

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

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

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

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**CONTENTS**

**FINANCIAL STATEMENTS**

INDEPENDENT AUDITOR'S REPORT.....	1
STATEMENT OF FINANCIAL POSITION.....	3
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS.....	4
STATEMENT OF FUNCTIONAL EXPENSES.....	5
STATEMENT OF CASH FLOWS.....	6
NOTES TO FINANCIAL STATEMENTS.....	7

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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, 2014 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.

### 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 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, 2014, 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. 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 18, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, 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.

July 31, 2015  
New York, New York

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

**STATEMENTS OF FINANCIAL POSITION**

**YEAR ENDED DECEMBER 31, 2014**  
**(With comparative totals as of December 31, 2013)**

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 91,538	\$ 463,617
Contributions receivable	8,627	13,250
Investments	368,702	-
Equipment, net	<u>10,014</u>	<u>18,173</u>
<b>Total assets</b>	<u>\$ 478,881</u>	<u>\$ 495,040</u>
<b>Liabilities</b>		
Credit card payable	\$ 9,550	\$ 2,372
Accounts payable and other liabilities	<u>9,362</u>	<u>8,674</u>
	18,912	11,046
<b>Net assets - unrestricted</b>	<u>459,969</u>	<u>483,994</u>
<b>Total liabilities and net assets</b>	<u>\$ 478,881</u>	<u>\$ 495,040</u>

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

**YEAR ENDED DECEMBER 31, 2014**  
**(With comparative totals as of December 31, 2013)**

	Year ended December 31,	
	2014	2013
<b>Revenues</b>		
Contributions	\$ 210,874	\$ 575,824
Special event income	-	67,727
Less direct costs of special event	-	(12,386)
Investment income	2,636	-
Total revenues	213,510	631,165
<b>Expenses</b>		
Veterans' pet food bank program	68,202	73,932
Officer salary	60,000	60,000
Salaries	20,800	4,333
Payroll taxes and benefits	17,382	15,754
Development and fundraising	-	10,450
Printing and advertising	25,029	8,420
Office supplies and expenses	5,139	2,926
Travel and hotel	2,232	3,111
Insurance	145	378
Computer and website	14,943	4,372
Professional fees	7,000	6,015
Depreciation and amortization	8,159	7,782
Miscellaneous expenses	8,504	7,728
Total expenses	237,535	205,201
<b>Change in net assets</b>	(24,025)	425,964
<b>Net assets - unrestricted, beginning of year</b>	483,994	58,030
<b>Net assets - unrestricted, end of year</b>	\$ 459,969	\$ 483,994

**PETS FOR PATRIOTS, INC.**  
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**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2014**  
**(With comparative totals as of December 31, 2013)**

	Year ended December 31,				
	2014			2013	
	Program	Management and General	Fundraising	Total	
<b>Expenses</b>					
Veterans' pet food bank program	68,202	-	-	68,202	73,932
Officer salary	48,000	3,000	9,000	60,000	60,000
Salaries	20,280	520	-	20,800	4,333
Payroll taxes and benefits	14,225	823	2,333	17,382	15,754
Development and fundraising	-	-	-	-	10,450
Printing and advertising	10,269	-	14,760	25,029	8,420
Office supplies and expenses	-	5,139	-	5,139	2,926
Travel and hotel	-	-	2,232	2,232	3,111
Insurance	-	145	-	145	378
Computer and website	12,600	107	2,236	14,943	4,372
Professional fees	3,500	3,500	-	7,000	6,015
Depreciation and amortization	5,179	1,179	1,801	8,159	7,782
Miscellaneous expenses	4,372	1,829	2,303	8,504	7,728
Total expenses	<u>\$ 186,626</u>	<u>\$ 16,243</u>	<u>\$ 34,666</u>	<u>\$ 237,535</u>	<u>\$ 205,201</u>

**PETS FOR PATRIOTS, INC.**  
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**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2014**  
**(With comparative totals as of December 31, 2013)**

	Year Ended December 31,	
	2014	2013
<b>Cash flows from operating activities</b>		
Change in net assets	<u>\$ (24,025)</u>	<u>\$ 425,964</u>
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	8,159	7,782
Unrealized gains	(2,981)	-
Bond premium amortization	2,179	-
Decrease (increase) in contributions receivable	4,623	(1,600)
Decrease in other receivables	-	2,563
Increase in credit card payable	7,178	505
Increase (decrease) in accounts payable and other liabilities	<u>688</u>	<u>(6,497)</u>
Total adjustments	<u>19,846</u>	<u>2,753</u>
Net cash (used in) provided by operating activities	<u>(4,179)</u>	<u>428,717</u>
<b>Cash flows from investing activities</b>		
Acquisition of marketable securities	(367,900)	-
Cash paid for equipment	<u>-</u>	<u>(17,637)</u>
Net cash (used in) investing activities	<u>(367,900)</u>	<u>(17,637)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	(372,079)	411,080
<b>Cash and cash equivalents, beginning of year</b>	<u>463,617</u>	<u>52,537</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 91,538</u>	<u>\$ 463,617</u>



**PETS FOR PATRIOTS, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2014**

**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. This will 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 accounting**

The financial statements are prepared on the accrual basis of accounting.

**Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support 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. During the year ended December 31, 2014, approximately 12% of contributions were received from one donor.

**Use of 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.

**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, 2014, there is no allowance for uncollectible receivables.

**Uncertainty in income taxes**

The Organization complies with the provision pertaining to uncertain tax positions (ASC 740) and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending December 31, 2011 and subsequent remain subject to examination by applicable taxing authorities.

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**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2014**

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

**Equipment**

Equipment in excess of \$500 is 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.

**Prior Year Summarized Information**

The financial statements contain certain prior year comparative information in total. 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 entity's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

**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.

**3. RELATED PARTY TRANSACTIONS**

The Organization has significant interaction with its officers and directors.

**4. EQUIPMENT**

Equipment consists of the following at December 31, 2014:

		Useful Life
Equipment	\$ 33,344	3 - 5 years
Less: Accumulated depreciation and amortization	(23,330)	
	\$ 10,014	

Depreciation and amortization expense for the years ended December 31, 2014 amounted to \$8,159.

**5. INVESTMENTS**

At December 31, 2014 the Organization had investments comprised of:

	Cost	Fair Value
Exchange traded funds	\$ 69,664	\$ 72,680
Corporate debt securities	124,561	124,250
U.S. Government and agency obligations	171,495	171,772
	\$ 365,720	\$ 368,702

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**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2014**

**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.

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, 2014:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Exchange traded funds	\$ 72,680	\$ -	\$ 72,680	\$ -
Corporate debt securities	124,250	-	124,250	-
US Government and agency obligations	<u>171,772</u>	<u>171,772</u>	-	-
	<u>\$ 368,702</u>	<u>\$ 171,772</u>	<u>\$ 196,930</u>	<u>\$ -</u>

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**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2014**

**7. INVESTMENT INCOME**

For the year ended December 31, 2014 investment income is comprised of:

Interest and dividend income	\$	3,774
Bond premium amortization		(2,179)
Gain on sale of marketable securities		10
Unrealized gain on marketable securities		<u>2,981</u>
		4,586
Investment fees		<u>1,950</u>
	\$	<u>2,636</u>

**8. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 31, 2015, 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.