

MUTTS WITH A MISSION, INC.
Financial Statements
(with Independent Auditors' Report Thereon)
December 31, 2024

MUTTS WITH A MISSION, INC.
Financial Statements

December 31, 2024

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Board of Directors
Mutts with a Mission, Inc.
Virginia Beach, Virginia

INDEPENDENT AUDITORS' REPORT

Opinion

We have audited the accompanying financial statements of Mutts with a Mission, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2024, 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 Mutts with a Mission, Inc. as of December 31, 2024, 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 Mutts with a Mission, Inc. 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 Mutts with a Mission, Inc.'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, including omissions, 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.

Board of Directors
Mutts with a Mission, Inc.
Virginia Beach, Virginia
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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.

Gruber and Lopez, Inc.

Gruber and Lopez, Inc.

Newport Beach, CA
August 31, 2025

MUTTS WITH A MISSION
Statement of Financial Position
December 31, 2024

Assets

Cash and cash equivalents	\$ 1,388,030
Inventory	55,593
Property, furniture and equipment, net (Note 2)	<u>1,830,772</u>
Total assets	<u>\$ 3,274,395</u>

Liabilities and Net Assets

Accounts payable and accrued liabilities	\$ 615,255
Mortgage loan payable - current (Note 3)	47,490
Mortgage loan payable - long-term (Note 3)	<u>595,844</u>
Total liabilities	<u>1,258,589</u>

Net assets (Note 4):	
With donor restrictions	-
Without donor restrictions - undesignated	<u>2,015,806</u>
Total net assets	<u>2,015,806</u>

Total liabilities and net assets	<u>\$ 3,274,395</u>
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See accompanying notes to financial statements.

MUTTS WITH A MISSION
Statement of Activities
Year Ended December 31, 2024

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Operating activities:			
Revenues and other support:			
Contributions - public support	\$ 3,596,504		3,596,504
Merchandise sales and other income	11,820	-	11,820
Interest income	13,782	-	13,782
Subtotal	<u>3,622,106</u>	<u>-</u>	<u>3,622,106</u>
Net assets released from restrictions (Note 4)			
Total revenues and other support	<u>-</u>	<u>-</u>	<u>-</u>
	<u>3,622,106</u>	<u>-</u>	<u>3,622,106</u>
Expenses:			
Program services	<u>2,836,007</u>	<u>-</u>	<u>2,836,007</u>
Supporting services:			
General and administrative	336,272	-	336,272
Fundraising	452,860	-	452,860
Subtotal supporting services	<u>789,132</u>	<u>-</u>	<u>789,132</u>
Total expenses	<u>3,625,139</u>	<u>-</u>	<u>3,625,139</u>
Change in net assets from operations	(3,033)	-	(3,033)
Non-operating activities:			
Investment income (loss)	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating activities	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	(3,033)	-	(3,033)
Net assets at beginning of year	<u>2,018,839</u>	<u>-</u>	<u>2,018,839</u>
Net assets at end of year	<u>\$ 2,015,806</u>	<u>-</u>	<u>2,015,806</u>

See accompanying notes to financial statements.

MUTTS WITH A MISSION
Statement of Functional Expenses
Year Ended December 31, 2024

	Program	Supporting Services			Total
		General and Administrative	Fundraising	Subtotal	
Salaries and related expenses:					
Salaries	\$ 263,044	87,568	-	87,568	350,612
Employee benefits	7,288	-	-	-	7,288
Payroll taxes	20,508	6,769	-	6,769	27,277
Total salaries and related expenses	<u>290,840</u>	<u>94,337</u>	<u>-</u>	<u>94,337</u>	<u>385,177</u>
Other expenses:					
Accounting	-	36,261	-	36,261	36,261
Breeding, vet, and other dog expenses	249,263	-	-	-	249,263
Postage and printing	-	2,566	-	2,566	2,566
Advertising and social media	-	-	4,653	4,653	4,653
Books and merchandise - COGS	4,939	-	-	-	4,939
Utilities and telephone	21,865	-	-	-	21,865
Office and computer supplies	6,192	5,827	-	5,827	12,019
Repairs and maintenance	28,124	-	-	-	28,124
License fees, bank fees and other fees	10,743	13,878	-	13,878	24,621
Transportation and travel	39,712	-	-	-	39,712
Gifts and miscellaneous	9,784	4,560	-	4,560	14,344
Insurance	7,041	-	-	-	7,041
Staff development, meetings and meals	6,450	-	-	-	6,450
Venue and event related	-	-	-	-	-
Direct mailing (Note 5)	2,091,719	156,631	448,207	604,838	2,696,557
Interest	-	22,212	-	22,212	22,212
Total other expenses	<u>2,475,832</u>	<u>241,935</u>	<u>452,860</u>	<u>694,795</u>	<u>3,170,627</u>
Total expenses before depreciation	<u>2,766,672</u>	<u>336,272</u>	<u>452,860</u>	<u>789,132</u>	<u>3,555,804</u>
Depreciation (Note 2)	<u>69,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,335</u>
Total expenses	<u>\$ 2,836,007</u>	<u>336,272</u>	<u>452,860</u>	<u>789,132</u>	<u>3,625,139</u>

