

Animals Deserving of Proper Treatment

Financial Statements

Years Ended December 31, 2021 and 2020



A.D.O.P.T.

PET SHELTER

WIPFLI

Animals Deserving of Proper Treatment

December 31, 2021

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Independent Auditor's Report

Board of Directors
Animals Deserving of Proper Treatment
Naperville, Illinois

Opinion

We have audited the financial statements of Animals Deserving of Proper Treatment (the "Organization"), a nonprofit organization, which comprise the statements of financial position as of December 31, 2021 and 2020, 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.

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, 2021 and 2020, 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 ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Animals Deserving of Proper Treatment and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Animals Deserving of Proper Treatment's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted accounting principles, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Animals Deserving of Proper Treatment's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Animals Deserving of Proper Treatment's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Wipfli LLP

Wipfli LLP
Aurora, Illinois
September 13, 2022

Animals Deserving of Proper Treatment
Statements of Financial Position
Years Ended December 31, 2021 and 2020

Assets		2021	2020
Current assets:			
Cash		\$ 529,613	\$ 1,228,471
Investments		1,110,029	241,851
Prepaid expenses		<u>3,000</u>	<u>32,000</u>
Total current assets		<u>1,642,642</u>	<u>1,502,322</u>
Property and equipment:			
Property and equipment - net		<u>1,055,184</u>	<u>958,402</u>
Total Assets		<u>\$ 2,697,826</u>	<u>\$ 2,460,724</u>
Liabilities and Net Assets			
Liabilities			
Current Liabilities:			
Accrued expenses		\$ 5,036	\$ 3,942
Paycheck protection loan		<u>-</u>	<u>71,200</u>
Total Liabilities		<u>5,036</u>	<u>75,142</u>
Net assets:			
Without donor restrictions		2,690,790	2,383,582
With donor restrictions		<u>2,000</u>	<u>2,000</u>
Total net assets		<u>2,692,790</u>	<u>2,385,582</u>
Total Liabilities and Net Assets		<u>\$ 2,697,826</u>	<u>\$ 2,460,724</u>

See accompanying notes to financial statements.

Animals Deserving of Proper Treatment
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Adoptions	\$ 93,676	\$ -	\$ 93,676	\$ 107,429	\$ -	\$ 107,429
Clinical	148,382	-	148,382	121,177	-	121,177
Contributions	424,859	-	424,859	267,343	-	267,343
Bequests	60,017	-	60,017	969,693	-	969,693
Membership	13,820	-	13,820	12,618	-	12,618
Special events, net of direct costs of \$19,094 & \$7,362 in 2021 & 2020, respectively	55,552	-	55,552	59,397	-	59,397
Other program revenue	71,260	-	71,260	27,026	-	27,026
Business partners for pets	-	-	-	1,000	-	1,000
Investment income, net	<u>93,991</u>	<u>-</u>	<u>93,991</u>	<u>24,114</u>	<u>-</u>	<u>24,114</u>
						-
Total support and revenue	<u>961,557</u>	<u>-</u>	<u>961,557</u>	<u>1,589,797</u>	<u>-</u>	<u>1,589,797</u>
Expenses:						
Program services	525,155	-	525,155	485,035	-	485,035
Management and general	96,007	-	96,007	86,621	-	86,621
Fundraising	<u>33,187</u>	<u>-</u>	<u>33,187</u>	<u>28,379</u>	<u>-</u>	<u>28,379</u>
Total expenses	<u>654,349</u>	<u>-</u>	<u>654,349</u>	<u>600,035</u>	<u>-</u>	<u>600,035</u>
Changes in net assets	307,208	-	307,208	989,762	-	989,762
Net assets at beginning 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>
Net assets at end of year	<u>\$ 2,690,790</u>	<u>\$ 2,000</u>	<u>\$2,692,790</u>	<u>\$ 2,383,582</u>	<u>\$ 2,000</u>	<u>\$2,385,582</u>

See accompanying notes to financial statements.

