

**THE SATO PROJECT, INC.**  
**(A Nonprofit Organization)**

**Financial Statements**  
**Year Ended December 31, 2015 and 2014**

**with**

**Independent Auditors' Report**

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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, 2015 and 2014, and the related statements of activities and changes in net assets, 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 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, 2015 and 2014, 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.

*D'Alessio Tocci & Pell, LLP*

New York, NY  
September 21, 2016

**THE SATO PROJECT, INC.**  
**(A Nonprofit Organization)**  
**Statements of Financial Position**  
**Year Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash	\$ 186,337	\$ 45,064
Contributions and grants receivable	<u>-</u>	<u>-</u>
Total Current Assets	<u>186,337</u>	<u>45,064</u>
<b>Fixed Assets:</b>		
Furniture and equipment	21,965	21,965
Improvements	717	717
Automobiles	50,399	46,899
Accumulated depreciation	<u>(33,388)</u>	<u>(10,759)</u>
	39,693	58,822
Net Fixed Assets	<u>39,693</u>	<u>58,822</u>
<b>Total Assets</b>	<u><u>\$ 226,030</u></u>	<u><u>\$ 103,886</u></u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	<u>\$ 75,439</u>	<u>\$ 17,943</u>
	75,439	17,943
<b>Long Term Liabilities:</b>		
Loan Payable	<u>26,040</u>	<u>40,920</u>
	26,040	40,920
Total Liabilities	<u>101,479</u>	<u>58,863</u>
<b>Net Assets:</b>		
Unrestricted	124,551	45,023
Temporarily restricted	-	-
Restricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>124,551</u>	<u>45,023</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 226,030</u></u>	<u><u>\$ 103,886</u></u>

*The accompanying notes are an integral part of these financial statements*

**THE SATO PROJECT, INC.**  
**(A Nonprofit Organization)**  
**Statements of Activities and Changes in Net Assets**  
**Year Ended December 31, 2015 and 2014**

	<b>Unrestricted</b>	<b>2015 Total</b>	<b>2014 Total</b>
<b>Revenue</b>			
Contributions	\$ 585,865	\$ 585,865	\$ 458,824
Net assets released from restriction	-	-	-
	<b>Total Revenues</b>	<b>585,865</b>	<b>458,824</b>
 <b>Expenses</b>			
<b>Program Services</b>			
Program expenses	424,723	424,723	412,652
	<b>Total Program Services</b>	<b>424,723</b>	<b>412,652</b>
 <b>Supporting Services</b>			
Fundraising	34,104	34,104	16,777
Management and general	47,510	47,510	26,505
	<b>Total Supporting Services</b>	<b>81,614</b>	<b>43,282</b>
	<b>Total Expenses</b>	<b>506,337</b>	<b>455,934</b>
	<b>Increase in Net Assets</b>	<b>79,528</b>	<b>2,890</b>
 <b>Net Assets - January 1, 2015</b>	<b>45,023</b>	<b>45,023</b>	<b>42,133</b>
 <b>Net Assets - December 31, 2015</b>	<b>\$ 124,551</b>	<b>\$ 124,551</b>	<b>\$ 45,023</b>

*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, 2015 and 2014**

	<u>Program Services</u>	<u>Supporting Services</u>		<u>2015 Total</u>	<u>2014 Total</u>
	<u>Program Expenses</u>	<u>Fund Raising</u>	<u>Management and General</u>		
Advertising		\$ 3,206	\$ 4,980	8,186	6,516
Automobile expense	4,321			4,321	3,240
Bank service charges			1,807	1,807	674
Canine supplies	18,693			18,693	19,360
Car rental	790			790	7,460
Consulting fees	20,974	23,268	16,274	60,516	38,662
Depreciation expense	22,629			22,629	6,940
Dog training	11,052			11,052	3,910
Dog transport	555			555	1,340
Donations				-	658
Dues and subscriptions			879	879	844
Gifts	2,393			2,393	2,265
Interest expense	4,583			4,583	331
Internet and cable			2,857	2,857	1,316
Legal and accounting			7,500	7,500	3,500
License and permits			50	50	214
Local transportation			2,644	2,644	1,637
Lodging	29			29	11,960
Meals	4,792	775	4,356	9,923	7,368
Office supplies			192	192	3,127
PayPal fees	8,892			8,892	5,273
Payroll Expenses	19,304	3,382	280	22,966	-
Photography	411			411	4
Postage and delivery		367	937	1,304	450
Printing and reproduction		1,973	653	2,626	2,440
ProPay Fees	5,284			5,284	-
Rent	9,100			9,100	5,895
Repairs and maintenance	188			188	163
Software			2,988	2,988	1,018
Telephone			1,113	1,113	2,168
Travel	8,676			8,676	11,232
Travel - Dog Air	24,211			24,211	24,813
Uniforms	1,995			1,995	2,432
Venue		1,133		1,133	3,600
Veterinary services - Puerto Rico	235,288			235,288	241,148
Veterinary services - USA	14,455			14,455	32,568
Volunteer Allowance	4,998			4,998	-
Website	1,110			1,110	1,408
<b>Total Expenses</b>	<u>\$ 424,723</u>	<u>\$ 34,104</u>	<u>\$ 47,510</u>	<u>\$ 506,337</u>	<u>\$ 455,934</u>
<b>Percentage of Total Expenses</b>	<u>83.88%</u>	<u>6.74%</u>	<u>9.38%</u>	<u>100.00%</u>	<u>100.00%</u>

