SAVE-A-PET, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2017

TABLE OF CONTENTS

Warady & Davis LLP
Certified Public Accountants & Consultants

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, 2017 and 2016, 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.

1717 Deerfield Road, Suite 300 South, Deerfield, Illinois 60015-3977 847•267•9600 Fax 847•267•9696 www.waradydavis.com
Member of MSI Global Alliance

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, 2017 and 2016, 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.

Wasaly & Davis LLP

July 12, 2018

STATEMENTS OF FINANCIAL POSITION

As of December 31		**2017**		2016
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	**$**	**2,154,517**	$	951,980
Investments, at Fair Value		**1,493,132**		900,033
Contributions Receivable		**57,003**		45,305
Pledges Receivable		**2,500**		—
Bequests Receivable		**5,722**		18,474
Inventory		**7,240**		3,053
Prepaid Expenses		**34,705**		15,961
Total Current Assets		**3,754,819**		1,934,806
NONCURRENT ASSETS				
Pledges Receivable - Noncurrent		**7,500**		—
Property and Equipment, net of Accumulated Depreciation and Amortization		**1,673,340**		1,678,064
Website, net of Accumulated Amortization		—		33
Total Noncurrent Assets		**1,680,840**		1,678,097
	$	**5,435,659**	$	3,612,903
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Line of Credit	**$**	—	$	78,133
Accounts Payable		**44,998**		105,796
Accrued Expenses		**3,581**		1,695
Accrued Wages and Payroll Taxes		**29,956**		24,265
Accrued Vacation		**8,906**		8,601
Total Current Liabilities		**87,441**		218,490
NET ASSETS				
Unrestricted		**5,298,752**		3,357,383
Temporarily Restricted		**44,444**		32,008
Permanently Restricted		**5,022**		5,022
Total Net Assets		**5,348,218**		3,394,413
	$	**5,435,659**	$	3,612,903

See accompanying notes.

STATEMENTS OF ACTIVITIES

For the Years Ended December 31	2017				2016			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES								
Support								
Contributions								
Donations and Grants	**$ 675,359**	**$ 169,643**	**$**	**$ 845,002**	$ 657,049	$ 148,501	$	$ 805,550
Bequests	**2,417,258**	**5,722**		**2,422,980**	326,798	28,474		355,272
	3,092,617	**175,365**		**3,267,982**	983,847	176,975		1,160,822
Merchandise Sales	**3,565**			**3,565**	7,633			7,633
Less: Cost of Sales	**(3,182)**			**(3,182)**	(4,765)			(4,765)
	383			**383**	2,868			2,868
Special Event Revenue	**171,163**	**54,786**		**225,949**	166,640			166,640
Less: Cost of Direct Benefits to Donors	**(86,378)**	—		**(86,378)**	(67,397)			(67,397)
	84,785	**54,786**		**139,571**	99,243			99,243
Total Support	**3,177,785**	**230,151**		**3,407,936**	1,085,958	176,975		1,262,933
Program Services								
Animal-Related Fees	**127,501**			**127,501**	101,468			101,468
Other Revenues								
Interest and Dividends, net of Investment Fees of $13,330 and $11,920, respectively	**9,864**			**9,864**	5,964			5,964
Realized/Unrealized Net Gains on Investments	**146,952**			**146,952**	39,234			39,234
Miscellaneous	**1,294**			**1,294**	345			345
Total Other Revenues, net	**158,110**			**158,110**	45,543			45,543
Net Assets Released from Restrictions								
Expiration of Purpose Restrictions	**198,711**	**(198,711)**		—	235,042	(235,042)		—
Expiration of Time Restrictions	**19,004**	**(19,004)**		—	35,000	(35,000)		—
	217,715	**(217,715)**		—	270,042	(270,042)		—
Total Support and Revenue	**3,681,111**	**12,436**		**3,693,547**	1,503,011	(93,067)		1,409,944
EXPENSES								
Animal Welfare Program	**1,342,411**			**1,342,411**	1,447,551			1,447,551
Supporting Services								
Management and General	**211,682**			**211,682**	210,329			210,329
Fundraising and Development	**185,649**			**185,649**	162,888			162,888
Total Supporting Services	**397,331**			**397,331**	373,217			373,217
Total Expenses	**1,739,742**			**1,739,742**	1,820,768			1,820,768
CHANGE IN NET ASSETS	**1,941,369**	**12,436**		**1,953,805**	(317,757)	(93,067)		(410,824)
Net Assets, Beginning of Year	**3,357,383**	**32,008**	**5,022**	**3,394,413**	3,675,140	125,075	5,022	3,805,237
NET ASSETS, ENDING	**$ 5,298,752**	**$ 44,444**	**$ 5,022**	**$ 5,348,218**	$ 3,357,383	$ 32,008	$ 5,022	$ 3,394,413

