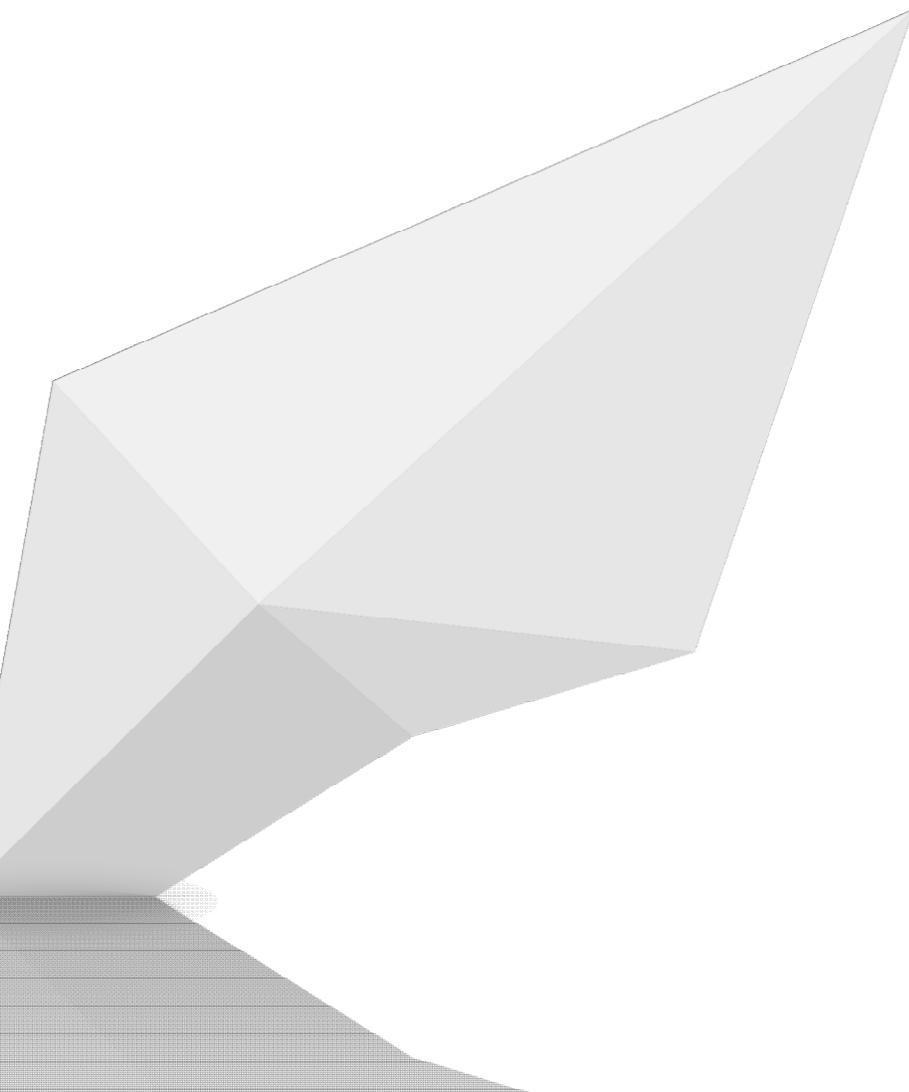


Animals Deserving of Proper Treatment

Financial Statements

Years Ended December 31, 2020 and 2019



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Animals Deserving of Proper Treatment

December 31, 2020 and 2019

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Independent Auditor's Report

Board of Directors
Animals Deserving of Proper Treatment
Naperville, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Animals Deserving of Proper Treatment (a non profit corporation), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, 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; 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 financial position of Animals Deserving of Proper Treatment as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States.

A handwritten signature in cursive script that reads "Wipfli LLP".

