

**PETS FOR PATRIOTS, INC.**  
**(A nonprofit organization)**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

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# RIFKIN & LUBCHER, LLP

CERTIFIED PUBLIC ACCOUNTANTS

424 MADISON AVENUE

NEW YORK, N.Y. 10017

(212) 888-8350

FAX (212) 888-5924

To the Board of Trustees of  
Pets For Patriots, Inc.

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Pets For Patriots, Inc. (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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 audit. 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 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 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.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pets For Patriots, Inc. as of December 31, 2016, and the changes in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Pets For Patriots, Inc. 2015 financial statements and our report dated September 5, 2016, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Rifkin + Lubcher, LLP". The signature is written in a cursive, flowing style.

October 23, 2017  
New York, New York

**PETS FOR PATRIOTS, INC.**  
**(A nonprofit organization)**

**STATEMENT OF FINANCIAL POSITION**

**YEAR ENDED DECEMBER 31, 2016**  
**(With comparative totals as of December 31, 2015)**

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 50,996	\$ 50,453
Contributions receivable	5,000	-
Prepaid expense	13,770	3,600
Investments	445,467	433,681
Fixed assets, net	<u>27,186</u>	<u>26,118</u>
<b>Total assets</b>	<b><u>\$ 544,890</u></b>	<b><u>\$ 513,852</u></b>
<b>Liabilities</b>		
Credit card payable	\$ 11,558	\$ 2,453
Accounts payable and other liabilities	<u>7,997</u>	<u>12,423</u>
	<u>19,555</u>	<u>14,876</u>
<b>Net assets:</b>		
Without donor restrictions	506,689	498,976
With donor restrictions	<u>18,646</u>	<u>-</u>
<b>Total net assets</b>	<b><u>525,335</u></b>	<b><u>498,976</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 544,890</u></b>	<b><u>\$ 513,852</u></b>

**PETS FOR PATRIOTS, INC.**  
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**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**

**YEAR ENDED DECEMBER 31, 2016**  
**(With comparative totals for the year ended December 31, 2015)**

	Year ended December 31, 2016			2015
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Revenues</b>				
Contributions	\$ 242,798	\$ 31,500	\$ 274,298	\$ 296,074
Investment income (loss)	14,158		14,158	(999)
Net assets released from restrictions:				
Satisfaction of program restrictions	12,854	(12,854)	-	-
Total revenues	269,810	18,646	288,456	295,075
<b>Expenses</b>				
Veterans' pet food bank program and veterinary care subsidies	80,460	-	80,460	72,640
Officer salary	65,000	-	65,000	64,337
Salaries	25,000	-	25,000	22,667
Payroll taxes and benefits	19,730	-	19,730	19,733
Development and fundraising	1,335	-	1,335	3,369
Printing and advertising	7,722	-	7,722	13,722
Office supplies and expenses	4,264	-	4,264	4,616
Travel and hotel	418	-	418	532
Computer and website	20,099	-	20,099	29,453
Professional fees	10,015	-	10,015	9,514
Depreciation and amortization	13,982	-	13,982	6,471
Miscellaneous expenses	14,072	-	14,072	9,014
Total expenses	262,097	-	262,097	256,068
<b>Change in net assets</b>	7,713	18,646	26,359	39,007
<b>Net assets - beginning of year</b>	498,976	-	498,976	459,969
<b>Net assets - end of year</b>	\$ 506,689	\$ 18,646	\$ 525,335	\$ 498,976

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**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2016**  
**(With comparative totals for the year ended December 31, 2015)**

Expenses	Year ended December 31,					
	2016			2015		
	Program	Management and General	Fundraising	Total		
Veterans' pet food bank program and veterinary care subsidies	\$ 80,460	\$ -	\$ -	\$ 80,460	\$ 72,640	
Officer salary	58,500	3,250	3,250	65,000	64,337	
Salaries	24,375	625	-	25,000	22,667	
Payroll taxes and benefits	17,938	926	866	19,730	19,733	
Development and fundraising	-	-	1,335	1,335	3,369	
Printing and advertising	7,236	-	486	7,722	13,722	
Office supplies and expenses	3,838	426	-	4,264	4,616	
Travel and hotel	334	42	42	418	532	
Computer and website	18,089	1,005	1,005	20,099	29,453	
Professional fees	5,008	5,007	-	10,015	9,514	
Depreciation and amortization	6,500	2,015	5,467	13,982	6,471	
Miscellaneous expenses	4,708	5,981	3,383	14,072	9,014	
Total expenses	\$ 226,986	\$ 19,278	\$ 15,834	\$ 262,097	\$ 256,068	

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**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2016**  
**(With comparative totals for the year ended December 31, 2015)**

