

**DOGS TRUST USA, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2022 AND 2021**



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Dogs Trust USA, Inc.

### Opinion

We have audited the accompanying financial statements of Dogs Trust USA, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dogs Trust USA, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Dogs Trust USA, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Dogs Trust USA, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Dogs Trust USA, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Dogs Trust USA, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Lotz + Carr, LLP*

New York, New York  
June 21, 2023

**DOGS TRUST USA, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Cash (Note 6a)	\$ 957,280	\$393,304
Contributions receivable (Notes 1a, 1b and 4)		
Without donor restrictions	-	110,000
With donor restrictions	145,000	-
Prepaid expenses and other current assets	40,262	12,753
Property and equipment, at cost, net of accumulated depreciation and amortization (Notes 1e and 5)	<u>32,861</u>	<u>39,258</u>
<b>Total Assets</b>	<u><u>\$1,175,403</u></u>	<u><u>\$555,315</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 62,016	\$ 14,000
Due to Dogs Trust UK (Note 1a)	128,737	-
Grants payable (Note 1c)	<u>82,507</u>	<u>149,841</u>
Total Liabilities	<u>273,260</u>	<u>163,841</u>
Net Assets		
Without donor restrictions	480,143	236,490
With donor restrictions (Note 3)	<u>422,000</u>	<u>154,984</u>
Total Net Assets	<u>902,143</u>	<u>391,474</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$1,175,403</u></u>	<u><u>\$555,315</u></u>

See notes to financial statements.

**DOGS TRUST USA, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>Changes in Net Assets Without Donor Restrictions</b>		
Revenue and Support		
Contributions (Notes 1a, 1b and 6b)	\$1,163,722	\$ 395,159
Donated services (Note 7)	560,726	488,430
Dog school income	5,559	-
Foreign exchange loss	-	(2,137)
Net assets released from restrictions - expiration of time and program restrictions	<u>154,984</u>	<u>249,782</u>
Total Revenue and Support	<u>1,884,991</u>	<u>1,131,234</u>
Expenses		
Program Services	<u>970,138</u>	<u>526,181</u>
Supporting Services		
Management and general	176,742	198,057
Fundraising	<u>494,458</u>	<u>287,974</u>
Total Supporting Services	<u>671,200</u>	<u>486,031</u>
Total Expenses	<u>1,641,338</u>	<u>1,012,212</u>
Increase in Net Assets Without Donor Restrictions	<u>243,653</u>	<u>119,022</u>
<b>Changes in Net Assets With Donor Restrictions</b>		
Contributions (Notes 1b and 6b)	422,000	108,590
Net assets released from restrictions	<u>(154,984)</u>	<u>(249,782)</u>
Increase (Decrease) in Net Assets With Donor Restrictions	<u>267,016</u>	<u>(141,192)</u>
Increase (decrease) in net assets	510,669	(22,170)
Net assets, beginning of year	<u>391,474</u>	<u>413,644</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 902,143</u></u>	<u><u>\$ 391,474</u></u>

See notes to financial statements.

**DOGS TRUST USA, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<b>2022</b>			<b>2021</b>				
	<b>Program Services</b>	<b>Supporting Services</b>		<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>	
		<b>Management and General</b>	<b>Fundraising</b>		<b>Management and General</b>	<b>Fundraising</b>		
Grant expense, net of terminations	\$264,586	\$ -	\$ -	\$ 264,586	\$181,563	\$ -	\$ -	\$ 181,563
Salaries and payroll taxes	3,131	-	389,616	392,747	-	-	223,048	223,048
Staff expenses	54,467	10,278	35,777	100,522	-	-	13,299	13,299
Support staff	40,920	87,035	24,682	152,637	51,188	116,837	26,975	195,000
Dog school staff	170,827	-	-	170,827	171,800	-	-	171,800
Research staff	51,752	-	-	51,752	-	-	-	-
Behavior staff	96,903	-	-	96,903	-	-	-	-
Dog trainer development	8,977	-	-	8,977	57,267	-	-	57,267
Grant consultants	79,630	-	-	79,630	64,363	-	-	64,363
Program events	45,229	-	-	45,229	-	-	-	-
Professional fees	61,430	42,546	6,758	110,734	-	47,693	-	47,693
Management fees	-	15,984	-	15,984	-	9,121	-	9,121
Insurance	-	9,392	-	9,392	-	8,853	-	8,853
Information technology	-	633	4,831	5,464	-	6,364	-	6,364
Advertising and promotion	52,594	-	31,833	84,427	-	-	24,652	24,652
Rentals	28,985	-	-	28,985	-	-	-	-
Bank charges and miscellaneous expenses	-	10,874	-	10,874	-	5,620	-	5,620
Depreciation and amortization	10,707	-	961	11,668	-	3,569	-	3,569
<b>Total Expenses</b>	<b><u>\$970,138</u></b>	<b><u>\$ 176,742</u></b>	<b><u>\$ 494,458</u></b>	<b><u>\$1,641,338</u></b>	<b><u>\$526,181</u></b>	<b><u>\$ 198,057</u></b>	<b><u>\$ 287,974</u></b>	<b><u>\$1,012,212</u></b>

**See notes to financial statements.**

**DOGS TRUST USA, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$510,669	\$ (22,170)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	11,668	3,569
(Increase) decrease in:		
Contributions receivable	(35,000)	136,377
Prepaid expenses and other current assets	(27,509)	(10,545)
Increase (decrease) in:		
Accounts payable and accrued expenses	48,016	1,000
Due to Dogs Trust UK	128,737	-
Grants payable	<u>(67,334)</u>	<u>(45,295)</u>
Net Cash Provided By Operating Activities	569,247	62,936
 <b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	<u>(5,271)</u>	<u>(42,827)</u>
 Net increase in cash	563,976	20,109
Cash, beginning of year	<u>393,304</u>	<u>373,195</u>
 <b>Cash, End of Year</b>	<u>\$957,280</u>	<u>\$393,304</u>

See notes to financial statements.

