

**SOI Dog Foundation USA**

**Financial Statements**

**September 30, 2019**

***ERNST WINTER & ASSOCIATES LLP***  
**Certified Public Accountants**

# Soi Dog Foundation USA

September 30, 2019

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## **Independent Auditor's Report**

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To the Board of Directors  
Soi Dog Foundation USA  
San Francisco, California

We have audited the accompanying financial statements of Soi Dog Foundation USA (the "Foundation") (a nonprofit corporation), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, 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 audit 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 Soi Dog Foundation USA as of September 30, 2019, 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.

*Ernst Winter + Associates LLP*

Walnut Creek, California  
August 20, 2020

**Soi Dog Foundation USA**  
**Statement of Financial Position**  
**September 30, 2019**

**Assets**

**Current assets**

Cash	\$ 2,522,828
Contributions receivable	28,604
Due from affiliated entities	376,698
Prepaid expenses and other assets	1,032
<b>Total current assets</b>	<b>2,929,162</b>
<hr/>	
<b>Total Assets</b>	<b>\$ 2,929,162</b>

**Liabilities and net assets**

**Current liabilities**

Accounts payable and accrued liabilities	\$ 16,371
Due to affiliated entity	1,157,997
<b>Total current liabilities</b>	<b>1,174,368</b>
<hr/>	
<b>Total Liabilities</b>	<b>1,174,368</b>

**Net Assets**

Without donor restrictions	(689,600)
With donor restrictions	2,444,394
<b>Total Net Assets</b>	<b>1,754,794</b>
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<b>Total Liabilities and Net Assets</b>	<b>\$ 2,929,162</b>

See independent auditor's report and accompanying notes.

**Soi Dog Foundation USA**  
**Statement of Activities**  
**For the Year Ended September 30, 2019**

	Without Donor Restriction	With Donor Restriction	Total
<b>Revenue</b>			
<b>Public Support</b>			
Adoptions	\$ -	\$ 60,763	\$ 60,763
End the dog meat campaign	-	1,096,867	1,096,867
Emergency response team	-	1,233,778	1,233,778
Shelter operations	-	1,944,522	1,944,522
General	1,889,577	-	1,889,577
Net assets released from restrictions	2,639,688	(2,639,688)	-
<b>Total Public Support</b>	<b>4,529,265</b>	<b>1,696,242</b>	<b>6,225,507</b>
<b>Operating Expenses</b>			
Program support	4,438,994	-	4,438,994
Management and general	300,465	-	300,465
Fundraising	817,903	-	817,903
<b>Total Operating Expenses</b>	<b>5,557,362</b>	<b>-</b>	<b>5,557,362</b>
<b>Operating Income</b>	<b>(1,028,097)</b>	<b>1,696,242</b>	<b>668,145</b>
<b>Other Income</b>			
Interest income	3	-	3
<b>Total Other Income</b>	<b>3</b>	<b>-</b>	<b>3</b>
<b>Change in Net Assets</b>	<b>(1,028,094)</b>	<b>1,696,242</b>	<b>668,148</b>
<b>Beginning Net Assets</b>	<b>338,494</b>	<b>748,152</b>	<b>1,086,646</b>
<b>Ending Net Assets</b>	<b>\$ (689,600)</b>	<b>\$ 2,444,394</b>	<b>\$ 1,754,794</b>

See independent auditor's report and accompanying notes.

**Soi Dog Foundation USA**  
**Statement of Functional Expenses**  
**For the Year Ended September 30, 2019**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Expenses</b>
Shelter operations	\$ 1,920,857	\$ -	\$ -	\$ 1,920,857
General program expenses	1,822,971	-	-	1,822,971
Advertising	-	-	817,903	817,903
Emergency response team	500,000	-	-	500,000
Bank fees	-	247,767	-	247,767
End the dog meat campaign	115,224	-	-	115,224
Adoptions	79,942	-	-	79,942
Professional fees	-	37,016	-	37,016
Insurance	-	831	-	831
Office expenses	-	4,858	-	4,858
Licenses and fees	-	9,993	-	9,993
<b>Total Expenses</b>	<b>\$ 4,438,994</b>	<b>\$ 300,465</b>	<b>\$ 817,903</b>	<b>\$ 5,557,362</b>

See independent auditor's report and accompanying notes.