See accompanying notes to financial statements.

MUTTS WITH A MISSION
Statement of Cash Flows
Year Ended December 31, 2024

Cash flows from operating activities:	
Change in net assets	\$ (3,033)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Depreciation	69,335
Decrease (increase) in contributions receivable	-
Decrease (increase) in prepaid expenses	-
Decrease (increase) in inventory	(8,142)
(Decrease) increase in account payable	<u>81,819</u>
Net cash provided by (used for) operating activities	<u>139,979</u>
Cash flows from investing activities:	
Purchase of property, furniture and equipment	<u>(86,240)</u>
Net cash provided by (used for) investing activities	<u>(86,240)</u>
Cash flows from financing activities:	
Principal payments on mortgage loan payable	<u>(45,564)</u>
Net cash provided by (used for) financing activities	<u>(45,564)</u>
Increase (decrease) in cash and cash equivalents	8,175
Cash and cash equivalents at beginning of year	<u>1,379,855</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,388,030</u></u>

Supplemental disclosure of cash flow information:

Cash paid for interest expense	<u><u>\$ 22,212</u></u>
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There were no non-cash investing or financing activities for the year ended December 31, 2024

See accompanying notes to financial statements.

MUTTS WITH A MISSION, INC.

Notes to the Financial Statements

December 31, 2024

(1) Summary of Significant Accounting Policies

The significant accounting policies of Mutts with a Mission, Inc. are presented to assist in the understanding of Mutts with a Mission, Inc.'s financial statements. The financial statements and notes are representations of Mutts with a Mission, Inc.'s management, who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

(a) Organization and Sources of Revenues

Mutts with a Mission, Inc. was incorporated in 2009 as a New Jersey nonprofit public benefit corporation. Mutts with a Mission, Inc.'s mission is to train and provide service dogs for veterans and wounded warriors and to raise public awareness. Mutts with a Mission, Inc. has a program that trains Facility Dogs for law enforcement departments and organizations that support law enforcement. In 2024 Mutts with a Mission developed a pilot program for the United States Navy that installs Expeditionary Facility Dogs with mental health teams on board select Navy ships. The Organization does not charge for its services but is fully supported by charitable contributions. During 2024, it graduated 6 teams from its service dog training program, 5 facility dogs, 3 expeditionary service dogs, and supported 54 graduate teams. Mutts with a Mission, Inc. also has a puppy-raiser program in which it trains volunteers to raise and train puppies in preparation for the training programs. In addition, the Organization sets up educational awareness exhibits at several community events throughout the Hampton Roads area.

(b) Basis of Accounting and Revenue Recognition

Mutts with a Mission, Inc. uses the accrual basis of accounting. Under this method of accounting, revenue is recognized when each performance obligation is satisfied and expenses are recognized when incurred.

(c) Financial Statement Presentation

In accordance with Financial Accounting Standards Board (FASB) *Accounting Standards Update (ASU) 2016-14 Not for Profit Entities [ASC 958]- Presentation of Financial Statements of Not-For Profit Entities*, Mutts with a Mission, Inc. is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Mutts with a Mission, Inc.'s management and the board of directors.

MUTTS WITH A MISSION, INC.

Notes to the Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies. (Continued)

(c) 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 Mutts with a Mission, Inc. or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds 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 activities.

(d) Cash and Cash Equivalents and Concentration of Credit Risk

For purposes of the statement of cash flows, Mutts with a Mission, Inc. considers all unrestricted highly liquid investments with a maturity of three months or less to be cash equivalents.

