

The Peter G. Dodge Foundation, Inc.

Financial Statements

For the Years Ended December 31, 2018 (Audited) and
2017 (Reviewed)



HERTZBACH
certified public accountants • consultants

The Peter G. Dodge Foundation, Inc.

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Independent Auditor's Report

To the Board of Directors
The Peter G. Dodge Foundation, Inc.
3000 Chestnut Ave # 347
Baltimore, MD 21211

We have audited the accompanying financial statements of The Peter G. Dodge Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the years 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 The Peter G. Dodge Foundation, Inc. as of December 31, 2018, and the change 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.

Emphasis of Matter

As discussed in Note 3 of the financial statements, during the year ended December 31, 2018, The Peter G. Dodge Foundation, Inc. adopted Financial Accounting Standards Board Update (ASU) No. 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The December 31, 2017 financial statements were reviewed by us, and our report thereon, dated September 19, 2018, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

Hertzbach & Company, P.A.

Rockville, Maryland
May 16, 2019

The Peter G. Dodge Foundation, Inc.

Statements of Financial Position

As of December 31, 2018 (Audited) and 2017 (Reviewed)

	<u>2018</u>	<u>2017</u>
Assets		
Current assets		
Cash	\$ 21,963	\$ 5,697
Total current assets	<u>21,963</u>	<u>5,697</u>
Property and equipment, net	729	1,678
Other assets		
Investments	64,617	62,518
Intangible assets, net	-	2,338
Security deposits	804	804
Total other assets	<u>65,421</u>	<u>65,660</u>
Total assets	<u><u>\$ 88,113</u></u>	<u><u>\$ 73,035</u></u>
Liabilities and Net Assets (Deficit)		
Current liabilities		
Accounts and contributions payable	\$ 50,020	\$ 235,000
Total current liabilities	<u>50,020</u>	<u>235,000</u>
Net assets (deficit)		
Without donor restrictions	<u>38,093</u>	<u>(161,965)</u>
Total liabilities and net assets (deficit)	<u><u>\$ 88,113</u></u>	<u><u>\$ 73,035</u></u>

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

The Peter G. Dodge Foundation, Inc.

Statements of Activities

For the Years Ended December 31, 2018 (Audited) and 2017 (Reviewed)

	<u>2018</u>	<u>2017</u>
Revenue and Support		
Contributions	\$ 534,265	\$ 435,259
Investment and other income	2,820	6,010
Total revenue and support	<u>537,085</u>	<u>441,269</u>
Expenses		
Program services:		
Alcohol addiction support	115,035	376,902
Supporting services:		
General and administrative	109,683	108,727
Fundraising Expense	112,309	-
Total expenses	<u>337,027</u>	<u>485,629</u>
Change in net assets without donor restrictions	200,058	(44,360)
Net assets (deficit) without donor restrictions, beginning of year	<u>(161,965)</u>	<u>(117,605)</u>
Net assets (deficit) without donor restrictions, end of year	<u>\$ 38,093</u>	<u>\$ (161,965)</u>

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

The Peter G. Dodge Foundation, Inc.

Statements of Functional Expenses For the Years Ended December 31, 2018 (Audited) and 2017 (Reviewed)

	2018			2017		
	Program Services	Supporting Services		Program Services	Supporting Services	
		Alcohol Addiction	General and Administrative		Fundraising Expense	Alcohol Addiction
			Total			Total
Salaries, wages and employee benefits	\$ 88,320	\$ 59,142	\$ -	\$ 90,171	\$ 60,455	\$ 150,626
Professional fundraising services	-	-	98,000	-	-	-
Occupancy	8,176	5,451	-	7,890	5,260	13,150
Registration and filing fees	-	-	13,262	-	-	-
Accounting and legal fees	-	10,885	-	-	3,855	3,855
Information technology	4,950	5,514	-	6,875	4,915	11,790
Office expenses	-	9,602	-	-	9,858	9,858
Payroll taxes	-	9,558	-	-	9,720	9,720
Charitable contributions	5,000	-	-	265,522	-	265,522
Travel	3,539	-	1,047	629	-	629
Advertising and promotion	4,325	-	-	2,937	-	2,937
Other expenses	-	3,352	-	-	3,080	3,080
Depreciation and amortization	-	3,287	-	-	8,083	8,083
Insurance	-	2,440	-	-	2,782	2,782
Conferences, conventions and meetings	725	182	-	2,878	719	3,597
Interest	-	270	-	-	-	-
	<u>\$ 115,035</u>	<u>\$ 109,683</u>	<u>\$ 112,309</u>	<u>\$ 376,902</u>	<u>\$ 108,727</u>	<u>\$ 485,629</u>
			<u>\$ 337,027</u>			

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

The Peter G. Dodge Foundation, Inc.