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017

		Supporting Services			
	Animal Welfare Program	Management and General	Fundraising and Development	Total Supporting Services	Total Expenses
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
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	28,107	3,603	3,603	7,206	35,313
Transportation	4,482	—	—	—	4,482
Utilities	26,150	1,453	1,453	2,906	29,056
Veterinary Services	296,337	—	—	—	296,337
Miscellaneous	3,715	120	989	1,109	4,824
TOTAL EXPENSES	$ 1,342,411	$ 211,682	$ 185,649	$ 397,331	$ 1,739,742

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

For the Year Ended December 31, 2016

	Animal Welfare Program	Supporting Services: Management and General	Supporting Services: Fundraising and Development	Supporting Services: Total Supporting Services	Total Expenses
Salaries	$ 489,421	$ 113,432	$ 112,586	$ 226,018	$ 715,439
Payroll Taxes and Employee Benefits	77,936	13,407	14,489	27,896	105,832
Health, Food, and Other Shelter Supplies	258,422	—	—	—	258,422
Amortization of Website Design	1,313	291	1,313	1,604	2,917
Promotion/Advertising	5,878	839	1,295	2,134	8,012
Insurance	47,238	2,624	2,624	5,248	52,486
Office Supplies	13,052	3,915	9,136	13,051	26,103
Newsletter	19,940	525	525	1,050	20,990
Bank Charges and Credit Card Fees	8,218	4,110	4,110	8,220	16,438
Interest	—	252	—	252	252
Depreciation and Amortization Expense	103,986	2,736	2,736	5,472	109,458
Dues, Subscriptions and Licenses	—	1,932	—	1,932	1,932
Loss on Disposal of Property and Equipment	3,606	3,606	3,617	7,223	10,829
Postage	9,462	537	537	1,074	10,536
Professional Fees	2,204	49,289	3,815	53,104	55,308
Telephone	5,453	303	303	606	6,059
Rent	—	6,729	—	6,729	6,729
Repairs and Maintenance	21,616	3,603	3,603	7,206	28,822
Transportation	4,146	—	—	—	4,146
Utilities	30,926	1,718	1,718	3,436	34,362
Veterinary Services	336,073	—	—	—	336,073
Miscellaneous	8,661	481	481	962	9,623
TOTAL EXPENSES	$ 1,447,551	$ 210,329	$ 162,888	$ 373,217	$ 1,820,768

