

BIG DOG RANCH RESCUE, INC.

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017

BIG DOG RANCH RESCUE, INC.

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Dorra & Dugan

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Big Dog Ranch Rescue, Inc.
Loxahatchee, Florida

We have audited the accompanying financial statements of Big Dog Ranch Rescue, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Organization's management is responsible for the preparation and fair presentation of the 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 the 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.

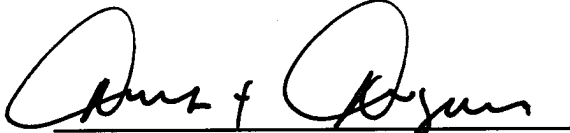
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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. 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Dog Ranch Rescue, Inc., as of December 31, 2017 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, consisting of two distinct cursive names, positioned above a horizontal line.

Certified Public Accountants

July 27, 2018

BIG DOG RANCH RESCUE, INC.

Statement of Financial Position

December 31,

2017

ASSETS

Current Assets

Cash and cash equivalents	\$	816,214
Restricted cash		-
Accounts receivable		10,000

Total current assets **826,214**

Property and equipment (less accumulated depreciation of \$177,637)	7,705,992
Security deposit and other assets	8,006

\$ 8,540,212

LIABILITIES

Current Liabilities

Accounts payable and accrued expenses	\$	498,678
Construction loan		1,999,726
Current portion of auto loan		4,208

Total current liabilities **2,502,612**

Long term debt (less current portion above)	16,761
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Total liabilities **2,519,373**

Net Assets

Unrestricted	6,020,839
Restricted	-

Total Net Assets **6,020,839**

\$ 8,540,212

See accompanying notes to financial statements

BIG DOG RANCH RESCUE, INC.

Statement of Activities

For the year ended December 31,

2017

	UNRESTRICTED		RESTRICTED	TOTAL
	OPERATIONS	FIXED ASSETS	BUILDING FUND	
SUPPORT AND REVENUE:				
SUPPORT:				
Contributions	\$ 2,161,390	-	\$ 2,353,502	\$ 4,514,892
Fundraising events	1,025,877	-	-	1,025,877
Grants	91,341	-	-	91,341
Total Support	3,278,608	-	2,353,502	5,632,110
REVENUE:				
Adoption fees and other revenues	381,050	-	-	381,050
Loss on moving of property	-	-	-	-
Total Revenue	381,050	-	-	381,050
Total Support and revenue	3,659,658	-	2,353,502	6,013,160
EXPENSES:				
Program services:				
Dog rescue	3,388,898	66,090	17,762	3,472,750
Building	-	-	-	-
Total program services	3,388,898	66,090	17,762	3,472,750
Support services:				
General and administration	84,008	-	-	84,008
Fundraising	412,602	-	-	412,602
Total support services	496,610	-	-	496,610
Total expenses	3,885,508	66,090	17,762	3,969,360
Total increase(decrease) in net assets	(225,850)	(66,090)	2,335,740	2,043,800
Transfer of fixed assets	(1,275,786)	3,611,526	(2,335,740)	-
Total	(1,501,636)	3,545,436	-	2,043,800
Net assets (deficit)- January 1, 2017	(183,517)	4,160,556	-	3,977,039
Net assets (deficit)- December 31, 2017	\$ (1,685,153)	\$ 7,705,992	\$ -	\$ 6,020,839

BIG DOG RANCH RESCUE, INC.

