

**SAVE-A-PET, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Save-A-Pet, Inc.  
Grayslake, Illinois

We have audited the accompanying financial statements of SAVE-A-PET, INC. (an Illinois nonprofit Organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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.

### **Auditors' 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 SAVE-A-PET, INC. as of December 31, 2020 and 2019, and the changes 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.

Ward & Davis LLP

June 28, 2021

## STATEMENTS OF FINANCIAL POSITION

As of December 31	2020	2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 463,547	\$ 555,351
Investments, at Fair Value	6,025,831	5,250,206
Contributions Receivable	48,036	45,566
Pledges Receivable	2,500	2,500
Bequests Receivable	11,486	—
Inventory	4,491	8,833
Prepaid Expenses	30,481	24,939
Total Current Assets	<u>6,586,372</u>	<u>5,887,395</u>
<b>NONCURRENT ASSETS</b>		
Pledges Receivable - Noncurrent	—	2,500
Property and Equipment, net of Accumulated Depreciation and Amortization	1,545,900	1,604,176
Total Noncurrent Assets	<u>1,545,900</u>	<u>1,606,676</u>
	<u>\$ 8,132,272</u>	<u>\$ 7,494,071</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 51,188	\$ 55,738
Accrued Expenses	3,735	6,094
Accrued Wages and Payroll Taxes	7,805	45,467
Accrued Vacation	17,793	12,455
Total Current Liabilities	<u>80,521</u>	<u>119,754</u>
<b>NET ASSETS</b>		
Without Donor Restrictions	8,009,447	7,322,285
With Donor Restrictions - Time and Purpose	37,282	47,010
With Donor Restrictions - Endowment	5,022	5,022
Total Net Assets	<u>8,051,751</u>	<u>7,374,317</u>
	<u>\$ 8,132,272</u>	<u>\$ 7,494,071</u>

## STATEMENTS OF ACTIVITIES

For the Years Ended December 31

	2020				2019			
	Without Donor Restriction	With Donor Restriction		Total	Without Donor Restriction	With Donor Restriction		Total
		Time and Purpose Restrictions	Endowment			Time and Purpose Restrictions	Endowment	
REVENUES								
Support								
Contributions								
Donations and Grants	\$ 845,911	\$ 359,836	\$	\$ 1,205,747	\$ 695,983	\$ 123,476	\$	\$ 819,459
Bequests	292,908			292,908	1,716,477			1,716,477
	<u>1,138,819</u>	<u>359,836</u>		<u>1,498,655</u>	<u>2,412,460</u>	<u>123,476</u>		<u>2,535,936</u>
Merchandise Sales	7,044			7,044	10,990			10,990
Less: Cost of Sales	(7,539)			(7,539)	(9,124)			(9,124)
	<u>(495)</u>			<u>(495)</u>	<u>1,866</u>			<u>1,866</u>
Special Event Revenue	102,758			102,758	179,992	18,300		198,292
Total Support	<u>1,241,082</u>	<u>359,836</u>		<u>1,600,918</u>	<u>2,594,318</u>	<u>141,776</u>		<u>2,736,094</u>
Program Services								
Animal-Related Fees	147,077			147,077	213,005			213,005
Other Revenues and Gains								
Investment Income, net of Investment Fees	770,091			770,091	669,191			669,191
Miscellaneous	160			160	10,210			10,210
Total Other Revenues, net	<u>770,251</u>			<u>770,251</u>	<u>679,401</u>			<u>679,401</u>
Net Assets Released from Restrictions								
Expiration of Purpose Restrictions	369,564	(369,564)		—	116,443	(116,443)		—
Expiration of Time Restrictions	<u>369,564</u>	<u>(369,564)</u>		<u>—</u>	<u>116,443</u>	<u>(116,443)</u>		<u>—</u>
Total Support and Revenue	<u>2,527,974</u>	<u>(9,728)</u>		<u>2,518,246</u>	<u>3,603,167</u>	<u>25,333</u>		<u>3,628,500</u>
EXPENSES								
Animal Welfare Program	1,347,263			1,347,263	1,512,380			1,512,380
Supporting Services								
Management and General Fundraising	288,584			288,584	273,408			273,408
Development	155,610			155,610	155,689			155,689
Direct Expenses for Special Events	49,355			49,355	90,517			90,517
Total Supporting Services	<u>493,549</u>			<u>493,549</u>	<u>519,614</u>			<u>519,614</u>
Total Expenses	<u>1,840,812</u>			<u>1,840,812</u>	<u>2,031,994</u>			<u>2,031,994</u>
CHANGE IN NET ASSETS	687,162	(9,728)		677,434	1,571,173	25,333		1,596,506
Net Assets, Beginning of Year	7,322,285	47,010	5,022	7,374,317	5,751,112	21,677	5,022	5,777,811
NET ASSETS, ENDING	\$ 8,009,447	\$ 37,282	\$ 5,022	\$ 8,051,751	\$ 7,322,285	\$ 47,010	\$ 5,022	\$ 7,374,317

