

ANIMALS DESERVING OF PROPER
TREATMENT

ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

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ANIMALS DESERVING OF PROPER TREATMENT

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

This section includes the opinion of the ADOPT's independent auditing firm.



INDEPENDENT AUDITORS' REPORT

November 13, 2023

Members of the Board of Directors
Animals Deserving of Proper Treatment
Naperville, Illinois

Opinion

We have audited the accompanying financial statements of the Animals Deserving of Proper Treatment (ADOPT) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, cash flows, and functional expenses for the year 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 the Animals Deserving of Proper Treatment, as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 ADOPT and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 these 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 ADOPT's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about 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 generally accepted auditing standards 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, including omissions, 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.

Auditor’s Responsibilities for the Audit of the Financial Statements - Continued

In performing an audit in accordance with generally accepted auditing standards, 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 ADOPT’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 ADOPT’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.

Other Matters

Prior-Year Comparative Information

We did not audit the financial statements of the Animals Deserving of Proper Treatment as of and for the year ended December 31, 2021. Those Statements were audited by another auditor who issued an unmodified opinion on September 13, 2022.

Lauterbach & Amen, LLP
LAUTERBACH & AMEN, LLP

FINANCIAL STATEMENTS

ANIMALS DESERVING OF PROPER TREATMENT

Statement of Financial Position

December 31, 2022 and December 31, 2021

	2022	2021
ASSETS		
Current Assets		
Cash and Investments	\$ 1,314,244	1,639,642
Accounts Receivable	27,087	—
Inventory	1,739	—
Prepaid Expenses	—	3,000
Total Current Assets	<u>1,343,070</u>	<u>1,642,642</u>
Noncurrent Assets		
Capital Assets		
Nondepreciable	255,487	199,957
Depreciable	1,836,976	1,586,898
Accumulated Depreciation	<u>(781,988)</u>	<u>(731,671)</u>
Total Capital Assets	<u>1,310,475</u>	<u>1,055,184</u>
Total Assets	<u>2,653,545</u>	<u>2,697,826</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	30,518	—
Accrued Payroll	10,045	5,036
Line of Credit	<u>148,940</u>	<u>—</u>
Total Current Liabilities	<u>189,503</u>	<u>5,036</u>
NET ASSETS		
With Donor Restrictions	—	2,000
Without Donor Restrictions	<u>2,464,042</u>	<u>2,690,790</u>
Total Net Assets	<u>2,464,042</u>	<u>2,692,790</u>

The notes to the financial statements are an integral part of this statement.

ANIMALS DESERVING OF PROPER TREATMENT

Statement of Activities

For the Fiscal Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues and Other Support			
Adoptions	\$ 116,403	—	116,403
Clinical	142,626	—	142,626
Contributions	273,482	—	273,482
Bequests	96,540	—	96,540
Membership	18,540	—	18,540
Special Events, Net of Direct Costs of \$27,411	131,915	—	131,915
Other Program Revenue	13,854	—	13,854
Business Partners for Pets	1,000	—	1,000
Investment (Loss)	(125,295)	—	(125,295)
Net Assets Released from Restrictions	2,000	(2,000)	—
Total Revenues and Other Support	671,065	(2,000)	669,065
Expenses			
Programs Services	723,067	—	723,067
Supporting Services			
Management and General	136,727	—	136,727
Fundraising	38,019	—	38,019
Total Expenses	897,813	—	897,813
Change in Net Assets	(226,748)	(2,000)	(228,748)
Net Assets - Beginning	2,690,790	2,000	2,692,790
Net Assets - Ending	2,464,042	—	2,464,042

The notes to the financial statements are an integral part of this statement.

ANIMALS DESERVING OF PROPER TREATMENT

Statement of Activities

For the Fiscal Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues and Other Support			
Adoptions	\$ 93,676	—	93,676
Clinical	148,382	—	148,382
Contributions	424,859	—	424,859
Bequests	60,017	—	60,017
Membership	13,820	—	13,820
Special Events, Net of Direct Costs of \$19,094	55,552	—	55,552
Other Program Revenue	71,260	—	71,260
Investment Income	93,991	—	93,991
Net Assets Released from Restrictions	—	—	—
Total Revenues and Other Support	961,557	—	961,557
Expenses			
Programs Services	525,155	—	525,155
Supporting Services			
Management and General	96,007	—	96,007
Fundraising	33,187	—	33,187
Total Expenses	654,349	—	654,349
Change in Net Assets	307,208	—	307,208
Net Assets - Beginning	2,383,582	2,000	2,385,582
Net Assets - Ending	2,690,790	2,000	2,692,790

The notes to the financial statements are an integral part of this statement.

