

**ANIMALS DESERVING OF PROPER TREATMENT**

**Audited Financial Statements**

For the Years Ended  
**December 31, 2018 and 2017**

**ANIMALS DESERVING OF PROPER TREATMENT**  
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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, 2018 and 2017, and the related statements of activities and cash flows for the years 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 statements of financial position of Animals Deserving of Proper Treatment as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years 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.

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

Klein Hall CPAs  
Aurora, Illinois  
April 17, 2019

## ANIMALS DESERVING OF PROPER TREATMENT

Statements of Financial Position

December 31, 2018 and 2017

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	2018	2017
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 216,363	\$ 405,899
Investments	164,274	-
Prepaid items	3,000	-
	<hr/>	<hr/>
Total Current Assets	383,637	405,899
Property and Equipment, Net	1,021,079	1,041,354
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<b>Total Assets</b>	<b>\$ 1,404,716</b>	<b>\$ 1,447,253</b>
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<b>Liabilities And Net Assets</b>		
<b>Liabilities</b>		
Accrued expenses	\$ 23,263	\$ 17,417
	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>23,263</b>	<b>17,417</b>
	<hr/>	<hr/>
<b>Net Assets</b>		
Without donor restrictions	1,381,453	1,410,024
With donor restrictions	-	19,812
	<hr/>	<hr/>
<b>Total Net Assets</b>	<b>1,381,453</b>	<b>1,429,836</b>
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<b>Total Liabilities and Net Assets</b>	<b>\$ 1,404,716</b>	<b>\$ 1,447,253</b>
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See accompanying notes to financial statements

**ANIMALS DESERVING OF PROPER TREATMENT**

Statements of Activities

For the years ended December 31, 2018 and 2017

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support</b>			
Adoptions	\$ 130,091	\$ -	\$ 130,091
Clinical	127,788	-	127,788
Direct public support	215,634	-	215,634
Membership	20,300	-	20,300
Special events	60,423	-	60,423
Other program revenue	52,142	-	52,142
Investment income	(11,334)	-	(11,334)
Net assets released from restrictions	19,812	(19,812)	-
<b>Total Revenue and Support</b>	<b>614,856</b>	<b>(19,812)</b>	<b>595,044</b>
<b>Expenses</b>			
Program Services			
Animal care and education	508,698	-	508,698
Support Services			
Management and general	91,506	-	91,506
Fundraising	43,223	-	43,223
<b>Total Support Services</b>	<b>134,729</b>	<b>-</b>	<b>134,729</b>
<b>Total Expenses</b>	<b>643,427</b>	<b>-</b>	<b>643,427</b>
Change in net assets	(28,571)	(19,812)	(48,383)
Net assets, beginning of year	1,410,024	19,812	1,429,836
<b>Net assets, end of year</b>	<b>\$ 1,381,453</b>	<b>\$ -</b>	<b>\$ 1,381,453</b>

*See accompanying notes to financial statements*

2017		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 114,665	\$ -	\$ 114,665
103,458	-	103,458
375,130	41,419	416,549
14,609	-	14,609
65,277	-	65,277
53,370	-	53,370
83	-	83
21,607	(21,607)	-
748,199	19,812	768,011
454,665	-	454,665
79,269	-	79,269
45,042	-	45,042
124,311	-	124,311
578,976	-	578,976
169,223	19,812	189,035
1,240,801	-	1,240,801
\$ 1,410,024	\$ 19,812	\$ 1,429,836

*See accompanying notes to financial statements*

**ANIMALS DESERVING OF PROPER TREATMENT**

## Statements of Cash Flows

For the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	(48,383)	189,035
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	39,508	37,662
Unrealized losses on investments	14,316	-
Changes in operating assets and liabilities		
Prepaid items	(3,000)	-
Accrued expenses	5,846	(4,896)
Net cash flows provided by operating activities	<u>8,287</u>	<u>221,801</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(178,590)	-
Purchase of property and equipment	(19,233)	(19,600)
Net cash flows used in investing activities	<u>(197,823)</u>	<u>(19,600)</u>
<b>Cash Flows From Financing Activities</b>		
Changes in line of credit	-	(49,984)
Net cash flows provided by (used by) financing activities	<u>-</u>	<u>(49,984)</u>
Net increase (decrease) in cash	(189,536)	152,217
Cash, beginning of year	<u>405,899</u>	<u>253,682</u>
<b>Cash, end of year</b>	<u><u>\$ 216,363</u></u>	<u><u>\$ 405,899</u></u>
<b>Supplemental Disclosure:</b>		
Interest paid on line of credit	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes to financial statements



## **ANIMALS DESERVING OF PROPER TREATMENT**

Notes to Financial Statements  
Year Ended December 31, 2018

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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**

ADOPT is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – 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. Other donor or grantor restrictions may require ADOPT to permanently maintain net assets and may permit ADOPT to use all or part of the income earned on related investments for general or specific purposes.

