

THE SATO PROJECT, INC.
(A Nonprofit Organization)

Financial Statements
Year Ended December 31, 2014 and 2013

with

Independent Auditors' Report

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CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-10

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Independent Auditor's Report

To the Board of Directors and Shareholders of
The Sato Project, Inc.
Brooklyn, NY

We have audited the accompanying financial statements of The Sato Project, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014 and 2013, and the related statements of activities 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 representation 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 representation 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 audits. We conducted our audits 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 Sato Project, Inc. as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The statement of functional expenses on page 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

D'Alessio Tocci & Pell, LLP
New York, NY
May 4, 2015

THE SATO PROJECT, INC.
(A Nonprofit Organization)
Statements of Financial Position
Year Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets		
Current Assets:		
Cash	\$ 45,064	\$ 38,178
Contributions and grants receivable	-	-
	45,064	38,178
Total Current Assets	45,064	38,178
Fixed Assets:		
Furniture and equipment	21,965	15,473
Improvements	717	-
Automobiles	46,899	-
Accumulated depreciation	(10,759)	(3,819)
	58,822	11,654
Net Fixed Assets	58,822	11,654
Total Assets	\$ 103,886	\$ 49,832
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 17,943	\$ 7,700
	17,943	7,700
Long Term Liabilities:		
Loan Payable	40,920	-
	40,920	-
Total Liabilities	58,863	7,700
Net Assets:		
Unrestricted	45,023	42,132
Temporarily restricted	-	-
Restricted	-	-
	45,023	42,132
Total Net Assets	45,023	42,132
Total Liabilities and Net Assets	\$ 103,886	\$ 49,832

The accompanying notes are an integral part of these financial statements

THE SATO PROJECT, INC.
(A Nonprofit Organization)
Statements of Activities
Year Ended December 31, 2014 and 2013

	Unrestricted	2014 Total	2013 Total
Revenue			
Contributions	\$ 458,824	\$ 458,824	\$ 347,990
Net assets released from restriction	-	-	-
	Total Revenues	458,824	347,990
 Expenses			
Program Services			
Program expenses	412,652	412,652	315,044
	Total Program Services	412,652	315,044
 Supporting Services			
Fundraising	16,777	16,777	34,034
Management and general	26,505	26,505	17,526
	Total Supporting Services	43,282	51,560
	Total Expenses	455,933	366,604
	Increase in Net Assets	2,891	(18,614)
	Net Assets - January 1, 2014	42,132	60,746
	Net Assets - December 31, 2014	\$ 45,023	\$ 42,132

The accompanying notes are an integral part of these financial statements

THE SATO PROJECT, INC.
(A Nonprofit Organization)
Statements of Functional Expenses
Year Ended December 31, 2014 and 2013

	Program Services	Supporting Services		2014 Total	2013 Total
	Program Expenses	Fund Raising	Management and General		
Advertising	6,516			6,516	6,135
Automobile expense			3,240	3,240	2,710
Bank service charges			674	674	489
Canine supplies	19,360			19,360	8,081
Car rental	7,460			7,460	4,552
Consulting fees	27,063	11,599		38,662	25,709
Depreciation expense	6,940			6,940	3,240
Dog training	3,910			3,910	3,060
Dog transport	1,340			1,340	1,600
Donations	658			658	-
Dues and subscriptions		108	736	844	1,096
Gifts	2,265			2,265	1,442
Interest expense			331	331	-
Internet and cable			1,316	1,316	920
Legal and accounting			3,500	3,500	3,500
License and permits			214	214	210
Local transportation			1,637	1,637	344
Lodging	11,960			11,960	2,556
Meals	6,856	512		7,368	7,753
Micro Chip Services				-	319
Office supplies			3,127	3,127	3,127
PayPal fees	5,273			5,273	5,427
Photography	4			4	3,951
Postage and delivery			450	450	504
Printing and reproduction		404	2,036	2,440	3,559
Rent	-		5,895	5,895	4,020
Repairs and maintenance			163	163	1,260
Software			1,018	1,018	790
Telephone			2,168	2,168	850
Travel	11,232			11,232	4,773
Travel - Dog Air	24,813			24,813	21,707
Uniforms	2,432			2,432	6,000
Venue		3,600		3,600	3,570
Veterinary services - Puerto Rico	241,148			241,148	210,840
Veterinary services - USA	32,568			32,568	21,997
Website	854	554		1,408	513
Total Expenses	\$ 412,652	\$ 16,777	\$ 26,505	\$ 455,934	\$ 366,604
Percentage of Total Expenses	90.51%	3.68%	5.81%	100.00%	100.00%

The accompanying notes are an integral part of these financial statements

THE SATO PROJECT, INC.
(A Nonprofit Organization)
Statements of Cash Flows
Year Ended December 31, 2013 and 2012