**Soi Dog Foundation USA**  
**Statement of Cash Flows**  
**For the Year Ended September 30, 2019**

<b>Cash Flows from Operating Activities</b>	
Change in net assets	\$ 668,148
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Contributions receivable	19,902
Due from affiliated entities	(376,698)
Prepays and other assets	(202)
Accounts payable and accrued liabilities	16,346
Due to affiliated entity	1,157,997
<b>Net Cash Provided by Operating Activities</b>	<b>1,485,493</b>
<b>Net Increase in Cash</b>	<b>1,485,493</b>
Cash at beginning of year	1,037,335
<b>Cash at End of Year</b>	<b>\$ 2,522,828</b>

See independent auditor's report and accompanying notes.

# Soi Dog Foundation USA

## Notes to the Financial Statements

### September 30, 2019

#### 1. Organization

Soi Dog Foundation USA (the “Foundation”) is a nonprofit public benefit corporation organized in California in 2010. The Foundation is governed by elected officers and directors. The Foundation was formed to improve the welfare of dogs and cats in Asia, resulting in better lives for both the animal and human communities, to end animal cruelty, and to ultimately create a society without homeless animals.

The Foundation achieves its mission of improving animal welfare of dogs and cats in Asia primarily as a fundraising and grant-making organization and makes a number of grants to Soi Dog Foundation (“Soi Dog”), a Thai charity whose purposes align with the Foundation’s. Following is a summary of Soi Dog’s projects that the Foundation’s board of directors determined are consistent with the Foundation’s charitable purposes and which the Foundation has supported.

**Adoptions:** Donations are used to pay for adoption related expenses such as crates, vet exams, customs clearance, travel paperwork and flight costs.

**Shelter Operations:** The following appeals are considered to be a part of shelter operations:

**Angels for Dogs:** Donations are used to provide additional medical support for dogs that are critically injured and ill and that are victims of abuse, disease, neglect and accidents.

**Cat Care:** Soi Dog also works to care for feral, abandoned and injured cats. The cat care appeal provides necessary support for cats under Soi Dog’s care; this support includes any medical, housing and feeding needs.

**Dog Sponsorships:** The dog sponsorship appeal is dedicated to caring for the dogs in Soi Dog’s care at its shelter in Phuket and Bangkok. The monthly sponsorships provide an ongoing and dedicated level of support for food, medical care, socialization and increasingly, staff to work with the dogs to prepare them for adoption.

**Hospital Appeal:** As Soi Dog’s efforts to care for the street dogs in Thailand grew, so did the needs for a larger, state-of-the art medical facility to ensure that the best medical care and support could be provided. Donations made to this appeal were primarily for the construction and outfitting of the new hospital. Additionally, recurring donations made to this appeal after the construction is complete will be used for on-going support of hospital operations.

**Puppy Care Club:** Soi Dog has seen an increase in the number of puppies that need urgent medical care and rehabilitation. Given the specialized needs for these puppies along with the fact that they cannot be placed with the adult dogs, Soi Dog issued a specific appeal. Donations made to this appeal are utilized to treat, house and care for the puppies at the shelter until that time they can be transferred to the adult dog kennels or are adopted.

**The Campaign to End the Dog Meat Trade:** A major initiative of Soi Dog was to work tirelessly to end the dog meat trade in northern Thailand. While very few Thai’s consume dog meat, there had historically been a very lucrative trade in capturing street dogs and even pet dogs in Thailand and smuggling them across the border into Vietnam. The cruel means of capture and transport often meant most dogs died on their journey to Vietnam and those that survived faced a cruel and painful death as part of the process of preparing dog meat in Vietnam. Soi Dog embarked on ending this trade by working with the Thai and regional governments, raising public awareness and support globally and providing necessary care for those dogs rescued from the trade. Donations made to the Campaign to End the Dog Meat trade directly support Soi Dog’s efforts to end this trade – first in Thailand and now, increasingly, in neighboring countries such as Vietnam and Laos. The initiative includes the following appeals:

**Soi Dog Foundation USA**  
**Notes to the Financial Statements**  
**September 30, 2019**

**1. Organization (continued)**

**Burriram Shelter:** As a result of Soi Dog's efforts to end the dog meat trade in Thailand, thousands of dogs were rescued from death on their journey to Vietnam. Donations are used to provide support for the building and maintenance of the shelter as well as provide basic care in Burriram.