Wipfli LLP
Aurora, Illinois
July 7, 2021

Animals Deserving of Proper Treatment

Statements of Financial Position

December 31, 2020 and 2019

Assets	<u>2020</u>	<u>2019</u>
Current assets:		
Cash	\$ 1,228,471	\$ 219,025
Investments	241,851	204,122
Prepaid expenses	<u>32,000</u>	<u>-</u>
Total current assets	<u>1,502,322</u>	<u>423,147</u>
Capital assets:		
Property and equipment - net	<u>958,402</u>	<u>987,970</u>
Total Assets	<u>\$ 2,460,724</u>	<u>\$ 1,411,117</u>
Liabilities and Net Assets		
Liabilities		
Current Liabilities:		
Accrued expenses	\$ 3,942	\$ 15,297
COVID Payroll Loan	<u>71,200</u>	<u>-</u>
Total Liabilities	<u>75,142</u>	<u>15,297</u>
Net assets:		
Without donor restrictions	2,383,582	1,393,820
With donor restrictions	<u>2,000</u>	<u>2,000</u>
Total net assets	<u>2,385,582</u>	<u>1,395,820</u>
Total Liabilities and Net Assets	<u>\$ 2,460,724</u>	<u>\$ 1,411,117</u>

See accompanying notes to financial statements.

Animals Deserving of Proper Treatment
 Statements of Activities and Changes in Net Assets
 December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Adoptions	\$ 107,429	\$ -	\$ 107,429	\$ 139,495	\$ -	\$ 139,495
Clinical	121,177	-	121,177	154,790	-	154,790
Direct Public Support	267,343	-	267,343	207,224	2,000	209,224
Bequests	969,693	-	969,693	5,000	-	5,000
Membership	12,618	-	12,618	15,416	-	15,416
Special Events, net	66,759	-	66,759	94,601	-	94,601
Other Program Revenue	27,026	-	27,026	28,309	-	28,309
Business Partners for Pets	1,000	-	1,000	2,000	-	2,000
Investment Income	24,114	-	24,114	31,043	-	31,043
Net Assets released from restrictions	-	-	-	-	-	-
Total support and revenue	<u>1,597,159</u>	<u>-</u>	<u>1,597,159</u>	<u>677,878</u>	<u>2,000</u>	<u>679,878</u>
Expenses:						
Program services	485,041	-	485,041	502,216	-	502,216
Management and general	86,630	-	86,630	97,338	-	97,338
Fundraising	<u>35,726</u>	<u>-</u>	<u>35,726</u>	<u>65,957</u>	<u>-</u>	<u>65,957</u>
Total expenses	<u>607,397</u>	<u>-</u>	<u>607,397</u>	<u>665,511</u>	<u>-</u>	<u>665,511</u>
Changes in net assets	989,762	-	989,762	12,367	2,000	14,367
Net assets at beginning of year	<u>1,393,820</u>	<u>2,000</u>	<u>1,395,820</u>	<u>1,381,453</u>	<u>-</u>	<u>1,381,453</u>
Net assets at end of year	<u>\$ 2,383,582</u>	<u>\$ 2,000</u>	<u>\$2,385,582</u>	<u>\$ 1,393,820</u>	<u>\$ 2,000</u>	<u>\$1,395,820</u>

See accompanying notes to financial statements.

Animals Deserving of Proper Treatment
Statement of Functional Expenses
Years Ended December 31, 2020 and 2019

