

The American German Shepherd Dog Charitable Foundation, Inc.

Financial Statements – Modified Cash Basis

Years Ended December 31, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, The American German Shepherd Dog Charitable Foundation, Inc. adopted the Financial Accounting Standards Board ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in 2018. Our opinion is not modified with respect to this matter.

Dixon Hughes Goodman LLP

Memphis, Tennessee
August 12, 2019

The American German Shepherd Dog Charitable Foundation, Inc.
Statements of Assets and Net Assets – Modified Cash Basis
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets:		
Cash in checking account	\$ 7,225	\$ 5,550
Money market accounts	30,580	60,454
Investments, at cost	<u>1,033,419</u>	<u>1,148,587</u>
Total assets	<u>\$ 1,071,224</u>	<u>\$ 1,214,591</u>
NET ASSETS		
Without donor restrictions	\$ 954,424	\$ 962,791
With donor restrictions	<u>116,800</u>	<u>251,800</u>
Total net assets	<u>\$ 1,071,224</u>	<u>\$ 1,214,591</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Support and revenue without donor restrictions:		
Contributions:		
General public	\$ 8,096	\$ 12,330
Investment income	73,012	31,165
Net assets released from restrictions	<u>135,000</u>	<u>48,200</u>
Total support and revenue without donor restrictions	216,108	91,695
Program expenses:		
Contributions-research	212,200	54,000
Administrative and general expenses:		
Officers and directors insurance	1,744	1,744
Legal and professional	8,534	8,284
Website fees	722	1,501
Other	<u>1,275</u>	<u>2,027</u>
Total expenses	<u>224,475</u>	<u>67,556</u>
Change in net assets without donor restrictions	(8,367)	24,139
Net assets released from restrictions	<u>(135,000)</u>	<u>(48,200)</u>
Change in net assets	(143,367)	(24,061)
Net assets, beginning of year	<u>1,214,591</u>	<u>1,238,652</u>
Net assets, end of year	<u>\$ 1,071,224</u>	<u>\$ 1,214,591</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").

The Foundation reports its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets in which no payer or donor-imposed restrictions were stipulated beyond the general stated purposes of the Foundation. At the discretion of the Foundation's management and Board of Directors, these net assets may be expended for any purpose in performing the primary objectives of the organization.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation pursuant to those stipulations, or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds to be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Support and revenue

The Foundation receives support and revenue from a variety of sources, including private contributions. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of revenues and expenses and changes in net assets – modified cash basis as net assets released from restrictions.

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

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, 2018 and 2017, 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, 2018 and 2017.

New accounting standards

During 2018, the Foundation adopted ASU No. 2016-14 – Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity of available resources, and the lack of consistency in the type of information provided about expenses and investment return. During fiscal year 2018, the financial statements have been adjusted to reflect retrospective application of the new accounting guidance. The retrospective application resulted in temporarily restricted net assets of \$251,800 being reported as net assets with donor restrictions as of December 31, 2018. Functional expense information has been presented in the statement of activities. There was no change in total net assets or effect on the change in net assets in the accompanying statement of revenues and expenses and changes in net assets – modified cash basis.

Subsequent events

The Foundation evaluated the effect subsequent events would have on the financial statements through August 12, 2019, which is the date the financial statements were available to be issued.

2. Availability of Financial Assets

The Foundation's financial assets as of December 31, 2017 and 2018, consist of cash in checking account, money market accounts and investments, at cost as presented in the statement of assets and net assets – modified cash basis. At December 31, 2018, all financial assets are available to be used to meet general expenditures over the next twelve months, except for donor restricted funds of \$116,800.

As part of the Foundation's liquidity management plan, investments are allocated to short-term investments and money market funds to be readily available for operational costs throughout the course of the year.

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

3. Investments

Investments at December 31, 2018 and 2017, are as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equity securities and mutual funds	\$ 583,532	\$ 635,818	\$ 696,502	\$ 899,068
Fixed income securities	<u>449,887</u>	<u>433,547</u>	<u>452,085</u>	<u>449,399</u>
	<u>\$ 1,033,419</u>	<u>\$ 1,069,365</u>	<u>\$ 1,148,587</u>	<u>\$ 1,348,467</u>

A summary of investment income for the years ended December 31, 2018 and 2017, is as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 30,573	\$ 38,246
Realized gains	53,608	4,035
Less: investment fees	<u>(11,169)</u>	<u>(11,116)</u>
	<u>\$ 73,012</u>	<u>\$ 31,165</u>

4. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of \$116,800, representing an original \$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 \$135,000 and \$51,000 were released from donor restrictions during the years ended December 31, 2018 and 2017, respectively.

5. Concentrations

During 2018, the Foundation received one significant contribution from a donor that represented approximately 12% of total contributions. During 2017, there was one significant contribution from a donor that represented approximately 40% of total contributions.

6. Commitments

The Foundation has grants to be made in future installments. These commitments total \$118,533 for 2019, \$66,333 for 2020, and \$33,334 in 2021.