

The American German Shepherd Dog Charitable Foundation, Inc.

Financial Statements – Modified Cash Basis

Years Ended December 31, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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 8, 2018**

The American German Shepherd Dog Charitable Foundation, Inc.
Statements of Assets and Net Assets – Modified Cash Basis
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets:		
Cash in checking account	\$ 5,550	\$ 5,948
Money market accounts	60,454	33,147
Investments, at cost	<u>1,148,587</u>	<u>1,199,557</u>
Total assets	<u>\$ 1,214,591</u>	<u>\$ 1,238,652</u>
NET ASSETS		
Unrestricted	\$ 962,791	\$ 938,652
Temporarily restricted	<u>251,800</u>	<u>300,000</u>
Total net assets	<u>\$ 1,214,591</u>	<u>\$ 1,238,652</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Changes in unrestricted net assets		
Unrestricted support and revenue:		
Contributions:		
General public	\$ 12,330	\$ 2,675
Investment income	31,165	22,094
Net assets released from restrictions	<u>48,200</u>	<u>-</u>
Total unrestricted support and revenue	<u>91,695</u>	<u>24,769</u>
Unrestricted expenses:		
Contributions-research	54,000	63,500
Officers and directors insurance	1,744	1,894
Legal and professional	8,284	8,024
Website fees	1,501	-
Other	<u>2,027</u>	<u>489</u>
Total unrestricted expenses	<u>67,556</u>	<u>73,907</u>
Change in unrestricted net assets	<u>24,139</u>	<u>(49,138)</u>
Changes in temporarily restricted net assets		
Net assets released from restrictions	<u>(48,200)</u>	<u>-</u>
Change in net assets	<u>(24,061)</u>	<u>(49,138)</u>
Net assets, beginning of year	<u>1,238,652</u>	<u>1,287,790</u>
Net assets, end of year	<u>\$ 1,214,591</u>	<u>\$ 1,238,652</u>

See accompanying notes.

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 statements 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, 2017 and 2016, 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 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, 2017 and 2016.

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

Subsequent events

The Foundation evaluated the effect subsequent events would have on the financial statements through June 8, 2018, which is the date the financial statements were available to be issued.

2. Investments

Investments at December 31, 2017 and 2016, are as follows:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equity securities and mutual funds	\$ 696,502	\$ 899,068	\$ 710,572	\$ 780,631
Fixed income securities	<u>452,085</u>	<u>449,399</u>	<u>488,985</u>	<u>485,708</u>
	<u>\$ 1,148,587</u>	<u>\$ 1,348,467</u>	<u>\$ 1,199,557</u>	<u>\$ 1,266,339</u>

A summary of investment income for the years ended December 31, 2017 and 2016, is as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 38,246	\$ 36,748
Realized gains (losses)	4,035	(3,896)
Less: investment fees	<u>(11,116)</u>	<u>(10,758)</u>
	<u>\$ 31,165</u>	<u>\$ 22,094</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. Net assets of \$48,200 were released from donor restrictions during the year ended December 31, 2017. No amounts were released from restrictions during the year ended December 31, 2016.

4. Concentrations

During 2017, the Foundation received one significant contribution from a donor that represented approximately 40% of total contributions. During 2016, there was one significant contribution from a donor that represented approximately 19% of total contributions.

5. Commitments

During 2017, the Foundation pledged a research grant in the amount of \$152,700 to be paid in three installments of \$51,000 in 2017, \$51,000 in 2018 and \$51,700 in 2019. The 2017 payment is reflected in contributions – research expense in the accompanying statements of support, revenues and expense and changes in net assets – modified cash basis.