ANIMALS DESERVING OF PROPER TREATMENT

Statement of Cash Flows

For the Fiscal Year Ended December 31, 2022 and December 31, 2021

	2022	2021
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	\$ (228,748)	307,208
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(305,608)	(139,299)
Forgiveness of Debt	—	(71,200)
Issuance of Debt	148,940	—
	<u>(156,668)</u>	<u>(210,499)</u>
Adjustments to Reconcile Changes in Unrestricted Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	50,317	42,517
(Increase) Decrease in Current Assets	(25,826)	29,000
Increase (Decrease) in Current Liabilities	35,527	1,094
	<u>60,018</u>	<u>72,611</u>
Increase (Decrease) in Cash and Cash Equivalents	(325,398)	169,320
Cash and Cash Equivalents - Beginning	<u>1,639,642</u>	<u>1,470,322</u>
Cash and Cash Equivalents - Ending	<u><u>1,314,244</u></u>	<u><u>1,639,642</u></u>

The notes to the financial statements are an integral part of this statement.

ANIMALS DESERVING OF PROPER TREATMENT

Statement of Functional Expenses For the Fiscal Year Ended December 31, 2022

	Program Services	Management and General	Fundraising	Totals
Animal Care	\$ 118,786	—	—	118,786
Depreciation	37,738	12,579	—	50,317
Fundraising	—	—	14,513	14,513
Office Expenses	—	9,981	—	9,981
Supplies and Merchandise	—	6,303	—	6,303
Computer Expenses	4,251	4,251	—	8,502
Business Insurance	22,122	5,531	—	27,653
Bank Charges	3,521	2,697	1,274	7,492
Payroll	329,311	47,045	15,682	392,038
Payroll Taxes	102,568	14,653	4,884	122,105
Payroll Benefits	13,386	1,912	637	15,935
Occupancy	66,156	11,675	—	77,831
Professional Services	3,615	8,436	—	12,051
Other Miscellaneous Expenses	21,613	11,664	1,029	34,306
Total Functional Expenses	723,067	136,727	38,019	897,813

The notes to the financial statements are an integral part of this statement.

ANIMALS DESERVING OF PROPER TREATMENT

Statement of Functional Expenses For the Fiscal Year Ended December 31, 2021

	Program Services	Management and General	Fundraising	Totals
Animal Care	\$ 115,631	—	—	115,631
Depreciation	31,888	10,629	—	42,517
Fundraising	—	—	15,802	15,802
Office Expenses	—	5,340	—	5,340
Supplies and Merchandise	—	2,215	—	2,215
Computer Expenses	4,642	4,642	—	9,284
Business Insurance	20,459	5,115	—	25,574
Bank Charges	3,230	2,424	1,173	6,827
Payroll	265,176	37,882	12,627	315,685
Payroll Taxes	21,025	3,004	1,001	25,030
Payroll Benefits	6,330	2,110	2,110	10,550
Occupancy	43,208	7,625	—	50,833
Professional Services	4,413	10,150	—	14,563
Other Miscellaneous Expenses	9,153	4,871	474	14,498
Total Functional Expenses	525,155	96,007	33,187	654,349

The notes to the financial statements are an integral part of this statement.

ANIMALS DESERVING OF PROPER TREATMENT

Notes to the Financial Statements

December 31, 2022

NOTE 1 - NATURE OF ORGANIZATION

The Animals Deserving of Proper Treatment's (ADOPT) is a nonprofit 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting in which revenue is recognized when earned and expenses are recognized when incurred.

Net Assets

Net assets of ADOPT and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of ADOPT's management and the Board of Directors.

Net Assets with Donor Restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of ADOPT or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statement of Activities. ADOPT has no net assets with donor restrictions that are perpetual in nature.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash and Investments

For the purpose of the Statement of Financial Position and Statement of Cash Flows, ADOPT's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of purchase.

Investments are generally reported at fair value. Short-term investments are reported at cost, which approximates fair value. For investments, ADOPT categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

ANIMALS DESERVING OF PROPER TREATMENT

Notes to the Financial Statements

December 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets

Capital assets purchased or acquired with an original cost of \$500, or more are reported at historical cost or estimated historical cost. Depreciation on all assets is computed and recorded using the straight-line method of depreciation over the following estimated useful lives:

Building and Equipment	5 - 40 Years
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Income Taxes

ADOPT is exempt from income tax under IRC section 501(c)(3), and similarly, is exempt from State of Illinois taxes under the Illinois Tax Act Section 205(a), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. ADOPT has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. ADOPT has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. There was no unrelated business income for the year ended December 31, 2022 and December 31, 2021.

ADOPT's Forms 990, *Return of Organization Exempt from Income Tax*, are subject to examination by the IRS, generally, for three years after they were filed. Annual filings with the State of Illinois are, similarly, subject to examination.

Contributed Revenue

ADOPT recognizes revenue as it satisfies a performance obligation by transferring control over a product or a service to a customer. Revenue is measured at the transaction price, which is based on the amount of consideration that ADOPT expects to receive in exchange for transferring the promised good or service to the customer. Program fees and payments under cost-reimbursable contracts in advance are deferred to the applicable period in which the related services are performed, or expenses are incurred, respectively.