See accompanying notes.

## STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

	Animal Welfare Program	Supporting Services			Total Supporting Services	Total Expenses
		Management and General	Development Fundraising	Direct Expenses to Special Event		
Salaries	\$ 598,962	\$ 171,632	\$ 108,524	\$ —	\$ 280,156	\$ 879,118
Payroll Taxes and Employee Benefits	67,087	24,736	9,679	—	34,415	101,502
Health, Food, and Other Shelter Supplies	93,442	—	—	—	—	93,442
Promotion/Advertising	—	260	—	1,801	2,061	2,061
Insurance	48,745	9,852	1,087	—	10,939	59,684
Office Expense and Supplies	9,543	2,864	6,683	7,698	17,245	26,788
Newsletter	21,567	568	568	—	1,136	22,703
Bank Charges and Credit Card Fees	—	7,424	11,920	280	19,624	19,624
Depreciation and Amortization Expense	116,642	3,070	3,070	—	6,140	122,782
Dues, Subscriptions, Licenses and Fees	—	1,570	—	495	2,065	2,065
Entertainment	—	—	—	520	520	520
Postage	—	1,334	7,050	167	8,551	8,551
Professional Fees	—	48,275	—	—	48,275	48,275
Telephone	10,678	593	593	—	1,186	11,864
Rent	1,923	10,095	—	36,119	46,214	48,137
Repairs and Maintenance	25,442	4,240	4,240	—	8,480	33,922
Training	47	—	—	—	—	47
Transportation	2,072	1,240	—	—	1,240	3,312
Utilities	31,594	831	831	—	1,662	33,256
Veterinary Services	315,898	—	—	—	—	315,898
Miscellaneous	3,621	—	1,365	2,275	3,640	7,261
<b>TOTAL EXPENSES</b>	<b>\$ 1,347,263</b>	<b>\$ 288,584</b>	<b>\$ 155,610</b>	<b>\$ 49,355</b>	<b>\$ 493,549</b>	<b>\$ 1,840,812</b>

See accompanying notes.

## STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

For the Year Ended December 31, 2019

	Animal Welfare Program	Supporting Services			Total Supporting Services	Total Expenses
		Management and General	Development Fundraising	Direct Expenses to Special Event		
Salaries	\$ 620,139	\$ 162,460	\$ 110,246	\$ —	\$ 272,706	\$ 892,845
Payroll Taxes and Employee Benefits	71,320	23,498	9,435	—	32,933	104,253
Health, Food, and Other Shelter Supplies	128,910	—	—	—	—	128,910
Promotion/Advertising	—	3,235	2,136	1,581	6,952	6,952
Insurance	46,768	8,099	1,050	—	9,149	55,917
Office Expense and Supplies	7,947	2,385	5,563	13,999	21,947	29,894
Newsletter	20,966	552	552	—	1,104	22,070
Bank Charges and Credit Card Fees	4,716	3,998	11,399	988	16,385	21,101
Depreciation and Amortization Expense	111,311	2,929	2,929	—	5,858	117,169
Dues, Subscriptions, Licenses and Fees	—	1,909	—	2,126	4,035	4,035
Entertainment	—	—	—	7,500	7,500	7,500
Postage	—	2,827	4,749	1,563	9,139	9,139
Professional Fees	2,610	40,168	435	—	40,603	43,213
Telephone	11,678	649	649	—	1,298	12,976
Rent	1,419	7,449	—	55,670	63,119	64,538
Repairs and Maintenance	22,911	3,818	3,818	—	7,636	30,547
Training	11,517	—	—	—	—	11,517
Transportation	3,394	1,240	—	—	1,240	4,634
Utilities	33,112	871	871	—	1,742	34,854
Veterinary Services	411,494	—	—	—	—	411,494
Miscellaneous	2,168	7,321	1,857	7,090	16,268	18,436
<b>TOTAL EXPENSES</b>	<b>\$ 1,512,380</b>	<b>\$ 273,408</b>	<b>\$ 155,689</b>	<b>\$ 90,517</b>	<b>\$ 519,614</b>	<b>\$ 2,031,994</b>

See accompanying notes.



## STATEMENTS OF CASH FLOWS

For the Years Ended December 31	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	<u>\$ 677,434</u>	<u>\$ 1,596,506</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	122,782	117,169
Realized/Unrealized Net Gains on Investments	(701,632)	(593,082)
Donated Stock	(5,790)	—
Proceeds from Sale of Donated Stock	5,790	—
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Contributions Receivable	(2,470)	(30,601)
Pledges Receivable	2,500	5,000
Bequests Receivable	(11,486)	—
Inventory	4,342	(2,543)
Prepaid Expenses	(5,542)	3,591
Increase (Decrease) in:		
Accounts Payable	(4,550)	(3,024)
Accrued Expenses	(2,359)	3,385
Accrued Wages and Payroll Taxes	(37,662)	13,435
Accrued Vacation	5,338	1,738
Total Adjustments	<u>(630,739)</u>	<u>(484,932)</u>
Net Cash Provided by Operating Activities	<u>46,695</u>	<u>1,111,574</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sales of Investments	2,345,935	801,262
Purchases of Investments	(2,317,703)	(1,940,355)
Reinvested Dividends and Interest	(41,678)	(77,596)
Change in Money Market and Uninvested Cash	(60,547)	84,254
Purchases of Property and Equipment	<u>(64,506)</u>	<u>(65,978)</u>
Net Cash Used by Investing Activities	<u>(138,499)</u>	<u>(1,198,413)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(91,804)</u>	<u>(86,839)</u>
Cash and Cash Equivalents, Beginning	555,351	642,190
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u><u>\$ 463,547</u></u>	<u><u>\$ 555,351</u></u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Noncash Activities		
Donated Goods, Services and Facilities	<u>\$ 53,672</u>	<u>\$ 39,538</u>

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**NOTES TO FINANCIAL STATEMENTS**

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**ORGANIZATION ACTIVITIES**

Save-A-Pet, Inc. (the Organization) is an Illinois not-for-profit organization. The Organization was established for the purpose of maintaining an animal shelter (with a no-kill policy) for the aid, comfort, lodging, humane care, welfare and safety of animals. Major sources of revenues are contributions from the general public, fundraising events, bequests and program fees.

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of management who is responsible for their integrity and objectivity. These accounting policies conform to U.S. generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

**BASIS OF PRESENTATION**

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**FINANCIAL STATEMENT PRESENTATION**

The financial statement presentation follows the provisions of the FASB Codification topic related to Financial Statements of Not-for-Profit Organizations. This guidance requires the Organization to report information regarding its financial position and activities, based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

**Net Assets Without Donor Restriction** - Net assets that are not subject to donor-imposed stipulations plus those resources for which donor-imposed purpose and time stipulations have been satisfied. Net assets without donor restriction may otherwise be designated for specific purposes by action of the Board of Directors.

**Net Assets With Donor Restriction** - Amounts that are stipulated by donors for specific operating purposes, the acquisition of equipment/kennel renovations or use in future periods. When a donor restriction expires (i.e., when a stipulated time restriction ends or purpose restriction is accomplished), these net assets are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restriction.