Animals Deserving of Proper Treatment
Statements of Functional Expenses
Years Ended December 31, 2021 and 2020

	2021				2020			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Animal care	\$ 115,631	\$ -	\$ -	\$ 115,631	\$ 90,426	\$ -	\$ -	\$ 90,426
Depreciation expense	31,888	10,629	-	42,517	31,016	10,339	-	41,355
Fundraising	-	-	15,802	15,802	-	-	11,929	11,929
Program expenses	-	-	-	-	1,350	-	-	1,350
Office expense	-	5,340	-	5,340	-	4,100	-	4,100
Supplies and merchandise	-	2,215	-	2,215	-	-	-	-
Computer expenses	4,642	4,642	-	9,284	1,632	1,632	3	3,267
Business insurance	20,459	5,115	-	25,574	16,637	4,159	-	20,796
Bank charges	3,230	2,424	1,173	6,827	6,204	2,105	286	8,595
Payroll	265,176	37,882	12,627	315,685	253,429	36,208	12,100	301,737
Payroll taxes	21,025	3,004	1,001	25,030	19,119	2,741	925	22,785
Payroll benefits	6,330	2,110	2,110	10,550	8,270	2,757	2,756	13,783
Occupancy	43,208	7,625	-	50,833	48,919	8,633	-	57,552
Professional services	4,413	10,150	-	14,563	692	10,040	-	10,732
Other miscellaneous expenses	9,153	4,871	474	14,498	7,341	3,907	380	11,628
Total	<u>\$ 525,155</u>	<u>\$ 96,007</u>	<u>\$ 33,187</u>	<u>\$ 654,349</u>	<u>\$ 485,035</u>	<u>\$ 86,621</u>	<u>\$ 28,379</u>	<u>\$ 600,035</u>

See accompanying notes to financial statements.

Animals Deserving of Proper Treatment
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Changes in net assets	\$ 307,208	\$ 989,762
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	42,517	41,355
PPP loan forgiveness	(71,200)	-
Unrealized gains on investments	(60,511)	(18,185)
Changes in operating assets and liabilities:		
Prepaid items	29,000	(32,000)
Accrued expenses	<u>1,094</u>	<u>(11,355)</u>
Net cash from operating activities	<u>248,108</u>	<u>969,577</u>
Cash flows from investing activities:		
Purchase of investments	(807,667)	(19,544)
Purchase of property and equipment	<u>(139,299)</u>	<u>(11,787)</u>
Net cash from investing activities	<u>(946,966)</u>	<u>(31,331)</u>
Cash flows from financing activities:		
Receipt of PPP Loan	<u>-</u>	<u>71,200</u>
Net change in cash	(698,858)	1,009,446
Cash at beginning of year	<u>1,228,471</u>	<u>219,025</u>
Cash at end of year	<u>\$ 529,613</u>	<u>\$ 1,228,471</u>

See accompanying notes to financial statements.

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.

ADOPT has no net assets with donor restrictions that are perpetual in nature

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.

Note 1: Summary of Significant Accounting Policies (Continued)

Contribution Revenue (Continued)

- 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.

Grant Revenue

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

Grant Awards That Are Contributions - Grants awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

Grant Awards That Are Exchange Transactions - Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability. The Organization does not have any grants that are considered exchange transactions.

Revenue Recognition

Special Events

The Organization records special events revenue equal to the fair value of the direct benefits provided to donors for the exchange portion, and contribution income for the excess received. The Organization typically receives payment for the event in advance, based on a set ticket price. Special event revenue received in advance is recorded as deferred revenue and is recognized at the point in time when the event occurs.

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Adopt and clinical fees

Adoption and clinical fees are exchange transactions of the Organization. Revenue is recorded at the time of adoption or when clinical services are rendered.

Membership and other program revenue

The Organization provides family, individual and lifetime membership for a fee and also collects various program revenue. Membership revenue is recorded at the time membership fees are received and program revenue is recorded when earned.

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.

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
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.

Note 1: Summary of Significant Accounting Policies (Continued)

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 program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on the percentage of time spent by professional staff in each function during the year. Management has allocated occupancy, utilities, telephone and various other expenses on the statement of functional expense to the program benefited.

