

**MUTTVILLE**

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

**YEARS ENDED  
DECEMBER 31, 2017 AND 2016**

## **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, 2017 and 2016, 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, 2017 and 2016, 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**

**June 12, 2018**

# MUTTVILLE

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2017 AND 2016

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	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 5,850,998	\$ 2,942,575
Contributions and grants receivable	15,205	12,940
Charitable lead annuity trust receivable, current portion	1,001,250	
Prepaid expenses and other assets	<u>11,690</u>	<u>2,500</u>
Total current assets	6,879,143	2,958,015
<b>CHARITABLE LEAD ANNUITY TRUST RECEIVABLE, Net</b>	7,825,932	
<b>PROPERTY AND EQUIPMENT, Net</b>	<u>150,488</u>	<u>77,441</u>
<b>TOTAL ASSETS</b>	<u>\$ 14,855,563</u>	<u>\$ 3,035,456</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 171,557	\$ 104,642
Accrued expenses	<u>86,145</u>	<u>74,554</u>
Total current liabilities	<u>257,702</u>	<u>179,196</u>
<b>NET ASSETS:</b>		
Unrestricted:		
Board designated reserve for facility acquisition	2,000,000	2,000,000
Undesignated	1,663,479	706,566
Temporarily restricted	<u>10,934,382</u>	<u>149,694</u>
Total net assets	<u>14,597,861</u>	<u>2,856,260</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 14,855,563</u>	<u>\$ 3,035,456</u>

# MUTTVILLE

## STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>UNRESTRICTED NET ASSETS:</b>		
REVENUES:		
Contributions and grants	\$ 3,265,551	\$ 2,419,558
In-kind contributions	1,839,528	1,565,013
Fundraising event revenues (net of direct benefit to donors of \$118,622 in 2017 and \$80,146 in 2016)	608,024	443,910
Other income	21,513	6,318
Net assets released from restrictions	<u>248,142</u>	<u>185,393</u>
Total revenues	<u>5,982,758</u>	<u>4,620,192</u>
EXPENSES:		
Program services:		
Animal care and adoption	<u>3,988,232</u>	<u>3,129,968</u>
Supporting services:		
Fundraising	578,034	420,364
General and administrative	<u>459,579</u>	<u>280,858</u>
Total supporting services	<u>1,037,613</u>	<u>701,222</u>
Total expenses	<u>5,025,845</u>	<u>3,831,190</u>
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	<u>956,913</u>	<u>789,002</u>
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>		
Contributions and grants	11,032,830	192,125
Net assets released from restrictions	<u>(248,142)</u>	<u>(185,393)</u>
<b>INCREASE IN TEMPORARILY RESTRICTED NET ASSETS</b>	<u>10,784,688</u>	<u>6,732</u>
<b>INCREASE IN NET ASSETS</b>	11,741,601	795,734
<b>NET ASSETS, Beginning of Year</b>	<u>2,856,260</u>	<u>2,060,526</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 14,597,861</u>	<u>\$ 2,856,260</u>

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

## MUTTVILLE

### STATEMENTS OF FUNCTIONAL EXPENSES YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017				2016			
	<b>Animal care and adoption</b>	<b>Supporting Services</b>		<b>Total</b>	<b>Animal care and adoption</b>	<b>Supporting Services</b>		<b>Total</b>
	<u>Fundraising</u>	<u>General and administrative</u>			<u>Fundraising</u>	<u>General and administrative</u>		
Professional fees	\$ 1,050,655	\$ 21,164	\$ 230,123	\$ 1,301,942	\$ 1,095,629	\$ 34,422	\$ 133,304	\$ 1,263,355
Animal care	1,768,245			1,768,245	1,029,064			1,029,064
Personnel	813,724	308,122	161,749	1,283,595	642,721	172,088	125,639	940,448
Facilities and equipment rentals	204,954	1,110	4,390	210,454	196,210	1,053	4,148	201,411
Events		143,475		143,475	747	142,400		143,147
Supplies	66,932	12,939	15,703	95,574	112,301	12,043	3,586	127,930
Bank fees	2,537	16,165	921	19,623	10,282	17,037	10,429	37,748
Postage and shipping	2,361	17,764	207	20,332	4,641	15,665	241	20,547
Printing	2,170	29,774	21	31,965	3,078	13,231	579	16,888
Depreciation	28,542	5,865	4,692	39,099	10,538	2,166	1,732	14,436
Telecommunications	9,773	2,809	189	12,771	9,208	583	88	9,879
Transportation	13,089	85	2,191	15,365	3,624	136		3,760
Other expenses	25,250	18,762	39,393	83,405	11,925	9,540	1,112	22,577
<b>Total</b>	<u>\$ 3,988,232</u>	<u>\$ 578,034</u>	<u>\$ 459,579</u>	<u>\$ 5,025,845</u>	<u>\$ 3,129,968</u>	<u>\$ 420,364</u>	<u>\$ 280,858</u>	<u>\$ 3,831,190</u>

