

MCPAWS, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
MCPAWS, Inc.
McCall, Idaho

We have audited the accompanying financial statements of MCPAWS, Inc. (an Idaho nonprofit corporation), 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MCPAWS, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Travis Jeffries, P.A.

Boise, Idaho
January 4, 2019

MCPAWS, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 110,691	\$ 150,325
Inventory	1,770	1,770
Prepaid expenses	-	113
	<hr/>	<hr/>
Total Current Assets	112,461	152,208
RESERVED FUNDS (See Note A, page 9)		
Reserved cash	131,738	60,040
Reserved investments	551,495	302,794
	<hr/>	<hr/>
Total Reserved Funds	683,233	362,834
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$238,881 and \$218,054	<hr/>	<hr/>
	761,104	741,291
	<hr/>	<hr/>
Total Assets	<u>\$ 1,556,798</u>	<u>\$ 1,256,333</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 13,262	\$ 8,671
Accrued liabilities	20,715	25,050
Current portion of long term debt	7,838	7,292
	<hr/>	<hr/>
Total Current Liabilities	41,815	41,013
LONG TERM DEBT - net of current portion	<hr/>	<hr/>
	153,602	162,093
	<hr/>	<hr/>
Total Liabilities	195,417	203,106
NET ASSETS		
Unrestricted Net Assets:		
General	643,925	684,746
Board Designated	473,648	353,249
Board Endowment	26,820	-
	<hr/>	<hr/>
Total Unrestricted Net Assets	1,144,393	1,037,995
Temporarily Restricted Net Assets	16,988	15,232
Permanently Restricted - Endowment	200,000	-
	<hr/>	<hr/>
Total Net Assets	1,361,381	1,053,227
Total Liabilities and Net Assets	<u>\$ 1,556,798</u>	<u>\$ 1,256,333</u>

See notes to financial statements.

MCPAWS, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
UNRESTRICTED NET ASSETS		
Revenue and Support		
Retail sales	\$ 4,735	\$ 4,555
Thrift store sales	253,784	238,262
Contributions	116,933	202,929
Shelter fees	27,318	29,200
Government revenues	79,333	68,500
Special events	85,170	108,048
Grants	26,890	15,500
Other income	15,563	14,507
Investment income	39,384	4,708
	649,110	686,209
Net assets released from restriction	68,834	72,613
Total Revenue and Support	717,944	758,822
Operating Expenses		
Retail cost of goods sold	4,003	3,706
Thrift store cost of goods sold	695	-
Program expenses:		
Shelter expenses	321,172	290,277
Thrift store expenses	169,359	166,580
Special program expenses	33,252	15,220
Fundraising	24,846	25,916
General and administrative	58,219	64,431
	611,546	566,130
Increase in Unrestricted Net Assets	106,398	192,692
TEMPORARILY RESTRICTED NET ASSETS		
Grants	60,899	22,700
Contributions	9,691	2,000
Net assets released from restriction	(68,834)	(72,613)
Increase (Decrease) in Temporarily Restricted Net Assets	1,756	(47,913)
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	200,000	-
Increase in Permanently Restricted Net Assets	200,000	-
Increase in Net Assets	308,154	144,779
NET ASSETS, Beginning of Year	1,053,227	908,448
NET ASSETS, End of Year	\$ 1,361,381	\$ 1,053,227

See notes to financial statements.

MCPAWS, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 308,154	\$ 144,779
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized gain on investments	(16,560)	(12)
Loss on disposal	2,205	-
Depreciation	21,602	22,836
Changes in operating assets and liabilities:		
Prepaid expenses	113	(113)
Other assets	-	49,812
Inventory	-	(1,321)
Accounts payable	4,591	1,508
Accrued liabilities	<u>(4,335)</u>	<u>3,988</u>
Net Cash Provided by Operating Activities	315,770	221,477
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of reserved funds - cash	(71,698)	(10)
Purchase of reserved funds - investments	(232,141)	(129,134)
Purchase of property and equipment	<u>(43,620)</u>	<u>(6,132)</u>
Net Cash Used in Investing Activities	(347,459)	(135,276)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments to note payable	<u>(7,945)</u>	<u>(7,512)</u>
Net Cash Used in Financing Activities	<u>(7,945)</u>	<u>(7,512)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(39,634)	78,689
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>150,325</u>	<u>71,636</u>
CASH AND CASH EQUIVALENTS, End of Year	<u><u>\$ 110,691</u></u>	<u><u>\$ 150,325</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Cash paid for interest	\$ 9,947	\$ 10,380

See notes to financial statements.

