

MAXFUND ANIMAL ADOPTION CENTER

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

MAXFUND ANIMAL ADOPTION CENTER
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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



September 16, 2021

INDEPENDENT AUDITORS' REPORT

Board of Directors
MaxFund Animal Adoption Center
Denver, Colorado

Opinion

We have audited the accompanying financial statements of MaxFund Animal Adoption Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2020, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MaxFund Animal Adoption Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MaxFund Animal Adoption Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 MaxFund Animal Adoption Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MaxFund Animal Adoption Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited MaxFund Animal Adoption Center's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 14, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, 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, 2020

(WITH COMPARATIVE TOTALS FOR 2019)

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 2,970,597	\$ 2,431,544
Grants receivable	25,000	-
Investments (Note 3)	5,029,063	5,162,164
Property and equipment (Note 4)	<u>6,805,022</u>	<u>5,997,961</u>
Total assets	<u><u>\$ 14,829,682</u></u>	<u><u>\$ 13,591,669</u></u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 53,463	\$ 70,102
Paycheck Protection Program loan (Note 5)	311,000	-
Accrued payroll costs	230	60,435
Annuity payable to founder	-	24,291
Capital lease obligation (Note 6)	<u>2,682</u>	<u>10,416</u>
Total liabilities	<u><u>367,375</u></u>	<u><u>165,244</u></u>
<u>Net assets</u>		
Without donor restrictions		
Undesignated	4,509,235	4,549,859
Net investment in fixed assets	6,802,340	5,987,545
Board designated building fund	<u>3,150,732</u>	<u>2,889,021</u>
	<u><u>14,462,307</u></u>	<u><u>13,426,425</u></u>
Total liabilities and net assets	<u><u>\$ 14,829,682</u></u>	<u><u>\$ 13,591,669</u></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, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Veterinary services	\$ 1,651,819	-	\$ 1,651,819	\$ 1,402,870
Bequests	1,347,589	-	1,347,589	1,063,896
Contributions - individuals	1,089,671	-	1,089,671	483,565
Investment income, net of fees	348,828	-	348,828	640,138
Grants - foundations	243,513	-	243,513	395,377
Adoptions	114,678	-	114,678	119,172
Memorials	61,590	-	61,590	38,452
Membership	61,634	-	61,634	31,343
Special event income	13,736	-	13,736	121,534
Less: direct event expenses	(8,518)	-	(8,518)	(74,631)
Pet Pals	4,905	-	4,905	4,767
Merchandise	6,251	-	6,251	20
Gain(loss) on sale of assets	(24,512)	-	(24,512)	-
Other	669	-	669	13,564
In-kind (Note 7)	176,785	-	176,785	115,306
Total revenue and other support	<u>5,088,638</u>	<u>-</u>	<u>5,088,638</u>	<u>4,355,373</u>
<u>Expense</u>				
Program services				
Shelter/Adoption Education	1,936,699	-	1,936,699	1,486,138
Veterinary/Clinic	1,559,682	-	1,559,682	1,503,134
Outreach	101,714	-	101,714	181,493
Total program services	<u>3,598,095</u>	<u>-</u>	<u>3,598,095</u>	<u>3,170,765</u>
Supporting services				
Management and general	346,459	-	346,459	280,886
Fund-raising	108,202	-	108,202	110,115
Total expense	<u>4,052,756</u>	<u>-</u>	<u>4,052,756</u>	<u>3,561,766</u>
Change in net assets	1,035,882	-	1,035,882	793,607
Net assets, beginning of year	<u>13,426,425</u>	<u>-</u>	<u>13,426,425</u>	<u>12,632,818</u>
Net assets, end of year	<u>\$ 14,462,307</u>	<u>\$ -</u>	<u>\$ 14,462,307</u>	<u>\$ 13,426,425</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, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020				2019			
	Program Services			Supporting Services				
