

MUTTVILLE

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED
DECEMBER 31, 2015 AND 2014**

INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Muttville
San Francisco, California**

We have audited the accompanying financial statements of Muttville (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, 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 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

Board of Directors
Muttville
San Francisco, California
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Muttville as of December 31, 2015 and 2014, 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.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

September 19, 2016

MUTTVILLE

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,056,783	\$ 1,348,553
Current portion of contributions and grants receivable	25,000	204,990
Prepaid expenses and other assets	<u>2,500</u>	<u>12,050</u>
Total current assets	2,084,283	1,565,593
CONTRIBUTIONS AND GRANTS RECEIVABLE, Net		25,000
PROPERTY AND EQUIPMENT, Net	<u>73,493</u>	<u>50,034</u>
TOTAL ASSETS	<u>\$ 2,157,776</u>	<u>\$ 1,640,627</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 77,752	\$ 119,192
Accrued expenses	<u>19,498</u>	<u>20,865</u>
Total current liabilities	<u>97,250</u>	<u>140,057</u>
NET ASSETS:		
Unrestricted	1,917,564	1,270,580
Temporarily restricted	<u>142,962</u>	<u>229,990</u>
Total net assets	<u>2,060,526</u>	<u>1,500,570</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,157,776</u>	<u>\$ 1,640,627</u>

MUTTVILLE

STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
UNRESTRICTED NET ASSETS:		
REVENUES:		
Contributions and grants	\$ 1,883,742	\$ 1,843,415
In-kind contributions	1,525,562	379,002
Fundraising event revenues (net of direct benefit to donors of \$151,711 in 2015 and \$14,369 in 2014)	440,367	188,052
Other income	11,724	5,790
Net assets released from restrictions	<u>257,278</u>	<u>25,000</u>
Total revenues	<u>4,118,673</u>	<u>2,441,259</u>
EXPENSES:		
Program services		
Animal care and adoption	<u>3,023,156</u>	<u>1,493,424</u>
Supporting services:		
Fundraising	256,670	129,663
General and administrative	<u>191,863</u>	<u>164,489</u>
Total supporting services	<u>448,533</u>	<u>294,152</u>
Total expenses	<u>3,471,689</u>	<u>1,787,576</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>646,984</u>	<u>653,683</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Contributions and grants	170,250	254,990
Net assets released from restrictions	<u>(257,278)</u>	<u>(25,000)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>(87,028)</u>	<u>229,990</u>
INCREASE IN NET ASSETS	559,956	883,673
NET ASSETS, Beginning of Year	<u>1,500,570</u>	<u>616,897</u>
NET ASSETS, End of Year	<u>\$ 2,060,526</u>	<u>\$ 1,500,570</u>

The accompanying notes are an integral part of these financial statements.

MUTTVILLE

STATEMENTS OF FUNCTIONAL EXPENSES YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015				2014			
	Animal care and adoption	Supporting Services			Animal care and adoption	Supporting Services		
		Fundraising	General and administrative	Total		Fundraising	General and administrative	Total
Animal care	\$ 1,093,087			\$ 1,093,087	\$ 846,639			\$ 846,639
Professional fees	1,100,764	\$ 39,960	\$ 80,071	1,220,795	25,390	\$ 24,876	\$ 25,283	75,549
Personnel	470,412	115,681	92,124	678,217	343,278	66,256	105,601	515,135
Facilities and equipment rentals	208,973	1,098	3,877	213,948	184,860	12,290	8,436	205,586
Supplies	96,176	6,416	1,943	104,535	49,671	3,302	2,267	55,240
Events	825	56,588		57,413		1,562		1,562
Bank fees	4,013	23,276	1,266	28,555	876	12,799	2,412	16,087
Depreciation	14,019	2,881	2,304	19,204	11,626	2,450	1,938	16,014
Postage and shipping	12,085	1,466	72	13,623	4,518	3,812	2,573	10,903
Printing	3,553	7,484	760	11,797	15,289	2,030	1,691	19,010
Telecommunications	9,297	173	148	9,618	5,867	238	1,197	7,302
Transportation	2,702	50	135	2,887	5,410	48		5,458
Other expenses	7,250	1,597	9,163	18,010			13,091	13,091
Total	\$ 3,023,156	\$ 256,670	\$ 191,863	\$ 3,471,689	\$ 1,493,424	\$ 129,663	\$ 164,489	\$ 1,787,576

The accompanying notes are an integral part of these financial statements.

MUTTVILLE

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 559,956	\$ 883,673
Reconciliation to net cash provided by operating activities:		
Donated property and equipment	(2,500)	
Depreciation	19,204	16,014
(Gain) loss on disposal of property and equipment	(2,433)	962
Changes in:		
Contributions and grants receivable	204,990	(229,990)
Prepaid expenses and other assets	9,550	(9,000)
Accounts payable	(41,440)	91,229
Accrued expenses	<u>(1,367)</u>	<u>20,865</u>
Net cash provided by operating activities	<u>745,960</u>	<u>773,753</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposal of property and equipment	5,000	
Purchases of property and equipment	<u>(42,730)</u>	<u>(17,342)</u>
Net cash used by investing activities	<u>(37,730)</u>	<u>(17,342)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	708,230	756,411
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>1,348,553</u>	<u>592,142</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 2,056,783</u>	<u>\$ 1,348,553</u>

The accompanying notes are an integral part of these financial statements.