MCPAWS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017

	Management and General	Shelter	Thrift Store	Special Programs	Fundraising	Total
Salaries	\$ 48,438	\$ 155,520	\$ 116,325	\$ -	\$ -	\$ 320,283
Payroll taxes	4,950	15,673	9,892	-	-	30,515
Advertising and promotion	-	-	40	3,474	-	3,514
Events	-	-	-	-	19,592	19,592
Grant expenses	-	-	-	25,855	-	25,855
Dues and subscriptions	-	1,386	-	-	-	1,386
Insurance	-	6,579	-	-	-	6,579
Interest expense	-	-	9,947	-	-	9,947
Repairs and maintenance	-	7,161	8,593	-	-	15,754
Office expense	-	15,478	6,337	-	-	21,815
Outreach and education	308	-	-	65	-	373
Supplies	-	13,086	2,623	882	5,254	21,845
Professional services	-	47,020	-	121	-	47,141
Property taxes	-	255	-	-	-	255
Contracted services	-	25,912	1,881	2,855	-	30,648
Travel	-	6,401	-	-	-	6,401
Utilities	-	14,271	7,196	-	-	21,467
Taxes	-	1,876	-	-	-	1,876
Total Expenses Before Depreciation	53,696	310,618	162,834	33,252	24,846	585,246
Depreciation	4,523	10,554	6,525	-	-	21,602
Total Expenses	<u>\$ 58,219</u>	<u>\$ 321,172</u>	<u>\$ 169,359</u>	<u>\$ 33,252</u>	<u>\$ 24,846</u>	<u>\$ 606,848</u>

See notes to financial statements.

MCPAWS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

	Management and General	Shelter	Thrift Store	Special Programs	Fundraising	Total
Salaries	\$ 52,145	\$ 167,144	\$ 112,075	\$ -	\$ -	\$ 331,364
Payroll taxes	6,937	21,967	9,978	-	-	38,882
Advertising and promotion	-	28	-	3,464	-	3,492
Events	-	-	-	-	23,105	23,105
Grant expenses	-	-	-	9,388	-	9,388
Dues and subscriptions	-	826	-	-	-	826
Insurance	-	6,625	-	-	-	6,625
Interest expense	-	-	10,380	-	-	10,380
Repairs and maintenance	-	2,656	9,166	-	-	11,822
Office expense	-	8,001	6,028	-	-	14,029
Outreach and education	619	-	-	80	-	699
Supplies	-	15,126	3,220	1,007	2,811	22,164
Professional services	-	20,565	-	266	-	20,831
Property taxes	-	510	-	-	-	510
Contracted services	-	21,261	1,775	1,015	-	24,051
Travel	-	1,066	-	-	-	1,066
Utilities	-	11,571	6,890	-	-	18,461
Taxes	-	1,893	-	-	-	1,893
Total Expenses Before						
Depreciation	59,701	279,239	159,512	15,220	25,916	539,588
Depreciation	4,730	11,038	7,068	-	-	22,836
Total Expenses	\$ 64,431	\$ 290,277	\$ 166,580	\$ 15,220	\$ 25,916	\$ 562,424

See notes to financial statements.

MCPAWS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Nature of Activities

MCPAWS, Inc. is a non-profit organization formed in 1998 to assist the City of McCall with the operation and maintenance of the McCall City Dog Pound. MCPAWS, Inc. has grown from a small grass-roots, all-volunteer pound assistance group, to a regional animal shelter for dogs and cats. MCPAWS, Inc. is committed to maintaining a high standard of care and pet adoption processes at the shelter, and to promoting responsible pet ownership. MCPAWS, Inc. is operating in McCall, Idaho, and is supported primarily by donations, grants, local option tax allocations and adoption fees. In 2010 MCPAWS, Inc. opened a thrift store in McCall, Idaho where various donated items are received and sold. Proceeds from thrift store sales are used to provide financial support to animals at the MCPAWS, Inc. animal shelter. MCPAWS, Inc. thrift store revenues of \$253,784 and \$238,262 were approximately 29% and 34% of MCPAWS, Inc.'s total revenue and support for the years ended December 31, 2017 and 2016, respectively.

