

**SAVE-A-PET, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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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, 2018 and 2017, 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, 2018 and 2017, 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.

*Warady + Davis LLP*

June 14, 2019

## STATEMENTS OF FINANCIAL POSITION

As of December 31	2018	2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 642,190	\$ 2,154,517
Investments, at Fair Value	3,524,689	1,493,132
Contributions Receivable	14,965	57,003
Pledges Receivable	5,000	2,500
Bequests Receivable	—	5,722
Inventory	6,290	7,240
Prepaid Expenses	28,530	34,705
Total Current Assets	<u>4,221,664</u>	<u>3,754,819</u>
<b>NONCURRENT ASSETS</b>		
Pledges Receivable - Noncurrent	5,000	7,500
Property and Equipment, net of Accumulated Depreciation and Amortization	<u>1,655,367</u>	<u>1,673,340</u>
Total Noncurrent Assets	<u>1,660,367</u>	<u>1,680,840</u>
	<u>\$ 5,882,031</u>	<u>\$ 5,435,659</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 58,762	\$ 44,998
Accrued Expenses	2,709	3,581
Accrued Wages and Payroll Taxes	32,032	29,956
Accrued Vacation	10,717	8,906
Total Current Liabilities	<u>104,220</u>	<u>87,441</u>
<b>NET ASSETS</b>		
Without Donor Restrictions	5,751,112	5,298,752
With Donor Restrictions - Time and Purpose	21,677	44,444
With Donor Restrictions - Endowment	5,022	5,022
Total Net Assets	<u>5,777,811</u>	<u>5,348,218</u>
	<u>\$ 5,882,031</u>	<u>\$ 5,435,659</u>

## STATEMENTS OF ACTIVITIES

For the Years Ended December 31

2018

2017

	2018			2017			Total
	Without Donor Restriction	With Donor Restriction		Without Donor Restriction	With Donor Restriction		
		Time and Purpose Restrictions	Endowment		Time and Purpose Restrictions	Endowment	
REVENUES							
Support							
Contributions							
Donations and Grants	\$ 601,141	\$ 135,644	\$	\$ 736,785	\$ 675,359	\$ 169,643	\$ 845,002
Bequests	1,372,864			1,372,864	2,417,258	5,722	2,422,980
	<u>1,974,005</u>	<u>135,644</u>		<u>2,109,649</u>	<u>3,092,617</u>	<u>175,365</u>	<u>3,267,982</u>
Merchandise Sales	6,072			6,072	3,565		3,565
Less: Cost of Sales	(5,728)			(5,728)	(3,182)		(3,182)
	<u>344</u>			<u>344</u>	<u>383</u>		<u>383</u>
Special Event Revenue	152,281	43,380		195,661	171,163	54,786	225,949
Total Support	<u>2,126,630</u>	<u>179,024</u>		<u>2,305,654</u>	<u>3,264,163</u>	<u>230,151</u>	<u>3,494,314</u>
Program Services							
Animal-Related Fees	172,099			172,099	127,501		127,501
Other Revenues and Gains (Losses)							
Interest and Dividends, net of							
Investment Fees of \$18,604 and							
\$13,330, respectively	42,603			42,603	9,864		9,864
Realized/Unrealized Net Gains							
on Investments	(283,397)			(283,397)	146,952		146,952
Miscellaneous	(56)			(56)	1,294		1,294
Total Other Revenues, net	<u>(240,850)</u>			<u>(240,850)</u>	<u>158,110</u>		<u>158,110</u>
Net Assets Released from Restrictions							
Expiration of Purpose Restrictions	196,069	(196,069)		—	198,711	(198,711)	—
Expiration of Time Restrictions	5,722	(5,722)		—	19,004	(19,004)	—
	<u>201,791</u>	<u>(201,791)</u>		<u>—</u>	<u>217,715</u>	<u>(217,715)</u>	<u>—</u>
Total Support and Revenue	<u>2,259,670</u>	<u>(22,767)</u>		<u>2,236,903</u>	<u>3,767,489</u>	<u>12,436</u>	<u>3,779,925</u>
EXPENSES							
Animal Welfare Program	1,267,308			1,267,308	1,342,411		1,342,411
Supporting Services							
Management and General	293,683			293,683	211,682		211,682
Fundraising							
Development	155,928			155,928	185,649		185,649
Direct Expenses for Special Events	90,391			90,391	86,378		86,378
Total Supporting Services	<u>540,002</u>			<u>540,002</u>	<u>483,709</u>		<u>483,709</u>
Total Expenses	<u>1,807,310</u>			<u>1,807,310</u>	<u>1,826,120</u>		<u>1,826,120</u>
CHANGE IN NET ASSETS	452,360	(22,767)		429,593	1,941,369	12,436	1,953,805
Net Assets, Beginning of Year	5,298,752	44,444	5,022	5,348,218	3,357,383	32,008	5,022
NET ASSETS, ENDING	\$ 5,751,112	\$ 21,677	\$ 5,022	\$ 5,777,811	\$ 5,298,752	\$ 44,444	\$ 5,022
							\$ 5,348,218

