

**HANDWERGER, CARDEGNA, FUNKHOUSER & LURMAN, P.A.**  
**Certified Public Accountants • Business Consultants**

**KENNEL TO COUCH, INC.**

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AUDITED FINANCIAL STATEMENTS

Year Ended December 31, 2022



# KENNEL TO COUCH, INC.

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To the Board of Directors  
Kennel to Couch, Inc.  
Baltimore, Maryland

## **INDEPENDENT AUDITOR'S REPORT**

### **Opinion**

We have audited the accompanying statement of financial position of Kennel to Couch, Inc. (the "Organization"), as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 the Organization as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's 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 auditor's 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.

To the Board of Directors  
Kennel to Couch, Inc.  
Baltimore, Maryland

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 the Organization'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 the Organization'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.

*Handwerger, Cardegna, Funkhouser & Lurman, P.A.*

Handwerger, Cardegna, Funkhouser & Lurman, P.A.  
Timonium, Maryland  
September 8, 2023

# KENNEL TO COUCH, INC.

Statement of Financial Position  
December 31, 2022

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## ASSETS

### **Current Assets**

Cash	\$ 129,977
Investments	<u>154,817</u>
<b>Total Current Assets</b>	<u>284,794</u>

**Total Assets** \$ 284,794

## LIABILITIES AND NET ASSETS

### **Current Liabilities**

Accounts payable	\$ <u>6,294</u>
<b>Total Current Liabilities</b>	<u>6,294</u>
<b>Total Liabilities</b>	<u>6,294</u>

### **Net Assets**

Without donor restrictions	<u>278,500</u>
<b>Total Net Assets</b>	<u>278,500</u>

**Total Liabilities and Net Assets** \$ 284,794

# KENNEL TO COUCH, INC.

Statement of Activities  
Year Ended December 31, 2022

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	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues and Other Support</b>			
Contributions	\$ 1,218,094	\$ -	\$ 1,218,094
Investment income, net of fees	<u>4,817</u>	<u>-</u>	<u>4,817</u>
<b>Total Revenues and Other Support</b>	<u>1,222,911</u>	<u>-</u>	<u>1,222,911</u>
<b>Expenses</b>			
Program services	897,983	-	897,983
Management and general	<u>60,420</u>	<u>-</u>	<u>60,420</u>
<b>Total Expenses</b>	<u>958,403</u>	<u>-</u>	<u>958,403</u>
<b>Change in Net Assets</b>	<u>264,508</u>	<u>-</u>	<u>264,508</u>
<b>Net Assets - Beginning of Year</b>	<u>13,992</u>	<u>-</u>	<u>13,992</u>
<b>Net Assets - End of Year</b>	<u>\$ 278,500</u>	<u>\$ -</u>	<u>\$ 278,500</u>

# KENNEL TO COUCH, INC.

## Statement of Functional Expenses Year Ended December 31, 2022

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	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
<b>Functional Expenses</b>			
Professional fees	\$ -	\$ 1,031	\$ 1,031
Conferences and training	207	11	218
Advocacy	877,228	46,170	923,398
Job related expense	3,983	1,327	5,310
Bank fees and charges	98	33	131
Computer and software	7,654	2,551	10,205
Repairs and maintenance	1,787	596	2,383
Insurance	-	650	650
Events	464	-	464
Interest	-	41	41
Meals	194	-	194
Supplies	5,708	5,708	11,416
Postage and delivery	130	130	260
Supplies	-	2,172	2,172
Telephone and internet	530	-	530
	<u>530</u>	<u>-</u>	<u>530</u>
<b>Total Functional Expenses</b>	<u>\$ 897,983</u>	<u>\$ 60,420</u>	<u>\$ 958,403</u>

# KENNEL TO COUCH, INC.

Statement of Cash Flows  
Year Ended December 31, 2022

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<b>Cash Flows from Operating Activities</b>	
Change in net assets	\$ 264,508
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Unrealized gain	(878)
Increase in liabilities	
Accounts payable	<u>6,294</u>
<b>Net Cash Flows Provided by Operating Activities</b>	<u>269,924</u>
<b>Cash Flows from Investing Activities</b>	
Purchase of investment and reinvested income, net of fees	<u>(153,940)</u>
<b>Net Cash Used in Investing Activities</b>	<u>(153,940)</u>
<b>Cash Flows from Financing Activities</b>	
Payments on notes payable	<u>(2,400)</u>
<b>Net Cash Used in Investing Activities</b>	<u>(2,400)</u>
<b>Net Change in Cash</b>	113,584
<b>Cash - Beginning of Year</b>	<u>16,393</u>
<b>Cash - End of Year</b>	<u>\$ 129,977</u>



# KENNEL TO COUCH, INC.

## Notes to the Financial Statements

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### **NOTE A - THE ORGANIZATION AND ITS SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Organization**

Kennel to Couch, Inc. (the "Organization"), was incorporated in the State of Maryland on June 8, 2018. It is a Pitbull Non-Profit group that teams with shelters and community partners to remove "at risk" Pit Bulls from shelters and provide the support and incentives needed to encourage their adoption.

