

DOGS TRUST USA, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020



LUTZ AND GARR

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Dogs Trust USA, Inc.

Opinion

We have audited the accompanying financial statements of Dogs Trust USA, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, 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 Dogs Trust USA, Inc. 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Dogs Trust USA, Inc. 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.

Emphasis of Matter

As discussed in Note 8 to the financial statements, in March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, Dogs Trust USA, Inc. has suspended some of its program activities at the direction of state and local government authorities. Our opinion is not modified with respect to this matter.

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 Dogs Trust USA, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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.

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 Dogs Trust USA, Inc.'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 Dogs Trust USA, Inc.'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.

Lutz + Carr, LLP

DOGS TRUST USA, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash (Note 6a)	\$393,304	\$373,195
Contributions receivable (Notes 1a, 1b and 4)		
Without donor restrictions	110,000	100,201
With donor restrictions	-	146,176
Prepaid expenses and other current assets	12,753	2,208
Property and equipment, at cost, net of accumulated amortization (Notes 1e and 5)	<u>39,258</u>	<u>-</u>
 Total Assets	 <u>\$555,315</u>	 <u>\$621,780</u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 14,000	\$ 13,000
Grants payable (Note 1c)	<u>149,841</u>	<u>195,136</u>
Total Liabilities	<u>163,841</u>	<u>208,136</u>
 Contingency (Note 8)		
 Net Assets		
Without donor restrictions	236,490	117,468
With donor restrictions (Note 3)	<u>154,984</u>	<u>296,176</u>
Total Net Assets	<u>391,474</u>	<u>413,644</u>
 Total Liabilities and Net Assets	 <u>\$555,315</u>	 <u>\$621,780</u>

See notes to financial statements.

DOGS TRUST USA, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Changes in Net Assets Without Donor Restrictions		
Support		
Contributions (Notes 1a, 1b and 6b)	\$ 395,159	\$293,498
Donated services (Note 7)	488,430	-
Net assets released from restrictions - expiration of time and program restrictions	249,782	434,180
Foreign exchange loss	<u>(2,137)</u>	<u>-</u>
Total Support	<u>1,131,234</u>	<u>727,678</u>
Expenses		
Program Services	<u>526,181</u>	<u>357,050</u>
Supporting Services		
Management and general	198,057	128,727
Fundraising	<u>287,974</u>	<u>244,631</u>
Total Supporting Services	<u>486,031</u>	<u>373,358</u>
Total Expenses	<u>1,012,212</u>	<u>730,408</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	<u>119,022</u>	<u>(2,730)</u>
Changes in Net Assets With Donor Restrictions		
Contributions (Notes 1b and 6b)	108,590	50,000
Foreign exchange loss	-	(6,104)
Net assets released from restrictions	<u>(249,782)</u>	<u>(434,180)</u>
Decrease in Net Assets With Donor Restrictions	<u>(141,192)</u>	<u>(390,284)</u>
Decrease in net assets	(22,170)	(393,014)
Net assets, beginning of year	<u>413,644</u>	<u>806,658</u>
Net Assets, End of Year	<u><u>\$ 391,474</u></u>	<u><u>\$413,644</u></u>

See notes to financial statements.

DOGS TRUST USA, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021				2020			
	Program Service	Supporting Services			Program Service	Supporting Services		
		Management and General	Fundraising	Total		Management and General	Fundraising	Total
Grant expense, net of terminations	\$181,563	\$ -	\$ -	\$ 181,563	\$357,050	\$ -	\$ -	\$357,050
Salaries and payroll taxes	-	-	223,048	223,048	-	-	225,411	225,411
Staff expenses	-	-	13,299	13,299	-	-	5,303	5,303
Support staff	51,188	116,837	11,375	179,400	-	-	-	-
Dog school expenses	171,800	-	-	171,800	-	-	-	-
Dog trainer development	57,267	-	-	57,267	-	-	-	-
Grant consultants	64,363	-	-	64,363	-	-	-	-
Professional fees	-	47,693	-	47,693	-	82,999	-	82,999
Management fees	-	9,121	-	9,121	-	21,596	-	21,596
Insurance	-	8,853	-	8,853	-	5,243	-	5,243
Information technology	-	6,364	-	6,364	-	10,294	-	10,294
Fundraising fees	-	-	40,252	40,252	-	-	10,060	10,060
Printing	-	-	-	-	-	-	3,857	3,857
Bank charges and miscellaneous expenses	-	5,620	-	5,620	-	8,595	-	8,595
Amortization	-	3,569	-	3,569	-	-	-	-
Total Expenses	<u>\$526,181</u>	<u>\$ 198,057</u>	<u>\$ 287,974</u>	<u>\$1,012,212</u>	<u>\$357,050</u>	<u>\$ 128,727</u>	<u>\$ 244,631</u>	<u>\$730,408</u>

See notes to financial statements.