See accompanying notes.

## STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018

	Animal Welfare Program	Supporting Services			Total Supporting Services	Total Expenses
		Management and General	Development Fundraising	Direct Expenses to Special Event		
Salaries	\$ 499,151	\$ 182,091	\$ 106,844	\$ —	\$ 288,935	\$ 788,086
Payroll Taxes and Employee Benefits	57,258	27,227	14,569	—	41,796	99,054
Health, Food, and Other Shelter Supplies	215,805	—	—	—	—	215,805
Promotion/Advertising	—	3,352	3,082	—	6,434	6,434
Insurance	41,197	9,020	1,644	—	10,664	51,861
Office Supplies	7,449	2,235	5,215	—	7,450	14,899
Newsletter	12,690	334	334	—	668	13,358
Bank Charges and Credit Card Fees	—	6,570	9,071	—	15,641	15,641
Depreciation and Amortization Expense	108,262	2,849	2,849	—	5,698	113,960
Direct Special Fundraising Event Expenses	—	—	—	90,391	90,391	90,391
Dues, Subscriptions and Licenses	—	952	—	—	952	952
Loss on Disposal of Property and Equipment	—	6,737	—	—	6,737	6,737
Postage	—	1,587	4,050	—	5,637	5,637
Professional Fees	—	38,811	—	—	38,811	38,811
Telephone	10,206	567	567	—	1,134	11,340
Rent	1,380	7,241	—	—	7,241	8,621
Repairs and Maintenance	23,775	1,321	1,321	—	2,642	26,417
Transportation	2,673	1,262	—	—	1,262	3,935
Utilities	27,477	1,527	1,527	—	3,054	30,531
Veterinary Services	258,701	—	—	—	—	258,701
Miscellaneous	1,284	—	4,855	—	4,855	6,139
<b>TOTAL EXPENSES</b>	<b>\$ 1,267,308</b>	<b>\$ 293,683</b>	<b>\$ 155,928</b>	<b>\$ 90,391</b>	<b>\$ 540,002</b>	<b>\$ 1,807,310</b>

See accompanying notes.

## STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

For the Year Ended December 31, 2017

	Animal Welfare Program	Supporting Services			Total Supporting Services	Total Expenses
		Management and General	Development Fundraising	Direct Expenses to Special Event		
Salaries	\$ 495,623	\$ 131,330	\$ 136,623	\$ —	\$ 267,953	\$ 763,576
Payroll Taxes and Employee Benefits	73,893	15,554	17,855	—	33,409	107,302
Health, Food, and Other Shelter Supplies	222,669	—	—	—	—	222,669
Amortization of Website Design	15	3	15	—	18	33
Promotion/Advertising	6,283	1,022	472	—	1,494	7,777
Insurance	42,493	5,544	2,161	—	7,705	50,198
Office Supplies	5,843	1,754	4,092	—	5,846	11,689
Newsletter	10,518	277	277	—	554	11,072
Bank Charges and Credit Card Fees	2,857	1,429	8,341	—	9,770	12,627
Interest	—	1,784	—	—	1,784	1,784
Depreciation and Amortization Expense	107,427	2,742	2,742	—	5,484	112,911
Direct Special Fundraising Event Expenses	—	—	—	86,378	86,378	86,378
Dues, Subscriptions and Licenses	—	1,242	—	—	1,242	1,242
Postage	3,097	173	5,428	—	5,601	8,698
Professional Fees	2,657	36,169	1,103	—	37,272	39,929
Telephone	8,914	495	495	—	990	9,904
Rent	1,331	6,988	—	—	6,988	8,319
Repairs and Maintenance	29,805	3,603	3,603	—	7,206	37,011
Transportation	4,482	—	—	—	—	4,482
Utilities	24,452	1,453	1,453	—	2,906	27,358
Veterinary Services	296,337	—	—	—	—	296,337
Miscellaneous	3,715	120	989	—	1,109	4,824
<b>TOTAL EXPENSES</b>	<b>\$ 1,342,411</b>	<b>\$ 211,682</b>	<b>\$ 185,649</b>	<b>\$ 86,378</b>	<b>\$ 483,709</b>	<b>\$ 1,826,120</b>

See accompanying notes.



## STATEMENTS OF CASH FLOWS

For the Years Ended December 31	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 429,593	\$ 1,953,805
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	113,960	112,911
Amortization of Website Design	—	33
Loss on Disposal of Property and Equipment	6,737	—
Realized/Unrealized Net Gains (Losses) on Investments	283,397	(146,952)
Donated Stock	(4,249)	(203,123)
Proceeds from Sale of Donated Stock	4,249	203,123
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Contributions Receivable	42,038	(11,698)
Bequests Receivable	5,722	12,752
Pledges Receivable	—	(10,000)
Inventory	950	(4,187)
Prepaid Expenses	6,175	(18,744)
Increase (Decrease) in:		
Accounts Payable	13,764	(60,798)
Accrued Expenses	(872)	1,886
Accrued Wages and Payroll Taxes	2,076	5,691
Accrued Vacation	1,811	305
Total Adjustments	475,758	(118,801)
Net Cash Provided by Operating Activities	905,351	1,835,004
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sales of Investments	3,284,711	850,736
Purchases of Investments	(5,410,748)	(1,296,375)
Reinvested Dividends and Interest	(23,394)	(508)
Change in Money Market	(165,523)	—
Proceeds from Sale of Vehicle	453	—
Purchases of Property and Equipment	(103,177)	(108,187)
Net Cash Used by Investing Activities	(2,417,678)	(554,334)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments on Line of Credit	—	(78,133)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,512,327)	1,202,537
Cash and Cash Equivalents, Beginning	2,154,517	951,980
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b>\$ 642,190</b>	<b>\$ 2,154,517</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ —	\$ 1,784
Noncash Activities		
Donated Goods, Services and Facilities	\$ 59,949	\$ 83,949

See accompanying notes.

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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)**
**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 earnings.

The Organization's investments are comprised of common stock, mutual funds, and exchange traded 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, 2018 and 2017. 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.

**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 which was amortized over three years and was fully amortized in 2017. Accumulated amortization was \$10,385 for 2018 and 2017. Amortization expense was \$-0- in 2018 and \$33 in 2017.

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**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****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 \$51,483 for 2018 and \$77,747 for 2017. Additionally, the Organization received donated veterinary services of \$6,716 in 2018 and \$1,622 in 2017, legal services of \$-0- in 2018 and \$1,500 in 2017, and accounting services of \$1,750 in 2018 and \$3,080 in 2017.

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.