	2016	2015
<b>Cash flows from operating activities</b>		
Change in net assets	<u>\$ 26,359</u>	<u>\$ 39,007</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	13,982	6,471
Net unrealized and realized (gains) losses on investments	(4,811)	8,732
Bond premium amortization	(512)	(2,179)
Changes in operating assets and liabilities		
Decrease (increase) in contributions receivable	(5,000)	8,627
Decrease in prepaid expense	(10,170)	(3,600)
Increase (decrease) in credit card payable	9,105	(7,097)
(Decrease) increase in accounts payable and other liabilities	<u>(4,426)</u>	<u>3,061</u>
Total adjustments	<u>(4,303)</u>	<u>14,015</u>
Net cash provided by operating activities	<u>22,056</u>	<u>53,022</u>
<b>Cash flows from investing activities</b>		
Proceeds from sales and redemption of investments	104,675	111,447
Cash paid for purchase of investments	(111,138)	(182,979)
Cash paid for website	<u>(15,050)</u>	<u>(22,575)</u>
Net cash used in investing activities	<u>(21,513)</u>	<u>(94,107)</u>
<b>Net change in cash and cash equivalents</b>	543	(41,085)
<b>Cash and cash equivalents, beginning of year</b>	<u>50,453</u>	<u>91,538</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 50,996</u>	<u>\$ 50,453</u>



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**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Pets For Patriots, Inc. (the "Organization") is a nonprofit organization exempt from income tax under Section 501(c) (3) of the U.S. Internal Revenue Code. The purpose of the Organization is to conduct activities, which are exclusively charitable and educational.

The Organization's mission is to transform the lives of our veterans by helping them save an at-risk shelter dog or cat, to end animal homelessness in the U.S. and enrich the lives of the men and women who serve, and have served our country. The Organization also provides access to additional cost reductions for veterinary services and pet basics.

**Basis of presentation and financial presentation**

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions are assets and contributions that are not restricted by donor-imposed stipulations or for which donor restrictions have expired. Net assets with donor restrictions are assets whose use has been restricted by donors to a specific period or purpose. When a restriction expires or is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported as released from restriction in the statement of activities.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

**Contributions**

Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and nature of any donor restrictions.

**Concentrations of credit risk**

Financial instruments that potentially subject the Organization to credit risk consist of cash in financial institutions.

**Estimates**

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

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**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Contributions receivable**

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. At December 31, 2016, there is no allowance for uncollectible receivables.

**Cash and cash equivalents**

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, bank deposits due on demand, money market funds held in brokerage accounts and certificates of deposit.

**Uncertainty in income taxes**

The Organization has adopted guidance on accounting for uncertainty in income taxes issued by the Financial Accounting Standards Board. Management believes that the Organization has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Certain information returns filed by the Organization prior to December 31, 2013 are no longer subject to examination by authorities.

**Fixed assets**

Fixed assets in excess of \$500 are capitalized and stated at cost. Depreciation is computed using the straight line method at rates calculated to amortize the cost over the estimated useful lives of the assets.

**Functional Allocation of Expenses**

Directly identifiable expenses are charged to programs and supporting services. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

**2. DONATED SERVICES AND FACILITIES**

Unpaid volunteer officers and committees conduct a portion of the Organization's functions. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for recognition.

**3. RELATED PARTY TRANSACTIONS**

The Organization has significant interaction with its officers and directors.

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**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2016**

**4. FIXED ASSETS**

Equipment consists of the following at December 31, 2016:

		<u>Useful Life</u>
Equipment	\$ 48,394	3 - 5 years
Website	22,575	
Less: Accumulated depreciation and amortization	<u>(43,783)</u>	
	<u>\$ 27,186</u>	

Depreciation and amortization expense for the years ended December 31, 2016 amounted to \$13,982.

**5. INVESTMENTS**

At December 31, 2016 the Organization had investments comprised of:

	<u>Cost</u>	<u>Fair Value</u>
Exchange traded funds	\$ 87,807	\$ 94,541
Corporate debt securities	177,868	175,721
U.S. Government and agency obligations	<u>177,663</u>	<u>175,205</u>
	<u>\$ 443,338</u>	<u>\$ 445,467</u>

**6. FAIR VALUE MEASUREMENTS**

The Organization has adopted the provisions of SFAS 157 "Fair Value Measurements". SFAS 157 defines and establishes a framework for measuring fair value and expands disclosures. SFAS 157 framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. SFAS 157 establishes a three-level fair valuation hierarchy based upon observable and non-observable inputs.

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**YEAR ENDED DECEMBER 31, 2016**

**6. FAIR VALUE MEASUREMENTS (continued)**

Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Foundation's market assumptions. Preference is given to observable inputs. These two types of inputs create the following fair value hierarchy:

Level 1 - Quoted prices for identical instruments in active markets.

Level 2- Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 - Significant inputs to the valuation model are unobservable.

Information about certain of the Organization's financial assets follows as of December 31, 2016:

	Total	Level 1	Level 2	Level 3
Exchange traded funds	\$ 94,541	\$ -	\$ 94,541	\$ -
Corporate debt securities	175,721	-	175,721	-
US Government and agency obligations	175,205	175,205	-	-
	\$ 445,467	\$ 175,205	\$ 270,262	\$ -

**7. INVESTMENT INCOME**

For the year ended December 31, 2016 investment income is comprised of:

Interest and dividend income	\$ 12,185
Bond premium amortization	512
Loss on sale of marketable securities	996
Unrealized loss on marketable securities	3,815
	17,508
Investment fees	3,350
	\$ 14,158

**8. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 23, 2017, the date on which the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.