#### **Use of Estimates**

The accompanying financial statements have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

#### **Basis of Presentation**

The accompanying financial statements are presented on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

#### **Net Asset Classification**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### **Cash**

The Organization's cash consists of funds deposited in an operating bank account.

#### **Marketable Securities**

Marketable securities with readily determinable fair values are reported at their fair values in the accompanying Statement of Financial Position. Unrealized gains and losses are included in the Statement of Activities as a component of investment income. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Equity securities are exposed to various risks such as market and credit. Due to the level of risk associated with such marketable securities, and the level of uncertainty related to changes in the value of such marketable securities, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts in the financial statements.

# KENNEL TO COUCH, INC.

## Notes to the Financial Statements

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### **NOTE A - THE ORGANIZATION AND ITS SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Support**

The Organization recognizes contributions when cash, securities, or other assets, an unconditional promise to pay, or notification of a beneficial interest is received. All contributions are considered to be available for general operations unless otherwise specified by the donor. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expired in the reporting period in which the support is recognized. All other amounts received that are designated for future periods or restricted by the donor for specified purposes are reported as support with donor restrictions. When a restriction expires or is satisfied, 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.

#### **Credit Risk**

The Organization maintains its cash in a financial institution that may have deposits in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limit of \$250,000 during the year. At December 31, 2022, the Organization had no funds over the FDIC limit.

#### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses present the natural classification detail of expenses by function. Expenses are charged directly to program services and management and general based on specific identification, when determinable. Program services expense is allocated based on the actual amounts paid to advocacy. The management and general portion of program services represents the administrative portion of advocacy support performed for the Organization.

#### **Income Tax Status**

The Organization is exempt from federal income taxes (other than unrelated business income taxes) under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements because there was no unrelated business income during the year ended December 31, 2022. The Organization is not a private foundation.

Federal tax returns are subject to audit for three years after filing; hence, the Organization's returns for tax years 2020 onward are subject to examination. The Organization is not currently under audit by the Internal Revenue Service ("IRS"). The Organization performed an evaluation of uncertain tax positions and has determined that no uncertain tax positions exist for the year ended December 31, 2022.

#### **Subsequent Events**

Management has evaluated subsequent events through September 8, 2023, the date the financial statements were available to be issued.

### **NOTE B - LIQUIDITY AND AVAILABILITY**

The Organization's financial assets available, within one year of the Statement of Financial Position date, for expenditures consist of the current assets of \$284,794.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

# KENNEL TO COUCH, INC.

## Notes to the Financial Statements

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### **NOTE C - RESTRICTIONS ON NET ASSETS**

None of the Organization's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as net assets without donor restrictions.

### **NOTE D - FAIR VALUE MEASUREMENTS**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets (Level 1). Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs are used for investments for which Level 1 inputs were not available. Level 3 inputs would only be used if Level 1 or Level 2 inputs were not available. There are no Organization assets requiring the use of Level 2 or Level 3 inputs for the period presented.

#### **Level 1 Fair Value Measurements**

The Organization's investments consist of mutual funds and exchange-traded products. The fair value of these investments are based on closing prices reported on the active market where the individual securities are traded.

The following tables set forth, by level within the fair value hierarchy, the Plan's investments at fair value measured on a recurring basis as of December 31, 2022:

	<b>Fair Value Measurements Using:</b>			
		<b>Quoted Prices in Active Markets for Identical Assets Level 1</b>	<b>Other Observable Inputs Level 2</b>	<b>Significant Unobservable Inputs Level 3</b>
	<b>Fair Value</b>			
<b>December 31, 2022</b>				
<b>Mutual Funds</b>	<b>\$ 152,546</b>	<b>\$ 152,546</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Exchange Traded Products</b>	<b>2,271</b>	<b>2,271</b>	<b>-</b>	<b>-</b>
<b>Total Investments, at Fair Value</b>	<b>\$ 154,817</b>	<b>\$ 154,817</b>	<b>\$ -</b>	<b>\$ -</b>

### **NOTE E - DONATED SERVICES**

A substantial amount of unpaid volunteers have made significant contributions of their time to the Organization. The value of these contributions, however, is not reflected in these financial statements since it does not meet the requirements of FASB ASC 958-225-45.