A portion of ADOPT's revenue is derived from cost-reimbursable state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when ADOPT has incurred expenses in compliance with specific contract or grant provisions.

Revenue Recognition

ADOPT recognizes special event revenue, adoption and clinical fees, and memberships revenues when received or when service was performed. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

ANIMALS DESERVING OF PROPER TREATMENT

Notes to the Financial Statements

December 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Donated Services

ADOPT recognizes donated services as revenue 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 supporting services have been summarized on a functional basis in the statement of functional expenses. Functional expenses which are not directly attributable to one function are allocated between program, management and general, and fundraising services based on the number of employees involved, the amount of time spent, the percentage of their salary associated with the time and on estimated made by ADOPT's management.

NOTE 3 - CASH AND INVESTMENTS

At December 31, 2022, the carrying amount of ADOPT's cash deposits totaled \$220,175 and the bank balances totaled \$238,473. The entire balance of deposits was fully insured by federal deposit insurance.

ADOPT has the following investment fair values and maturities at December 31, 2022:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Equities	\$ 492,267	492,267	—	—	—
Mutual Funds	601,802	601,802	—	—	—
Totals	1,094,069	1,094,069	—	—	—

ADOPT has the following recurring fair value measurements as of year-end:

- Equities of \$492,267 are valued using quoted market prices (Level 1 inputs)
- Mutual Funds of \$601,802 are valued using quoted market prices (Level 1 inputs)

ANIMALS DESERVING OF PROPER TREATMENT

Notes to the Financial Statements

December 31, 2022

NOTE 3 - CASH AND INVESTMENTS - Continued

At December 31, 2021, the carrying amount of ADOPT's cash deposits totaled \$529,613 and the bank balances totaled \$529,613. The entire balance of deposits was fully insured by federal deposit insurance.

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Equities	\$ 534,743	534,743	—	—	—
Mutual Funds	575,286	575,286	—	—	—
Totals	1,110,029	1,110,029	—	—	—

ADOPT has the following recurring fair value measurements as of year-end:

- Equities of \$534,743 are valued using quoted market prices (Level 1 inputs)
- Mutual Funds of \$575,286 are valued using quoted market prices (Level 1 inputs)

NOTE 4 - INVESTMENT INCOME

Investment income (loss) for the year ended December 31, 2022 and December 31, 2021 consists of the following:

	2022	2021
Dividends and Interest	\$ 40,472	37,008
Unrealized Gain in Investments	(160,076)	60,511
Investment Fees	(5,691)	(3,528)
	(125,295)	93,991

ANIMALS DESERVING OF PROPER TREATMENT

Notes to the Financial Statements

December 31, 2022

NOTE 5 - AVAILABILITY AND LIQUIDITY

The following represents ADOPT's financial assets at December 31, 2022 and December 31, 2021:

	2022	2021
Financial Assets at Year End:		
Cash and Investments	\$ 1,314,244	1,639,642
Accounts Receivable	27,087	—
	<u>1,341,331</u>	<u>1,639,642</u>
Less Amounts not Available to be used within one year		
Net Assets with Donor Restrictions	—	2,000
Financial Assets Available to Meet General Expenses over the Next Twelve Months	<u>1,341,331</u>	<u>1,637,642</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 6 - CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Nondepreciable Assets				
Land	\$ 161,187	—	—	161,187
Construction in Progress	38,770	94,300	38,770	94,300
	<u>199,957</u>	<u>94,300</u>	<u>38,770</u>	<u>255,487</u>
Depreciable Capital Assets				
Building and Equipment	1,586,898	250,078	—	1,836,976
Less Accumulated Depreciation				
Building and Equipment	731,671	50,317	—	781,988
Net Depreciable Capital Assets	<u>855,227</u>	<u>199,761</u>	<u>—</u>	<u>1,054,988</u>
Net Capital Assets	<u>1,055,184</u>	<u>294,061</u>	<u>38,770</u>	<u>1,310,475</u>

Depreciation expenses was \$50,317 and \$42,517 for the years ended December 31, 2022 and December 31, 2021, respectively.

ANIMALS DESERVING OF PROPER TREATMENT

Notes to the Financial Statements

December 31, 2022

NOTE 7 - REVOLVING LINE-OF-CREDIT

ADOPT has established a \$500,000 revolving line-of-credit with Raymond James Bank for working needs. As of December 31, 2022, ADOPT has drawn \$148,940 on the line-of-credit, with interest of 7.4%.

NOTE 8 - NET ASSETS

With Donor Restrictions

Net Assets with donor restrictions was comprised of the following:

	2022	2021
With Donor Restrictions		
Purpose Restricted	\$ —	2,000

Without Donor Restrictions

Net Assets without donor restrictions was comprised of the following:

	2022	2021
Without Donor Restrictions	\$ 2,464,042	2,690,790