

PETS FOR PATRIOTS, INC.
(A nonprofit organization)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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FINANCIAL STATEMENTS

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CERTIFIED PUBLIC ACCOUNTANTS

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To the Board of Trustees of
Pets For Patriots, Inc.

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Pets For Patriots, Inc. (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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 with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 auditor's 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 financial position of Pets For Patriots, Inc. as of December 31, 2015, and the changes in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Pets For Patriots, Inc. 2014 financial statements and our report dated July 31, 2015, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Rifkin + Lubcher, CP". The signature is written in a cursive, flowing style.

September 5, 2016
New York, New York

PETS FOR PATRIOTS, INC.
(A nonprofit organization)

STATEMENT OF FINANCIAL POSITION

YEAR ENDED DECEMBER 31, 2015
(With comparative totals as of December 31, 2014)

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Assets		
Cash and cash equivalents	\$ 50,453	\$ 91,538
Contributions receivable	-	8,627
Prepaid expense	3,600	-
Investments	433,681	368,702
Fixed assets, net	<u>26,118</u>	<u>10,014</u>
Total assets	<u>\$ 513,852</u>	<u>\$ 478,881</u>
Liabilities		
Credit card payable	\$ 2,453	\$ 9,550
Accounts payable and other liabilities	<u>12,423</u>	<u>9,362</u>
	14,876	18,912
Net assets - unrestricted	<u>498,976</u>	<u>459,969</u>
Total liabilities and net assets	<u>\$ 513,852</u>	<u>\$ 478,881</u>

See independent auditor's report and notes to financial statements.

PETS FOR PATRIOTS, INC.
(A nonprofit organization)

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

YEAR ENDED DECEMBER 31, 2015
(With comparative totals for the year ended December 31, 2014)

	Year ended December 31,	
	2015	2014
Revenues		
Contributions	\$ 296,074	\$ 210,874
Investment (loss) income	(999)	2,636
	295,075	213,510
Expenses		
Veterans' pet food bank program & veterinary care subsidies	72,640	68,202
Officer salary	64,337	60,000
Salaries	22,667	20,800
Payroll taxes and benefits	19,733	17,382
Development and fundraising	3,369	-
Printing and advertising	13,722	25,029
Office supplies and expenses	4,616	5,139
Travel and hotel	532	2,232
Insurance	-	145
Computer and website	29,453	14,943
Professional fees	9,514	7,000
Depreciation and amortization	6,471	8,159
Miscellaneous expenses	9,014	8,504
	256,068	237,535
Change in net assets	39,007	(24,025)
Net assets - unrestricted, beginning of year	459,969	483,994
Net assets - unrestricted, end of year	\$ 498,976	\$ 459,969

See independent auditor's report and notes to financial statements.

PETS FOR PATRIOTS, INC.
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STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015
(With comparative totals for the year ended December 31, 2014)

	Year ended December 31,					
	2015				2014	
	Program	Management and General	Fundraising	Total		
Expenses						
Veterans' pet food bank program and veterinary care subsidies	\$ 72,640	\$ -	\$ -	\$ 72,640	\$	68,202
Officer salary	57,903	3,217	3,217	64,337		60,000
Salaries	22,100	567	-	22,667		20,800
Payroll taxes and benefits	14,478	926	4,328	19,733		17,382
Development and fundraising	-	-	3,369	3,369		-
Printing and advertising	11,082	-	2,640	13,722		25,029
Office supplies and expenses	-	4,616	-	4,616		5,139
Travel and hotel	426	53	53	532		2,232
Insurance	-	-	-	-		145
Computer and website	26,509	1,473	1,473	29,453		14,943
Professional fees	4,757	4,757	-	9,514		7,000
Depreciation and amortization	3,768	956	1,747	6,471		8,159
Miscellaneous expenses	5,497	800	2,716	9,014		8,504
Total expenses	\$ 219,160	\$ 17,365	\$ 19,543	\$ 256,068	\$	237,535

See independent auditor's report and notes to financial statements.

PETS FOR PATRIOTS, INC.
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STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2015
(With comparative totals for the year ended December 31, 2014)

	Year Ended December 31,	
	2015	2014
Cash flows from operating activities		
Change in net assets	<u>\$ 39,007</u>	<u>\$ (24,025)</u>
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	6,471	8,159
Net unrealized and realized losses (gains) on investments	8,732	(2,981)
Bond premium amortization	(2,179)	2,179
Changes in operating assets and liabilities		
Decrease in contributions receivable	8,627	4,623
Increase in prepaid expense	(3,600)	-
(Increase) decrease in credit card payable	(7,097)	7,178
Increase in accounts payable and other liabilities	<u>3,061</u>	<u>688</u>
Total adjustments	<u>14,015</u>	<u>19,846</u>
Net cash provided by (used in) operating activities	<u>53,022</u>	<u>(4,179)</u>
Cash flows from investing activities		
Proceeds from sales and redemption of investments	111,447	-
Cash paid for purchase of investments	(182,979)	(367,900)
Cash paid for website	<u>(22,575)</u>	<u>-</u>
Net cash (used in) investing activities	<u>(94,107)</u>	<u>(367,900)</u>
Net decrease in cash and cash equivalents	(41,085)	(372,079)
Cash and cash equivalents, beginning of year	<u>91,538</u>	<u>463,617</u>
Cash and cash equivalents, end of year	<u>\$ 50,453</u>	<u>\$ 91,538</u>

