

MCPAWS, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2019 and 2018

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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 organization), which comprise the statements of financial position as of December 31, 2019 and 2018, 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, 2019 and 2018, 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
December 29, 2020

MCPAWS, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 115,210	\$ 136,436
Receivables	-	2,000
Inventory	1,866	2,205
Prepaid expenses	70,000	-
Total Current Assets	<u>187,076</u>	<u>140,641</u>
RESERVED FUNDS (See Note A, page 10)		
Reserved cash	49,272	39,233
Reserved investments	535,144	511,294
Total Reserved Funds	<u>584,416</u>	<u>550,527</u>
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$284,571 and \$262,041	<u>722,590</u>	<u>745,120</u>
Total Assets	<u><u>\$ 1,494,082</u></u>	<u><u>\$ 1,436,288</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 11,374	\$ 27,448
Accrued liabilities	17,163	15,838
Total Current Liabilities	<u>28,537</u>	<u>43,286</u>
NET ASSETS		
Without donor restrictions		
General	861,636	819,455
Board Designated	335,305	332,627
Board Endowment	39,526	8,315
Total Net Assets Without Donor Restrictions	<u>1,236,467</u>	<u>1,160,397</u>
With donor restrictions		
Purpose restricted	29,078	32,605
Perpetual in nature, endowment	200,000	200,000
Total Net Assets With Donor Restrictions	<u>229,078</u>	<u>232,605</u>
Total Net Assets	<u>1,465,545</u>	<u>1,393,002</u>
Total Liabilities and Net Assets	<u><u>\$ 1,494,082</u></u>	<u><u>\$ 1,436,288</u></u>

See notes to financial statements.

MCPAWS, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenue and Support		
Retail sales	\$ 4,981	\$ 5,517
Thrift store sales	274,436	269,710
Contributions	111,495	100,613
Shelter fees	30,286	27,811
Government revenues	66,500	70,500
Special events	46,240	103,927
Grants	19,250	13,825
Other income	16,559	16,166
Investment income	74,834	(31,122)
	644,581	576,947
Net assets released from restriction	53,644	20,672
Total Revenue and Support	698,225	597,619
Operating Expenses		
Retail cost of goods sold	2,976	5,374
Thrift store cost of goods sold	-	38
Program expenses:		
Shelter expenses	350,562	315,139
Thrift store expenses	168,853	160,780
Special program expenses	11,100	8,269
Fundraising	13,540	25,785
General and administrative	75,124	66,230
	622,155	581,615
Total Operating Expenses	622,155	581,615
Increase in Net Assets Without Donor Restrictions	76,070	16,004
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Grants	30,500	17,061
Contributions	19,617	19,228
Net assets released from restrictions	(53,644)	(20,672)
Increase (Decrease) in Net Assets With Donor Restrictions	(3,527)	15,617
Increase in Net Assets	72,543	31,621
NET ASSETS, Beginning of Year	1,393,002	1,361,381
NET ASSETS, End of Year	\$ 1,465,545	\$ 1,393,002

See notes to financial statements.

MCPAWS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

	Management and General	Shelter	Thrift Store	Special Programs	Fundraising	Total
Salaries	\$ 54,118	\$ 174,728	\$ 114,354	\$ -	\$ -	\$ 343,200
Payroll taxes	5,065	16,041	9,345	-	-	30,451
Advertising and promotion	-	3,367	-	4,371	-	7,738
Events	-	-	-	-	2,952	2,952
Grant expenses	-	-	-	419	-	419
Dues and subscriptions	-	1,548	-	-	-	1,548
Insurance	-	10,176	-	-	-	10,176
Repairs and maintenance	-	26,322	21,887	-	-	48,209
Office expense	10,356	18,804	5,399	-	-	34,559
Outreach and education	729	-	-	2,755	-	3,484
Supplies	-	11,481	3,189	856	10,588	26,114
Professional services	-	17,210	-	-	-	17,210
Contracted services	-	36,833	1,881	2,699	-	41,413
Travel	-	6,108	-	-	-	6,108
Utilities	-	15,016	6,454	-	-	21,470
Taxes	-	1,598	-	-	-	1,598
Total Expenses Before Depreciation	70,268	339,232	162,509	11,100	13,540	596,649
Depreciation	4,856	11,330	6,344	-	-	22,530
Total Expenses	\$ 75,124	\$ 350,562	\$ 168,853	\$ 11,100	\$ 13,540	\$ 619,179

See notes to financial statements.