Basis of Accounting

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

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (FASB ASC) 958. In accordance with the standard, MCPAWS, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, MCPAWS, Inc. considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Federal Depository Insurance Commission (FDIC) covered deposit balances up to \$250,000 per insured bank. Cash balances in financial institutions did not exceed the FDIC insurance level as of December 31, 2017 and 2016.

Reserved Funds

Reserved Funds are made up of major donations received by MCPAWS, Inc. The donations are not restricted by the donor; however, the Board of Directors has decided to reserve the funds for property improvements, acquisitions, animal comfort and future operating needs.

MCPAWS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2017 AND 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Investments

MCPAWS, Inc. follows FASB ASC 958-325 *Accounting for Investments in Financial Assets*. Under the standard, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Inventory

Inventory is stated at the lower of cost or market, including inventory that has been purchased for sale and items donated that have a readily determinable market value. Cost is determined on a specific identification basis using the price paid to obtain the inventory from various suppliers. Inventory is kept track of in a perpetual inventory system. The vast majority of thrift store inventory is comprised of donated merchandise without a readily determinable market value until sold.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. No unconditional promises nor conditional promises to give were received for the years ended December 31, 2017 and 2016.

Property and Equipment

Property and equipment is stated at cost, or if donated, is recorded at the estimated fair value at the date of donation. Maintenance and repairs that do not improve or extend the life of assets are currently expensed. MCPAWS, Inc.'s capitalization policy is \$2,500 for assets deemed to have a useful life of one year or more. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from three to thirty years for furniture, equipment and buildings. Depreciation expenses for December 31, 2017 and 2016 were \$21,602 and \$22,836.

Contributions

MCPAWS, Inc. follows the recommendations of the FASB ASC 958 for accounting for contributions received and contributions made.

In accordance with the standard, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities. MCPAWS, Inc. received \$200,000 of permanently restricted contributions for the year ended December 31, 2017. There were no permanently restricted contributions in 2016.

MCPAWS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2017 AND 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Noncash contributions

Noncash contributions with a readily determinable market value or which are intended for internal use by MCPAWS, Inc. are recorded as received based upon their market value at the date of donation. Noncash contributions without a readily determinable market value or which are not intended for internal use by MCPAWS, Inc. are not recorded as revenue until a reliable estimate of fair value is determined or they are converted to cash.

Contributed Services

Contributed services are recognized as contributions in accordance with FASB ASC 958 if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by MCPAWS, Inc. During the years ended December 31, 2017 and 2016, many individuals volunteered their time in support of MCPAWS, Inc.'s programs. MCPAWS, Inc. included \$778 of in-kind donations of professional services in contributions for the year ended December 31, 2016. There were no in-kind donations of professional services in 2017.

Advertising and Promotion

MCPAWS, Inc. uses advertising to promote its programs among the community it serves. The costs of advertising are expensed as incurred. During the years ended December 31, 2017 and 2016, advertising costs totaled \$3,514 and \$3,492.

Income Taxes

MCPAWS, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes and is not a private foundation. MCPAWS, Inc. files income tax returns in the U.S. federal jurisdiction, and is no longer subject to U.S. federal income tax examinations by the taxing authorities for the years before 2014.

Accounting for Uncertainty in Income Taxes

In accordance with FASB ASC 740, MCPAWS, Inc. has evaluated its operations as of December 31, 2017 as compared to its original application for tax-exempt not-for-profit status. The evaluation also considered the possibility of transactions that may be subject to income tax on unrelated business income. Tax positions considered, but not limited to included: a) MCPAWS, Inc.'s characterization of its activities as related or unrelated to its exempt purpose, and b) MCPAWS, Inc.'s allocation of revenue and expenses between activities that relate to its exempt purpose and those that could be considered unrelated business income. Upon the evaluation, MCPAWS, Inc. does not believe it has any business activities in place that would cause its tax-exempt not-for-profit status to not be sustained upon audit.

