



MAXFUND ANIMAL ADOPTION CENTER

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

MAXFUND ANIMAL ADOPTION CENTER
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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TAYLORROTH

Certified Public Accountants

WORKING EXCLUSIVELY WITH NONPROFITS

August 16, 2023

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, 2022, 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, 2022, 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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 23, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Taylor Roth and Company PLLC

TAYLOR ROTH AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
DENVER, COLORADO

MAXFUND ANIMAL ADOPTION CENTER

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

(WITH COMPARATIVE TOTALS FOR 2021)

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 1,560,592	\$ 1,168,774
Accounts receivable	1,418	-
Investments (Note 3)	5,136,847	5,680,279
Property and equipment (Note 4)	<u>7,354,165</u>	<u>7,455,612</u>
Total assets	<u><u>\$ 14,053,022</u></u>	<u><u>\$ 14,304,665</u></u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 83,200	\$ 40,311
Accrued payroll costs	<u>5,279</u>	<u>4,718</u>
Total liabilities	<u>88,479</u>	<u>45,029</u>
<u>Net assets</u>		
Without donor restrictions		
Undesignated	4,027,414	3,873,882
Net investment in fixed assets	7,354,165	7,455,612
Board designated building fund	<u>2,512,964</u>	<u>2,930,142</u>
	13,894,543	14,259,636
With donor restrictions (Note 5)	<u>70,000</u>	-
Total liabilities and net assets	<u><u>\$ 14,053,022</u></u>	<u><u>\$ 14,304,665</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, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022		2021	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Bequests	\$ 2,172,929	-	\$ 2,172,929	\$ 682,671
Veterinary services	1,585,787	-	1,585,787	1,535,171
Contributions - individuals	785,513	20,000	805,513	743,749
Special event income	270,727	-	270,727	180,293
Less: direct event expenses	(77,421)	-	(77,421)	(71,790)
Grants - foundations	208,441	50,000	258,441	337,680
Adoptions	136,511	-	136,511	124,676
Memorials	108,413	-	108,413	80,424
Membership	53,947	-	53,947	67,085
Gain on sale of assets	2,200	-	2,200	45,720
Paycheck Protection loan forgiveness	-	-	-	311,000
Investment income, net of fees	(578,609)	-	(578,609)	367,115
Other	7,054	-	7,054	9,731
In-kind (Note 6)	94,535	-	94,535	117,085
	<u>4,770,027</u>	<u>70,000</u>	<u>4,840,027</u>	<u>4,530,610</u>
<u>Expense</u>				
Program services				
Shelter/Adoption Education	2,325,565	-	2,325,565	1,868,171
Veterinary/Clinic	1,885,634	-	1,885,634	1,641,818
Outreach	171,246	-	171,246	133,169
Total program services	4,382,445	-	4,382,445	3,643,158
Supporting services				
Management and general	574,013	-	574,013	380,561
Fund-raising	178,662	-	178,662	138,018
Total expense	<u>5,135,120</u>	<u>-</u>	<u>5,135,120</u>	<u>4,161,737</u>
Founder retirement arrangement (Note 7)	-	-	-	571,544
Total expenses and founder retirement arrangement	5,135,120	-	5,135,120	4,733,281
Change in net assets	(365,093)	70,000	(295,093)	(202,671)
Net assets, beginning of year	<u>14,259,636</u>	<u>-</u>	<u>14,259,636</u>	<u>14,462,307</u>
Net assets, end of year	<u>\$ 13,894,543</u>	<u>\$70,000</u>	<u>\$ 13,964,543</u>	<u>\$ 14,259,636</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, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022				2021			
	Program Services			Supporting Services				
	Shelter Operations/ Adoption	Veterinary Clinic	Outreach	Total Program	Management and General	Fund- raising	Total	Total
Salaries	\$ 955,458	\$1,047,723	\$ 136,494	\$2,139,675	\$ 453,712	\$ 136,494	\$2,729,881	\$2,069,384
Payroll taxes and benefits	101,220	120,988	14,460	236,668	38,070	14,461	289,199	218,706
Medical supplies	273,087	428,199	-	701,286	-	-	701,286	504,511
Veterinarians and medical consultants	397,340	27,703	-	425,043	4,208	-	429,251	380,298
Supplies	139,224	72,726	4,241	216,191	1,829	-	218,020	183,980
Utilities	86,891	26,273	-	113,164	-	-	113,164	83,588
Professional fees	56,032	22,345	4,421	82,798	1,210	4,420	88,428	58,239
Merchant fees	12,672	27,358	-	40,030	-	8,293	48,323	28,559
Repairs and maintenance	23,495	21,583	1,718	46,796	1,167	-	47,963	46,795
Printing	11,720	13,717	-	25,437	7,369	1,731	34,537	39,559
Advertising	17,806	9,712	-	27,518	-	4,856	32,374	90,510
Insurance	21,293	-	1,130	22,423	5,115	-	27,538	26,432
Accounting	-	-	-	-	21,870	-	21,870	20,840
Telephone and internet	14,106	865	2,898	17,869	209	-	18,078	34,738
Dues and subscriptions	2,578	24	-	2,602	11,019	-	13,621	2,602
Contract labor	6,633	2,684	-	9,317	3,888	-	13,205	107,312
Legal services	-	-	-	-	12,805	-	12,805	3,531
Animal disposal	3,352	7,639	-	10,991	-	-	10,991	10,084
Postage	3,066	-	-	3,066	1,941	5,295	10,302	12,327
Technology	7,027	3,015	-	10,042	-	-	10,042	7,027
Contributions to others	5,000	-	-	5,000	-	-	5,000	5,000
Meals and entertainment	1,020	284	-	1,304	1,074	1,183	3,561	1,304
Taxes and license fees	1,778	437	-	2,215	897	100	3,212	4,846
Equipment	104	895	-	999	-	-	999	2,347
Other	101	166	331	598	2,438	1,829	4,865	1,328
	2,141,003	1,834,336	165,693	4,141,032	568,821	178,662	4,888,515	3,943,847
Depreciation	184,562	51,298	5,553	241,413	5,192	-	246,605	217,890
Total	<u>\$2,325,565</u>	<u>\$1,885,634</u>	<u>\$ 171,246</u>	<u>\$4,382,445</u>	<u>\$ 574,013</u>	<u>\$ 178,662</u>	<u>\$5,135,120</u>	<u>\$4,161,737</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, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022	2021
<u>Cash flows from operating activities</u>		
Change in net assets	\$ (295,093)	\$ (202,671)
Adjustments to reconcile change in net assets to net cash provided(used) by operating activities		
(Gain) loss on investments	722,975	(193,603)
(Gain) loss on sale of assets	-	(45,720)
Depreciation	246,605	217,890
Paycheck Protection Program forgiveness	-	(311,000)
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in accounts receivable	(1,418)	25,000
Increase(decrease) in accounts payable	42,889	(13,152)
Increase(decrease) in accrued payroll costs	560	4,488
Net cash provided(used) by operating activities	716,519	(518,768)
<u>Cash flows from investing activities</u>		
(Purchase) of fixed assets	(145,158)	(1,539,214)
Proceeds from sale of fixed assets	-	716,454
(Purchase) proceeds of investments	(3,270)	(252,486)
Reinvestment of dividends and interest	(176,273)	(205,127)
Net cash provided(used) by investing activities	(324,701)	(1,280,373)
<u>Cash flows from financing activities</u>		
(Payments) on financing lease obligation	-	(2,682)
Net cash provided(used) by financing activities	-	(2,682)
Net increase(decrease) in cash and cash equivalents	391,818	(1,801,823)
Cash and cash equivalents, beginning of year	1,168,774	2,970,597
Cash and cash equivalents, end of year	\$ 1,560,592	\$ 1,168,774
<u>Supplemental disclosure of information:</u>		
Cash paid during the period for interest	-	34