Contributions received are recorded as support with or without donor restrictions depending on the existence or nature of any donor or grantor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

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

Revenues are reported as increases in net assets without donor restrictions 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 net assets with or without donor restrictions as appropriate. Gains and losses on investments and other liabilities are reported as increases or decreases in net assets without donor restrictions 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, 2018

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### 1. NATURE OF BUSINESS AND SIGNIFICANT POLICIES (Continued)

#### f. Fair Value and Investments

Investments are presented in accordance with ASC Topic 820, *Fair Value Measurements and Disclosures*. Under ASC Topic 820, investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value based on quoted prices in active markets (all level 1 measurements). ADOPT recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels in the years ended December 31, 2018 and 2017. Net unrealized gains or losses on investments are included in the Statement of Activities, separate from investment income.

ADOPT's financial instruments consist principally of cash and cash equivalents and marketable securities. The fair value of a financial instrument is the amount that would be received in an asset sale between unaffiliated market participants. Assets measured at fair value are categorized based on whether the inputs are observable in the market and the degree that the inputs are observable. The categorization of financial instruments within the valuation hierarchy is prioritized into three levels (with Level 3 being the lowest) defined as follows:

- Level 1 Inputs are based on quoted market prices for identical assets or liabilities in active markets at the measurement date.
- Level 2 Inputs include quoted prices for similar assets or liabilities in active markets and/or quoted prices of identical or similar assets or liabilities in markets that are not active near the measurement date.
- Level 3 Inputs include management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the instrument's valuation.

The fair value of the majority of ADOPT's cash equivalents and marketable securities was determined based on Level 1 inputs. ADOPT does not have any marketable securities in the Level 2 or Level 3 categories. ADOPT believes that the recorded values of all the financial instruments approximate their current fair values because of their nature and respective relatively short maturity dates or durations.

#### g. 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

## **ANIMALS DESERVING OF PROPER TREATMENT**

Notes to Financial Statements  
Year Ended December 31, 2018

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

#### **h. 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.

#### **i. 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.

#### **j. 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.

#### **k. Advertising**

ADOPT expenses advertising costs as incurred. For the years ended December 31, 2018 and 2017, advertising expense was \$ -0- and \$937, respectively.

#### **l. 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.

### **2. CASH AND CASH EQUIVALENTS**

At December 31, 2018 and 2017, cash and cash equivalents consisted of \$216,363 and \$405,899, respectively in bank deposits.

## ANIMALS DESERVING OF PROPER TREATMENT

Notes to Financial Statements  
Year Ended December 31, 2018

### 3. INVESTMENTS

The methods used to value investments may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although ADOPT believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investment securities are recorded at fair value on a recurring basis. Fair value measurement is based on quoted prices for identical assets, if available. If quoted prices are not available, fair values are measured using matrix pricing models, or other model-based valuation techniques required observable inputs other than quoted prices such as yield curves. Level 1 mutual funds and exchange traded funds are valued based on quoted market prices on nationally recognized security exchanges.

The following table sets forth by level, within the fair value hierarchy, ADOPT's investments at fair value as of December 31, 2018:

	Fair Value	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable equity securities:				
Mutual Funds	\$ 35,358	\$ 35,358	\$ -	\$ -
Exchange Traded Funds (ETFs)	128,916	128,916	-	-
Total	<u>\$ 164,274</u>	<u>\$ 164,274</u>	<u>\$ -</u>	<u>\$ -</u>

The following table sets forth by level, within the fair value hierarchy, ADOPT's investments at fair value as of December 31, 2017:

	Fair Value	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable equity securities:				
Mutual Funds	\$ -	\$ -	\$ -	\$ -
Exchange Traded Funds (ETFs)	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The unrealized gains and (losses) on investments for the years ended December 31, 2018 and 2017 are (\$14,316) and \$14, respectively.

The amounts reported above do not include assets considered to be cash or cash equivalents.