**PETS FOR PATRIOTS, INC.
(A nonprofit organization)**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Pets For Patriots, Inc. (the "Organization") is a nonprofit organization exempt from income tax under Section 501(c) (3) of the U.S. Internal Revenue Code. The purpose of the Organization is to conduct activities, which are exclusively charitable and educational.

The Organization's mission is to transform the lives of our veterans by helping them save an at-risk shelter dog or cat. This will end animal homelessness in the U.S. and enrich the lives of the men and women who serve, and have served our country. The Organization also provides access to additional cost reductions for veterinary services and pet basics.

Basis of presentation and financial presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets are assets and contributions that are not restricted by donor-imposed stipulations or for which donor restrictions have expired. Temporarily restricted net assets are assets whose use has been restricted by donors to a specific period or purpose. When a restriction expires or is accomplished, temporarily restricted are reclassified as unrestricted net assets and reported as released from restriction in the statement of activities.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Guild's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions.

Concentrations of credit risk

Financial instruments that potentially subject the Organization to credit risk consist of cash in financial institutions. During the year ended December 31, 2015, approximately 27% of contributions were received from one donor.

Estimates

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

PETS FOR PATRIOTS, INC.
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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. At December 31, 2015, there is no allowance for uncollectible receivables.

Uncertainty in income taxes

The Organization has adopted guidance on accounting for uncertainty in income taxes issued by the Financial Accounting Standards Board. Management believes that the Organization has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Certain information returns filed by the Organization prior to December 31, 2012 are no longer subject to examination by authorities.

Fixed assets

Fixed assets in excess of \$500 is capitalized and stated at cost. Depreciation is computed using the straight line method at rates calculated to amortize the cost over the estimated useful lives of the assets.

2. DONATED SERVICES AND FACILITIES

Unpaid volunteer officers and committees conduct a portion of the Organization's functions. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for recognition.

3. RELATED PARTY TRANSACTIONS

The Organization has significant interaction with its officers and directors.

4. FIXED ASSETS

Equipment consists of the following at December 31, 2015:

Equipment	\$	33,344	<u>Useful Life</u>
Website		22,575	3 - 5 years
Less: Accumulated depreciation and amortization		<u>(29,801)</u>	
	\$	<u>26,118</u>	

Depreciation and amortization expense for the years ended December 31, 2015 amounted to \$6,471.

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

5. INVESTMENTS

At December 31, 2015 the Organization had investments comprised of:

	<u>Cost</u>	<u>Fair Value</u>
Exchange traded funds	\$ 84,938	\$ 85,223
Corporate debt securities	180,916	179,684
U.S. Government and agency obligations	<u>168,733</u>	<u>168,774</u>
	<u>\$ 434,587</u>	<u>\$ 433,681</u>

6. FAIR VALUE MEASUREMENTS

The Organization has adopted the provisions of SFAS 157 "Fair Value Measurements". SFAS 157 defines and establishes a framework for measuring fair value and expands disclosures. SFAS 157 framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. SFAS 157 establishes a three-level fair valuation hierarchy based upon observable and non-observable inputs.

Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Foundation's market assumptions. Preference is given to observable inputs. These two types of inputs create the following fair value hierarchy:

Level 1 - Quoted prices for identical instruments in active markets.

Level 2- Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 - Significant inputs to the valuation model are unobservable.

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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

6. FAIR VALUE MEASUREMENTS (continued)

Information about certain of the Organization's financial assets follows as of December 31, 2015:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Exchange traded funds	\$ 85,223	\$ -	\$ 85,223	\$ -
Corporate debt securities	179,684	-	179,684	-
US Government and agency obligations	<u>168,774</u>	<u>168,774</u>	<u>-</u>	<u>-</u>
	<u>\$ 433,681</u>	<u>\$ 168,774</u>	<u>\$ 264,907</u>	<u>\$ -</u>

7. INVESTMENT INCOME

For the year ended December 31, 2015 investment income is comprised of:

Interest and dividend income	\$ 8,839
Bond premium amortization	2,179
Loss on sale of marketable securities	(1,887)
Unrealized loss on marketable securities	<u>(6,846)</u>
	2,286
Investment fees	<u>3,285</u>
	<u>\$ (999)</u>

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 5, 2016, the date on which the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.