**The "I Didn't Know" Campaign (IDK):** The "I Didn't Know" campaign is a complement to other appeals that support Soi Dog's efforts to end the dog meat trade. This was a coordinated global awareness campaign raising awareness of the dog meat trade in SE Asia. Donations made to this appeal are used to increase awareness of the trade within SE Asia (by purchasing billboards to raise awareness) and to also to complement other Soi Dog efforts to end the dog meat trade and care for those dogs rescued from the trade.

**Korean Dog Appeal:** As Soi Dog's efforts to combat the horrific dog meat trade gained greater awareness, they embarked on working with other animal welfare groups outside of Thailand to combat the dog meat trade and in the case of Korea, the farming and consumption of dog meat. Partnering with a local animal welfare activist, Soi Dog initiated a campaign to raise awareness and financial support to make the Korean public aware of the horrific conditions of dog meat dogs and to care for dogs rescued from the dog meat farming industry.

**Magic 1000:** The Magic 1000 Club/Appeal is specifically intended to care and feed for those dogs rescued from the dog meat trade. As a dedicated fund, it provides the necessary care for the thousands of dogs that have been rescued given that caring for these dogs would not be possible within the current operating budgets of the Foundation.

**Emergency Response Team (ERT):** The emergency response team appeal was issued to provide specific and incremental support to Soi Dog's medical teams as they go out and care for the most grievous cases of dog abuse, mistreatment and injury. As Soi Dog's presence and awareness has grown, there has been an increase in dogs that are being brought to the shelter and increase in calls for assistance. The emergency response team appeal provides dedicated financial support to ensure that Soi Dog can continue to provide life-saving medical care, rehabilitation and ongoing support for the most critically injured or ill dogs. The following sub-appeal is part of ERT:

**Wat Suan Kaew Appeal (WSK):** The donations are used to establish better conditions and provide necessary medical care for suffering animals at the Wat Suan Kaew shelter. Additionally, the Foundation committed to helping provide food and ongoing medical support (as needed).

**Unrestricted/General Donations**

Unrestricted donations are used to support the Foundation's overall mission to care for the street dogs and cats in Thailand. A primary initiative of the Foundation is to sterilize as many dogs and cats as possible to help curb the population growth and minimize the instances of abuse and injury that often accompany growing street dog and cat populations. These funds are also utilized to support shelter operations and other necessary activities related to the Foundation's mission to care for the needs of the street dog and cat population in Thailand primarily, but with the regional efforts to end the Dog Meat Trade, funds may also be used to augment dedicated funding from other appeals.

**Soi Dog Foundation USA**  
**Notes to the Financial Statements**  
**September 30, 2019**

**2. Significant Accounting Policies**

**Basis of Accounting**

The financial statements of the Foundation have been prepared on the accrual basis of accounting.

**Cash and Cash Equivalents**

Cash equivalents are considered to be short-term, highly liquid investments with original maturities of three months or less, including bank money market accounts. There were no cash equivalents as of September 30, 2019.

**Contributions Receivable**

Contributions are recognized when the donor makes a promise to give to the Foundation, that is, in substance, unconditional. Donor-restricted contributions are reported as increases net assets with donor restrictions. An allowance for uncollectible contributions receivable, if any, is provided based upon management's judgment including such factors as prior collection history. All contributions receivable were subsequently collected. Accordingly, there was no allowance for doubtful accounts.

**Property and equipment**

Property and equipment are stated at cost, less accumulated depreciation. The cost of maintenance and repairs are charged to operating expenses as incurred. Additions, renewals, and improvements which cost \$500 or more are capitalized and depreciated over the remaining estimated useful life of the asset. The cost and accumulated depreciation of assets sold or retired are removed from respective accounts, and any gain or loss realized is reflected in earnings. Property and equipment are depreciated over their estimated useful lives using the straight-line method.

**Functional Expenses**

The Foundation allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with a specific program or support service are allocated directly to the program.

**Net Assets**

The Foundation reports information regarding its financial position and activities according to two classes of net assets: with donor restriction and without donor restriction. Contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, 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 reporting period. Actual results could differ from those estimates and may have impact on future periods.