## ANIMALS DESERVING OF PROPER TREATMENT

Notes to Financial Statements  
Year Ended December 31, 2018

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### 4. AVAILABILITY AND LIQUIDITY

The following represents ADOPT's financial assets at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Financial Assets at Year End:		
Cash and Cash Equivalents	\$ 216,363	\$ 405,899
Investments	164,274	-
Total Financial Assets	<u>380,637</u>	<u>405,899</u>
Less amounts not available to be used within one year:		
Net Assets with Donor Restrictions	<u>-</u>	<u>19,812</u>
	-	19,812
Financial Assets Available to Meet General Expenditures over the Next Twelve Months	<u>\$ 380,637</u>	<u>\$ 386,087</u>

ADOPT maintains financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts.

### 5. PROPERTY, PLANT AND EQUIPMENT

Property and equipment consist of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 161,187	\$ 161,187
Building and Improvements	1,365,315	1,364,295
Furniture and Equipment	<u>104,104</u>	<u>85,891</u>
Subtotal	<u>1,630,606</u>	<u>1,611,373</u>
Less: Accumulated Depreciation	<u>(609,527)</u>	<u>(570,019)</u>
Property and Equipment, Net	<u>\$ 1,021,079</u>	<u>\$ 1,041,354</u>

Depreciation expense was \$39,508 and \$37,662 for the years ended December 31, 2018 and 2017, respectively.

### 6. 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 unless the account is explicitly closed by ADOPT.

At December 31, 2018, there were no outstanding borrowings against the line of credit.

## ANIMALS DESERVING OF PROPER TREATMENT

Notes to Financial Statements  
Year Ended December 31, 2018

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### 7. OPERATING LEASE

ADOPT leases a copier under an operating lease which requires monthly rental payments and expires October 2023.

The future minimum lease payments on the copier lease as of December 31, 2018 are as follows:

	<u>December 31,</u>	
2019	\$	2,349
2020		2,349
2021		2,349
2022		2,349
2023		<u>1,957</u>
	\$	<u>11,353</u>

Equipment rental expense included in operations totaled \$4,071 and \$1,187 in 2018 and 2017, respectively.

### 8. NET ASSETS WITH RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Adoption fees and stipends	\$ -	\$ 19,812
Total donor restricted net assets	<u>\$ -</u>	<u>\$ 19,812</u>

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

### 9. SUBSEQUENT EVENTS

Subsequent events were evaluated through April 17, 2019, the date which the financial statements were available to be issued.

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**ANIMALS DESERVING OF PROPER TREATMENT**

Schedules of Functional Expenses

For the years ended December 31, 2018 and 2017

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	2018			Total
	Program Services	Management and General	Fundraising	
<b>Expenses</b>				
Animal care	91,132	-	-	91,132
Depreciation expense	29,631	9,877	-	39,508
Fundraising	-	-	17,578	17,578
Program expenses	617	-	-	617
Advertising	-	-	-	-
Special events	-	-	9,258	9,258
Office expense	-	4,322	-	4,322
Supplies and merchandise	1,424	3,836	-	5,260
Computer expenses	634	634	551	1,819
Business insurance	14,857	3,714	-	18,571
Bank charges	4,082	2,851	969	7,902
Payroll	284,502	39,611	12,000	336,113
Payroll taxes	21,788	3,033	918	25,739
Payroll benefits	4,031	1,344	1,344	6,719
Occupancy	45,269	7,989	-	53,258
Professional services	692	9,665	-	10,357
Other miscellaneous expenses	10,039	4,630	605	15,274
Total Expenses	<u>\$ 508,698</u>	<u>\$ 91,506</u>	<u>\$ 43,223</u>	<u>\$ 643,427</u>

See accompanying notes to financial statements



2017			
Program Services	Management and General	Fundraising	Total
74,917	-	-	74,917
28,246	9,416	-	37,662
-	-	12,490	12,490
11,843	-	-	11,843
-	-	937	937
-	-	12,883	12,883
2,512	471	157	3,140
718	2,211	-	2,929
2,705	2,705	703	6,113
13,457	3,364	-	16,821
3,071	2,771	187	6,029
245,667	34,373	10,615	290,655
16,551	3,366	2,290	22,207
5,570	1,857	1,857	9,284
42,682	8,003	2,668	53,353
856	9,515	-	10,371
5,870	1,217	255	7,342
<u>\$ 454,665</u>	<u>\$ 79,269</u>	<u>\$ 45,042</u>	<u>\$ 578,976</u>

See accompanying notes to financial statements