# Taylor, Roch and Company, PLLC Certified Public Accountants

working exclusively with nonprofit organizations



August 30, 2016

#### 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, 2015, 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, 2015, 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.

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# STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2015

	2015
Assets	
Cash and cash equivalents - unrestricted	\$ 1,162,340
Cash and cash equivalents - temporarily restricted	36,115
Contributions receivable	55,166
Investments (Note 3)	3,106,785
Property and equipment (Note 4)	4,840,978
Total assets	\$ 9,201,384
Liabilities and net assets	
Liabilities	
Accounts payable	\$ 75,777
Accrued payroll costs	23,658
Total liabilities	99,435
Net assets	
Unrestricted	
Operating	3,162,739
Net investment in fixed assets	4,840,978
Board designated reserve	1,062,117
Temporarily restricted (Note 5)	36,115
Total net assets	9,101,949
Total liabilities and net assets	\$ 9,201,384

## STATEMENT OF ACTIVITIES

## FOR THE YEAR ENDED DECEMBER 31, 2015

	- <u></u>	2015	
	Unrestricted	Temporarily Restricted	Total
Revenue and other support			
Bequests	\$ 970,531		\$ 970,531
Veterinary services	843,130	_	843,130
Contributions	351,100	21,115	372,215
Grants	268,923	26,000	294,923
Special event income	171,446	0 45 24	171,446
Less: direct event expenses	(64,950)		(64,950)
Adoptions	121,474		121,474
Membership	44,106		44,106
Memorials	40,542	<u>-</u>	40,542
Gain (loss) on sale of property	29,304		29,304
Pet Pals	7,180	-	7,180
Other	2,561		2,561
Investment income	(25,115)		(25,115)
In-kind (Note 6)	219,103		219,103
Net assets released			
from restrictions (Note 7)	78,649	(78,649)	N
Total revenue and other support	3,057,984	(31,534)	3,026,450
Expense Program services			
Shelter/Adoption Education	1,614,682	1	1,614,682
Veterinary/Clinic	936,222	3 = -	936,222
Outreach	110,195		110,195
Total program	2,661,099	_	2,661,099
Supporting services			
Management and general	209,452		209,452
Fundraising	155,384		155,384
Total expense	3,025,935	a <u>1</u>	3,025,935
Change in net assets	32,049	(31,534)	515
Net assets, beginning of year	9,033,785	67,649	9,101,434
Net assets, end of year	\$ 9,065,834	\$ 36,115	\$ 9,101,949

## STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2015

2015

	Program Services		Program Services				Supporting S
	Shelter Operations/ Adoption	Veterinary Clinic	Outreach	Total Program	Management and General		
Salaries	\$ 545,295	\$ 459,855	\$ 66,396	\$1,071,546	\$ 123,584		
Payroll taxes and benefits	67,524	57,642	8,234	133,400	14,822		
Veterinarians and medical consultants	242,367	96,339	17,925	356,631	125		
Medical supplies	107,434	191,753	2,449	301,636	_		
Supplies	252,863	12,481	865	266,209			
Utilities	55,567	12,564		68,131	4,739		
Contract services	36,683		4,233	40,916	1,692		
Repairs and maintenance	22,332	14,810	9,053	46,195			
Professional fees	23,851	6,569		30,420	11,843		
Printing	33,317	-		33,317			
Advertising	28,850	1,698		30,548			
Legal services	300			300	25,364		
Merchant fees	5,877	11,331		17,208			
Telephone and internet	12,852	4,331	<del>-</del> "	17,183	1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 -		
Accounting	-			-	15,235		
Insurance	12,424	A		12,424	1,997		
Technology	9,540	685		10,225			
Equipment	1,516	8,388	<u> -</u>	9,904			
Postage	7,746	1,122		8,868			
Taxes and license fees	2,120	409	996	3,525	3,509		
Animal disposal	110	4,400	335	4,510			
Meals and entertainment	3,697	809		4,506	-		
Travel	2,763	250		3,013			
Dues and subscriptions	386		Association of the second	386			
Education and training	898			898			
Bank fees	454	90	44	588			
Newsletter	600			600			
Retail merchandise	73	-		73			
Miscellaneous	1,527	1,400		2,927	1,000		
	1,478,966	886,926	110,195	2,476,087	203,910		
Depreciation	135,716	49,296	Ya ku Tuguri 🚅	185,012	5,542		
Total	\$1,614,682	\$ 936,222	\$ 110,195	\$2,661,099	\$ 209,452		

