

**ANIMALS DESERVING OF PROPER TREATMENT**

**Audited Financial Statements**

For the Years Ended  
**December 31, 2017 and 2016**

**ANIMALS DESERVING OF PROPER TREATMENT**  
Table of Contents

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	<u>Page(s)</u>
<b>Independent Auditor's Report</b> .....	1-2
<b>Financial Statements</b>	
Statements of Financial Position .....	3
Statements of Activities.....	4-5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7-10
<b>Supplementary Information</b>	
Schedule of Functional Expenses .....	11-12



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### *Independent Auditor's Report*

Board of Directors  
Animals Deserving of Proper Treatment  
Naperville, IL

We have audited the accompanying financial statements of Animals Deserving of Proper Treatment (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 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 accounting 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.

#### **Auditor's 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 from 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 auditor's 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 statement of financial position of Animals Deserving of Proper Treatment as of December 31, 2017, 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.

## **Other Matters**

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### *Comparative Information*

The financial statements of Animals Deserving of Proper Treatment for the year ended December 31, 2016 were audited by other auditors, which are presented with the accompanying financial statements, and they expressed an unmodified opinion in their report dated June 28, 2017.

A handwritten signature in cursive script that reads "Klein Hall CPAs".

Klein Hall CPAs  
Aurora, Illinois  
March 19, 2018

## ANIMALS DESERVING OF PROPER TREATMENT

Statements of Financial Position

December 31, 2017 and 2016

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	<b>Assets</b>	
	<u>2017</u>	<u>2016</u>
Current Assets		
Cash and cash equivalents	<u>\$ 405,899</u>	<u>\$ 253,682</u>
Total Current Assets	405,899	253,682
Property and Equipment, Net	<u>1,041,354</u>	<u>1,059,416</u>
<b>Total Assets</b>	<u><u>\$ 1,447,253</u></u>	<u><u>\$ 1,313,098</u></u>
	<b>Liabilities And Net Assets</b>	
<b>Liabilities</b>		
Accrued expenses	17,417	22,313
Line of credit	<u>-</u>	<u>49,984</u>
<b>Total Liabilities</b>	<u>17,417</u>	<u>72,297</u>
<b>Net Assets</b>		
Unrestricted	1,410,024	1,240,801
Temporarily restricted	<u>19,812</u>	<u>-</u>
<b>Total Net Assets</b>	<u>1,429,836</u>	<u>1,240,801</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 1,447,253</u></u>	<u><u>\$ 1,313,098</u></u>

*See accompanying notes to financial statements*

**ANIMALS DESERVING OF PROPER TREATMENT**

Statements of Activities

For the years ended December 31, 2017 and 2016

	2017		
	Unrestricted	Temporarily Restricted	Total
<b>Revenue and Support</b>			
Adoptions	\$ 114,665	\$ -	\$ 114,665
Clinical	103,458	-	103,458
Direct public support	375,130	41,419	416,549
Membership	14,609	-	14,609
Special events	65,277	-	65,277
Other program revenue	53,370	-	53,370
Investment income	83	-	83
Net assets released from restrictions	21,607	(21,607)	-
<b>Total Revenue and Support</b>	<b>748,199</b>	<b>19,812</b>	<b>768,011</b>
<b>Expenses</b>			
Program Services			
Animal care and education	454,665	-	454,665
Support Services			
Management and general	79,269	-	79,269
Fundraising	45,042	-	45,042
<b>Total Support Services</b>	<b>124,311</b>	<b>-</b>	<b>124,311</b>
<b>Total Expenses</b>	<b>578,976</b>	<b>-</b>	<b>578,976</b>
Change in net assets	169,223	19,812	189,035
Net assets, beginning of year	1,240,801	-	1,240,801
<b>Net assets, end of year</b>	<b>\$ 1,410,024</b>	<b>\$ 19,812</b>	<b>\$ 1,429,836</b>

*See accompanying notes to financial statements*

2016		
Unrestricted	Temporarily Restricted	Total
\$ 113,615	\$ -	\$ 113,615
66,679	-	66,679
241,739	-	241,739
13,467	-	13,467
59,386	-	59,386
23,054	-	23,054
1,129	-	1,129
-	-	-
519,069	-	519,069
451,456	-	451,456
79,269	-	79,269
45,042	-	45,042
124,311	-	124,311
603,869	-	603,869
(84,800)	-	(84,800)
1,325,601	-	1,325,601
\$ 1,240,801	\$ -	\$ 1,240,801

