

**MAXFUND ANIMAL ADOPTION CENTER**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

**MAXFUND ANIMAL ADOPTION CENTER**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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October 14, 2020

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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Taylor Roth and Company P/C*

TAYLOR ROTH AND COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS  
DENVER, COLORADO

**MAXFUND ANIMAL ADOPTION CENTER**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2019**  
**(WITH COMPARATIVE TOTALS FOR 2018)**

	2019	2018
<u>Assets</u>		
Cash and cash equivalents	\$ 2,431,544	\$ 3,286,801
Investments (Note 3)	5,162,164	4,502,081
Property and equipment (Note 4)	5,997,961	5,000,858
Total assets	\$ 13,591,669	\$ 12,789,740
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 70,102	\$ 61,934
Accrued payroll costs	60,435	21,397
Annuity payable to founder (Note 5)	24,291	55,891
Capital lease obligation (Note 6)	10,416	17,700
Total liabilities	165,244	156,922
<u>Net assets</u>		
<u>Without donor restrictions</u>		
Undesignated	4,549,859	5,013,692
Net investment in fixed assets	5,987,545	4,983,158
Board designated reserve	2,889,021	2,523,468
	13,426,425	12,520,318
<u>With donor restrictions</u>		
Donor specific purpose	-	112,500
Total net assets	13,426,425	12,632,818
Total liabilities and net assets	\$ 13,591,669	\$ 12,789,740

The accompanying notes are an integral part of these financial statements

**MAXFUND ANIMAL ADOPTION CENTER**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(WITH COMPARATIVE TOTALS FOR 2018)**

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Veterinary services	\$ 1,402,870	-	\$ 1,402,870	\$ 1,391,190
Bequests	1,063,896	-	1,063,896	2,616,338
Investment income, net of fees	640,138	-	640,138	(95,638)
Contributions - individuals	483,565	-	483,565	554,619
Grants - foundations	390,432	4,945	395,377	507,739
Special event income	121,534	-	121,534	153,853
Less: direct event expenses	(74,631)	-	(74,631)	(70,670)
Adoptions	119,172	-	119,172	127,685
Memorials	38,452	-	38,452	71,078
Membership	31,343	-	31,343	35,113
Pet Pals	4,767	-	4,767	5,100
Merchandise	20	-	20	2,508
Other	13,564	-	13,564	6,758
In-kind (Note 7)	115,306	-	115,306	75,160
Net assets released from restriction (Note 8)	117,445	(117,445)	-	-
Total revenue and other support	<u>4,467,873</u>	<u>(112,500)</u>	<u>4,355,373</u>	<u>5,380,833</u>
<u>Expense</u>				
Program services				
Veterinary/Clinic	1,503,134	-	1,503,134	1,165,432
Shelter/Adoption Education	1,486,138	-	1,486,138	1,350,711
Outreach	181,493	-	181,493	139,741
Total program	<u>3,170,765</u>	<u>-</u>	<u>3,170,765</u>	<u>2,655,884</u>
Supporting services				
Management and general	280,886	-	280,886	308,449
Fundraising	110,115	-	110,115	118,852
Total expense	<u>3,561,766</u>	<u>-</u>	<u>3,561,766</u>	<u>3,083,185</u>
Change in net assets	906,107	(112,500)	793,607	2,297,648
Net assets, beginning of year	<u>12,520,318</u>	<u>112,500</u>	<u>12,632,818</u>	<u>10,335,170</u>
Net assets, end of year	<u>\$ 13,426,425</u>	<u>\$ -</u>	<u>\$ 13,426,425</u>	<u>\$12,632,818</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, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)**

	2019				2018			
	Program Services				Supporting Services			
	Veterinary Clinic	Shelter Operations/ Adoption	Outreach	Total Program	Management and General	Fund- raising	Total	Total
Salaries	\$ 603,170	\$ 527,774	\$ 75,396	\$1,206,340	\$ 226,189	\$ 75,397	\$1,507,926	\$1,367,330
Payroll taxes and benefits	60,293	52,757	7,537	120,587	22,610	7,536	150,733	150,430
Veterinarians and medical consultants	221,879	181,728	79,727	483,334	-	-	483,334	319,612
Medical supplies	347,077	98,729	13,926	459,732	-	-	459,732	435,390
Supplies	20,485	162,639	1,618	184,742	1,539	1,542	187,823	182,158
Contract services	36,962	91,364	1,800	130,126	1,442	2,000	133,568	120,466
Utilities	12,262	53,193	-	65,455	7,273	8,081	80,809	68,739
Advertising	19,622	35,974	-	55,596	-	9,812	65,408	13,946
Repairs and maintenance	27,417	33,510	-	60,927	-	-	60,927	16,759
Professional fees	13,610	31,061	-	44,671	1,807	-	46,478	41,761
Legal services	41,456	3,020	-	44,476	-	-	44,476	3,020
Printing	19,802	9,901	1,320	31,023	660	1,321	33,004	37,340
Insurance	3,421	21,131	-	24,552	-	-	24,552	21,131
Telephone and interne	5,080	16,211	-	21,291	-	2,202	23,493	21,291
Merchant fees	17,724	3,907	-	21,631	-	1,139	22,770	22,936
Accounting	-	-	-	-	12,540	-	12,540	13,569
Postage	250	10,022	-	10,272	-	31	10,303	12,456
Animal disposal	4,758	2,115	-	6,873	-	-	6,873	4,940
Technology	150	6,451	-	6,601	-	-	6,601	5,995
Contributions to others	-	5,000	-	5,000	-	-	5,000	10,000
Meals and entertainment	196	4,733	-	4,929	-	71	5,000	6,663
Taxes and license fees	831	1,898	-	2,729	1,342	-	4,071	2,892
Dues and subscriptions	-	1,225	-	1,225	-	983	2,208	2,170
Travel	-	2,160	-	2,160	14	-	2,174	2,325
Interest expense	-	-	-	-	2,151	-	2,151	1,289
Education and training	-	1,170	-	1,170	-	-	1,170	5,509
Equipment	386	339	-	725	-	-	725	3,810
Bank fees	125	-	169	294	52	-	346	1,014
Miscellaneous	-	113	-	113	455	-	568	144
	1,456,956	1,358,125	181,493	2,996,574	278,074	110,115	3,384,763	2,895,085
Depreciation	46,178	128,013	-	174,191	2,812	-	177,003	188,100
Total	<u>\$1,503,134</u>	<u>\$ 1,486,138</u>	<u>\$ 181,493</u>	<u>\$3,170,765</u>	<u>\$ 280,886</u>	<u>\$ 110,115</u>	<u>\$3,561,766</u>	<u>\$3,083,185</u>