In addition certain amounts are stipulated by donors to be maintained in perpetuity. Investment income, including realized and unrealized gains and losses, are classified as time restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

**RECOGNITION OF SUPPORT AND REVENUES**

The Organization accounts for contributions received and unconditional promises to give, including bequests under the provisions of the FASB Codification topic related to contributions made and received. In accordance with the Codification, contributions are recognized as support or revenue when received. Unconditional promises to give are recognized at the estimated present value of future cash flows, net of allowances. All contributions are considered available for use unless specifically restricted by the donor or by laws and regulations.

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**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****RECOGNITION OF SUPPORT AND REVENUES (Continued)**

The Organization's program service fees are comprised of animal adoption fees. The Organization's revenues received from such fees are recognized when the Organization's performance obligations are satisfied which is generally the point in time when the animal is adopted and sent home with its new owner. Amounts are billed and payment is due at the time of adoption. Amounts are not collected in advance, thus there are no program service fees deemed to be deferred revenue on the statements of financial position. There are no contracts which contain variable consideration and there are very few, if any, contract modifications.

Special events revenue, which includes registration fees, sponsorships and purchases of auction items or raffle tickets, is recorded as revenue when the event occurs, equal to the amounts received. If the amount is received in advance, the amount considered a direct benefit is deferred until the event occurs and presented in deferred revenue on the statements of financial position, while the contribution portion, the excess amount paid over the direct benefit, is recorded when received.

**CASH AND CASH EQUIVALENTS**

For purposes of the statements of cash flows, the Organization considers all highly-liquid instruments purchased with original maturities of three months or less to be cash equivalents.

**INVESTMENTS**

The Organization follows the provisions of the FASB Codification for accounting for investments held by not-for-profit organizations. This standard requires that investments in marketable securities be accounted for at fair value. Fair value is based on quoted market prices. Realized gains and losses are the differences between the proceeds received and the cost of investments sold. Unrealized gains and losses are the differences between the fair value and the cost of investments and are included in the change in net assets.

The Organization's investments are comprised of mutual funds, exchange traded and closed-end funds. Interest and dividend income, and realized and unrealized gains and losses on investments are recognized in the statements of activities.

**INVENTORY**

Inventory consists of merchandise purchased for sale at the shelter and items donated for auction at various events which remained in the Organization's possession at December 31, 2020 and 2019. Inventory is measured at the lower of cost or net realizable value. Purchased inventory is reflected at cost determined on the first-in, first-out (FIFO) method.

## NOTES TO FINANCIAL STATEMENTS

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****PROPERTY AND EQUIPMENT**

Property and equipment are carried at cost when purchased or fair value as of the date of the gift, if donated. The Organization's policy is to capitalize all purchases of property and equipment greater than \$1,000. Depreciation and amortization are calculated on the straight-line method over the estimated useful lives of the assets as follows:

<u>Asset</u>	<u>Years</u>
Building and Building Improvements.....	5 - 40
Furniture and Equipment.....	3 - 7
Vehicles .....	5
Computers and Software.....	3 - 5

**WEBSITE**

The Organization developed a new website in November 2013 and 2014 whose cost was amortized over three years and was fully amortized in 2017. Accumulated amortization was \$10,385 for 2020 and 2019.

**IN-KIND DONATIONS AND CONTRIBUTED SERVICES**

The financial statements reflect amounts for in-kind contributions for which an objective basis is available to measure their value. Revenues are reflected in contributions, and the expenses are recorded in the corresponding functional expense category in the accompanying statements of activities. The Organization has recorded in-kind contributions of goods, which include pet food, medical, health, shelter, maintenance, computer and office supplies, and auction items at their estimated fair values of \$31,907 for 2020 and \$30,501 for 2019. Additionally, the Organization received donated veterinary services of \$3,023 in 2020 and \$-0- in 2019, legal services of \$9,317 in 2020 and \$3,462 in 2019, and accounting services of \$9,425 in 2020 and \$5,575 in 2019.