Mutts with a Mission, Inc. maintains cash deposits with its financial institutions that at times exceed amounts covered by the insurance provided by the Federal Deposit Insurance Corporation (FDIC). Mutts with a Mission, Inc. also actively evaluates the credit worthiness of the institutions with which it invests.

Over 70% of the Organization's support is from the direct mail campaigns directed by one professional fundraising consulting firm, ForthRight Strategy. The contract is discussed in Notes 3 and 4 below.

(e) Property, Furniture and Equipment

It is Mutts with a Mission, Inc.'s policy to capitalize long-lived assets over \$2,000 and a useful life of three years or longer. Lesser amounts are expensed. Property, furniture and equipment are capitalized at cost (except for right-to-use lease assets which are described hereafter). Property, furniture and equipment are depreciated on the straight-line method, using estimated useful lives of 10 to 30 years for the building and land improvements and 5 years on furniture and equipment.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

MUTTS WITH A MISSION, INC.

Notes to the Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies. (Continued)

(f) Impairment of Long-Lived Assets

Mutts with a Mission, Inc. evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash-flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down would be recorded to reduce the related asset to its estimated fair value.

(g) Inventory

Inventory consists of clothing and similar merchandise which are stated at the lower of standard cost (which approximates average cost) or market.

(h) Fair Value of Financial Instruments

Mutts with a Mission, Inc. follows guidance issued by the ASC 820 *Fair Value Measurements*, which establishes a framework for measuring fair value, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. This guidance applies whenever fair value is the applicable measurement. This guidance establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair values into Levels 1, 2, and 3.

Level 1 inputs consist of unadjusted quoted prices in active markets for identical instruments and have the highest priority. Level 2 inputs include quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or inputs other than quoted prices that are directly or indirectly observable. Level 3 inputs are unobservable and are given the lowest priority.

Mutts with a Mission, Inc.'s financial instruments, including cash and cash equivalents, contributions receivable, accounts payable and other accrued expenses, and loans payable are carried at cost, which approximates fair value because of the short-term nature of these instruments.

MUTTS WITH A MISSION, INC.

Notes to the Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies. (Continued)

(i) Contribution Revenue and Support

In accordance with ASC 958, Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as contributions without donor restrictions. All donor-restricted contributions are reported as increase net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Conditional contributions are recognized when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

(j) Functional Expense Allocations

Costs of providing Mutts with a Mission, Inc.'s programs and other activities have been presented in the statement of functional expenses. Accordingly, certain costs have been allocated between the program and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries, benefits, payroll taxes	Time and effort
Office supplies and postage	Time and effort
Repairs & maintenance	Time and effort
Gifts & miscellaneous	Time and effort
Licenses & fees	Time and effort

(k) Accrued Vacation

Employees of Mutts with a Mission, Inc. are entitled to unlimited paid vacation days and do not pay out compensated absences upon termination, hence, no liability for compensated absences has been recorded in the accompanying financial statements.

MUTTS WITH A MISSION, INC.

Notes to the Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies. (Continued)

(l) Income Taxes

Mutts with a Mission, Inc. is a tax-exempt organization under Internal Revenue Code Section 501(c)(3) and Virginia Taxation Code Section and files all federal and state information returns required by law. Mutts with a Mission, Inc.'s Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending in years 2023, 2022, and 2021 are subject to examination by the IRS, generally for three years after they were filed.

(m) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(n) Contributions receivable

Unconditional contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional contributions receivable to give are not included as support until the conditions are met. As of December 31, 2024, Mutts with a Mission, Inc.'s contributions receivable was \$0.

(o) Advertising and Social Media Costs

During the year ended December 31, 2024, Mutts with a Mission, Inc. incurred \$4,653 of advertising and social media costs.

MUTTS WITH A MISSION, INC.

Notes to the Financial Statements

(Continued)

(1) Summary of Significant Accounting Policies. (Continued)

(p) Donated services and supplies

Significant services and supplies are donated to Mutts with a Mission, Inc. by various individuals, corporations and other organizations, and are reflected in the accompanying financial statements at their fair values at the date of donation. Donations of services are only recognized if the services received: (1) create or enhance nonfinancial assets or require specialized skills; (2) are provided by individuals possessing those skills; and (3) would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements as there is no objective basis for deriving their value.