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.

Note 2: Fair Value Measurements

The Organization's assets are reported at fair value, as defined by GAAP, to classify the source of the information measuring fair value.

Assets and liabilities carried at fair value are classified and disclosed in one of the following categories:

Level I - Quoted market prices in active markets for identical assets or liabilities.

Level II - Observable market-based inputs or unobservable inputs corroborated by market data.

Level III - Unobservable inputs not corroborated by market data.

The Organization did not have any nonfinancial assets recorded at fair value on a recurring basis at December 31, 2021 and 2020.

Common stock, fixed income securities, and mutual funds are valued based on the closing price reported on the active market on which the securities are traded at year-end and are classified as Level 1 investments.

Note 2: Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, ADOPT's investments at fair value as of December 31, 2021:

	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	\$ 534,743	\$ 534,743	\$ -	\$ -
Stock and ADRs	303,884	303,884	-	-
Exchange Traded Funds (ETFs)	<u>271,402</u>	<u>271,402</u>	-	-
Total	<u>\$ 1,110,029</u>	<u>\$ 1,110,029</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, 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>

Note 3: Investment Income

Investment income for the year ended December 31, 2021, consists of the following:

<i>Years Ended December 31, 2021 and 2020</i>	2021	2020
Dividends and interest	\$ 37,008	\$ 5,929
Unrealized gain in investments	60,511	18,185
Investment fees	(3,528)	-
Total	\$ 93,991	\$ 24,114

Note 4: Liquidity and Availability of Financial Resources

The following represents ADOPT's financial assets at December 31, 2021 and 2020:

December 31,	2021	2020
Financial Assets at Year End:		
Cash and Cash Equivalents	\$ 529,613	\$ 1,228,471
Investments	<u>1,110,029</u>	<u>241,851</u>
Total Financial Assets	1,639,642	1,470,322
 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>\$ 1,637,642</u>	<u>\$ 1,468,322</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,	2021	2020
Land	\$ 161,187	\$ 161,187
Construction in progress	38,770	-
Building and equipment	<u>1,586,898</u>	<u>1,486,369</u>
Total property and equipment	1,786,855	1,647,556
Less: accumulated depreciation	<u>(731,671)</u>	<u>(689,154)</u>
Property and equipment, net	<u>\$ 1,055,184</u>	<u>\$ 958,402</u>

Construction in progress represents the initial payment of the outdoor kennel renovation project. Depreciation expense was \$42,517 and \$41,355 for the years ended December 31, 2021 and 2020, respectively.

Note 6: Concentration of Contributions or Grants

In calendar year 2020, the Organization received approximately 51% of its annual revenue from a single donor. This non recurring and unrestricted donation of \$811,086 resulting in an increase in net assts for 2020 of \$989,762.

Note 7: Line of Credit

During 2020 the Organization had a line of credit with a local bank in the amount of \$100,000 with a variable interest rate based on the Prime Rate. The organization has pledged various investment accounts as collateral. There have been no borrowings on this loan for fiscal year 2020 or 2021. The line of credit was not renewed as of January 30, 2021.

Note 8: Paycheck Protection Program

On April 20, 2020, the Organization entered into a promissory note agreement with a local financial institution in the amount of \$71,200. The loan was issued pursuant to the PPP administered by the SBA. Management utilized the loan proceeds for eligible costs in accordance with the PPP, and accordingly, has determined that substantially all, of the loan will qualify to be forgiven by the SBA. Management has determined that the loan proceeds constitute a conditional contribution under ASU No. 2018-08 and final approval of the waiver of the loan from the SBA lender to be a significant barrier. Accordingly, the Organization has recorded the grant amount of \$71,200 as a refundable advance liability as of December 31, 2020. On April 30, 2021, the SBA approved forgiveness of the PPP loan. Accordingly, the Organization recorded revenue in the amount of \$71,200 which is included in contrubtions on thestatement of activities for the year ended December 31, 2021.