

# **The American German Shepherd Dog Charitable Foundation, Inc.**

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**Financial Statements –  
Modified Cash Basis**

**Years Ended December 31, 2015 and 2014**

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## **Independent Auditors' Report**

Board of Directors  
The American German Shepherd Dog  
Charitable Foundation, Inc.  
Albany, Oregon

We have audited the accompanying financial statements of The American German Shepherd Dog Charitable Foundation, Inc., which comprise the statements of assets and net assets – modified cash basis as of December 31, 2015 and 2014, and the related statements of support, revenue and expenses and change in net assets – modified cash basis 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

### ***Auditors' 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 auditors' 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 assets and net assets of The American German Shepherd Dog Charitable Foundation, Inc. as of December 31, 2015 and 2014, and its support, revenue and expenses and change in net assets for the years then ended on the basis of accounting described in Note 1.

***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

*Dixon Hughes Goodman LLP*

**Memphis, Tennessee**  
**June 2, 2016**

**The American German Shepherd Dog Charitable Foundation, Inc.**  
**Statements of Assets and Net Assets - Modified Cash Basis**  
**December 31, 2015 and 2014**

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash in checking account	\$ 7,182	\$ 82,373
Money market accounts	44,992	39,970
Investments, at cost	<u>1,235,616</u>	<u>779,271</u>
Total assets	<u>\$ 1,287,790</u>	<u>\$ 901,614</u>
<b>NET ASSETS</b>		
Unrestricted	\$ 987,790	\$ 601,614
Temporarily restricted	<u>300,000</u>	<u>300,000</u>
Total net assets	<u>\$ 1,287,790</u>	<u>\$ 901,614</u>

**The American German Shepherd Dog Charitable Foundation, Inc.**  
**Statements of Support, Revenue and Expenses and**  
**Change in Net Assets - Modified Cash Basis**  
**Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Unrestricted support and revenue:		
Contributions:		
General public	\$ 432,924	\$ 155,002
Investment income	<u>12,635</u>	<u>34,286</u>
Total unrestricted support and revenue	<b>445,559</b>	189,288
Unrestricted expenses:		
Contributions - research	<b>48,750</b>	48,610
Officers and directors insurance	<b>1,820</b>	1,820
Legal and professional	<b>7,789</b>	7,543
Website fees	<b>100</b>	-
Other	<u>924</u>	<u>371</u>
Total unrestricted expenses	<u><b>59,383</b></u>	<u>58,344</u>
Change in unrestricted net assets	<b>386,176</b>	130,944
Net assets at beginning of year	<u>901,614</u>	<u>770,670</u>
Net assets at end of year	<u><b>\$ 1,287,790</b></u>	<u><b>\$ 901,614</b></u>

## **1. Summary of Significant Accounting Policies**

### ***Organization***

The American German Shepherd Dog Charitable Foundation, Inc. (the "Foundation") was formed in 1984 as a nonstock corporation, charitable foundation. The Foundation was organized to receive contributions and distribute funds to those charitable organizations which further the human use, knowledge, and skill involved in adapting the German Shepherd Dog to charitable, scientific and educational uses. On September 16, 1988, the Foundation received formal approval to be treated as an exempt organization under Section 501(c)(3) of the Internal Revenue Code ("IRC").

### ***Basis of accounting***

The Foundation prepares its financial statements on the modified cash basis of accounting. Under this basis, revenues are recognized when collected rather than when earned and expenses are generally recognized when paid rather than incurred. Investments are recorded at cost basis, with dividends, interest income, and realized gains being recognized during the year earned. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in conformity with accounting principles generally accepted in the United States of America ("GAAP").

### ***Support and revenue***

The Foundation receives support and revenue from a variety of sources, including private contributions. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending upon the existence and/or nature of any donor restrictions. Restricted contributions that are limited to specific uses by donor-imposed restrictions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets when the restriction expires. Temporarily restricted contributions, for which the donor-imposed restriction is satisfied in the same year that the contribution is received, are classified as unrestricted contributions in the statement of support, revenue, expenses and changes in net assets.

### ***Fair value measurement***

Investments are recorded at cost basis, while fair value is disclosed in Note 2. Fair value as defined under GAAP is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Foundation utilizes market data or assumptions that market participants would use in pricing the asset or liability under a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions. All of the Foundation's investments have quoted prices in active markets and are categorized as Level 1.

There were no changes during the years ended December 31, 2015 and 2014, to the Fund's valuation techniques used to measure asset and liability fair values on a recurring basis.

**The American German Shepherd Dog Charitable Foundation, Inc.**  
**Notes to Financial Statements – Modified Cash Basis**

***Income taxes***

The Foundation is exempt from federal income taxes as defined in Section 501(c)(3) of the IRC and has been determined to be an organization which is not a private foundation. As a qualified tax-exempt organization, the Foundation must operate in conformity with the IRC to maintain its tax-exempt status. The Foundation has determined that it does not have any uncertain tax positions at December 31, 2015 and 2014.

***Subsequent events***

The Foundation evaluated the effect subsequent events would have on the financial statements through June 2, 2016, which is the date the financial statements were available to be issued.

**2. Investments**

Investments at December 31, 2015 and 2014 are as follows:

	<u>2015</u>		<u>2014</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equity securities and mutual funds	\$ 741,875	\$ 777,263	\$ 454,788	\$ 520,417
Fixed income securities	<u>493,741</u>	<u>493,185</u>	<u>324,483</u>	<u>328,514</u>
	<u>\$ 1,235,616</u>	<u>\$ 1,270,448</u>	<u>\$ 779,271</u>	<u>\$ 848,931</u>

A summary of investment income for the years ended December 31, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 29,467	\$ 23,322
Realized gains (losses)	(8,027)	18,234
Less: investment fees	<u>(8,805)</u>	<u>(7,270)</u>
	<u>\$ 12,635</u>	<u>\$ 34,286</u>

**3. Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of a \$300,000 contribution from the Virginia Lyn Tarquinio estate to be used for research on medical issues affecting the German Shepherd Dog. No amounts were released from restrictions during the years ended December 31, 2015 and 2014.

**4. Concentrations**

During 2015, the Foundation received two significant contributions from a trust that represented approximately 93% of total contributions. During 2014, there was one individually significant contribution which represented approximately 97% of total contributions.