Temporarily restricted net assets as of December 31, 2011, were \$67,649, which represents time or purpose restricted contributions.

**NOTE 3: Donated Services and Facility**

MaxFund, Inc. is operated by volunteers. They donate their time to perform many of the necessary activities of the shelter. Additionally, certain legal and accounting services have been donated. These services are recorded based on the criteria for recognition under SFAS No. 116. In addition donations of food for the animals have been received in substantial quantities. The total donated services and other items for 2011 were \$84,278.

MaxFund, Inc. moved to an administrative office at 1025 Galapago Street in Denver and operates the shelter at a facility located at 1025 Galapago Street, Denver, Colorado. The shelter was purchased in 1997, by MaxFund through use of funds restricted for that purpose along with additional donations from private donors. Subsequent to this purchase, the building was transferred to another non-profit organization, Angels Ark, who has leased the facility back to MaxFund, Inc. at a nominal charge.

Additionally, MaxFund has purchased the building next to their shelter to expand its ability to meet the growing needs of its mission. It has received donations and is continuing to solicit donations to cover the remaining balance of the note payments on this facility. This purchase was concluded in 2002.

**MAXFUND, INC.**  
Notes to Financial Statements  
December 31, 2011

**NOTE 4:        Related Party Activity**

MaxFund has received operating advances from the executive director of varying amounts. Repayment of these monies is made only if funds are available.

**NOTE 5:        Restrictions On Assets**

Substantially all of the restrictions on assets at the end of 2011 relate to funds received for the upkeep and improvement of the buildings/facilities/services.