See accompanying notes.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31	**2017**	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	**$ 1,953,805**	$ (410,824)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation and Amortization	**112,911**	109,458
Amortization of Website Design	**33**	2,917
Loss on Disposal of Property and Equipment	**—**	10,829
Realized/Unrealized Net Gains on Investments	**(146,952)**	(39,234)
Donated Stock	**(203,123)**	(110,283)
Donated Unsold Auction Items Included in Inventory	**—**	(380)
Proceeds from Sale of Donated Stock	**203,123**	5,761
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Contributions Receivable	**(11,698)**	(31,342)
Bequests Receivable	**12,752**	16,526
Pledges Receivable	**(10,000)**	—
Inventory	**(4,187)**	—
Prepaid Expenses	**(18,744)**	1,412
Increase (Decrease) in:		
Accounts Payable	**(60,798)**	(7,686)
Accrued Expenses	**1,886**	(531)
Accrued Wages and Payroll Taxes	**5,691**	4,039
Accrued Vacation	**305**	(131)
Total Adjustments	**(118,801)**	(38,645)
Net Cash Provided (Used) by Operating Activities	**1,835,004**	(449,469)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Investments	**850,736**	806,107
Purchases of Investments	**(1,296,375)**	(756,791)
Reinvested Dividends and Interest	**(508)**	(1,727)
Purchases of Property and Equipment	**(108,187)**	(185,516)
Net Cash Used by Investing Activities	**(554,334)**	(137,927)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Proceeds from Line of Credit Borrowing	**—**	78,133
Repayments on Line of Credit	**(78,133)**	—
Net Cash Provided (Used) by Financing Activities	**(78,133)**	78,133
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,202,537**	(509,263)
Cash and Cash Equivalents, Beginning	**951,980**	1,461,243
CASH AND CASH EQUIVALENTS, ENDING	**$ 2,154,517**	$ 951,980
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest	**$ 1,784**	$ 252
Noncash Activities		
Donated Goods, Services and Facilities	**$ 83,949**	$ 66,501
Property and Equipment Additions Included in Accounts Payable	**$ —**	$ 71,238

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

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:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations plus those resources for which temporarily donor-imposed stipulations have been satisfied. Unrestricted net assets may otherwise be designated for specific purposes by action of the Board of Directors.

Temporarily restricted net assets - 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), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.

Permanently restricted net assets - Amounts that are stipulated by donors to be maintained in perpetuity. Investment income, including realized and unrealized gains and losses, are classified as temporarily 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 unrestricted use unless specifically restricted by the donor or by laws and regulations.

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, 2017 and 2016. Beginning January 1, 2017, the Organization prospectively applied the revised guidance in FASB ASC 330-10-35, which is effective for years beginning after December 15, 2016. This standard requires that inventory measured using the cost method be measured at the lower of cost or net realizable value rather than the lower of cost or market. The adoption of this revised policy did not result in a significant change to the Organization financial position or change in net assets. 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:

Asset	Years
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 2017 and $10,352 for 2016. Amortization expense was $33 in 2017 and $2,917 in 2016.

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 $77,747 for 2017 and $54,833 for 2016. Additionally, the Organization received donated veterinary services of $1,622 in 2017 and $6,403 in 2016, legal services of $1,500 in 2017 and $1,663 in 2016, accounting services of $3,080 in 2017 and $2,200 in 2016, and printing services of $-0- in 2017 and $1,402 in 2016.

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.

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—INVESTMENTS

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

	2017	2016
Common Stock:		
Basic Materials	$ —	$ 23,634
Technology	**213,582**	106,086
Financial Services	**221,358**	196,777
Healthcare	**102,296**	127,176
Industrial Goods	**103,026**	51,102
Other Services	**29,673**	81,211
Other	**373,990**	197,170
Total Common Stock	**1,043,925**	783,156
Mutual Funds:		
Fixed Income	**320,181**	—
Large Blend	—	102,083
Small Blend	—	14,794
Total Mutual Fund	**320,181**	116,877
Certificate of Deposit:		
Certificate of Deposit	**100,738**	—
Exchange Traded Funds:		
Financial Services	**5,203**	—
Other	**23,085**	—
Total Exchange Traded Funds	**28,288**	—
	$ 1,493,132	$ 900,033

Investment income for the years ended December 31 includes:

	2017	2016
Net Realized Gains (Losses)	**$ 126,451**	$ (11,797)
Net Unrealized Gains	**20,501**	51,031
	$ 146,952	$ 39,234

NOTE 4—PLEDGES RECEIVABLE

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

Less than One Year	$ 2,500
One to Five Years	7,500
Total Pledge Receivable	$ 10,000

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, 2017. The Organization believes these pledges to be fully collectible, thus no allowance was deemed necessary at December 31, 2017.