DOGS TRUST USA, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Decrease in net assets	\$(22,170)	\$(393,014)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Amortization	3,569	-
(Increase) decrease in:		
Contributions receivable	136,377	218,312
Prepaid expenses and other current assets	(10,545)	15,042
Increase (decrease) in:		
Accounts payable and accrued expenses	1,000	(109,166)
Grants payable	(45,295)	145,877
Net Cash Provided (Used) By Operating Activities	<u>62,936</u>	<u>(122,949)</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	<u>(42,827)</u>	<u>-</u>
Net increase (decrease) in cash	20,109	(122,949)
Cash, beginning of year	<u>373,195</u>	<u>496,144</u>
Cash, End of Year	<u><u>\$393,304</u></u>	<u><u>\$ 373,195</u></u>

See notes to financial statements.

DOGS TRUST USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization and Related Party

Dogs Trust USA, Inc. (the "Organization") is a not-for-profit corporation, which was incorporated in 2017 within the state of Massachusetts. The Organization's mission is to protect dogs and other animals from maltreatment, cruelty, and suffering. The corporation has one member, which is the Chief Executive Officer of Dogs Trust Incorporated in England and Wales (DTUK).

Another organization that is controlled by DTUK is Dogs Trust Worldwide (DTW). In 2018, the Organization received a multi-year pledge from DTW of which approximately \$96,000 was receivable at December 31, 2020 and received in 2021. DTW donated \$276,000 in 2021 to the Organization.

b - Contributions and Contributions Receivable

Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Conditional promises to give, that is, those with a measurable performance-related or other barrier and right of return of assets transferred or release of a promisor's obligation to transfer assets in the future, are not recognized until the conditions on which they depend have been met. Contributions that are restricted by the donor are reported as increases without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restriction. 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.

c - Grant Expense

Grants are accrued at the time they are approved and the grant agreement is signed by the Organization.

d - Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.

DOGS TRUST USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

d - Financial Statement Presentation (continued)

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 the Organization or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

e - Property and Equipment

Property and equipment are recorded at cost and are being amortized using the straight-line method over the estimated useful lives of the assets.

f - Functional Allocation of Expenses

The financial statements report expenses that are attributable to program or supporting functions. Expenses are applied directly to programs or supporting functions where applicable. A substantial portion of the Organization's expenses are directly related to program activities.

g - Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

h - Tax Status

The Organization is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

i - Subsequent Events

The Organization has evaluated subsequent events through April 12, 2022, the date that the financial statements are considered available to be issued.

Note 2 - Information Regarding Liquidity and Availability

The Organization operates within its financial means each fiscal year based on the cash revenues expected to be available to fund anticipated expenses. The Organization's annual revenue is comprised of contribution revenue. The Organization considers general expenditures to consist of all expenses related to its ongoing program activities, and the expenses related to general, administrative, and fundraising activities undertaken to support those services.

DOGS TRUST USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 2 - Information Regarding Liquidity and Availability (continued)

The Organization regularly monitors liquidity to meet its operating needs and other commitments. Management prepares regular cash flow projections to determine liquidity needs and has a policy to maintain all of its financial assets in cash so that they are available to cover expenditures as they arise.

The Organization's financial assets as of December 31 and those available within one year to meet cash needs for general expenditures are summarized as follows:

	<u>2021</u>	<u>2020</u>
Financial Assets at Year End:		
Cash	\$393,304	\$373,195
Contributions receivable	<u>110,000</u>	<u>246,377</u>
Total Financial Assets	503,304	619,572
Less: Amounts not Available to be Used within One Year		
Net assets with donor restrictions, subject to expenditure for specific purpose	(154,984)	(296,176)
Plus: Net assets with restrictions to be met in less than one year	<u>154,984</u>	<u>296,176</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$503,304</u>	<u>\$619,572</u>

Note 3 - Net Assets

Net assets with donor restrictions are restricted for future programs and periods.

Note 4 - Contributions Receivable

Contributions receivable are due in one year. Uncollectible contributions receivable are expected to be insignificant.

DOGS TRUST USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 5 - Property and Equipment

Property and equipment consists of the following intangible asset as of December 31, 2021:

	<u>Life</u>	<u>Amount</u>
CRM software	4 years	\$42,827
Less: Accumulated amortization		<u>(3,569)</u>
Net Book Value		<u>\$39,258</u>

Note 6 - Concentrations

a - The Organization maintains its cash and cash equivalents in a financial institution which is insured by the Federal Deposit Insurance Corporation. The cash balances, at times, may exceed federally insured limits.

b - In 2021, the Organization received 87% of its contributions from three donors. In 2020, the Organization received 86% of its contributions from three donors.

Note 7 - Donated Services

During 2021, the Organization received the following donated services from its member organization, DTUK (Note 1a):

<u>Description</u>	
Dog school expenses	\$171,800
Dog trainer development	57,267
Fundraising	15,600
Support staff	179,400
Grant consultants	<u>64,363</u>
Total	<u>\$488,430</u>

DOGS TRUST USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Note 8 - Risks and Uncertainties

In March 2020, the United States of America declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. This caused contributions in 2021 to be lower than anticipated and grant expenses were reduced as a result. Management continues to actively monitor the impact of the pandemic on contributions and net assets, and update financial plans accordingly.