MCPAWS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2017 AND 2016

NOTE B - INVESTMENTS

The fair value of MCPAWS, Inc.'s investments consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Money market funds	\$ 27,458	\$ 25,252
Certificate of deposit	-	120,834
Exchange traded & closed end funds	65,636	29,358
Mutual funds	458,401	127,350
	\$ 551,495	\$ 302,794

Investment income is as follows for years ended December 31:

	<u>2017</u>	<u>2016</u>
Interest income	\$ 1,735	\$ 2,433
Dividend income	17,876	2,196
Realized gains	3,213	67
Unrealized gains	16,560	12
	\$ 39,384	\$ 4,708

Investment income for the years ended December 31, 2017 and 2016 above includes interest income from restricted and unrestricted cash accounts.

NOTE C - FAIR VALUE MEASUREMENTS

MCPAWS, Inc. follows FASB ASC 820, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes 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 under the standard are described below:

- * Level 1 - quoted prices in active markets for identical investments
- * Level 2 - other significant observable inputs (including quoted prices for similar investments)
- * Level 3 - significant unobservable inputs (including the Organization's own assumptions to determine the fair value of investments)

The asset or liability 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.

The fair value of all investment assets were determined using level 1 inputs for the years ending December 31, 2017 and 2016.

Assets at fair value as of December 31:

	<u>2017</u>	<u>2016</u>
	<u>Level 1 Only</u>	<u>Level 1 Only</u>
Money market funds	\$ 27,458	\$ 25,252
Certificate of deposit	-	120,834
Exchange traded & closed end funds	65,636	29,358
Mutual funds	458,401	127,350
	\$ 551,495	\$ 302,794

MCPAWS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2017 AND 2016

NOTE D - ENDOWMENT FUNDS

The Financial Accounting Standards Board FASB ASC 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FASB ASC 958-205 also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of Idaho enacted UPMIFA effective July 1, 2007, the provisions of which apply to endowment funds existing on or established after that date. MCPAWS, Inc. has adopted FASB ASC 958-205 for the year ending December 31, 2017.

The Board-designated endowment is an internal designation by the Board of Directors that is not donor-restricted and is classified and reported as unrestricted net assets. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Donor-designated endowments consist of funds established by donors for a specific purpose; these endowments are classified as permanently restricted assets.

MCPAWS, Inc.'s governing body has interpreted the State of Idaho's Prudent Management of Institutional Funds Act as requiring its Board to exercise "ordinary business care and prudence" in managing funds and, absent donor restrictions, net appreciation of donor-restricted endowments (realized and unrealized) are spendable.

In accordance with UPMIFA, MCPAWS, Inc. considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: duration and preservation of the fund, objectives of MCPAWS, Inc., general economic conditions and investment policies.

Investment Policy

Endowment assets include those assets of donor-restricted endowment funds MCPAWS, Inc. must hold in perpetuity or for donor-specified periods. Under the investment policy, endowment assets are invested in a manner that is intended to provide long-term income through capital appreciation, interest, and dividends. All income is intended to support the needs of MCPAWS, Inc.

The managed portfolios are to be well diversified and consist of money market funds, fixed income, and equities in the open market. All investment managers are expected to conform to all State and Federal laws governing the practice of investment management. Additionally, investment managers are expected to use prudence in their decision making for MCPAWS, Inc.'s funds and adhere to MCPAWS, Inc.'s Board adopted investment policy.

MCPAWS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2017 AND 2016

NOTE D - ENDOWMENT FUNDS (Continued)

Spending Allocation

At the discretion of the Board, up to 4% of the three-year average of interest/dividends generated by the total sum of capital may be utilized for program and/or agency expenses unless restricted for specific purposes by the donor. In making such a determination, the Board shall consider the performance of the investments in the respective account, market conditions, and the degree of need and necessity expressed by MCPAWS, Inc. for the use of the funds.