MCPAWS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018

	Management and General	Shelter	Thrift Store	Special Programs	Fundraising	Total
Salaries	\$ 52,577	\$ 149,211	\$ 110,096	\$ -	\$ -	\$ 311,884
Payroll taxes	5,212	14,835	9,166	-	-	29,213
Advertising and promotion	-	131	106	4,106	-	4,343
Events	-	-	-	-	21,424	21,424
Grant expenses	-	-	-	64	-	64
Dues and subscriptions	-	1,982	-	-	-	1,982
Insurance	-	6,604	-	-	-	6,604
Interest expense	-	-	8,547	-	-	8,547
Repairs and maintenance	-	16,774	6,502	-	-	23,276
Office expense	2,045	23,758	9,051	-	-	34,854
Outreach and education	1,351	-	-	14	-	1,365
Supplies	-	7,801	2,858	945	4,361	15,965
Professional services	-	28,428	-	-	-	28,428
Property taxes	-	510	255	-	-	765
Contracted services	-	29,945	1,901	3,140	-	34,986
Travel	-	7,923	-	-	-	7,923
Utilities	-	13,624	5,954	-	-	19,578
Taxes	-	1,843	-	-	-	1,843
Total Expenses Before Depreciation	61,185	303,369	154,436	8,269	25,785	553,044
Depreciation	5,045	11,770	6,344	-	-	23,159
Total Expenses	\$ 66,230	\$ 315,139	\$ 160,780	\$ 8,269	\$ 25,785	\$ 576,203

See notes to financial statements.

MCPAWS, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 72,543	\$ 31,621
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized loss (gain) on investments	(60,770)	51,060
Depreciation	22,530	23,159
Changes in operating assets and liabilities:		
Prepaid expenses	(70,000)	-
Accounts receivable	2,000	(2,000)
Inventory	339	(435)
Accounts payable	(16,074)	14,004
Accrued liabilities	1,325	(4,695)
	(48,107)	112,714
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale (purchase) of reserved funds - cash	(10,039)	92,505
Sale (purchase) of reserved funds - investments	36,920	(10,859)
Purchase of property and equipment	-	(7,175)
	26,881	74,471
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments to note payable	-	(161,440)
	-	(161,440)
Net Increase (Decrease) in Cash and Cash Equivalents	(21,226)	25,745
CASH AND CASH EQUIVALENTS, Beginning of Year	136,436	110,691
CASH AND CASH EQUIVALENTS, End of Year	\$ 115,210	\$ 136,436
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Cash paid for interest	\$ -	\$ 8,547

See notes to financial statements.

MCPAWS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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 \$274,436 and \$269,710 were approximately 44% and 42% of MCPAWS, Inc.'s total revenue and support for the years ended December 31, 2019 and 2018, respectively.

Basis of Accounting

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

Basis of 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. reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

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.

MCPAWS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2019 AND 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

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, 2019 and 2018.

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.

Investments

MCPAWS, Inc. follows FASB ASC 958-325 Accounting for Investments in Financial Assets. MCPAWS, Inc. reports 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 in the accompanying Statement of Activities.

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. MCPAWS, Inc. received an unconditional promise of \$2,000 for the year ended December 31, 2018. No unconditional promises nor conditional promises to give were received for the years ended December 31, 2019.

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 \$5,000 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 nine years for furniture, equipment and buildings. Depreciation expenses for December 31, 2019 and 2018 were \$22,530 and \$23,159.

MCPAWS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2019 AND 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

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 that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

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, 2019 and 2018, many individuals volunteered their time in support of MCPAWS, Inc.'s programs. There were no in-kind donations of professional services for the years ended December 31, 2019 and 2018.

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, 2019 and 2018, advertising costs totaled \$7,738 and \$4,343.

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 2016.

MCPAWS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2019 AND 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Accounting for Uncertainty in Income Taxes

In accordance with FASB ASC 740, MCPAWS, Inc. has evaluated its operations as of December 31, 2019 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.

NOTE B - INVESTMENTS

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

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 284,596	\$ 34,750
Exchange traded & closed end funds	32,681	50,568
Mutual funds	217,867	425,976
	<u>\$ 535,144</u>	<u>\$ 511,294</u>

Investment income is as follows for years ended December 31:

	<u>2019</u>	<u>2018</u>
Interest income	\$ 39	\$ 95
Dividend income	15,311	13,217
Realized gain (loss)	(1,286)	6,626
Unrealized gain (loss)	60,770	(51,060)
	<u>\$ 74,834</u>	<u>\$ (31,122)</u>

Investment income for the years ended December 31, 2019 and 2018 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.