	Shelter Operations/ Adoption	Veterinary Clinic	Outreach	Total Program	Management and General	Fund- raising	Total	Total
Salaries	\$ 569,539	\$ 650,901	\$ 81,363	\$1,301,803	\$ 244,088	\$ 81,362	\$1,627,253	\$1,507,926
Payroll taxes and benefits	58,108	66,410	8,301	132,819	24,904	8,301	166,024	150,733
Medical supplies	178,981	395,951	3,105	578,037	-	-	578,037	459,732
Veterinarians and medical consultants	361,540	172,324	-	533,864	-	-	533,864	483,334
Contract labor	202,706	18,317	1,000	222,023	10,576	-	232,599	133,568
Supplies	179,058	26,250	-	205,308	-	-	205,308	187,823
Advertising	51,643	28,169	-	79,812	-	14,084	93,896	65,408
Utilities	55,292	20,200	-	75,492	-	-	75,492	80,809
Repairs and maintenance	32,903	26,921	-	59,824	-	-	59,824	60,927
Professional fees	18,472	21,110	2,639	42,221	7,916	2,639	52,776	46,478
Legal services	-	-	-	-	43,635	-	43,635	44,476
Printing	12,988	25,975	1,732	40,695	866	1,731	43,292	33,004
Merchant fees	5,323	21,667	-	26,990	-	-	26,990	22,770
Insurance	21,547	2,112	2,578	26,237	-	-	26,237	24,552
Telephone and interne	8,193	15,643	-	23,836	-	-	23,836	23,493
Postage	13,528	-	-	13,528	-	-	13,528	10,303
Taxes and license fees	11,971	1,063	124	13,158	-	85	13,243	4,071
Accounting	-	-	-	-	12,075	-	12,075	12,540
Contributions to others	9,000	-	-	9,000	-	-	9,000	5,000
Animal disposal	220	7,095	-	7,315	-	-	7,315	6,873
Technology	2,917	-	-	2,917	-	-	2,917	6,601
Education and training	1,098	166	-	1,264	935	-	2,199	1,170
Travel	1,842	-	93	1,935	-	-	1,935	2,174
Dues and subscriptions	1,833	-	-	1,833	-	-	1,833	2,208
Meals and entertainment	1,481	36	-	1,517	224	-	1,741	5,000
Equipment	-	386	226	612	-	-	612	725
Interest expense	-	-	-	-	415	-	415	2,151
Bank fees	191	26	-	217	134	-	351	346
Miscellaneous	717	-	-	717	-	-	717	568
	1,801,091	1,500,722	101,161	3,402,974	345,768	108,202	3,856,944	3,384,763
Depreciation	135,608	58,960	553	195,121	691	-	195,812	177,003
Total	<u>\$1,936,699</u>	<u>\$ 1,559,682</u>	<u>\$ 101,714</u>	<u>\$3,598,095</u>	<u>\$ 346,459</u>	<u>\$ 108,202</u>	<u>\$4,052,756</u>	<u>\$3,561,766</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, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	<u>2020</u>	<u>2019</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 1,035,882	\$ 793,607
Adjustments to reconcile change in net assets to net cash provided(used) by operating activities		
(Gain) loss on investments	(381,530)	(513,629)
(Gain) loss on sale of assets	24,512	-
Depreciation	181,942	177,003
Change in value of annuity payable	(24,291)	(31,600)
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in grants receivable	(25,000)	-
Increase(decrease) in accounts payable	(16,639)	8,168
Increase(decrease) in accrued payroll costs	(60,205)	39,038
Net cash provided(used) by operating activities	<u>734,671</u>	<u>472,587</u>
<u>Cash flows from investing activities</u>		
(Purchase) of fixed assets	(1,679,376)	(1,174,106)
Proceeds from sale of fixed assets	665,861	-
(Purchase) proceeds of investments	(18,076)	(19,945)
(Reinvestment) proceeds of earnings	532,707	(126,509)
Net cash provided(used) by investing activities	<u>(498,884)</u>	<u>(1,320,560)</u>
<u>Cash flows from financing activities</u>		
Proceeds from Paycheck Protection Program loan	311,000	-
(Payments) on capital lease obligation	(7,734)	(7,284)
Net cash provided(used) by financing activities	<u>303,266</u>	<u>(7,284)</u>
Net increase(decrease) in cash and cash equivalents	539,053	(855,257)
Cash and cash equivalents, beginning of year	<u>2,431,544</u>	<u>3,286,801</u>
Cash and cash equivalents, end of year	<u>\$ 2,970,597</u>	<u>\$ 2,431,544</u>
Supplemental disclosure of information:		
Cash paid during the period for interes:	<u>\$ 415</u>	<u>\$ 2,151</u>

