



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



## **Financial Statements – Modified Cash Basis**

**Years Ended December 31, 2020 and 2019**



## Table of Contents

Independent Auditors' Report.....	1
<b>Financial Statements:</b>	
Statements of Assets and Net Assets – Modified Cash Basis.....	3
Statements of Support, Revenue and Expenses and Change in Net Assets – Modified Cash Basis.....	4
Notes to Financial Statements – Modified Cash Basis .....	5



## 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, 2020 and 2019, 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, 2020 and 2019, 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  
July 19, 2021

The American German Shepherd Dog Charitable Foundation, Inc.  
 Statements of Assets and Net Assets - Modified Cash Basis  
 December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current assets:		
Cash in checking account	\$ 10,725	\$ 6,683
Money market accounts	18,667	34,392
Investments, at cost	<u>897,435</u>	<u>924,609</u>
Total assets	<u>\$ 926,827</u>	<u>\$ 965,684</u>
<b>NET ASSETS</b>		
Without donor restrictions:		
Board designated	\$ 102,925	\$ 96,507
Undesignated	<u>805,922</u>	<u>845,197</u>
Total without donor restrictions	<u>908,847</u>	\$ 941,704
With donor restrictions	<u>17,980</u>	<u>23,980</u>
Total net assets	<u>\$ 926,827</u>	<u>\$ 965,684</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, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Support and revenue without donor restrictions:		
Contributions:		
General public	\$ 14,362	\$ 8,908
Investment income, net	43,467	25,003
Net assets released from restrictions	<u>6,000</u>	<u>92,820</u>
Total support and revenue without donor restrictions	<b>63,829</b>	126,731
Program expenses:		
Contributions-research	82,975	126,153
Administrative and general expenses:		
Officers and directors insurance	1,593	1,903
Legal and professional	9,713	9,380
Website fees	1,122	1,243
Other	<u>1,283</u>	<u>772</u>
Total expenses	<u>96,686</u>	<u>139,451</u>
Change in net assets without donor restrictions	<b>(32,857)</b>	(12,720)
Net assets released from restrictions	<u>(6,000)</u>	<u>(92,820)</u>
Change in net assets	<b>(38,857)</b>	(105,540)
Net assets, beginning of year	<u>965,684</u>	<u>1,071,224</u>
Net assets, end of year	<u><b>\$ 926,827</b></u>	<u>\$ 965,684</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").

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, whereby 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 statements of support, revenue and expenses and changes in net assets – modified cash basis.

### **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, while the fair value of investments is disclosed in Note 3. 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 of December 31, 2020 and 2019, to the Foundation'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 as of December 31, 2020 and 2019.

***Subsequent events***

The Foundation has evaluated the effect subsequent events would have on the financial statements through July 19, 2021, the date the financial statements were available to be issued. No subsequent events have been identified as of this date.

**2. Availability of Financial Assets**

The Foundation's financial assets as of December 31, 2020 and 2019, consist of cash in a checking account, money market accounts and investments, as presented in the statements of assets and net assets – modified cash basis. All financial assets are available to be used to meet general expenditures over the next twelve months, except for donor restricted funds of \$17,980 and \$23,980 at December 31, 2020 and 2019, respectively.

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, 2020 and 2019, are as follows:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Equity securities and mutual funds	\$ 542,403	\$ 782,142	\$ 535,914	\$ 718,867
Fixed income securities	<u>355,032</u>	<u>378,220</u>	<u>388,695</u>	<u>396,172</u>
	<u>\$ 897,435</u>	<u>\$ 1,160,362</u>	<u>\$ 924,609</u>	<u>\$ 1,115,039</u>

A summary of investment income for the years ended December 31, 2020 and 2019, is as follows:

	2020	2019
Interest and dividends	\$ 25,585	\$ 31,100
Realized gains	27,319	3,603
Less: investment fees	<u>(9,437)</u>	<u>(9,700)</u>
	<u>\$ 43,467</u>	<u>\$ 25,003</u>

### 4. Net Assets

Net assets with donor restrictions consist of \$17,980 and \$23,980, at December 31, 2020 and 2019, respectively. These amounts represent 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 \$6,000 and \$92,820 were released from donor restrictions during the years ended December 31, 2020 and 2019, respectively.

Board designated net assets represents unrestricted earnings from the original Tarquinio contribution. Details of the Tarquinio funds at December 31, 2020 and 2019 are as follows:

	2020	2019
Restricted	\$ 17,980	\$ 23,980
Unrestricted: Board designated (cost basis)	<u>102,925</u>	<u>96,507</u>
Total cost basis	<u>\$ 120,905</u>	<u>\$ 120,487</u>
Total fair value (for information purposes)	<u>\$ 158,288</u>	<u>\$ 146,627</u>

## **5. Commitments**

The Foundation has grants to be made in future installments. These commitments total \$56,334, \$23,000 and \$23,000 in 2021, 2022 and 2023, respectively.

## **6. Risks and Uncertainties**

In March 2020, the World Health Organization declared the outbreak and spread of COVID-19, a novel strain of Coronavirus, a pandemic. The extent of the impact of the outbreak on the Foundation, including its effect on the valuation of investments will depend on certain developments, including the duration and spread of the outbreak, economic impacts, and governmental, regulatory, and private sector responses. The financial statements do not reflect any adjustments as a result of the increase in uncertainty.