**Soi Dog Foundation USA**  
**Notes to the Financial Statements**  
**September 30, 2019**

**2. Significant Accounting Policies (Continued)**

**Income Taxes**

The Foundation has been granted exemption from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and by the California Franchise Tax Board. The Organization is not a private foundation. In addition, there was no unrelated business income tax for 2019 and management believes that there are no uncertain tax positions. As a 501(c)(3) organization, donors qualify for the charitable deduction. Accordingly, there is no provision for federal or state income taxes. The Foundation's tax returns are potentially subject to tax examination for three years federal and four years California after filing. The Foundation is no longer subject to tax examinations by tax authorities for years before 2015.

**Advertising Costs**

The Foundation expenses advertising costs when incurred. Advertising costs are a component of advertising on the accompanying statement of functional expenses. Advertising costs for the year ended September 30, 2019 totaled \$817,903.

**3. Net Assets with Donor Restrictions**

Net assets with donor restrictions consist of the following at September 30, 2019:

Emergency response team	\$ 1,350,123
End the dog meat campaign	1,093,126
Wat Suan Kaew shelter	<u>1,145</u>
Total	<u>\$ 2,444,394</u>

Net assets of \$2,639,688 were released from donor restrictions by incurring expenses satisfying the restricted purposes for the year ended September 30, 2019.

**4. Risk Concentration**

At various times during the year, the Foundation's cash balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) insured limit. At September 30, 2019, the Company's uninsured cash balances totaled \$2,096,919.

**5. Liquidity and Availability**

The Foundation's financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures consists of the following:

Cash	\$ 2,522,828
Contributions receivable	28,604
Due from affiliated entities	<u>376,698</u>
Total Financial Assets	2,928,130
Less net assets with donor restrictions	<u>(2,444,394)</u>
Financial assets available within one year	<u>\$ 483,736</u>

The Foundation is principally supported by contributions from donors. The donors may require the contributions to be used in a particular manner, thus financial assets may not be available for general expenditure. However, the Foundation's general expenditures consists mainly of advertising and professional fees.

**Soi Dog Foundation USA**  
**Notes to the Financial Statements**  
**September 30, 2019**

**6. New Accounting Pronouncements**

**Recently Adopted Accounting Guidance**

*ASU 2016-14 Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*  
In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (“ASU”) 2016-14 Not-for-Profit Entities (topic 958) (“ASU 2016-14”) which addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and lack of consistency in the type of information provided about expenses and investment return. The foundation adopted ASU 2016-14 as of October 1, 2018, and has adjusted the presentation of the financial statements accordingly. The Organization elected to use the full retrospective approach, which had no impact on previously reported net assets. The new standards change the following aspects of the Foundation’s financial statements:

- The temporarily restricted net asset class has been renamed net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources

*ASU 2018-08, Not-for-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*

In June 2018, the FASB issued ASU No. 2018-08. This update clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The new guidance was applied on a modified prospective basis to all agreements as of October 1, 2018. The impact of the update was insignificant to the financial statements.

**Recently Issued Accounting Guidance, Not Yet Adopted**

*ASU 2014-09 Revenue (Topic 606) - Revenue from Contracts with Customers*

In May 2014, the FASB issued ASU 2014-09, that defines how companies report revenues from contracts with customers and requires enhanced disclosures. In June 2020, the FASB issued ASU 2020-05 which delays the effective date to the year beginning October 1, 2020.

**7. Transactions with Affiliated Entities**

Soi Dog has several affiliated entities that support its mission and are set up to raise donations. Soi Dog places ads through social media from which all affiliated entities generate donations. During 2019, the costs of advertising on social media were allocated to each entity. The amount allocated to the foundation was \$781,299 and is included in advertising and fundraising in the accompanying statement of functional expenses. Advertising costs for 2019 were paid by one affiliated entity and it was agreed that the Foundation would reimburse the entity. The Foundation will also be reimbursed by two affiliated entities. As of September 30, 2019, the Foundation’s payable to the affiliate was \$1,157,997 and the receivable from affiliates was \$376,698, respectively.

**8. Subsequent Events**

The Foundation has evaluated subsequent events through August 20, 2020, the date which the financial statements were available to be issued. Subsequent to year end, COVID-19 became a global pandemic and resulted in unprecedented actions by governments around the world to curtail the spread of the disease. These events have resulted in a high level of uncertainty and volatility. The outcome and timeframe is highly unpredictable and as such, the financial impact to operations cannot be estimated at this time.