

The American German Shepherd Dog Charitable Foundation, Inc.

Audited Financial Statements – Modified Cash Basis

December 31, 2012 and 2011



DIXON HUGHES GOODMAN^{LLP}

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The American German Shepherd Dog Charitable Foundation, Inc.

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DIXON HUGHES GOODMAN^{LLP}
Certified Public Accountants and Advisors

Independent Auditors' Report

To the Board of Directors
The American German Shepherd Dog
Charitable Foundation, Inc.

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, 2012 and 2011, 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, 2012 and 2011, 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

June 25, 2013

The American German Shepherd Dog Charitable Foundation, Inc.

Statements of Assets and Net Assets - Modified Cash Basis

December 31, 2012 and 2011

Assets	<u>2012</u>	<u>2011</u>
Cash in checking account	\$ 9,381	\$ 1,823
Money market accounts	23,784	82,792
Investments, at cost	<u>704,328</u>	<u>671,766</u>
	<u>\$ 737,493</u>	<u>\$ 756,381</u>
 Net Assets		
Unrestricted	\$ 437,493	\$ 456,381
Temporarily unrestricted	<u>300,000</u>	<u>300,000</u>
Total net assets	<u>\$ 737,493</u>	<u>\$ 756,381</u>

See accompanying notes to financial statements.

The American German Shepherd Dog Charitable Foundation, Inc.

Statements of Support, Revenue and Expenses and Change in Net Assets - Modified Cash Basis

For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Unrestricted Support and Revenue		
Contributions		
General public	\$ 9,303	\$ 77,850
Fundraising event	1,955	710
Investment income	18,054	4,704
Total unrestricted support and revenue	<u>29,312</u>	<u>83,264</u>
Unrestricted Expenses		
Contributions - research	40,500	41,200
Officers and directors insurance	570	1,275
Legal and professional	4,079	14,619
Website fees	399	1,475
Other	2,652	2,872
Total unrestricted expenses	<u>48,200</u>	<u>61,441</u>
Change in unrestricted net assets	(18,888)	21,823
Net assets at beginning of year	<u>756,381</u>	<u>734,558</u>
Net assets at end of year	<u><u>\$ 737,493</u></u>	<u><u>\$ 756,381</u></u>

See accompanying notes to financial statements.

The American German Shepherd Dog Charitable Foundation, Inc.

Notes to Financial Statements – Modified Cash Basis

December 31, 2012 and 2011

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 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.

1. Summary of Significant Accounting Policies (continued)

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 therefore categorized as Level 1.

There were no changes during the year ended December 31, 2012, to the Fund's valuation techniques used to measure asset and liability fair values on a recurring 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 Foundation 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, 2012. Tax returns for 2009 and later remain subject to examination by federal and state taxing authorities.

Subsequent Events

The Foundation evaluated the effect subsequent events would have on the financial statements through June 24, 2013, which is the date the financial statements were available to be issued.

2. Investments

Investments at December 31, are as follows:

	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Equity securities and mutual funds	\$ 425,073	\$ 462,244	\$ 351,949	\$ 348,263
Fixed income securities	279,255	286,011	319,817	318,484
	<u>\$ 704,328</u>	<u>\$ 748,255</u>	<u>\$ 671,766</u>	<u>\$ 666,747</u>

2. Investments (continued)

A summary of investment income for the year ended December 31, is as follows:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 17,593	\$ 5,160
Realized gains	7,061	1,644
Less: investment fees	<u>(6,600)</u>	<u>(2,100)</u>
	<u>\$ 18,054</u>	<u>\$ 4,704</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 in 2011.

4. Concentrations

During 2011, the Foundation received one significant contribution from an estate that represented approximately 93% of total support and revenue. There were no individually significant contributions in 2012.