Endowment Net Asset Composition by Type of Fund as of December 31, 2017, is as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment</u>
Board-designated Endowment Funds	\$ 26,820	\$ -	\$ 26,820
Donor Restricted Endowment Funds	-	200,000	200,000
	<u>\$ 26,820</u>	<u>\$ 200,000</u>	<u>\$ 226,820</u>

Changes in Endowment Net Assets as of December 31, 2017 are as follow:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment</u>
Beginning of year	\$ -	\$ -	\$ -
Additions	15,277	200,000	215,277
Investment income	7,734	-	7,734
Realized gain	-	-	-
Unrealized gain	4,645	-	4,645
Investment fees	(836)	-	(836)
End of year	<u>\$ 26,820</u>	<u>\$ 200,000</u>	<u>\$ 226,820</u>

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment at December 31 consisted of the following:

	<u>2017</u>	<u>2016</u>
Furniture and office equipment	\$ 152,459	\$ 122,682
Building	291,100	291,100
Improvements	281,486	271,073
Land	274,940	274,940
Less accumulated depreciation	<u>(238,881)</u>	<u>(218,504)</u>
	<u>\$ 761,104</u>	<u>\$ 741,291</u>

MCPAWS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2017 AND 2016

NOTE F - OPERATING LEASE

In November 2016 MCPAWS, Inc. entered into a sixty month operating lease for a copy machine. Rental expense relating to this lease totaled \$3,191 and \$532 for the year ended December 31, 2017 and 2016, respectively.

Future minimum rental payments for the lease are as follows:

Years ending December 31:

2018	\$	3,191
2019		3,191
2020		3,191
2021		2,660
		<u>12,233</u>
	\$	<u>12,233</u>

NOTE G - NOTE PAYABLE

In December 2013 MCPAWS, Inc. obtained a loan for \$190,000 to purchase the building in which the thrift store operates. The note is payable to the former building owner, and bears an interest rate of 6% per annum. Payments for the loan are to be amortized over a 25 year period, with a final balloon payment due December 10, 2023. Payments of \$1,447 are due monthly on or before the 5th day of the month. Interest expense for the years ended December 31, 2017 and 2016 for the note payable totaled \$9,947 and \$10,380, respectively.

Future scheduled maturities of long-term debt are as follows:

Years ending December 31:

2018	\$	7,838
2019		8,266
2020		8,751
2021		9,315
Thereafter		127,270
		<u>161,440</u>
	\$	<u>161,440</u>

NOTE H - BOARD DESIGNATION OF UNRESTRICTED NET ASSETS

It is the policy of the Board of Directors of MCPAWS, Inc. to review its plans for property improvements, acquisitions and future operating needs from time to time, and to designate appropriate sums of unrestricted net assets to assure adequate financing of such property improvements, acquisitions and future operating needs. Board designated unrestricted net assets at December 31, 2017 and 2016 totaled \$473,648 and \$353,249. Additionally, funds not permanently restricted by donors have been designated by the Board for the endowment fund. As of December 31, 2017 the board endowment fund totaled \$26,820.

MCPAWS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2017 AND 2016

NOTE I - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are comprised of contributions MCPAWS, Inc. received subject to donor-imposed restrictions and time restrictions. Temporarily restricted net assets totaled \$16,988 and \$15,232 at December 31, 2017 and 2016, respectively. Temporarily restricted net assets are to be used as follows for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Animal comfort fund	\$ 6,805	\$ 9,726
Community outreach fund	5,234	-
Shelter equipment and improvements	-	258
Spay/neuter surgeries	1,724	-
Shelter animal vaccinations and testing	2,725	-
Innovation	-	1,548
Cat condos	-	3,700
Emergency preparedness	500	-
Total	<u>\$ 16,988</u>	<u>\$ 15,232</u>

NOTE J - FRIENDS OF THE MCPAWS FUND

The Friends of the MCPAWS Fund was set up by donor, Louise Barney, in 2007. The fund is considered a designated endowment fund, set up to benefit MCPAWS, Inc. MCPAWS, Inc. receives annual support from the fund. All assets contributed to the Friends of the MCPAWS Fund are considered property of the Idaho Community Foundation. MCPAWS, Inc. has no authority and no ownership of the fund; therefore, no assets of the Friends of the MCPAWS Fund have been included in the financial statements of MCPAWS, Inc. Annual support from the fund is recorded as contribution revenue when received.

NOTE K - SUBSEQUENT EVENTS

Subsequent events were evaluated through January 4, 2019, which coincides with the date in which the financial statements have been issued. As of January 4, 2019, no significant transactions or events transpired that would require disclosure or materially affect the financial statements for the year ended December 31, 2017.