Statements of Cash Flows

For the Years Ended December 31, 2018 (Audited) and 2017 (Reviewed)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets without donor restrictions	\$ 200,058	\$ (44,360)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,287	8,083
Unrealized loss (gain) on investments	712	(3,041)
Change in operating liabilities:		
Accounts and contributions payable	<u>(184,980)</u>	<u>15,000</u>
Net cash provided by (used in) operating activities	<u>19,077</u>	<u>(24,318)</u>
Cash flows from investing activities		
Purchases of investments	<u>(2,811)</u>	<u>(2,951)</u>
Net cash used in investing activities	<u>(2,811)</u>	<u>(2,951)</u>
Net change in cash	16,266	(27,269)
Cash, beginning of year	<u>5,697</u>	<u>32,966</u>
Cash, end of year	<u>\$ 21,963</u>	<u>\$ 5,697</u>
Supplemental disclosures of cash flow information:		
Cash paid for excise tax	<u>\$ 59</u>	<u>\$ 42</u>

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

The Peter G. Dodge Foundation, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2018 (Audited) and 2017 (Reviewed)

1) Nature of Business

Nature of Business

The Peter G. Dodge Foundation, Inc. (the “Foundation”) was founded in 2014 as a 501(c)(3) not-for-profit organization. The Foundation's mission is to help people lead lives free from the effects of alcohol addiction. By increasing treatment options, elevating awareness, and facilitating access, the Foundation works to create a new paradigm for what treatment and recovery can be.

2) Summary of Significant Accounting Policies

Basis of Accounting

The Foundation's financial statements are prepared on the accrual basis of accounting. Revenues are recognized in the period in which they are earned, and expenses are recognized when they are incurred.

Property and Equipment

Property and equipment are carried at cost, or if donated, the assets are capitalized at the estimated fair value at the date of receipt. Depreciation on property and equipment is computed using the straight-line method over the estimated useful lives of 3 to 5 years, with no salvage value. Leasehold improvements are recorded at cost and are amortized on a straight-line basis over the lesser of the remaining life of the lease or the estimated useful lives of the assets.

The Foundation capitalizes all expenditures for property and equipment over \$500. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Expenditures for major repairs and improvements are capitalized, expenditures for minor repairs and maintenance costs are expensed when incurred.

Investments

Investments of the Foundation are comprised of Real Estate Investment Trusts (REITs) and are valued at the net asset value of the collective trust. The net asset value is used as a practical expedient to estimate fair value. The net asset value was calculated using a methodology conforming to the Investment Program Association's Practice Guidelines for Valuations of Publicly Traded Non-listed REITs and fair value accounting under Generally Accepted Accounting Principles. Unrealized and realized gains and losses are included as unrestricted income in the statement of activities.

Intangible assets

Intangible assets are carried at original cost and amortized using the straight line and accelerated methods over the estimated useful lives of 3 to 8 years. The Foundation capitalizes all intangible assets expenditures over \$500.

See independent auditor's report.

The Peter G. Dodge Foundation, Inc.

Notes to Financial Statements (Continued)
For the Years Ended December 31, 2018 (Audited) and 2017 (Reviewed)

2) Summary of Significant Accounting Policies (Continued)

Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation are classified in the following two classes:

Net assets without donor restrictions represents funds that are available for support of the operations of the Foundation, and that are not subject to donor stipulation.

Net assets with donor restrictions consist of contributions that have been restricted by the donor for specific purposes or are time restricted, including contributions that have been restricted by the donor that stipulate the resources are to be maintained in perpetuity, but permit the Foundation to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

Contributions

Contributions are recognized as revenues when they are received or unconditionally promised. The Foundation reports gifts of cash and other assets as donor restricted support if they are received with donor stipulations that limit the use of the donated assets as to a particular purpose or to future periods. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets with donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions. Restrictions expire when a stipulated time restriction ends or a purpose restriction is accomplished. The Foundation treats all contributions in which the restrictions are met in the current year as contributions without donor restrictions.

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Foundation is a nonprofit organization and is exempt from the payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes is required for the year ended December 31, 2018 and 2017, as the Foundation had no significant net unrelated business income.

See independent auditor's report.

The Peter G. Dodge Foundation, Inc.

Notes to Financial Statements (Continued)
For the Years Ended December 31, 2018 (Audited) and 2017 (Reviewed)

2) Summary of Significant Accounting Policies (Continued)

The Foundation is subject to excise tax on net investment income at the rate of 1%. For the years ended December 31, 2018 and 2017, the Foundation incurred excise tax of \$59 and \$42, respectively, on net investment income.

Functional Expenses

The cost of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The Organization allocates directly identifiable expenses based on which function is being pursued. Personnel and other costs are split by staff designation. Any costs relating to staff who serve in multiple functions are split by average amount of time spent per function.

3) Accounting Pronouncements Adopted

In 2018, the Foundation adopted ASU No. 2016-14 – *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. The main provisions of this update include: presentation of two classes of net assets (reduced from three classes); reporting investment return net of external and direct internal investment expenses; qualitative information about management of liquidity; quantitative information about financial assets available within one year; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions.