The accompanying notes are an integral part of these financial statements

MAXFUND ANIMAL ADOPTION CENTER

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

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.

7. Functional Reporting of Expenses

For the year ended December 31, 2022, 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, 2021, 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 August 16, 2023, 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	\$ 194,073
Equities	2,267,092
Fixed income	2,482,457
Mutual funds	<u>193,225</u>
Total	<u>\$ 5,136,847</u>

Investment income is summarized as follows:

<u>Description</u>	<u>Amount</u>
Unrealized loss	\$ (722,974)
Interest and dividend income	176,273
Less: management fees	<u>(33,295)</u>
Net investment return	<u>\$ (579,996)</u>

The Organization also earned \$1,387 of operating interest.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Description</u>	<u>Amount</u>
Land	\$ 709,354
Buildings and improvements	8,148,936
Furniture and equipment	878,474
Vehicles	387,808
Medical equipment	35,121
Real estate	19,000
Software	<u>10,139</u>
Total	10,188,832
Less: accumulated depreciation	<u>(2,834,667)</u>
Net property and equipment	<u>\$ 7,354,165</u>

Depreciation expense for the year was \$246,605.

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following restricted program purposes:

<u>Description</u>	<u>Amount</u>
Spay/neuter clinic outreach	\$ 50,000
Court yard and kennel improvements	<u>20,000</u>
Total	<u>\$ 70,000</u>

NOTE 6 - IN-KIND DONATIONS

During the year, in-kind donations were received as follows:

<u>Description</u>	<u>Revenue Recognized</u>	<u>Utilization in Programs/Activities</u>	<u>Donor Restrictions</u>
Medical supplies	\$ 86,435	Programs	None
Advertising	<u>8,100</u>	Programs	None
Total	<u>\$ 94,535</u>		

No amounts have been reflected in the financial statements for donated services not requiring specific expertise. The Organization received over 63,000 volunteer hours in 2022.

NOTE 7 - FOUNDER RETIREMENT ARRANGEMENT

In August 2021, the Board of Directors approved a one-time retirement package payout for the founding Executive Director. The Board authorized \$550,000 to be paid to the founding Executive Director, along with an additional \$21,544 for fundraising consulting.

NOTE 8 - CONCENTRATION OF CREDIT RISK

The Organization places most of its cash (approximately \$1,577,000) with one financial institution. Amounts over \$250,000 are not insured by the FDIC or related entity. Management is currently looking for ways to diversify its cash and cash equivalents.

NOTE 9 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2022:

<u>Financial assets at year-end:</u>	<u>Amount</u>
Cash and cash equivalents	\$ 1,560,592
Accounts receivable	1,418
Investments	<u>5,136,847</u>
Total financial assets	6,698,857
Less: amounts not available for general expenditures within one year, due to:	
Board designated reserve – building fund	<u>(2,512,964)</u>
Total financial assets available to meet cash needs for general expenditures within one year:	<u>\$ 4,185,893</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.