The Organization receives a significant amount of donated services from unpaid volunteers who assist in its programs in the furtherance of its purposes. No amounts have been recognized in the statements of activities because the criteria for recognition under the FASB Codification topic related to contributions made and received have not been satisfied.

**FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing various programs and other activities are presented on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited, based on direct charges or appropriate methods determined by management. These allocation methods include allocation of personnel and any other costs deemed to be related to time and efforts expended by employees on the different functional categories and allocation of occupancy and related costs using space utilization percentages occupied by the various functions.

## NOTES TO FINANCIAL STATEMENTS

**NOTE 2—TAX-EXEMPT STATUS**

The Organization is a not-for-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is similarly classified by the State of Illinois. The Organization has been classified as other than a private foundation by the Internal Revenue Service. Accordingly, the accompanying financial statements do not reflect income tax expense. The Organization files annual informational returns with the Internal Revenue Service and the Illinois Attorney General.

The Organization follows the guidance in the FASB Codification topic related to uncertainty in income taxes which prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements uncertain tax positions that the Organization has taken or expects to take in its tax returns. Under the guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is "more likely than not" that it is sustainable, based on its technical merits. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. The Organization believes that it has appropriate support for the positions taken on its returns.

**NOTE 3—LIQUIDITY AND AVAILABILITY OF RESOURCES**

	<u>2020</u>	<u>2019</u>
Cash.....	\$ 463,547	\$ 555,351
Investments.....	6,025,831	5,250,206
Contributions Receivable .....	48,036	45,566
Pledges Receivable, Current .....	2,500	2,500
Bequests Receivable .....	11,486	—
Less: Donor Restricted Net Assets .....	<u>(42,304)</u>	<u>(52,032)</u>
	<b><u>\$ 6,509,096</u></b>	<b><u>\$ 5,801,591</u></b>

As part of its liquidity management plan, the Organization maintains sufficient cash to meet current operating needs and invests excess cash in its investment portfolio. The Organization also maintains a \$280,000 available line of credit (see Note 8), which it can draw upon if there was a cash flow need. As indicated in the above chart, the Organization has more than sufficient liquid assets to meet at least one year of expenses.

## NOTES TO FINANCIAL STATEMENTS

**NOTE 4—INVESTMENTS**

Investments consist of the following for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Mutual Funds:		
Fixed Income.....	\$ 2,343,806	\$ 1,819,907
Equity - Small Cap.....	469,126	425,208
Equity – Mid Cap.....	729,992	398,715
Alternatives.....	121,182	355,359
Foreign Growth.....	925,193	417,695
Diversified Emerging Markets.....	175,327	180,702
Global Funds.....	389,649	297,226
Index Funds.....	352,255	297,989
Equity Income.....	<u>331,033</u>	<u>252,415</u>
Total Mutual Fund.....	<u>5,837,563</u>	<u>4,445,216</u>
Exchange Traded and Closed-End Funds:		
All Cap Equity.....	40,472	170,036
International Funds.....	—	125,025
Mid Cap.....	—	118,064
US Quality Funds.....	—	247,157
Large Cap.....	<u>—</u>	<u>57,459</u>
Total Exchange Traded Funds.....	<u>40,472</u>	<u>717,741</u>
Money Market Funds and Uninvested Cash.....	<u>147,796</u>	<u>87,249</u>
	<u>\$ 6,025,831</u>	<u>\$ 5,250,206</u>

Investment income for the years ended December 31 includes:

	<u>2020</u>	<u>2019</u>
Dividend and Interest Income.....	\$ 98,281	\$ 101,756
Net Realized Gains.....	72,249	29,624
Net Unrealized Gains.....	629,383	563,458
Investment Expense.....	<u>(29,822)</u>	<u>(25,647)</u>
	<u>\$ 770,091</u>	<u>\$ 669,191</u>

**NOTE 5—PLEDGES RECEIVABLE**

The Organization anticipates collection of outstanding capital campaign pledges receivable at December 31, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
Less than One Year.....	\$ 2,500	\$ 2,500
One to Five Years.....	<u>—</u>	<u>2,500</u>
Total Pledge Receivable.....	<u>\$ 2,500</u>	<u>\$ 5,000</u>

Due to the insignificant difference of the net present value of long-term pledges outstanding, no discount was recorded for the year ended December 31, 2020 or 2019. The Organization believes these pledges to be fully collectible, thus no allowance was deemed necessary at December 31, 2020 and 2019.