MUTTVILLE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

1. ORGANIZATION AND NATURE OF ACTIVITIES

Muttville is a California nonprofit public benefit corporation dedicated to improving the lives of older dogs through foster, adoption, education, and community founded in 2007. On a local level, Muttville rescues senior dogs and finds them new homes or gives them hospice. On a global level, Muttville provides information about caring for older dogs and support for people who do.

Through associations with shelters and other animal organizations, Muttville finds senior dogs that have been given up and are not likely to find adopted homes. Through outreach and networking, Muttville finds suitable new homes for these dogs. Muttville has its own cage-free facility, housing newly rescued senior dogs while they wait to be matched with foster homes.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation – The financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entities. Muttville reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Muttville has no permanently restricted net assets.

Revenue recognition – Contributions and grants are recognized in full when received or unconditionally promised, in accordance with professional standards. All contributions and grants are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor-restricted amounts are reported as increases in temporarily or permanently restricted net assets. Temporarily restricted net assets become unrestricted and are reported in the statements of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose.

Donated goods, facilities, and professional services are recorded as in-kind donations and recognized at the estimated fair value as of the date of donation or service. Contributed services that do not meet the criteria for recognition are not reflected in the financial statements.

Fundraising event revenues are recognized when the related event occurs.

Cash and cash equivalents – Muttville considers all highly liquid investments with a maturity date of three months or less to be cash equivalents, unless held for long-term purposes. Muttville maintains its cash and cash equivalents in bank and brokerage accounts that, at times, may exceed federally insured limits. Muttville has not experienced any losses in such accounts. Management believes Muttville is not exposed to any significant credit risk related to cash and cash equivalents.

Property and equipment is stated at cost if purchased or, if donated, at fair market value on the date of donation. Muttville capitalizes all expenditures for property and equipment in excess of \$1,000. Depreciation is computed using the straight-line method over estimated useful lives of individual assets ranging from three to 15 years.

MUTTVILLE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

Income taxes – Muttville is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and the corresponding provision of the California Revenue and Taxation Code. Muttville has applied the accounting principles related to accounting for uncertainty in income taxes and has determined that there is no material impact on the financial statements. With some exceptions, Muttville is no longer subject to U.S. federal and state income tax examinations by tax authorities for years prior to 2011.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses – The costs of providing the program services have been summarized on a functional basis in the statements of activities and of functional expenses. Accordingly, certain costs have been allocated to program services based on estimates of employees' time incurred and usage of resources.

Subsequent events have been reviewed through September 19, 2016, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since December 31, 2015 that require recognition or disclosure in the financial statements.

Reclassifications – Certain 2014 amounts have been reclassified to conform with the 2015 presentation.

3. CONDITIONAL CONTRIBUTIONS

During 2014, Muttville received grants that provide funding based on the number of adoptions completed that meet certain criteria. Muttville received and recognized approximately \$206,000 and \$430,000 under these agreements during the fiscal years ending December 31, 2015 and 2014, respectively. As of December 31, 2015 the funding has been received and recognized in full.

4. PROPERTY AND EQUIPMENT

Property and equipment as of December 31 consist of the following:

	<u>2015</u>	<u>2014</u>
Vehicles	\$ 29,000	\$ 40,000
Leasehold improvements	42,265	24,265
Furniture and equipment	<u>52,411</u>	<u>25,181</u>
Total	123,676	89,446
Less accumulated depreciation	<u>(50,183)</u>	<u>(39,412)</u>
Total	<u>\$ 73,493</u>	<u>\$ 50,034</u>

MUTTVILLE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

5. OPERATING LEASES

Muttville leases office space and equipment under non-cancelable operating leases expiring at various dates through February 2021. Total expenses under the office space lease were \$18,091 and \$9,000 in 2015 and 2014, respectively. Future minimum payments are as follows:

2016	\$	16,160	
2017		10,910	
2018		10,910	
2019		9,921	
2020		9,723	
Thereafter		<u>1,620</u>	
Total	\$	<u>59,244</u>	

6. NET ASSETS

Temporarily restricted net assets as of December 31 are restricted as follows:

	<u>2015</u>	<u>2015</u>
Veterinarian salary	\$ 107,962	
Time, then purpose (Seniors for Seniors)	25,000	\$ 50,000
Veterinarian suite renovation	10,000	
Time	<u> </u>	<u>179,990</u>
Total	<u>\$ 142,962</u>	<u>\$ 229,990</u>

7. IN-KIND CONTRIBUTIONS

Muttville received the following in-kind contributions during the year ending December 31:

	<u>2015</u>	<u>2014</u>
Advertising	\$ 1,050,140	
Veterinary services	304,639	\$ 208,219
Rent	<u>170,783</u>	<u>170,783</u>
Total	<u>\$ 1,525,562</u>	<u>\$ 379,002</u>