The accompanying notes are an integral part of these financial statements

## ervices

Fund-	
raising	Total
\$ 132,792	\$1,327,922
16,469	164,691
- 1- 1-2	356,756
W	301,636
324	266,533
-	72,870
5,000	47,608
_	46,195
Nob.	42,263
-	33,317
- m	30,548
	25,664
-	17,208
-	17,183
	15,235
	14,421
-	10,225
	9,904
-	8,868
150	7,184
	4,510
, · · -	4,506
-	3,013
590	976
	898
24	612
	600
	73
35	3,962
155,384	2,835,381
	190,554
\$ 155,384	\$3,025,935

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2015

	2015
Cash flows from operating activities	V a some of
Change in net assets	\$ 515
Adjustments to reconcile change in net assets	
to net cash provided by operating activities	
Gain on sale of property	(29,304)
Loss on investments	96,991
Depreciation	190,554
Prior period adjustment	10,000
Changes in operating assets and liabilities	(52.066)
(Increase)decrease in accounts receivable	(52,066)
(Increase) decrease in contributions receivable	250,000
Increase(decrease) in accounts payable Increase(decrease) in payroll accruals	75,495
increase(decrease) in payron accruais	23,658
Net cash provided(used) by operating activities	565,843
Cash flows from investing activities	
(Purchase) of fixed assets	(261,735)
(Reinvestment) of earnings and proceeds from sale of property	(437,654)
Net cash provided(used) by investing activities	(699,389)
Net increase(decrease) in cash and cash equivalents	(133,546)
The mercuse (decrease) in outsit and east equivalents	(133,510)
Cash and cash equivalents, beginning of year	1,332,001
Cash and cash equivalents, end of year	\$ 1,198,455

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

#### 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, medical services income, 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 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, 2015, 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. 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 August 30, 2016, 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):

Description	Amount
Cash	\$ 229,305
Equities	1,231,608
International equities	75,335
Fixed income	1,396,834
Mutual funds	173,703
Total	\$ 3,106,785

Investment income is summarized as follows:

Description	Amount
Unrealized loss	\$ (96,991)
Interest and dividend income	71,165
Net investment return	\$ (25,826)

In addition, the Organization earned \$711 of operating interest on its cash and cash equivalents.

## NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Description	Amount
Land	\$ 798,999
Buildings and improvements	4,528,772
Furniture and equipment	449,050
Vehicles	360,043
Clinic equipment	130,120
Real estate	19,000
Total	6,285,984
Less: accumulated depreciation	(1,445,006)
Net property and equipment	\$ 4,840,978

Depreciation expense for the year was \$190,554.

## NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Description	_Amount
Cat Space	\$ 21,115
Spay and neuter program	15,000
Total	\$ 36,115

### NOTE 6 - IN-KIND CONTRIBUTIONS

Donated goods and services are reflected in the accompanying financial statements at their estimated value at date of receipt.

Description	_Amount
Dog and cat food	\$ 90,772
Cat litter (3 tons)	43,000
Legal	25,000
Dog and cat beds	17,856
Advertising	10,500
Graphic design and media	9,000
Emcee for Gala	5,000
Animal toys	4,500
Medical supplies	3,500
Animal disposal	2,500
Roof repairs	1,500
Photography	325
Other materials	5,650
Total	\$ 219,103

No amounts have been reflected in the financial statements for donated services not requiring specific expertise. The Organization received 21,230 volunteer hours estimated to be valued at \$254,760.

#### NOTE 7 - NET ASSETS RELEASED FROM RESTRICTIONS

During the year, net assets were released from donor restrictions by incurring expenses, satisfying the restricted program purposes.

Description	Amount
Building improvements	\$ 57,774
Spay and neuter program	10,000
Advertising	9,875
Special needs animals	1,000
Total	\$ 78,649

#### 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 - SUBSEQUENT EVENTS

#### Retiring Founder

An original founder of the Organization retired April 15, 2016, but will remain a medical consultant to the veterinary clinic. The Organization agreed to an annual compensation of \$40,000 per year for his life. Using reasonable actuarial assumptions, the present value of such payments has been calculated to be \$280,069.

#### Capital Lease for 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>	Amount
2016	\$ 5,432
2017	8,148
2018	8,148
2019	8,148
2020 and beyond	10,862
Total payments	40,738
Less imputed interest	(5,618)
Total	\$ 35,120