	2020				2019			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Animal care	\$ 90,426	\$ -	\$ -	\$ 90,426	\$ 92,036	\$ -	\$ -	\$ 92,036
Depreciation expense	31,016	10,339	-	41,355	30,863	10,287	-	41,150
Fundraising	-	-	11,929	11,929	-	-	16,666	16,666
Program expenses	1,350	-	-	1,350	1,364	-	-	1,364
Special events costs	-	-	7,362	7,362	-	-	34,028	34,028
Office expense	-	4,100	-	4,100	-	4,315	-	4,315
Supplies and merchandise	-	-	-	-	77	5,156	-	5,233
Computer expenses	1,632	1,632	3	3,267	3,150	3,149	-	6,299
Business insurance	16,637	4,159	-	20,796	15,135	3,784	-	18,919
Bank charges	6,204	2,105	286	8,595	3,675	2,734	703	7,112
Payroll	253,434	36,217	12,086	301,737	265,148	37,461	12,000	314,609
Payroll taxes	19,120	2,741	924	22,785	20,283	2,866	918	24,067
Payroll benefits	8,270	2,757	2,756	13,783	3,686	1,229	1,229	6,144
Occupancy	48,919	8,633	-	57,552	57,737	10,189	-	67,926
Professional services	692	10,040	-	10,732	771	11,750	-	12,521
Other miscellaneous expenses	7,341	3,907	380	11,628	8,291	4,418	413	13,122
Total	\$ 485,041	\$ 86,630	\$ 35,726	\$ 607,397	\$ 502,216	\$ 97,338	\$ 65,957	\$ 665,511

See accompanying notes to financial statements.

Animals Deserving of Proper Treatment
 Statements of Cash Flows
 Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Changes in net assets	\$ 989,762	\$ 14,367
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	41,355	41,150
Unrealized (gains) losses on investments	(18,185)	(25,887)
Changes in operating assets and liabilities:		
Prepaid items	(32,000)	3,000
Accrued expenses	<u>(11,355)</u>	<u>(7,966)</u>
Net cash from operating activities	<u>969,577</u>	<u>24,664</u>
Cash flows from investing activities:		
Sale (purchase) of investments	(19,544)	(13,961)
Loss on disposal of property and equipment	-	315
Purchase of property and equipment	<u>(11,787)</u>	<u>(8,356)</u>
Net cash from investing activities	<u>(31,331)</u>	<u>(22,002)</u>
Cash flows from financing activities:		
Receipt of PPP Loan	<u>71,200</u>	<u>-</u>
Net change in cash	1,009,446	2,662
Cash at beginning of year	<u>219,025</u>	<u>216,363</u>
Cash at end of year	<u>\$ 1,228,471</u>	<u>\$ 219,025</u>

See accompanying notes to financial statements.

Animals Deserving of Proper Treatment

Notes to Financial Statements

December 31, 2020

Note 1: Summary of Significant Accounting Policies

Nature of Operations

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.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP").

Basis of Presentation

ADOPT is required to report information regarding its financial position and activities according to two classes of net assets. A definition and description of each class follows:

Net Assets Without Donor Restriction - Net assets available for use in general operations and not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by the board of directors.

Net Assets With Donor Restriction - Net assets subject to donor or certain grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless the use of related assets is limited by donor-imposed restrictions. Material exchange transactions include adoption and clinical fees. Revenues from these services are recognized when the adoption is finalized or veterinarian service provided. 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.

Animals Deserving of Proper Treatment

Notes to Financial Statements

December 31, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

Contribution Revenue

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized

An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor 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. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization.

Animals Deserving of Proper Treatment

Notes to Financial Statements

December 31, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

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.

Fair Value Measurements

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, 2020 and 2019. 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.

Animals Deserving of Proper Treatment

Notes to Financial Statements

December 31, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

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

Income Taxes

ADOPT is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to ADOPT's tax-exempt purpose is subject to taxation on unrelated business income. ADOPT has been classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the code. ADOPT is also exempt from state income taxes.

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.

Functional Allocation of Expenses

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.

Advertising and Promotion

ADOPT expenses advertising costs as incurred. For the years ended December 31, 2020 and 2019, advertising expense was \$0.

Animals Deserving of Proper Treatment

Notes to Financial Statements

December 31, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Change in Accounting Policy

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The core principle of the guidance in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ADOPT adopted this guidance effective January 1, 2019 as it felt it was the most faithful depiction of the timing of revenue reasonably expected to be collected in exchange for goods or services. ADOPT applied Topic 606 on a modified retrospective basis. There was no change to reported revenue, net assets, or the change in net assets for either period presented.