See accompanying notes to financial statements

**ANIMALS DESERVING OF PROPER TREATMENT**

## Statements of Cash Flows

For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	189,035	(84,800)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	37,662	38,286
Changes in operating assets and liabilities		
Accrued expenses	<u>(4,896)</u>	<u>(1,954)</u>
Net cash flows provided by (used in) operating activities	<u>221,801</u>	<u>(48,468)</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	<u>(19,600)</u>	<u>(3,808)</u>
Net cash flows used in investing activities	<u>(19,600)</u>	<u>(3,808)</u>
<b>Cash Flows From Financing Activities</b>		
Line of credit	<u>(49,984)</u>	49,984
Net cash flows provided by (used by) financing activities	<u>(49,984)</u>	49,984
Net increase (decrease) in cash	152,217	(2,292)
Cash, beginning of year	<u>253,682</u>	<u>255,974</u>
<b>Cash, end of year</b>	<u><u>\$ 405,899</u></u>	<u><u>\$ 253,682</u></u>
<b>Supplemental Disclosure:</b>		
Interest paid on line of credit	<u><u>\$ -</u></u>	<u><u>\$ 253</u></u>

See accompanying notes to financial statements



## **ANIMALS DESERVING OF PROPER TREATMENT**

Notes to Financial Statements  
Year Ended December 31, 2017

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### **1. NATURE OF BUSINESS AND SIGNIFICANT POLICIES**

#### **a. Nature of Activities**

Animals Deserving of Proper Treatment (ADOPT) is not-for-profit organization incorporated in the State of Illinois focusing on the placement of animals into permanent, caring homes and to advance proper treatment of animals through education.

#### **b. Basis of Accounting**

ADOPT's accompanying financial statements have been prepared using the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America.

#### **c. Basis of Presentation**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. ADOPT 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.

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor or grant-imposed stipulations that may or will be met either by actions of ADOPT and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by ADOPT. Generally, the donor of these assets permits ADOPT to use all or part of the income earned on related investments for general or specific purposes.

ADOPT did not expend any permanently restricted funds during the years ended December 31, 2017 and 2016.

#### **d. Revenue Recognition**

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Adoption fees are recognized as revenue when the adoption is finalized. Expenses are reported as decreases in unrestricted undesignated or unrestricted designated net assets as appropriate. Gains and losses on investments and other liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or law.

#### **e. Cash and Cash Equivalents**

For the purposes of reporting cash flows, cash is defined as cash on hand, amounts held at financial institutions, and short-term highly liquid investments with a maturity at the date of acquisition of three months or less that are readily convertible to known amounts of cash. Investments with an original maturity of three months or less are considered short-term for these purposes. ADOPT's bank accounts may, at times, exceed federally insured limits.

## **ANIMALS DESERVING OF PROPER TREATMENT**

Notes to Financial Statements  
Year Ended December 31, 2017

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### **1. NATURE OF BUSINESS AND SIGNIFICANT POLICIES (continued)**

#### **f. Property and Equipment**

Property and equipment are stated at cost if purchased or fair market value at date of gift, if donated. All acquisitions of property and equipment in excess of \$500 and all expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Depreciation is computed on the straight-line method using the following estimated useful lives:

Building	10-40 years
Building Improvements	10 years
Furniture, Fixtures, and Equipment	5-10 years

#### **g. Income Taxes**

ADOPT is a tax-exempt organization qualifying under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes has been recorded. The federal tax returns of ADOPT are subject to examination by the IRS, generally for three years after they were filed.

#### **h. Donated Services**

ADOPT recognizes donated services as revenues at their estimated fair value when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated. ADOPT receives a significant amount of donated services from volunteers who assist in taking care of sheltered animals. No amounts have been recognized in the accompanying statements for these voluntary services because the criteria for recognition of such volunteer effort have not been satisfied.

#### **i. Expense Allocation**

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 as shown on the Statement of Functional Expenses.

#### **j. Advertising**

ADOPT expenses advertising costs as incurred. For the years ended December 31, 2017 and 2016, advertising expense was \$937 and \$1,758, respectively.