**ACCOUNTING PRONOUNCEMENTS**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09 (*Topic 606: Revenue from Contracts with Customers*), which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Organization's year ending December 31, 2019. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Organization has determined that the standard will not have a significant impact on the financial statements. The Organization is currently gathering the appropriate information to implement the standard in a timely manner.

## NOTES TO FINANCIAL STATEMENTS

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

## ACCOUNTING PRONOUNCEMENTS (Continued)

The Organization adopted Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which was issued by the Financial Accounting Standards Board (FASB) in August 2016 and was effective for the Organization's year ended December 31, 2018. ASU No. 2016-14 required significant changes to the financial reporting model of organizations that follow the FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions; changes in the way certain information is aggregated and reported by the organization, including required disclosures about the liquidity and availability of resources; and a statement of functional expenses with required disclosure of the allocation methodology. The new standard was applied on a retrospective basis. Other than these additional disclosures and name changes, no revisions were required to the prior year amounts.

**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**

Cash.....	\$	642,190
Investments.....		3,524,689
Contributions Receivable.....		14,965
Pledges Receivable, Current.....		5,000
Less: Donor Restricted Net Assets.....		<u>(26,699)</u>
	\$	<u>4,160,145</u>

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>2018</u>	<u>2017</u>
Common Stock:		
Basic Materials.....	\$ —	\$ —
Technology .....	—	213,582
Financial Services .....	—	221,358
Healthcare .....	—	102,296
Industrial Goods.....	—	103,026
Other Services .....	—	29,673
Other .....	—	373,990
Total Common Stock .....	<u>—</u>	<u>1,043,925</u>
Mutual Funds:		
Fixed Income.....	1,334,500	320,181
Equity - Large Cap.....	574,873	—
Equity - Small Cap.....	271,661	—
Equity – Mid Cap .....	195,133	—
Alternatives .....	215,572	—
Foreign Growth .....	111,653	—
Diversified Emerging Markets .....	79,278	—
World Large Stock.....	49,359	—
Total Mutual Fund .....	<u>2,832,029</u>	<u>320,181</u>
Certificate of Deposit.....	<u>—</u>	<u>100,738</u>
Exchange Traded Funds:		
Financial Services .....	—	5,203
Other .....	—	23,085
Mid Cap.....	105,116	—
Large Cap.....	422,022	—
Total Exchange Traded Funds .....	<u>527,138</u>	<u>28,288</u>
Money Market Funds .....	<u>165,522</u>	<u>—</u>
	<u>\$ 3,524,689</u>	<u>\$ 1,493,132</u>

## NOTES TO FINANCIAL STATEMENTS

**NOTE 4—INVESTMENTS (Continued)**

Investment income for the years ended December 31 includes:

	<u>2018</u>	<u>2017</u>
Net Realized Gains .....	\$ 235,562	\$ 126,451
Net Unrealized Gains (Losses) .....	<u>(518,959)</u>	<u>20,501</u>
	<u>\$ (283,397)</u>	<u>\$ 146,952</u>

**NOTE 5—PLEDGES RECEIVABLE**

The Organization anticipates collection of outstanding capital campaign pledges receivable at December 31, 2018 and 2017 as follows:

	<u>2018</u>	<u>2017</u>
Less than One Year .....	\$ 5,000	\$ 2,500
One to Five Years .....	<u>5,000</u>	<u>7,500</u>
Total Pledge Receivable .....	<u>\$ 10,000</u>	<u>\$ 10,000</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, 2018 or 2017. The Organization believes these pledges to be fully collectible, thus no allowance was deemed necessary at December 31, 2018 and 2017.

**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.

## NOTES TO FINANCIAL STATEMENTS

**NOTE 6—FAIR VALUE MEASUREMENTS (Continued)**

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, 2018 and 2017.

*Level 1 Fair Value Measurements*

Fair values for the Organization's common stock, mutual funds, and exchange traded funds were based on quoted market prices and are valued using level one inputs at December 31, 2018 and 2017.