**DOGS TRUST USA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**Note 1 - Organization and Summary of Significant Accounting Policies**

a - Organization and Related Parties

Dogs Trust USA, Inc. (the "Organization") is a not-for-profit corporation, which was incorporated in 2017 within the state of Massachusetts. The Organization's mission is to protect dogs and other animals from maltreatment, cruelty, and suffering. The corporation has one member, which is the Chief Executive Officer of Dogs Trust Incorporated in England and Wales ("Dogs Trust UK").

The Organization reimburses Dogs Trust UK for certain expenses incurred on its behalf. Dogs Trust UK also provides donated services to the Organization as further described in Note 7.

Another organization that is controlled by Dogs Trust UK is Dogs Trust Worldwide ("DTW"). DTW donated \$1,000,000 and \$276,000 in 2022 and 2021 to the Organization, respectively. The Organization also made a grant to DTW in the amount of \$35,000 in 2022.

b - Contributions and Contributions Receivable

Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Conditional promises to give, that is, those with a measurable performance-related or other barrier and right of return of assets transferred or release of a promisor's obligation to transfer assets in the future, are not recognized until the conditions on which they depend have been met. Contributions that are restricted by the donor are reported as increases without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

c - Grant Expense

Grants are accrued at the time they are approved and the grant agreement is signed by the Organization.

d - Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.



**DOGS TRUST USA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

d - Financial Statement Presentation (continued)

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

e - Property and Equipment

Property and equipment are recorded at cost and are being depreciated or amortized using the straight-line method over the estimated useful lives of the assets.

f - Functional Allocation of Expenses

The financial statements report expenses that are attributable to program or supporting functions. Expenses are applied directly to programs or supporting functions where applicable. A substantial portion of the Organization's expenses are directly related to program activities.

g - Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

h - Tax Status

Dogs Trust USA, Inc. is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

i - New Accounting Standard

For 2022, the Organization adopted Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

j - Reclassifications

Certain 2021 amounts have been reclassified to conform to the presentation used in 2022.

k - Subsequent Events

The Organization has evaluated subsequent events through June 21, 2023, the date that the financial statements are considered available to be issued.

**DOGS TRUST USA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**Note 2 - Information Regarding Liquidity and Availability**

The Organization operates within its financial means each fiscal year based on the cash revenues expected to be available to fund anticipated expenses. The Organization's annual revenue is comprised of contribution revenue. The Organization considers general expenditures to consist of all expenses related to its ongoing program activities, and the expenses related to general, administrative, and fundraising activities undertaken to support those services.

The Organization regularly monitors liquidity to meet its operating needs and other commitments. Management prepares regular cash flow projections to determine liquidity needs and has a policy to maintain all of its financial assets in cash so that they are available to cover expenditures as they arise.

The Organization's financial assets as of December 31 and those available within one year to meet cash needs for general expenditures are summarized as follows:

	<u>2022</u>	<u>2021</u>
Financial Assets at Year End:		
Cash	\$ 957,280	\$393,304
Contributions receivable	<u>145,000</u>	<u>110,000</u>
Total Financial Assets	1,102,280	503,304
Less: Amounts not Available to be Used within One Year		
Net assets with donor restrictions, subject to expenditure for specific purpose	(422,000)	(154,984)
Plus: Net assets with restrictions to be met in less than one year	<u>145,000</u>	<u>154,984</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 825,280</u>	<u>\$503,304</u>

**Note 3 - Net Assets**

Net assets with donor restrictions are restricted for future programs and periods.

**Note 4 - Contributions Receivable**

Contributions receivable are due within one year. Uncollectible contributions receivable are expected to be insignificant.

**DOGS TRUST USA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**Note 5 - Property and Equipment**

Property and equipment at December 31 consist of the following assets:

	<u>Life</u>	<u>2022</u>	<u>2021</u>
CRM software	4 years	\$42,827	\$42,827
Computer equipment	3 years	<u>5,271</u>	<u>-</u>
		48,098	42,827
Less: Accumulated depreciation and amortization		<u>(15,237)</u>	<u>(3,569)</u>
		<u>\$32,861</u>	<u>\$39,258</u>

**Note 6 - Concentrations**

- a - The Organization maintains its cash in a financial institution which is insured by the Federal Deposit Insurance Corporation. The cash balance, at times, may exceed federally insured limits.
- b - In 2022, the Organization received 84% of its contributions from four donors. In 2021, the Organization received 87% of its contributions from three donors.

**Note 7 - Donated Services**

The Organization received the following donated services from its member organization, Dogs Trust UK (Note 1a), for the years ended December 31:

<u>Description</u>	<u>2022</u>	<u>2021</u>
Dog school staff	\$170,827	\$171,800
Research staff	51,752	-
Behavior staff	96,903	-
Dog trainer development	8,977	57,267
Support staff	152,637	195,000
Grant consultants	<u>79,630</u>	<u>64,363</u>
Total	<u>\$560,726</u>	<u>\$488,430</u>

Donated services are valued based on costs incurred by Dogs Trust UK and are utilized in the Organization's program and supporting services.