Statement of Functional Expenses

For the year ended December 31,

2017

	PROGRAM SERVICES		RESTRICTED SERVICES		SUPPORTING SERVICES		Total
	Dog Rescue	Building Fund	General & Administrative	Fund Raising			
Payroll	\$ 1,917,760	\$ -	\$ 64,500	\$ 47,500	\$ -	\$ 2,029,760	
Subcontractors	4,271	-	-	-	-	4,271	
Dog training	11,627	-	-	-	-	11,627	
Dues and memberships	-	-	284	-	-	284	
Professional fees	8,000	17,762	-	-	-	25,762	
Insurance	54,173	-	1,000	-	-	55,173	
Office supplies	16,973	-	1,000	-	-	16,973	
Telephone and internet	12,129	-	1,000	-	-	13,129	
Postage and shipping	-	-	3,358	-	-	3,358	
Utilities	55,483	-	-	-	-	55,483	
Travel and automobile	45,481	-	-	-	-	45,481	
Bank charges and merchant account fees	-	-	4,249	38,243	-	42,492	
Copying and printing	-	-	3,962	-	-	3,962	
Contract and transport fees	32,382	-	-	-	-	32,382	
Medical and veterinarian fees	468,334	-	-	-	-	468,334	
Repairs and maintenance	144,914	-	-	-	-	144,914	
Pet food	251,994	-	-	-	-	251,994	
Employee related expenses	40,146	-	-	-	-	40,146	
Advertising	23,201	-	-	-	-	23,201	
Boarding fees	108,910	-	-	-	-	108,910	
Meals	1,512	-	-	-	-	1,512	
Special events	-	-	-	326,859	-	326,859	
Property taxes and licenses	18,311	-	-	-	-	18,311	
Miscellaneous	-	-	5,185	-	-	5,185	
Pull fees	1,364	-	-	-	-	1,364	
Dog supplies	45,786	-	-	-	-	45,786	
Web hosting and computer	18,226	-	-	-	-	18,226	
Temporary labor	4,221	-	-	-	-	4,221	
Dog support	12,014	-	-	-	-	12,014	
Gifts	-	-	470	-	-	470	
Apparel	16,393	-	-	-	-	16,393	
Interest	75,293	-	-	-	-	75,293	
Total expenses before depreciation	3,388,898	17,762	84,008	412,602	-	3,903,270	
Depreciation	66,090	-	-	-	-	66,090	
Total expenses	\$ 3,454,988	\$ 17,762	\$ 84,008	\$ 412,602	\$ -	\$ 3,969,360	

See accompanying notes to financial statements

BIG DOG RANCH RESCUE, INC.

Statement of Cash Flows

<i>For the year ended December 31,</i>	2017
Operating Activities:	
Increase in net assets	\$ 2,043,800
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	66,090
Decrease (increase) in:	
Accounts receivable	(5,000)
Escrow deposit	449
Deposits and other assets	(7,243)
Increase (decrease) in:	
Accounts payable and accrued expenses	357,429
Net cash provided by operating activities	2,455,525
Investing Activities:	
Cash used for construction in process	(3,581,816)
Purchase of property equipment	(29,710)
Net cash used by investing activities	(3,611,526)
Financing Activities:	
Proceeds of borrowings	1,771,000
Payment of borrowings	(4,020)
Net cash provided by financing activities	1,766,980
Net increase in cash and cash equivalents	610,979
Cash and cash equivalents - January 1, 2017	205,235
Cash and cash equivalents - December 31, 2017	\$ 816,214

Big Dog Ranch Rescue, Inc.

Notes to Financial Statements

Note A - Summary of Significant Accounting Policies:

Nature of Operations

Big Dog Ranch Rescue, Inc. (the Organization), was organized in 2008 as a non-profit corporation for the purpose of foster care for mixed breeds and pure dogs for as long as necessary, until permanent homes can be found. The dogs are fed, housed and receive medical attention and include spay and neuter procedures prior to placement. The Organization operates independently and may solicit funds, contributions and gifts of any kind, and accept any gift, device, bequest and property of any kind.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Big Dog Ranch Rescue, Inc. requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. Unconditional promises to give (pledges) are recorded as receivables and revenues and require the organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. A description of the three net asset categories follows:

Unrestricted

Net assets that are not subject to any donor imposed restrictions.

Temporarily Restricted

Net assets subject to donor-imposed restrictions that can be met either by actions of the Organization and/or the passage of time.

Permanently Restricted

Net assets subject to donor-imposed restrictions, are maintained permanently by Big Dog Ranch Rescue, Inc. The donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Furniture, Fixtures and Equipment

Furniture, fixtures and equipment are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The Organization capitalizes property and equipment with a cost of over \$500 and estimated life of 3 years or more.

Big Dog Ranch Rescue, Inc.