New Accounting Pronouncements

In February 2016, FASB issued ASU No. 2016-02, *Leases* (Topic 842) - When this standard is adopted, the primary accounting change will require lessees to recognize right of use assets and lease obligations for most operating leases as well as finance leases. This new standard is effective for financial statements issued for annual periods beginning after December 15, 2019. The ADOPT is evaluating what impact this new standard will have on its financial statements.

Note 2: Cash and cash Equivalents

At December 31, 2020 and 2019, cash and cash equivalents consisted of \$1,228,471 and \$219,025, respectively in bank deposits.

Note 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 requires 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.

Animals Deserving of Proper Treatment

Notes to Financial Statements

December 31, 2020

Note 3: Investments (Continued)

The following table sets forth by level, within the fair value hierarchy, ADOPT's investments at fair value as of December 31, 2020:

	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	\$ 85,396	\$ 85,396	\$ -	\$ -
Stock and ADRs	11,146	11,146	-	-
Exchange Traded Funds (ETFs)	<u>145,309</u>	<u>145,309</u>	-	-
Total	<u>\$ 241,851</u>	<u>\$ 241,851</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, 2019.

	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	\$ 77,668	\$ 77,668	\$ -	\$ -
Stock and ADRs	7,900	7,900	-	-
Exchange Traded Funds (ETFs)	<u>118,554</u>	<u>118,554</u>	-	-
Total	<u>\$ 204,122</u>	<u>\$ 204,122</u>	<u>\$ -</u>	<u>\$ -</u>

The unrealized gains and (losses) on investments for the years ended December 31, 2020 and 2019 are \$18,185 and \$25,587, 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

December 31, 2020

Note 4: Liquidity and Availability of Financial Resources

The following represents ADOPT's financial assets at December 31, 2020 and 2019:

December 31,	2020	2019
Financial Assets at Year End:		
Cash and Cash Equivalents	\$ 1,228,471	\$ 219,025
Investments	<u>241,851</u>	<u>204,122</u>
Total Financial Assets	1,470,322	423,147
Less amounts not available to be used within one year:		
Net Assets with Donor Restrictions	<u>(2,000)</u>	<u>(2,000)</u>
Financial Assets Available to Meet General Expenditures over the Next Twelve Months	<u>\$ 1,468,322</u>	<u>\$ 421,147</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.

Note 5: Property and Equipment

A summary of property and equipment is as follows:

December 31,	2020	2019
Land and land improvements	\$ 161,187	\$ 161,187
Building and improvements	<u>1,486,369</u>	<u>1,474,582</u>
Total property and equipment	1,647,556	1,635,769
Less: accumulated depreciation and amortization	<u>(689,154)</u>	<u>(647,799)</u>
Property and equipment, net	<u>\$ 958,402</u>	<u>\$ 987,970</u>

Depreciation expense was \$41,355 and \$41,151 for the years ended December 31, 2020 and 2019, respectively.

Animals Deserving of Proper Treatment

Notes to Financial Statements

December 31, 2020

Note 6: Line of Credit

During 2020 and 2019 the Organization had a line of credit with a local bank in the amount of \$100,000. There have been no borrowing on this loan and it has not been renewed for fiscal year 2021.

Note 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, 2020 are as follows:

<u>December 31,</u>	
2021	\$ 2,349
2022	2,349
2023	<u>2,349</u>
Total	<u>\$ 7,047</u>

Equipment rental expense included in operations totaled \$2,402 and \$2,696 in December 31, 2020 and 2019, respectively.

Note 8: Business Conditions

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a “pandemic.” First identified in late 2019 and known now as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations. As of the date of issuance of the financial statements, the Organization’s operations have not been significantly impacted, however, the Organization continues to monitor the situation. While the Organization’s results of operations, cash flows and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

Note 9: Paycheck Protection Program

As of December 31, 2020, the Organization had an outstanding loan of \$71,200 from the Small Business Administration’s (SBA) Paycheck Protection Program (PPP), as a result of legislation passed to assist businesses in navigating the Coronavirus pandemic. On April 30, 2021 this loan was forgiven by the Small Business Administration.