

**MAXFUND ANIMAL ADOPTION CENTER**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

TOGETHER WITH INDEPENDENT AUDITORS' REPORT



**MAXFUND ANIMAL ADOPTION CENTER**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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Taylor, Roth and Company, PLLC  
Certified Public Accountants  
working exclusively with nonprofit organizations

July 5, 2017

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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 30, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, 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, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS



**MAXFUND ANIMAL ADOPTION CENTER**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2016**

**(WITH COMPARATIVE TOTALS FOR 2015)**

	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Cash and cash equivalents - unrestricted	\$ 805,635	\$ 1,162,340
Cash and cash equivalents - temporarily restricted	77,500	36,115
Contributions receivable	-	55,166
Investments (Note 3)	3,190,911	3,106,785
Property and equipment (Note 4)	5,089,857	4,840,978
Total assets	<u>\$ 9,163,903</u>	<u>\$ 9,201,384</u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 45,761	\$ 75,777
Accrued payroll costs	54,717	23,658
Annuity payable to founder (Note 5)	146,289	-
Capital lease obligation (Note 6)	31,023	-
Total liabilities	<u>277,790</u>	<u>99,435</u>
<u>Net assets</u>		
Unrestricted		
Operating	2,634,661	3,162,739
Net investment in fixed assets	5,058,834	4,840,978
Board designated reserve	1,115,118	1,062,117
Temporarily restricted (Note 7)	77,500	36,115
Total net assets	<u>8,886,113</u>	<u>9,101,949</u>
Total liabilities and net assets	<u>\$ 9,163,903</u>	<u>\$ 9,201,384</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, 2016**  
**(WITH COMPARATIVE TOTALS FOR 2015)**

	2016		2015	
	Unrestricted	Temporarily Restricted	Total	Total
<u>Revenue and other support</u>				
Veterinary services	\$ 1,014,154	-	\$ 1,014,154	\$ 843,130
Contributions	579,049	-	579,049	372,215
Bequests	399,100	-	399,100	970,531
Grants	269,942	82,500	352,442	294,923
Investment income	207,016	-	207,016	(25,115)
Special event income	151,444	-	151,444	171,446
Less: direct event expenses	(69,085)	-	(69,085)	(64,950)
Adoptions	131,525	-	131,525	121,474
Memorials	49,703	-	49,703	40,542
Membership	41,334	-	41,334	44,106
Pet Pals	4,990	-	4,990	7,180
Gain (loss) on sale of property	-	-	-	29,304
Other	1,833	-	1,833	2,561
In-kind (Note 8)	74,701	-	74,701	219,103
Net assets released from restrictions (Note 9)	41,115	(41,115)	-	-
Total revenue and other support	<u>2,896,821</u>	<u>41,385</u>	<u>2,938,206</u>	<u>3,026,450</u>
<u>Expense</u>				
Program services				
Shelter/Adoption Education	1,380,436	-	1,380,436	1,614,682
Veterinary/Clinic	1,046,761	-	1,046,761	936,222
Outreach	120,958	-	120,958	110,195
Total program	<u>2,548,155</u>	<u>-</u>	<u>2,548,155</u>	<u>2,661,099</u>
Supporting services				
Management and general	455,280	-	455,280	209,452
Fundraising	150,607	-	150,607	155,384
Total expense	<u>3,154,042</u>	<u>-</u>	<u>3,154,042</u>	<u>3,025,935</u>
Change in net assets	(257,221)	41,385	(215,836)	515
Net assets, beginning of year	<u>9,065,834</u>	<u>36,115</u>	<u>9,101,949</u>	<u>9,101,434</u>
Net assets, end of year	<u>\$ 8,808,613</u>	<u>\$ 77,500</u>	<u>\$ 8,886,113</u>	<u>\$ 9,101,949</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, 2016**  
**(WITH COMPARATIVE TOTALS FOR 2015)**