The Foundation's December 31, 2017 net assets previously reported as unrestricted are now reported as net assets without donor restrictions. The Foundation did not have any temporarily restricted or permanently restricted net assets as of December 31, 2017.

4) Concentration of Risk

Financial Institutions

The Foundation maintains its cash balances at financial institutions and at times these balances may exceed the federal insured limits. The Foundation has not experienced any losses with respect to its cash balance in excess of government provided insurance and management believes that there is no significant concentration of credit risk as a result of maintaining this account.

Major Contributors

During the year ended December 31, 2018 and 2017, the Foundation received approximately 98.7% and 97.6%, respectively, of its support from one contributor, which was a related party. The Foundation relies on the support of the related contributor to ensure the continued operations of the Foundation. Any significant reduction in funding from the contributor will affect the Foundation's ability to carry out its programs and other activities.

See independent auditor's report.

The Peter G. Dodge Foundation, Inc.

Notes to Financial Statements (Continued)
For the Years Ended December 31, 2018 (Audited) and 2017 (Reviewed)

5) Property and Equipment

Property and equipment at December 31, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 3,200	\$ 3,200
Computers and software	4,744	4,744
	7,944	7,944
Less: accumulated depreciation	<u>(7,215)</u>	<u>(6,266)</u>
Property and equipment, net	<u>\$ 729</u>	<u>\$ 1,678</u>

During the years ended December 31, 2018 and 2017, the Foundation recorded depreciation expense of \$949 and \$950, respectively.

6) Intangible Assets

The Foundation held the following intangible assets as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Website	\$ 22,500	\$ 22,500
Logo	1,250	1,250
Blog development	6,063	6,063
	29,813	29,813
Less: accumulated amortization	<u>(29,813)</u>	<u>(27,475)</u>
Intangible assets, net	<u>\$ -</u>	<u>\$ 2,338</u>

During the years ended December 31, 2018 and 2017, the Foundation recorded amortization expense of \$2,338 and \$7,133, respectively. .

7) Related Party Transaction

During the year ended December 31, 2018 and 2017, the Foundation received \$527,000 and \$425,000, respectively, from a research company, which the President of the Foundation is Founder and Chief Performance Officer.

See independent auditor's report.

The Peter G. Dodge Foundation, Inc.

Notes to Financial Statements (Continued)
For the Years Ended December 31, 2018 (Audited) and 2017 (Reviewed)

8) Commitments and Contingencies

Operating Leases

The Foundation leases two office spaces in Baltimore, Maryland which expire at various dates though March 2020. Total rental expense for the years ended December 31, 2018 and 2017, was \$7,701 and \$7,133, respectively.

Future minimum lease payments under the lease agreements are as follows:

<u>Years ending December 31,</u>	<u>Amount</u>
2019	\$ 6,574
2020	923
	<u>\$ 7,497</u>

9) Defined Contribution Plan

The Foundation established a Safe-Harbor contributory plan qualified under Section 401(k) of the Internal Revenue Code in January 2016. The Plan covers all employees of the Foundation who are at least 18 years of age. Additionally, for employer profit sharing contributions an employee becomes eligible after completing one year of service. A participant can contribute a percentage of his/her compensation, which is immediately vested. The Foundation makes a Safe Harbor matching contribution of 100% of the participant's elective deferral contributions up to 3% of compensation plus 50% of their elective deferral contributions over 3% up to 5% of compensation. The participant's share of the Foundation's matching contributions are immediately vested and employer profit sharing contributions vest over a six-year period. Matching contributions made to this 401(k) plan were \$4,100 and \$4,250 for the years ended December 31, 2018 and 2017, respectively.

10) Liquidity

The following reflects the Foundation's financial assets as of December 31, 2018:

Financial assets as of December 31, 2018

Cash	21,963
Investments	<u>64,617</u>
Total financial assets	<u>86,580</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 86,580</u>

See independent auditor's report.

The Peter G. Dodge Foundation, Inc.

Notes to Financial Statements (Continued)

For the Years Ended December 31, 2018 (Audited) and 2017 (Reviewed)

10) Liquidity (Continued)

As part of the Foundation's liquidity management, the Foundation has a policy to structure its financial assets to be available and liquid as its obligations become due. The Foundation has no debt on the statement of financial position as of December 31, 2018 and typically pays its obligations using cash. As of December 31, 2018, the Foundation has financial assets equal to approximately 3 months of operating expenses.

11) Subsequent Events

Management has evaluated subsequent events and transactions subsequent to the statement of financial position date for potential recognition or disclosure through May 16, 2019, the date the financial statements were available to be issued. There were no events that required recognition or disclosure in the financial statements, except as noted below:

New Lease Agreement: Subsequent to year end, the Foundation renewed their operating lease for office space. The lease commences on March 8, 2019 and expires on August 31, 2019. The lease calls for monthly payments of \$547.

See independent auditor's report.