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, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>	<u>2018</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 793,607	\$ 2,297,648
Adjustments to reconcile change in net assets to net cash provided by operating activities		
(Gain) loss on investments	(513,629)	194,919
Depreciation	177,003	188,100
Change in value of annuity payable	(31,600)	(60,768)
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in contributions receivable	-	21,052
Increase(decrease) in accounts payable	8,168	40,225
Increase(decrease) in payroll accruals	39,038	877
Net cash provided(used) by operating activities	<u>472,587</u>	<u>2,682,053</u>
<u>Cash flows from investing activities</u>		
(Purchase) of fixed assets	(1,174,106)	(237,472)
(Purchase) proceeds of investments	(19,945)	(1,340,135)
(Reinvestment) proceeds of earnings	(126,509)	(99,281)
Net cash provided(used) by investing activities	<u>(1,320,560)</u>	<u>(1,676,888)</u>
<u>Cash flows from financing activities</u>		
(Payments) on capital lease obligation	(7,284)	(6,861)
Net cash provided(used) by financing activities	<u>(7,284)</u>	<u>(6,861)</u>
Net increase(decrease) in cash and cash equivalents	(855,257)	998,304
Cash and cash equivalents, beginning of year	<u>3,286,801</u>	<u>2,288,497</u>
Cash and cash equivalents, end of year	<u>\$ 2,431,544</u>	<u>\$ 3,286,801</u>
Supplemental disclosure of information:		
Cash paid during the period for interes	<u>\$ 2,151</u>	<u>\$ 1,289</u>

The accompanying notes are an integral part of these financial statements



# MAXFUND ANIMAL ADOPTION CENTER

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

### 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 bequests veterinary services, 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 the following two classes of net assets:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of directors.

Net assets with donor restrictions: Net assets that are subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

#### 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, except for those amounts that are held in the investment portfolio which are invested for long-term purposes.

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, 2019, 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, 2018, 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. Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received; conditional promises to give with a measurable performance barrier and a right of return are not recognized until the conditions on which they depend have been met.

11. Subsequent Events

Management has evaluated subsequent events through October 14, 2020, 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	\$ 274,532
Equities	1,979,860
International equities	67,353
Fixed income	2,634,981
Mutual funds	144,572
Other	<u>60,866</u>
Total	<u>\$ 5,162,164</u>

Investment income is summarized as follows:

<u>Description</u>	<u>Amount</u>
Unrealized loss	\$ 513,629
Interest and dividend income	160,630
Advisory fees	<u>( 34,121)</u>
Net investment return	<u>\$ 640,138</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Description</u>	<u>Amount</u>
Land	\$ 812,927
Buildings and improvements	6,209,880
Furniture and equipment	715,814
Vehicles	387,808
Leased medical equipment	35,122
Real estate	19,000
Software	<u>5,639</u>
Total	8,186,190
Less: accumulated depreciation	<u>(2,188,229)</u>
Net property and equipment	<u>\$ 5,997,961</u>

Depreciation expense for the year was \$177,003.

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.

In 2016, the Organization entered into a similar compensation agreement with its cofounder for approximately \$122,655, to be paid upon her retirement. As of the report date, no retirement date has been set and no liability has been recorded.

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>
2020	\$ 8,148
2021	<u>2,716</u>
Total payments	10,864
Less imputed interest	<u>(448)</u>
Total	<u>\$ 10,416</u>

NOTE 7 - 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	\$ 66,856
Advertising	<u>48,450</u>
Total	<u>\$ 115,306</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 \$447,500.

NOTE 8 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Donor restricted net assets are available for the following purposes:

<u>Description</u>	<u>Amount</u>
Building fund	\$ 61,945
Cat shelter	<u>55,500</u>
Total	<u>\$ 117,445</u>

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 - SUBSEQUENT EVENTS

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. The Organization expects this reality to impact its operations; however, the related financial impact and duration cannot be reasonably estimated at this time.

The Organization submitted a loan application under the Paycheck Protection Program (Program) to cover payroll and benefit costs. On April 21, 2020, the Organization received loan proceeds of \$311,000. The Program provides for loan forgiveness if the Organization is able to meet certain employee retention and salary requirements.

NOTE 11 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2019:

<u>Financial assets at year-end:</u>	<u>Amount</u>
Cash and cash equivalents	\$ 2,431,544
Investments	<u>5,162,164</u>
Total financial assets	7,593,708
Less: amounts not available for general expenditures within one year, due to:	
Board designated reserve – building fund	(2,889,021)
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.