	2016				2015			
	Program Services				Supporting Services			
	Shelter Operations/ Adoption	Veterinary Clinic	Outreach	Total Program	Management and General	Fund- raising	Total	Total
Salaries	\$ 580,591	\$ 471,386	\$ 80,514	\$1,132,491	\$ 345,000	\$ 132,792	\$1,610,283	\$1,327,922
Payroll taxes and benefits	78,086	48,706	6,732	133,524	21,722	16,170	171,416	164,691
Medical supplies	104,555	252,614	4,582	361,751	-	-	361,751	301,636
Veterinarians and medical consultants	86,582	140,590	23,020	250,192	-	-	250,192	356,756
Supplies	136,621	13,367	1,067	151,055	-	214	151,269	266,533
Utilities	48,530	10,487	-	59,017	6,842	-	65,859	72,870
Professional fees	28,483	7,314	-	35,797	24,972	-	60,769	42,263
Repairs and maintenance	27,716	11,874	202	39,792	786	-	40,578	46,195
Legal services	-	-	-	-	32,892	-	32,892	25,664
Printing	31,936	-	-	31,936	-	494	32,430	33,917
Contract services	26,920	100	1,725	28,745	-	-	28,745	47,608
Insurance	23,736	-	-	23,736	-	-	23,736	14,421
Advertising	18,063	-	3,000	21,063	-	-	21,063	30,548
Accounting	-	-	-	-	20,448	-	20,448	15,235
Merchant fees	7,244	12,254	-	19,498	-	-	19,498	17,208
Telephone and internet	13,501	4,523	-	18,024	-	-	18,024	17,183
Technology	9,247	90	-	9,337	-	-	9,337	10,225
Equipment	1,536	6,404	-	7,940	-	-	7,940	9,904
Education and training	4,379	3,250	-	7,629	-	-	7,629	898
Postage	6,110	628	-	6,738	-	715	7,453	8,868
Meals and entertainment	4,081	279	-	4,360	-	96	4,456	4,506
Taxes and license fees	2,791	848	-	3,639	139	84	3,862	7,184
Contributions to others	-	3,375	-	3,375	-	-	3,375	2,400
Animal disposal	-	1,727	-	1,727	-	-	1,727	4,510
Interest expense	-	-	-	-	1,333	-	1,333	-
Travel	1,250	-	-	1,250	-	-	1,250	3,013
Bank fees	426	28	116	570	194	42	806	612
Dues and subscriptions	626	-	-	626	-	-	626	976
Miscellaneous	-	835	-	835	-	-	835	1,635
	1,243,010	990,679	120,958	2,354,647	454,328	150,607	2,959,582	2,835,381
Depreciation	137,426	56,082	-	193,508	952	-	194,460	190,554
Total	<u>\$1,380,436</u>	<u>\$1,046,761</u>	<u>\$ 120,958</u>	<u>\$2,548,155</u>	<u>\$ 455,280</u>	<u>\$ 150,607</u>	<u>\$3,154,042</u>	<u>\$3,025,935</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, 2016  
(WITH COMPARATIVE TOTALS FOR 2015)

	2016	2015
<u>Cash flows from operating activities</u>		
Change in net assets	\$ (215,836)	\$ 515
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Gain on sale of property	-	(29,304)
(Gain) loss on investments	(105,468)	96,991
Depreciation	194,460	190,554
Prior period adjustment	-	10,000
Change in value of annuity payable	146,289	-
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in accounts receivable	-	(52,066)
(Increase)decrease in contributions receivable	55,166	250,000
Increase(decrease) in accounts payable	(30,016)	75,495
Increase(decrease) in payroll accruals	31,059	23,658
Net cash provided(used) by operating activities	<u>75,654</u>	<u>565,843</u>
<u>Cash flows from investing activities</u>		
(Purchase) of fixed assets	(408,217)	(261,735)
(Reinvestment) of earnings and proceeds from sale of property	21,342	(437,654)
Net cash provided(used) by investing activities	<u>(386,875)</u>	<u>(699,389)</u>
<u>Cash flows from financing activities</u>		
(Payments) on capital lease obligation	(4,099)	-
Net cash provided(used) by financing activities	<u>(4,099)</u>	<u>-</u>
Net increase(decrease) in cash and cash equivalents	(315,320)	(133,546)
Cash and cash equivalents, beginning of year	1,198,455	1,332,001
Cash and cash equivalents, end of year	<u>\$ 883,135</u>	<u>\$ 1,198,455</u>
Supplemental disclosure of information:		
Cash paid during the period for interest	<u>\$ 1,333</u>	<u>\$ -</u>
Noncash investing and financing transactions		
Property purchased under a capital lease	<u>\$ 35,122</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements



## **MAXFUND ANIMAL ADOPTION CENTER**

### **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

#### **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, contributions and bequests.

#### **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 \$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, 2016, 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, 2015, 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. Subsequent Events

Management has evaluated subsequent events through July 5, 2017, 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	\$ 227,465
Equities	1,270,949
International equities	89,296
Fixed income	<u>1,603,201</u>
Total	<u>\$ 3,190,911</u>

Investment income is summarized as follows:

<u>Description</u>	<u>Amount</u>
Unrealized loss	\$ 105,468
Interest and dividend income	<u>101,177</u>
Net investment return	<u>\$ 206,645</u>

In addition, the Organization earned \$371 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	5,146,619
Furniture and equipment	474,564
Vehicles	360,043
Clinic equipment	166,910
Real estate	<u>19,000</u>
Total	6,729,323
Less: accumulated depreciation	<u>(1,639,466)</u>
Net property and equipment	<u>\$ 5,089,857</u>

Depreciation expense for the year was \$194,460.



NOTE 5 - ANNUITY PAYABLE (Split Interest Agreement)

During the year, the Organization entered into an agreement with a founder of the Organization. The Organization agreed to pay an annual compensation of \$40,000 per year for his life. The annual compensation paid to the founder shall increase an additional \$11,000 per year for his life in the event that his spouse predeceases him. In the event that the founder predeceases his spouse, the amount payable to the founder shall be paid to his spouse for her lifetime.

Bimonthly payments of \$1,215 began April 28, 2016. 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.

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>
2017	\$ 8,148
2018	8,148
2019	8,148
2020	8,148
2021	<u>2,716</u>
Total payments	35,308
Less imputed interest	<u>(4,285)</u>
Total	<u>\$ 31,023</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	\$ 33,077
Legal	26,000
Cat litter	12,724
Other materials	<u>2,900</u>
Total	<u>\$ 74,701</u>

No amounts have been reflected in the financial statements for donated services not requiring specific expertise. The Organization received 21,488 volunteer hours estimated to be valued at \$257,856.

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>
Cat Space	\$ 21,115
Spay and neuter program/veterinary services	<u>20,000</u>
Total	<u>\$ 41,115</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.