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

# MUTTVILLE

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2017 AND 2016

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	<u>2017</u>	<u>2016</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 11,741,601	\$ 795,734
Reconciliation to net cash provided by operating activities:		
Depreciation	39,100	14,436
Changes in:		
Contributions and grants receivable	(2,265)	12,060
Charitable lead annuity trust receivable	(8,827,182)	
Prepaid expenses and other assets	(9,190)	
Accounts payable	66,915	26,890
Accrued expenses	11,591	55,056
Net cash provided by operating activities	<u>3,020,570</u>	<u>904,176</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	<u>(112,147)</u>	<u>(18,384)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,908,423	885,792
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<u>2,942,575</u>	<u>2,056,783</u>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<u>\$ 5,850,998</u>	<u>\$ 2,942,575</u>

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

# MUTTVILLE

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

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### 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 3 to 15 years.



# MUTTVILLE

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

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**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.

**Fair value measurements** – Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

- |                |   |
|----------------|---|
| Level 1 Inputs | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. |
| Level 2 Inputs | Inputs other than quoted prices in active markets that are observable either directly or indirectly.                        |
| Level 3 Inputs | Unobservable inputs for the asset or liability.   |

When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

**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 June 12, 2018, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since December 31, 2017 that require recognition or disclosure in the financial statements.

# MUTTVILLE

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

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### 3. PROPERTY AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>
Vehicles	\$ 29,000	\$ 29,000
Leasehold improvements	103,874	55,293
Furniture and equipment	93,638	57,767
Construction in progress	19,856	
Total	<u>246,368</u>	<u>142,060</u>
Less accumulated depreciation	<u>(95,880)</u>	<u>(64,619)</u>
Total	<u>\$ 150,488</u>	<u>\$ 77,441</u>

### 4. CHARITABLE LEAD ANNUITY TRUST

During 2017, a donor established a charitable lead annuity trust naming Muttville as the lead beneficiary. Under the terms of this split-interest agreement, Muttville is to receive approximately \$1,000,000 annually over a ten year period beginning in 2018. The contribution receivable and revenue related to this charitable lead annuity trust were recorded at the estimated fair value using a discount rate of 2.6% and are classified within Level 3 of the fair value hierarchy because determination of the present value of future cash flows is based on little or no market data and requires management to develop their own assumptions.

### 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 and equipment leases were \$10,910 and \$16,160 in 2017 and 2016, respectively. Future minimum payments are as follows:

2018	\$ 10,910
2019	9,921
2020	9,723
2021	<u>1,620</u>
Total	<u>\$ 32,174</u>

# MUTTVILLE

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

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### 6. NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Time restricted	\$ 8,827,182	
Capital campaign	2,038,000	
Seniors for Seniors	25,217	
Veterinarian salary	12,551	\$ 140,309
Veterinarian suite renovation	2,290	2,290
Other	<u>29,142</u>	<u>7,095</u>
Total	<u>\$ 10,934,382</u>	<u>\$ 149,694</u>

The Board of Directors has designated \$2,000,000 of Muttville's unrestricted net assets as a reserve for the planned acquisition of a headquarters facility.

### 7. IN-KIND CONTRIBUTIONS

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

	<u>2017</u>	<u>2016</u>
Advertising	\$ 986,200	\$ 985,000
Veterinary services	363,138	143,191
Professional services	239,991	139,389
Rent	170,783	170,783
Merchandise	<u>79,416</u>	<u>126,650</u>
Total	<u>\$ 1,839,528</u>	<u>\$ 1,565,013</u>

### 8. RELATED PARTY TRANSACTIONS

A Board Member of Muttville is the owner of a communications consulting firm that performs marketing services for Muttville. Muttville paid marketing fees to the firm in the amount of \$32,000 and 33,500 for the years ending December 31, 2017 and 2016, respectively.