#### **k. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

## ANIMALS DESERVING OF PROPER TREATMENT

Notes to Financial Statements  
Year Ended December 31, 2017

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### 3. CASH AND CASH EQUIVALENTS

At December 31, 2017 and 2016, cash and cash equivalents consisted of \$405,899 and \$253,682, respectively in bank deposits.

### 4. PROPERTY, PLANT AND EQUIPMENT

Property and equipment consist of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 161,187	\$ 161,187
Building and Improvements	1,364,295	1,345,395
Furniture and Equipment	<u>85,891</u>	<u>102,376</u>
Subtotal	<u>1,611,373</u>	<u>1,608,958</u>
Less: Accumulated Depreciation	<u>(570,019)</u>	<u>(549,542)</u>
Property and Equipment, Net	<u><u>\$ 1,041,354</u></u>	<u><u>\$ 1,059,416</u></u>

Depreciation expense was \$37,662 and \$38,286 for the years ended December 31, 2017 and 2016, respectively.

### 5. LINE OF CREDIT

During 2016, ADOPT obtained a line of credit from a financial institution. The interest rate is 4.05% daily periodic. The line of credit does not expire. At December 31, 2017, there were no outstanding borrowings against the line of credit.

### 6. OPERATING LEASE

ADOPT leases a copier under an operating lease which requires monthly rental payments and expires February 2021.

The future minimum lease payments on the copier lease as of December 31, 2017 are as follows:

	<u>December 31,</u>
2018	\$ 1,035
2019	1,035
2020	1,035
2021	<u>173</u>
	<u><u>\$ 3,278</u></u>

Equipment rental expense included in operations totaled \$1,187 and \$2,451 in 2017 and 2016, respectively.

**ANIMALS DESERVING OF PROPER TREATMENT**

Notes to Financial Statements  
Year Ended December 31, 2017

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**7. NET ASSET RESTRICTIONS**

Temporarily restricted net assets are available for the following purposes at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Adoption fees and stipends	\$ 19,812	\$ -
Total restricted net assets	<u>\$ 19,812</u>	<u>\$ -</u>

The restricted net assets relate to a specific use of funds, and therefore are considered current in nature.

**8. SUBSEQUENT EVENTS**

Subsequent events were evaluated through March 19, 2018, the date which the financial statements were available to be issued.

**ANIMALS DESERVING OF PROPER TREATMENT**

Statements of Functional Expenses

For the years ended December 31, 2017 and 2016

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	2017			Total
	Program Services	Management and General	Fundraising	
<b>Expenses</b>				
Animal care	74,917	-	-	74,917
Depreciation expense	28,246	9,416	-	37,662
Fundraising	-	-	12,490	12,490
Program expenses	11,843	-	-	11,843
Advertising	-	-	937	937
Special events	-	-	12,883	12,883
Office expense	2,512	471	157	3,140
Supplies and merchandise	718	2,211	-	2,929
Computer expenses	2,705	2,705	703	6,113
Business insurance	13,457	3,364	-	16,821
Bank charges	3,071	2,771	187	6,029
Payroll	245,666	34,373	10,615	290,655
Payroll taxes	16,551	3,366	2,290	22,207
Payroll benefits	5,570	1,857	1,857	9,284
Occupancy	42,682	8,003	2,668	53,353
Professional services	856	9,515	-	10,371
Other miscellaneous expenses	5,870	1,217	255	7,342
Total Expenses	<u>\$ 454,665</u>	<u>\$ 79,269</u>	<u>\$ 45,042</u>	<u>\$ 578,976</u>

See accompanying notes to financial statements

2016			
Program Services	Management and General	Fundraising	Total
67,463	-	-	67,463
28,722	9,564	-	38,286
-	-	13,565	13,565
2,320	-	-	2,320
-	-	1,758	1,758
-	-	12,997	12,997
2,522	344	249	3,115
-	-	-	-
717	716	-	1,433
12,917	3,304	-	16,221
-	5,930	-	5,930
262,511	35,650	25,927	325,660
21,350	2,899	2,109	24,786
8,291	1,126	819	10,236
38,980	5,295	3,850	48,125
-	26,161	-	26,161
5,663	150	-	5,813
<u>\$ 451,456</u>	<u>\$ 91,139</u>	<u>\$ 61,274</u>	<u>\$ 603,869</u>

See accompanying notes to financial statements