*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, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b><u>INDIRECT METHOD</u></b>		
<b>Cash Flow from Operating Activities:</b>		
Increase in net assets	\$ 79,528	\$ 2,890
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation expense	22,629	6,940
Increase (decrease) in accounts payable and accrued expense	57,496	(7,099)
Net Cash (used) or Provided by Operating Activities	80,125	(159)
<b>Cash Flow from Investing Activities:</b>		
Increase in fixed assets	(3,500)	10,089
Increase (decrease) in long term liabilities	(14,880)	-
Net Cash (used) or Provided by Investing Activities	(18,380)	10,089
<b>Cash Flow from Financing Activities:</b>		
	-	-
Net Increase (decrease) in Cash	141,273	(7,358)
<b>Cash and Cash Equivalents - Beginning of Year</b>	45,064	38,178
<b>Cash and Cash Equivalents - End of Year</b>	\$ 186,337	\$ 45,064

**THE SATO PROJECT, INC.**  
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**Notes to Financial Statements**

**December 31, 2015 and 2014**

**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.

The Organization was founded to provide promote and advance the protection, care and humane treatment of dogs. The Organization rescues and cares for abused and abandoned dogs by providing food, shelter and medical care.

The Organization performs medical tests for infections and diseases of every dog they find on the "Dead Dog Beach" and once cleared are transported to the United States for adoption. The Organization performs continuous treatment on any dog tested positive for infections and diseases, until are healthy and ready to travel.

**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 Organization 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 Organization is required to report information regarding its financial position and activities according to three classes of net assets, as follows:

Unrestricted net assets

Represents resources that are available for general support of the Organizations' operations over which the Board of Directors has discretionary control.

Temporarily restricted net assets

Net assets of which the use has been restricted by donors to specific purposes and/or the passage of time. When a donor-imposed restriction expires, that is, when a stipulated time restriction ends or a purpose is accomplished, those temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and

**THE SATO PROJECT, INC.**  
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**Notes to Financial Statements**

**December 31, 2015 and 2014**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**(a) *Basis of Presentation* (continued)**

Temporarily restricted net assets (continued)

changes in net assets as net assets released from restrictions. As of December 31, 2015 there were no temporarily restricted net assets.

Permanently restricted net assets

Net assets whereby donors have stipulated that the principal contributed be invested and retained in perpetuity, with investment return available for expenditure according to the restrictions, if any, imposed by the donors.

**(b) *Revenue recognition***

Contributions are considered to be available for unrestricted use, unless they are specifically restricted by the donor.

Revenue, including adoption fees and veterinary services, is recognized when earned.

Contributed services are reported at fair value in the financial states only when those services create or enhance non financial assets, or require specialized skills provided by individuals possessing those skills are services, which would be typically purchased if not provided by donation.

**(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.

**THE SATO PROJECT, INC.**  
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**Notes to Financial Statements**

**December 31, 2015 and 2014**

**Note 2 - Summary of Significant Accounting Policies (continued)**

***(d) Cash and cash equivalents***

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

All of Organizations' cash and cash equivalents are on deposit in primarily one financial institution. From time to time, the balances may be in excess of the Federal Insurance Corporation (FDIC) insurance limit. The Organization does not believe it is exposed to any significant credit risk on cash.

***(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. At the time fixed assets are retired or disposed of, the fixed asset and related accumulated depreciations accounts are relieved of the applicable amounts, and any gain or loss is credited or charged to operations.

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***

Expenses are presented according to the programs for which they were incurred and are summarized on a functional basis in the accompanying statements of activities and changes in net assets. The various programs and supporting services of the Organization are as follows.

*Program expenses-* Includes expenses that directly relate to carrying out the Organizations' mission and results in goods or services being provided for the veterinary care of abused or abandoned dogs.

*Fundraising-* Includes costs for publicizing and conducting fundraising campaigns, maintain mailing lists and conducting fundraising events and any other activities that involve soliciting contributions.

*Management and general-* Includes the direction of the overall affairs of the Organization such as portions of accounting, human resources, administration, and related areas.

**THE SATO PROJECT, INC.**  
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**Notes to Financial Statements**

**December 31, 2015 and 2014**

**Note 2 - Summary of Significant Accounting Policies (continued)**

***(g) Income Taxes***

The Organization has been classified as a tax-exempt non-profit organization under Section 501(c) (3) of the Internal Revenue Code (IRC), and is not subject to federal income taxes. Accordingly, donors are entitled to a charitable contribution deduction as defined in the IRC. Continued qualification of tax-exempt status is contingent upon compliance with the requirement of the IRC.

The Organization recognizes the effects of income tax positions only if those positions are more likely than not of being sustained. No provisions for income taxes was required for 2015 or 2014.

***(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 September 21, 2016, the date the financial statements were approved and authorized for issue. The Organization is not aware of any subsequent events that would require additional recognition or disclosure in the accompanying financial statements.

**THE SATO PROJECT, INC.**  
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**Notes to Financial Statements**

**December 31, 2015 and 2014**

**Note 3 – Property and Equipment**

Property and equipment consist of the following as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 9,063	\$ 13,647
Improvements	573	621
Automobiles	<u>30,057</u>	<u>48,054</u>
Total	<u>\$ 39,693</u>	<u>\$ 62,322</u>

**Note 4 – Contributed Services**

The Organization has a volunteer program, which allows people to donate their time to assist in caring for animals. The Organization does not recognize any support, revenue or expense services contributed by its volunteers, since they do not meet the criteria under generally accepted account principles.

**Note 5 – Related Parties:**

None of the members of the Board of Directors nor their immediate family members provide any services to The Organization.