The Peter G. Dodge Foundation, Inc.

Financial Statements

For the Year Ended December 31, 2017

HERTZBACH

certified public accountants · consultants

The Peter G. Dodge Foundation, Inc.

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For the Year Ended December 31, 2017

Independent Accountant's Review Report

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

We have reviewed 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, 2017, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Hertzbach & Company, P.A.

Rockville, Maryland
September 19, 2018

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The Peter G. Dodge Foundation, Inc.

Statement of Financial Position
As of December 31, 2017

Assets	
Current assets	
Cash	$ 5,697
Total current assets	5,697
Property and equipment, net	1,678
Other assets	
Investments	62,518
Intangible assets, net	2,338
Security deposits	804
Total other assets	65,660
Total assets	$ 73,035
Liabilities and Net Assets	
Current liabilities	
Contributions payable	$ 235,000
Total current liabilities	235,000
Net assets	
Unrestricted net assets	(161,965)
Total liabilities and net assets	$ 73,035

See independent accountant's review report and notes to financial statements.

The Peter G. Dodge Foundation, Inc.

Statement of Activities
For the Year Ended December 31, 2017

Revenue and Support	
Contributions	$ 435,259
Investment and other income	6,010
Total revenue and support	441,269
Expenses	
Program services:	
Alcohol addiction support	376,902
Supporting services:	
General and administrative	108,727
Total expenses	485,629
Change in unrestricted net assets	(44,360)
Unrestricted net assets, beginning of year	(117,605)
Unrestricted net assets, end of year	$ (161,965)

See independent accountant's review report and notes to financial statements.

The Peter G. Dodge Foundation, Inc.

Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Services	Supporting	
	Alcohol Addiction Support	General and Administrative	Total
Charitable contributions	$ 265,522	$ -	$ 265,522
Salaries, wages and employee benefits	90,171	60,455	150,626
Occupancy	7,890	5,260	13,150
Information technology	6,875	4,915	11,790
Office expenses	-	9,858	9,858
Payroll taxes	-	9,720	9,720
Depreciation and amortization	-	8,083	8,083
Accounting and legal fees	-	3,855	3,855
Conferences, conventions and meetings	2,878	719	3,597
Other expenses	-	3,080	3,080
Advertising and promotion	2,937	-	2,937
Insurance	-	2,782	2,782
Travel	629	-	629
	$ 376,902	$ 108,727	$ 485,629

See independent accountant's review report and notes to financial statements.

The Peter G. Dodge Foundation, Inc.

Statement of Cash Flows
For the Year Ended December 31, 2017

Cash flows from operating activities		
Change in unrestricted net assets	$	(44,360)
Adjustments to reconcile change in unrestricted net assets to net cash used in operating activities:		
Depreciation and amortization		8,083
Unrealized gain on investments		(3,041)
Change in operating liabilities:		
Contributions payable		15,000
Net cash used in operating activities		(24,318)
Cash flows from investing activities		
Purchases of investments		(2,951)
Net cash used in investing activities		(2,951)
Net change in cash		(27,269)
Cash, beginning of year		32,966
Cash, end of year	$	5,697
Supplemental disclosures of cash flow information:		
Cash paid for excise tax	$	42

See independent accountant's review report and notes to financial statements.

1) Nature of Business and Summary of Significant Accounting Policies

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.

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.

Cash Equivalents
The Foundation considers all highly liquid instruments with maturities of three months or less when purchased, to be cash equivalents.

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 in real estate investment trusts (REITs) are reported at their fair value based on an independent appraisal of the real estate portfolio. 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.

Net Assets
The Foundation complies with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*, and is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At December 31, 2017, all net assets were classified as unrestricted.

1) Nature of Business and Summary of Significant Accounting Policies (Continued)

Contributions
Contributions are recognized as revenues when they are received or unconditionally promised. The Foundation reports gifts of cash and other assets as temporarily 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, temporarily restricted net assets are reclassified to unrestricted net assets 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 unrestricted contributions.

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, 2017, as the Foundation had no significant net unrelated business income.

The Foundation is subject to excise tax on net investment income at the rate of 1%. For the year ended December 31, 2017, the Foundation incurred excise tax of $59 on net investment income.

Functional Expenses
The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the programs and supporting services benefitted.

2) 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, 2017, the Foundation received approximately 97.6% 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 accountant's review report.

3) Fair Value Measurements

The Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value for assets and liabilities subject to fair value measurement. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in active markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 inputs must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

A description of the valuation methodology used for assets measured at fair value is noted below.

Real Estate Investment Trusts (REITs)
Valued at the appraised price per share of the real estate portfolio.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

3) Fair Value Measurements (Continued)

As of December 31, 2017, all investments are measured as level 3 within the fair value hierarchy. The following table sets forth the Foundation's investments at fair value as of December 31, 2017:

		REITs
Balance as of December 31, 2016	$	56,526
Purchases		2,951
Unrealized gains		3,041
Balance as of December 31, 2017	$	62,518

The Foundation's investment income consisted of the following for the year ended December 31, 2017:

Dividends and interest	$	2,951
Unrealized gains		3,041
Total investment income	$	5,992

The following quantitative information was used in determining the fair value measurement of the following level 3 investments:

	Valuation technique	Unobservable input	Range (weighted average)
		Discount for lack of marketablity *	2.5%-5.0%
Real estate investment trusts	Discounted cash flow	Operating cash flow projections	7.0%-10.5% (8.7%)
		Residual capitaliztion rate	5.0%-8.5% (6.7%)

* Represents amounts used when the reporting entity has determined that market participants would take into account these premiums and discounts when pricing the investments.

See independent accountant's review report.

4) Property and Equipment

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

Leasehold improvements	$	3,200
Computers and software		4,744
		7,944
Less: accumulated depreciation		(6,266)
Property and equipment, net	$	1,678

During the year ended December 31, 2017, the Foundation recorded depreciation expense of $950.

5) Intangible Assets

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

Website	$	22,500
Logo		1,250
Blog development		6,063
		29,813
Less: accumulated amortization		(27,475)
Intangible assets, net	$	2,338

During the year ended December 31, 2017, the Foundation recorded amortization expense of $7,133.

6) Related Party Transaction

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

7) Commitments and Contingencies

Operating Leases
The Foundation leases two office spaces in Baltimore, Maryland which expire at various dates though March 2019. Total rental expense for the year ended December 31, 2017 was $11,479.

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

Years ending December 31,	Amount
2018	$ 7,701
2019	1,609
	$ 9,310

8) 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 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 $4,250 for the year ended December 31, 2017.

9) Subsequent Events

Management has evaluated subsequent events and transactions subsequent to the statement of financial position date for potential recognition or disclosure through September 19, 2018, 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:

In February 2018, the Foundation renewed the operating lease for one of its office locations. The lease will commence on March 1, 2018 and expire on February 29, 2020.