The accompanying notes are an integral part of these financial statements

MAXFUND ANIMAL ADOPTION CENTER

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

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 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.

7. Functional Reporting of Expenses

For the year ended December 31, 2020, 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, 2019, 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).

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.

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

11. Subsequent Events

Management has evaluated subsequent events through September 16, 2021, 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>
Fixed income	\$ 2,556,451
Equities	2,043,350
Cash	162,542
Mutual funds	158,416
International equities	75,141
Other	<u>33,163</u>
Total	<u>\$ 5,029,063</u>

Investment income is summarized as follows:

<u>Description</u>	<u>Amount</u>
Unrealized gain	\$ 221,567
Interest and dividend income	159,963
Less: management fees	<u>(32,702)</u>
Net investment return	<u>\$ 348,828</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Description</u>	<u>Amount</u>
Land	\$ 834,593
Buildings and improvements	7,067,345
Furniture and equipment	825,687
Vehicles	387,808
Leased medical equipment	35,121
Real estate	19,000
Software	<u>5,639</u>
Total	9,175,193
Less: accumulated depreciation	<u>(2,370,171)</u>
Net property and equipment	<u>\$ 6,805,022</u>

Depreciation expense for the year was \$195,812.

NOTE 5 - NOTE PAYABLE

On April 21, 2020, the Organization borrowed \$311,000 under the Payroll Protection Program (PPP). Congress established the PPP to provide relief to small businesses during the COVID-19 pandemic as part of the \$2 trillion Coronavirus Aid, Relief, And Economic Security (CARES) Act. The loans and accrued interest are forgivable after eight weeks and up to 24 weeks, as long as the borrower uses the loan proceeds for eligible purposes. PPP proceeds are recognized as a refundable advance liability until the loan is forgiven, and then the liability is reduced, and a contribution is recorded for the amount forgiven. The unforgiven portion of the loan is payable over two years at an interest rate of 1%.

NOTE 6 - CAPITAL LEASE OBLIGATION

Clinic Equipment

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

<u>Year</u>	<u>Amount</u>
2021	\$ 2,716
Less imputed interest	<u>(34)</u>
Total	<u>\$ 2,682</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	\$ 93,685
Advertising	<u>83,100</u>
Total	<u>\$ 176,785</u>

No amounts have been reflected in the financial statements for donated services not requiring specific expertise. The Organization received 63,504 volunteer hours in 2020.

NOTE 8 - 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 9 - RELATED PARTIES

In 2020, the Organization paid \$75,396 to Pappas Architecture for architectural services. The owner of Pappas Architecture, is a board member of the Organization.

NOTE 11 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2020:

<u>Financial assets at year-end:</u>	<u>Amount</u>
Cash and cash equivalents	\$ 2,895,416
Investments	5,029,063
Grants receivable	<u>25,000</u>
Total financial assets	7,949,479
Less: amounts not available for general expenditures within one year, due to:	
Board designated reserve – building fund	<u>(3,150,732)</u>
Total financial assets available to meet cash needs for general expenditures within one year:	<u>\$ 4,789,747</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.

NOTE 12 - SUBSEQUENT EVENT

In August 2021, the Organization approved and paid a retirement agreement of \$550,000 to the Founding Executive Director.