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**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 6—FAIR VALUE MEASUREMENTS**

The FASB Codification provides a framework for measuring fair value using a 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 are described below:

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

**Level 2** Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive 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 input 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's 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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

*Level 1 Fair Value Measurements*

Fair values for the Organization's mutual funds, exchange traded and closed-end funds were based on quoted market prices and are valued using level one inputs at December 31, 2020 and 2019.

*Level 2 Fair Value Measurements*

The Organization has no level 2 investments at December 31, 2020 and 2019.

*Level 3 Fair Value Measurements*

The Organization has no level 3 investments at December 31, 2020 and 2019.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are 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.

## NOTES TO FINANCIAL STATEMENTS

**NOTE 7—PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<u>2020</u>	<u>2019</u>
Land.....	\$ 174,941	\$ 174,941
Building.....	1,729,402	1,729,402
Building Improvements.....	1,008,049	905,162
Furniture and Equipment.....	241,237	266,904
Vehicles.....	55,571	55,571
Computers and Software.....	39,769	59,328
Office Equipment.....	8,649	—
Construction in Progress.....	—	57,240
	<b>3,257,618</b>	<b>3,248,548</b>
Accumulated Depreciation and Amortization.....	<u>1,711,718</u>	<u>1,644,372</u>
	<b>\$ 1,545,900</b>	<b>\$ 1,604,176</b>
Depreciation and Amortization Expense.....	<b>\$ 122,782</b>	<b>\$ 117,169</b>

**NOTE 8—LINE OF CREDIT**

In 2016, the Organization entered into a 2-year \$280,000 revolving line of credit, collateralized by the assets of the Organization. Effective July 25, 2018, the line of credit was renewed and any unpaid principal and interest mature on July 25, 2020. The line was again renewed on July 15, 2020, and matures on July 25, 2022. Interest is payable monthly at prime (3.25% at December 31, 2020). The amount outstanding was \$-0- at December 31, 2020 and 2019.

**NOTE 9—PAYROLL PROTECTION PROGRAM LOAN FORGIVENESS**

The Organization was awarded a \$194,355 Payroll Protection Program (“PPP”) loan in April 2020 through the U.S. Small Business Administration to help keep their workforce employed during the Coronavirus (COVID-19) pandemic. The loan bears interest at a fixed rate of 1.00%. All payments of principal and interest are deferred for 10 months after the end of the borrower’s loan forgiveness covered period. The loan matures in April, 2022.

As permitted under accounting principles U.S. GAAP, the Organization is treating the loan as a conditional grant which will be recognized as government grant revenue when the conditions have been met which means the forgivable payroll, occupancy and other related costs have been incurred, and the federal agency lender legally forgives the loan. The Organization had the full balance of the loan forgiven on November 2, 2020 and the revenue is reflected in donation and grants with donor restriction and fully released in the expiration of purpose restrictions on the statements of activities as of December 31, 2020.

**NOTE 10—RESTRICTED NET ASSETS**

Time and purpose restricted net assets at December 31 were as follows:

	<u>2020</u>	<u>2019</u>
Training.....	\$ 5,872	\$ 5,976
Bequests - Time Restricted.....	11,486	—
Fire Doors and Computers.....	15,409	10,000
Shed Buildout.....	4,160	—
Specific Pet Care.....	355	—
Fund-a-Cause – Landscape Project.....	—	31,034
	<b>\$ 37,282</b>	<b>\$ 47,010</b>



## NOTES TO FINANCIAL STATEMENTS

**NOTE 10—RESTRICTED NET ASSETS (Continued)**

Satisfaction of restrictions for the years ended December 31 were for the following:

	<u>2020</u>	<u>2019</u>
Training.....	\$ 104	\$ 12,611
Adoption .....	400	150
Specific Pet Care.....	11,455	13,657
Capital Campaign		
Fire Doors and Door Painting.....	7,390	—
Kennel Doors/Enclosure.....	46,460	700
Special Needs.....	7,200	3,725
Payroll Protection Program Loan Forgiveness.....	194,355	—
Medical and Healthcare .....	<u>102,200</u>	<u>85,600</u>
	<u>\$ 369,564</u>	<u>\$ 116,443</u>

During 2018, a donor gave the Organization permission to transfer their purpose restriction of \$9,500 between adoption and training. As the amounts were not expended during 2018, no release of restriction was reflected in 2018 but the amount was released in 2019.

Net assets in perpetuity of \$5,022 at December 31, 2020 and 2019 are restricted for endowment investment, the income from which is expendable to benefit the animals.

**NOTE 11—ENDOWMENT FUNDS**

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in perpetuity is classified as time restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

The Organization has not adopted investment and spending policies related to endowment funds due to its insignificant balance. The practice is to attempt to provide a predictable stream of funding to the programs supported by its endowment.

## NOTES TO FINANCIAL STATEMENTS

**NOTE 11—ENDOWMENT FUNDS (Continued)**

Endowment net asset composition by type of fund as of December 31, 2020 and 2019 is as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Time Restriction</u>	<u>With Donor Restriction in Perpetuity</u>	<u>Total</u>
Donor-Restricted				
Endowment Funds .....	\$ —	\$ —	\$ 5,022	\$ 5,022

Changes in endowment net assets as of December 31, 2020 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Time Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment Net Assets, January 1, 2020 .....	\$ —	\$ —	\$ 5,022	\$ 5,022
Investment Income .....	—	2	—	2
Amounts Appropriated for Expenditure.....	—	(2)	—	(2)
Endowment Net Assets, December 31, 2020 .....	\$ —	\$ —	\$ 5,022	\$ 5,022

Changes in endowment net assets as of December 31, 2019 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Time Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment Net Assets, January 1, 2019 .....	\$ —	\$ —	\$ 5,022	\$ 5,022
Investment Income .....	—	2	—	2
Amounts Appropriated for Expenditure.....	—	(2)	—	(2)
Endowment Net Assets, December 31, 2019 .....	\$ —	\$ —	\$ 5,022	\$ 5,022

**NOTE 12—CONCENTRATION OF CREDIT AND MARKET RISK**

The Organization maintains cash and cash equivalents in various financial institutions, for which the balances may exceed federally insured limits at various times during the year. The Organization has not experienced any losses in such accounts and management does not believe it is exposed to any significant credit risk on cash and cash equivalents.

The Organization's investments are exposed to various risks, such as interest rate and credit risks and overall market volatility. Due to these risk factors, it is at least reasonably possible that changes in the fair value of investments will occur in the near-term and that such changes could materially affect the amounts reported in the financial statements.

Credit risk associated with contributions, pledges and bequests receivable is considered to be limited due to high historical collection rates and because a significant portion of the outstanding amounts are due from individuals supportive of the Organization's mission.

NOTES TO FINANCIAL STATEMENTS

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**NOTE 13—RELATED PARTY TRANSACTIONS**

Donations of \$4,535 in 2020 and of \$8,332 in 2019 were received from Board members.

**NOTE 14—SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 28, 2021, the date which the financial statements were available for issue. The COVID-19 outbreak in the United States has caused business disruption for the Organization resulting from canceling or postponing certain fundraising events, the temporary closing of administrative offices, and employees working remotely. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. The future related financial impact and duration cannot be reasonably estimated at this time.

On January 27, 2021, the Organization filed an application for and received a Second Draw Payroll Protection Loan of \$203,771 through the U.S. Small Business Administration with the same terms and forgiveness eligibility. The loan matures on January 27, 2023.

Except for the COVID-19 pandemic and the second PPP loan described above, there were no additional subsequent events which require disclosure.