During the year ended December 31, 2024, Mutts with a Mission, Inc. did not recognize any donated services or supplies. In addition, a significant portion of Mutts with a Mission, Inc. 's functions and programs are conducted by unpaid volunteers. The value of this contributed time is not reflected in the accompanying financial statements since the services do not require specialized skills.

(q) Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to Mutts with a Mission, Inc.'s ongoing program services and interest and deposits. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

(r) Joint Costs

The Organization uses direct mail campaigns to raise funds and raise awareness. These costs are expensed as incurred. The breakdown of these costs is discussed in Note 5 below.

MUTTS WITH A MISSION, INC.

Notes to the Financial Statements

(Continued)

(2) Property, Furniture and Equipment

Property, furniture and equipment consist of the following at December 31, 2024:

Land	\$ 350,000*
Land improvements	212,278
Building	703,554
Building improvements	717,316
Furniture and equipment	67,060
Accumulated depreciation	<u>(219,436)</u>
	<u>\$ 1,830,772</u>

* - Not depreciated

Total depreciation expenses for the year ended December 31, 2024 was \$69,335.

(3) Mortgage Loan Payable

In May 2021, the Organization financed a \$800,000 mortgage note for the Virginia property. As of December 31, 2024, the total mortgage notes payable for the note was \$643,334. The note is collateralized by first trust deeds on the property. The note has a fixed interest rate of 3.27% and matures in May 2026. The note is payable in monthly installments of principal and interest of \$5,648.

The schedule principal payments on mortgage note payable are as follows:

Year ending December 31:

2025	\$ 47,490
2026	<u>595,844</u>
Totals	643,334
Less current portion	<u>(47,490)</u>
Long-term portion	\$ <u>595,844</u>

(4) Net Assets

During the year ended December 31, 2024, there were no net assets released from donor restrictions.

Net assets without donor restrictions as of December 31, 2024 were \$2,015,806 and were classified as undesignated.

MUTTS WITH A MISSION, INC.

Notes to the Financial Statements

(Continued)

(5) Joint Cost Allocation

The Organization contracts with a professional fundraising consulting firm to run its direct mail campaign to raise funds and raise awareness of the Organization's mission. These costs totaled \$2,696,557 for fiscal year ended December 31, 2024. The allocations of these costs are as follows:

	<u>Program</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Direct mail campaigns	<u>\$2,091,719</u>	<u>156,631</u>	<u>448,207</u>	<u>2,696,557</u>

(6) Related Party Transactions

Beginning in 2015 and continuing to the present, the Organization's direct mail program is directed by ForthRight Strategy, a professional fundraising consultant. One of the Organization's Trustees is employed by ForthRight Strategy and serves as the Senior Account Executive over the Organization's direct mail program. The Organization pays ForthRight Strategy a fee based upon pieces of mail produced in the direct mail campaign, and is not contingent upon revenue generated. Professional fundraising fees paid directly to ForthRight in 2024 were \$156,631.

In February 2023, the Organization entered into a lease agreement with the Executive Director to live on the premises of the Organization's grounds for \$12 per year. The lease term expired on December 31, 2023 but self-renews as long as the Executive Director remains employed by the Organization. The Organization recognizes lease receivable with an initial, individual present value of \$5,000 or more, hence, the lease was not subject to ASU 2016-02 *Leases* and no receivable was recognized.

(7) Other Commitments and Contingencies

The Organization has a written contract with the direct mail consulting firm, ForthRight Strategy. The contract stipulates that either party must provide a 90-day written notice of termination. For any outstanding bills, ForthRight would continue to provide creative services for direct mail campaigns in the name of the Organization until such outstanding bills were fully paid.

Mutts with a Mission, Inc. is also subject to legal proceedings, claims, and assessments which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions, should they occur, will not materially affect Mutts with a Mission, Inc.'s financial statements.

MUTTS WITH A MISSION, INC.

Notes to the Financial Statements

(Continued)

(8) Availability and Liquidity

The following represents Mutts with a Mission, Inc.'s financial assets at December 31, 2024:

Financial assets at year end:

Cash and cash equivalents	<u>\$1,338,030</u>
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Financial assets available to meet general expenses over the next 12 months:	<u>\$1,338,030</u>
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Mutts with a Mission, Inc.'s goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$906,000). As part of its liquidity plan, excess cash is invested in a savings account.

(10) Subsequent Events

Management has evaluated subsequent events through August 31, 2025, the date the financial statements were available to be issued.