	<u>2014</u>	<u>2013</u>
<u>INDIRECT METHOD</u>		
Cash Flow from Operating Activities:		
Increase in net assets	\$ 2,891	\$ (18,614)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation expense	6,940	3,240
Increase (Decrease) in accounts payable and accrued expense	10,243	(7,099)
Net Cash (Used) or Provided by Operating Activities	<u>17,183</u>	<u>(3,859)</u>
Cash Flow from Investing Activities:		
Increase in fixed assets	54,108	<u>10,089</u>
Increase in long term liabilities	<u>40,920</u>	
Net (Decrease) Increase in Cash	<u>6,886</u>	<u>(32,562)</u>
Cash and Cash Equivalents - Beginning of Year	<u>38,178</u>	<u>38,178</u>
Cash and Cash Equivalents - End of Year	<u>\$ 45,064</u>	<u>\$ 38,178</u>
<u>DIRECT METHOD</u>		
Cash Flow from Operating Activities:		
Cash received from donors	<u>\$ 458,824</u>	<u>\$ 344,131</u>
	<u>458,824</u>	<u>344,131</u>
Cash paid to vendors	<u>438,751</u>	<u>366,604</u>
	<u>438,751</u>	<u>366,604</u>
Cash Flow from Investing Activities:		
Increase in fixed assets	<u>13,187</u>	<u>10,089</u>
	<u>13,187</u>	<u>10,089</u>
Net Cash Provided by Operating Activities:	<u>\$ 6,886</u>	<u>\$ (32,562)</u>

THE SATO PROJECT, INC.
(A Nonprofit Organization)

Notes to Financial Statements

December 31, 2014 and 2013

Note 1 - Nature of Organization

The Sato Project, Inc. (the "Organization") was incorporated in the State of New York on November 29, 2011 to rescue dogs from the "Dead Dog Beach" in Puerto Rico, a tax exempt corporation established pursuant to the laws of the state of New York. The Sato Project provides food, water, shelter and necessary veterinary care to rescued dogs and once they pass the veterinary protocol they are transported to US for adoption.

Note 2 - Summary of Significant Accounting Policies

(a) *Basis of Presentation*

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The activities of The Sato Project, Inc. are separated into operating and non-operating categories in the statements of activities and changes in net assets. The non-operating category includes investment income, the changes in interests in charitable trusts, and losses on disposal of property and equipment.

Under accounting principles generally accepted in the United States of America, The Sato Project, Inc. is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted net assets

These net assets are not subject to donor-imposed stipulations. For the years ended December 31, 2014 and 2013, The Sato Project, Inc's board of directors has designated \$41,074 of funds to cover short term operating and program expenses and for the renovation, replacement and expansion of facilities, as necessary. These amounts are reflected as Board designated net assets in the statements of financial position.

Temporarily restricted net assets

These net assets are subject to donor-imposed stipulations that may or will be met, either by actions of The Sato Project, Inc. and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. As of December 31, 2014 there were no temporarily restricted net assets.

THE SATO PROJECT, INC.
(A Nonprofit Organization)

Notes to Financial Statements

December 31, 2014 and 2013

Note 2 - Summary of Significant Accounting Policies (continued)

(a) *Basis of Presentation (continued)*

Permanently restricted net assets

These net assets are subject to donor-imposed stipulations that they be maintained permanently by The Sato Project, Inc. The donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes of The Sato Project, Inc.

(b) *Revenue recognition*

Revenue, including adoption fees is recognized when earned.

(c) *Contributions*

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of any donor restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted. When a restriction expires, the amount is reported in the statements of activities and changes in net assets as a net assets released from restriction.

(d) *Cash and cash equivalents*

The Sato Project, Inc. considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

All of The Sato Project, Inc's cash and cash equivalents are on deposit in Chase. From time to time, the balances may be in excess of the Federal Insurance Corporation (FDIC) insurance limit. The Sato Project, Inc. does not believe it is exposed to any significant credit risk on cash.

THE SATO PROJECT, INC.
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Notes to Financial Statements

December 31, 2014 and 2013

Note 2 - Summary of Significant Accounting Policies (continued)

(e) Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided on the double declining depreciation method based on the estimated useful lives ranging from three years for certain equipment to forty years for buildings and improvements. Maintenance and repairs which are not considered to extend the useful lives of assets are charged to expense as incurred. Expenditures for additions and improvements are capitalized. The cost of property sold or retired and the related accumulated depreciation are eliminated from the accounts and the resulting gain or loss is reflected in non-operating income.

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination.

(f) Allocation of functional expenses

The costs of providing various program and supporting services have been summarized on a functional basis in the statements of activities and changes in net assets and statements of functional expenses. Expenses that can be identified with a specific program or supporting services are charged directly to that program or support services. Costs common to multiple programs or supporting services have been allocated among the functions benefited based on management estimates of time, space utilization, or other rational means.

(g) Tax exempt status

The Sato Project, Inc. has been classified as a tax-exempt non-profit organization under Section 501(c) (3) of the Internal Revenue Code.

The Financial Accounting Standards Board Accounting standards Codification on Income Taxes clarifies recognition, measurement, presentation, and disclosure relating to uncertain tax positions. The Sato Project, Inc. evaluates uncertain tax positions for recognition by determining whether evidence indicates it is more likely than not that a position will be sustained if examined by taxing authorities. As of December 31, 2014 and 2013, The Sato Project, Inc. is unaware of any uncertain tax positions. The Sato Project, Inc.'s tax returns for tax years 2011 and beyond remain subject to examination by the Internal Revenue Service.

THE SATO PROJECT, INC.
(A Nonprofit Organization)

Notes to Financial Statements

December 31, 2014 and 2013

Note 2 - Summary of Significant Accounting Policies (continued)

(h) 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. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(i) Subsequent events

Management evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through May 4, 2015, the date the financial statements were approved and authorized for issue.

Note 3 – Program Expenses

During 2014 the Organization spent \$241,148 and \$32,568 on veterinary services in Puerto Rico and US respectively, as well as \$19,360 on canine supplies. These contributions are reported as program expenses on the statement of activities.

Note 5 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available or will be available for the program activities of The Sato Project, Inc.

Note 6 – Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, by the passage of time, or the occurrence of other events specified by donors.