Notes to Financial Statements

Note A - Summary of Significant Accounting Policies (cont'd):

Depreciation

Depreciation on the furniture fixtures and equipment owned by the Organization has been computed using the straight-line method. The estimated useful lives of the assets are as follows:

	<u>Years</u>
Buildings	39
Building improvements	15
Office furniture and equipment	7
Computers	5
Telephones	5
Automobiles	5

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.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less. Fair value approximates carrying amounts.

Contributed Materials and Services

The Organization records the value of contributed goods or services when there is an objective basis available to measure their value. Contributed materials and services are reflected as contributions in the accompanying statements at the estimated values at date of receipt. \$284,594 has been reflected in the statements for contributed supplies, goods and services for the year ended December 31, 2017. In addition, a substantial number of volunteers donated their time in the Organization's program services, however, the value of these services have not been determined.

Income Taxes

The Organization is exempt from federal income taxes, under Section 501(c)(3) of the Internal Revenue Code. Under the same provisions, the Organization is also exempt from Florida State Income Tax. However, any unrelated business income may be subject to taxation. Currently, the Organization has no obligation for any unrelated business income tax.

Big Dog Ranch Rescue, Inc.

Notes to Financial Statements

Note A - Summary of Significant Accounting Policies (cont'd):

Concentration of Credit Risks

Investments of cash in interest bearing deposits with major banks may exceed federally insured amounts. Management reviews the financial stability of these institutions on a periodic basis and does not anticipate any credit losses.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Cash Flow Information

For financial statement purposes, the Organization considers all investments with original maturities of three months or less as cash equivalents.

Note B – Property and Equipment:

Property and equipment consist of the following:

<i>Year ended December 31,</i>	2017
Land	\$ 1,285,000
Buildings under construction	1,396,585
Completed buildings	4,952,367
Office furniture and equipment	249,677
Total	7,883,629
Less accumulated depreciation	(177,637)
TOTAL	\$ 7,705,992

Note C – Development:

During 2017, the Organization expended a total of \$3,581,816 for the construction of the buildings and improvements on the Big Dog Ranch Rescue, Inc. property.

Big Dog Ranch Rescue, Inc.

Notes to Financial Statements

Note D – Construction Loan:

On December 9, 2016 the Organization obtained a construction loan in the amount of \$2,000,000 from First Republic Bank to finance the construction of the building and improvements of the new property in Loxahatchee, Florida.

The loan provides for interest only for the first twelve months at 4.2% fixed interest. Thereafter, the interest continues at 4.2% for the term of the loan.

Beginning January 9, 2018, 10% of the outstanding balance as of December 9, 2017 is due. Thereafter, the note is due every six months with the next payment being July 9, 2018 then January 9, 2019 and continuing forward. The anticipated outstanding balance of the loan at December 31, 2017 was \$1,999,726.

The loan is collateralized by a mortgage on the property in Loxahatchee, Florida as well as the personal guarantee of the president and founder of the Organization.

The following is a summary of principal maturities of the construction loan during the next five years:

<u>December 31,</u>	<u>Amount</u>
2018	\$ 405,744
2019	405,744
2020	405,744
2021	405,744
2022	376,750
Total	<u>\$ 1,999,726</u>

Note E – Long Term Debt- Auto Loan:

The Organization has an auto loan with South East Toyota Finance. The loan provides for monthly payments of \$423 including interest of 4.6% per year for 72 months to July 2022. The loan is collateralized by the vehicle.

The following is a summary of principal maturities of the auto loan during the next five years:

<u>December 31,</u>	<u>Amount</u>
2018	\$ 4,208
2019	4,405
2020	4,611
2021	4,826
2022	2,919
Total	<u>\$ 20,969</u>

Big Dog Ranch Rescue, Inc. Notes to Financial Statements

Note F – Litigation Claims:

One law suit and complaint arising in the ordinary course of business has been filed or is pending against the Organization. In the opinion of management, this matter is without merit or is of such kind, or involves amounts which would not have material effect on the financial position or results of operations of the Organization.

Note G – Subsequent Events:

The organization has evaluated subsequent events through July the date in which the financial statements were available to be issued, and noted no material subsequent events that would require disclosure in these financial statements as of December 31, 2017.