NOTE 5—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, 2017 and 2016.

Level 1 Fair Value Measurements

All of the Organization's investments are level 1. Fair values for the Organization's common stock, mutual funds, and exchange traded funds were based on quoted market prices at December 31, 2017 and 2016.

NOTE 5—FAIR VALUE MEASUREMENTS (Continued)

Level 2 Fair Value Measurements

The Organization has no level 2 investments at December 31, 2017 and 2016.

Level 3 Fair Value Measurements

The Organization has no level 3 investments at December 31, 2017 and 2016.

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 6—PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2017	2016
Land	$ **174,941**	$ 174,941
Building	**1,729,402**	1,729,402
Building Improvements	**830,008**	547,599
Furniture and Equipment	**262,753**	259,282
Vehicles	**58,621**	24,068
Computers and Software	**59,328**	57,314
Construction in Progress	**—**	214,260
	3,115,053	3,006,866
Accumulated Depreciation and Amortization	**1,441,713**	1,328,802
	$ **1,673,340**	$ 1,678,064
Depreciation and Amortization Expense	$ **112,911**	$ 109,458

NOTE 7—LINE OF CREDIT

In 2016, the Organization entered into a $280,000 revolving line of credit, collateralized by the assets of the Organization. Interest is payable monthly at prime (3.75% at December 31, 2017). The amount outstanding was $-0- at December 31, 2017 and $78,133 at December 31, 2016. The entire outstanding balance was repaid in April, 2017.

NOTE 8—RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31 were as follows:

	2017	2016
Time Restricted - Bequests	$ **5,722**	$ 18,474
Training	**4,087**	5,044
Adoption	**9,500**	400
Special Needs	**4,902**	8,090
Fund-a-Cause	**20,233**	—
	$ **44,444**	$ 32,008

NOTE 8—RESTRICTED NET ASSETS (Continued)

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

	2017	2016
Satisfaction of Time Restrictions	$ **19,004**	$ 35,000
Training	**10,957**	—
Adoption	**900**	—
Specific Pet Care	**4,009**	22,031
Fence Project	—	30,145
Capital Campaign		
Kennel Doors/Enclosure	**59,944**	77,326
Cat Room	—	3,000
Special Needs	**57,968**	50,450
Fund-a-Cause	**34,553**	—
Medical and Healthcare	**30,380**	52,090
	$ **217,715**	$ 270,042

Permanently restricted net assets of $5,022 at December 31, 2017 and 2016 are restricted to investments in perpetuity, the income from which is expendable to benefit the animals.

NOTE 9—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 permanently restricted net assets (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 permanently restricted net assets is classified as temporarily 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 polices related to endowment funds due to the 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, 2017 and 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ —	$ —	$ 5,022	$ 5,022

NOTE 9—ENDOWMENT FUNDS (Continued)

Changes in endowment net assets as of December 31, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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

Changes in endowment net assets as of December 31, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, January 1, 2016	$ —	$ —	$ 5,022	$ 5,022
Investment Income	—	1	—	1
Amounts Appropriated for Expenditure	—	(1)	—	(1)
Endowment Net Assets, December 31, 2016	$ —	$ —	$ 5,022	$ 5,022

NOTE 10—LEASE COMMITMENTS

The Organization leased office equipment under long-term lease agreements which expired in 2016. The Organization also leases a number of storage units located throughout the northern suburbs of Illinois. These leases are renewed annually at rates varying from $50 per month to $394 per month. Rent expense was $8,319 for 2017 and $10,464 for 2016, including equipment lease payments of $-0- for 2017 and $3,735 for 2016 which are reported in office supplies on the statements of functional expenses.

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 $6,056 in 2017 and of $6,568 in 2016 were received from Board members.

NOTE 13—SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 12, 2018, the date which the financial statements were available for issue. There were no subsequent events which require disclosure.