*Level 2 Fair Value Measurements*

The Organization has no level 2 investments at December 31, 2018. Broker-traded certificates of deposit were valued using level 2 fair value measurements at December 31, 2017.

*Level 3 Fair Value Measurements*

The Organization has no level 3 investments at December 31, 2018 and 2017.

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.

**NOTE 7—PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<u>2018</u>	<u>2017</u>
Land.....	\$ 174,941	\$ 174,941
Building.....	1,729,402	1,729,402
Building Improvements.....	899,214	830,008
Furniture and Equipment.....	266,521	262,753
Vehicles .....	55,571	58,621
Computers and Software.....	59,328	59,328
	<u>3,184,977</u>	<u>3,115,053</u>
Accumulated Depreciation and Amortization .....	<u>1,529,610</u>	<u>1,441,713</u>
	<u>\$ 1,655,367</u>	<u>\$ 1,673,340</u>
Depreciation and Amortization Expense .....	<u>\$ 113,960</u>	<u>\$ 112,911</u>

**NOTE 8—LINE OF CREDIT**

In 2016, the Organization entered into a \$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. Interest is payable monthly at prime (5.25% at December 31, 2018). The amount outstanding was \$-0- at December 31, 2018 and 2017.



## NOTES TO FINANCIAL STATEMENTS

**NOTE 9—RESTRICTED NET ASSETS**

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

	<u>2018</u>	<u>2017</u>
Time Restricted - Bequests .....	\$ —	\$ 5,722
Training .....	18,587	4,087
Adoption .....	—	9,500
Special Needs .....	3,090	4,902
Fund-a-Cause .....	—	20,233
	<u>\$ 21,677</u>	<u>\$ 44,444</u>

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

	<u>2018</u>	<u>2017</u>
Satisfaction of Time Restrictions .....	\$ 5,722	\$ 19,004
Training .....	—	10,957
Adoption .....	—	900
Specific Pet Care .....	7,194	4,009
Capital Campaign		
Kennel Doors/Enclosure .....	1,300	59,944
Parking Lot .....	48,000	—
Special Needs .....	56,712	57,968
Fund-a-Cause .....	52,863	34,553
Medical and Healthcare .....	30,000	30,380
	<u>\$ 201,791</u>	<u>\$ 217,715</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 has been reflected above.

Net assets in perpetuity of \$5,022 at December 31, 2018 and 2017 are restricted for endowment investment, the income from which is expendable to benefit the animals.

**NOTE 10—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.

## NOTES TO FINANCIAL STATEMENTS

**NOTE 10—ENDOWMENT FUNDS (Continued)**

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.

Endowment net asset composition by type of fund as of December 31, 2018 and 2017 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, 2018 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, 2018 .....	\$ —	\$ —	\$ 5,022	\$ 5,022
Investment Income .....	—	1	—	1
Amounts Appropriated for Expenditure .....	—	(1)	—	(1)
Endowment Net Assets, December 31, 2018 .....	\$ —	\$ —	\$ 5,022	\$ 5,022

Changes in endowment net assets as of December 31, 2017 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, 2017 .....	\$ —	\$ —	\$ 5,022	\$ 5,022
Investment Income .....	—	1	—	1
Amounts Appropriated for Expenditure .....	—	(1)	—	(1)
Endowment Net Assets, December 31, 2017 .....	\$ —	\$ —	\$ 5,022	\$ 5,022

NOTES TO FINANCIAL STATEMENTS

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**NOTE 11—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 does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near-term and that such changes could materially affect the Organization and the amounts reported in the statements of activities.

**NOTE 12—RELATED PARTY TRANSACTIONS**

Donations of \$6,937 in 2018 and of \$6,056 in 2017 were received from Board members.

**NOTE 13—SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 14, 2019, the date which the financial statements were available for issue. There were no subsequent events which require disclosure.