MCPAWS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2019 AND 2018

NOTE C - FAIR VALUE MEASUREMENTS (Continued)

The fair value of all investment assets were determined using level 1 inputs for the years ending December 31, 2019 and 2018.

Assets at fair value as of December 31:

	<u>2019</u>	<u>2018</u>
	<u>Level 1 Only</u>	<u>Level 1 Only</u>
Money market funds	\$ 284,596	\$ 34,750
Exchange traded & closed end funds	32,681	50,568
Mutual funds	217,867	425,976
	<u>\$ 535,144</u>	<u>\$ 511,294</u>

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 years ending December 31, 2019 and 2018.

Board and donor-designated Endowment

The Board-designated endowment is an internal designation by the Board of Directors that is not donor-restricted and is classified and reported as net assets without donor restrictions. 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 and preservation of principal. These endowments are classified as net assets with donor restrictions.

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.

Additionally, MCPAWS, Inc.'s governing body has interpreted SPMIFA as requiring the maintenance of only the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, MCPAWS, Inc. would consider the fund to be underwater if the fair value of the fund is less than the sum of (1) the original value of initial and subsequent gifts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. MCPAWS, Inc. has interpreted SPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. The fund is not currently underwater.

MCPAWS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2019 AND 2018

NOTE D - ENDOWMENT FUNDS (Continued)

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.

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, 2019, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 39,526	\$ -	\$ 39,526
Donor-restricted endowment funds	-	200,000	200,000
Total funds	<u>\$ 39,526</u>	<u>\$ 200,000</u>	<u>\$ 239,526</u>

Changes in Endowment Net Assets as of December 31, 2019 are as follow:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 8,315	\$ 200,000	\$ 208,315
Investment loss	(2,449)	-	(2,449)
Unrealized gain	36,304	-	36,304
Investment fees	(2,644)	-	(2,644)
Endowment net assets, end of year	<u>\$ 39,526</u>	<u>\$ 200,000</u>	<u>\$ 239,526</u>

MCPAWS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2019 AND 2018

NOTE D - ENDOWMENT FUNDS (Continued)

Endowment Net Asset Composition by Type of Fund as of December 31, 2018, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 8,315	\$ -	\$ 8,315
Donor-restricted endowment funds	-	200,000	200,000
Total funds	<u>\$ 8,315</u>	<u>\$ 200,000</u>	<u>\$ 208,315</u>

Changes in Endowment Net Assets as of December 31, 2018 are as follow:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 26,820	\$ 200,000	\$ 226,820
Investment income	11,133	-	11,133
Unrealized loss	(27,004)	-	(27,004)
Investment fees	(2,634)	-	(2,634)
Endowment net assets, end of year	<u>\$ 8,315</u>	<u>\$ 200,000</u>	<u>\$ 208,315</u>

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment at December 31 consisted of the following:

	2019	2018
Furniture and office equipment	\$ 143,750	\$ 143,750
Building	291,100	291,100
Improvements	297,371	297,371
Land	274,940	274,940
	<u>1,007,161</u>	<u>1,007,161</u>
Accumulated depreciation	<u>(284,571)</u>	<u>(262,041)</u>
	<u>\$ 722,590</u>	<u>\$ 745,120</u>

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 \$3,191 for the years ended December 31, 2019 and 2018, respectively.

Future minimum rental payments for the lease are as follows:

Years ending December 31:

2020	\$ 3,191
2021	<u>2,660</u>
	<u>\$ 5,851</u>

MCPAWS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2019 AND 2018

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, 2019 and 2018 for the note payable totaled \$0 and \$8,547, respectively. Loan was paid off by the Shelter in October 2018.

NOTE H - LIQUIDITY RESOURCES AND AVAILABILITY

The following reflects MCPAWS, Inc.'s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the statement of financial position date. Amounts not available also include amounts set aside for long-term investing in the quasi-endowment and expansion fund that could be drawn upon if the board approves that action.

	<u>2019</u>	<u>2018</u>
Financial assets, at year-end	\$ 699,626	\$ 688,963
Less those unavailable for general expenditures within one year, due		
Donor-imposed transactions		
Perpetual in nature, endowment	200,000	200,000
Restricted by donor with purpose restrictions	29,078	32,605
Board designations:		
Quasi-endowment fund, primarily for long-term investing	39,526	8,315
Expansion fund, long-term reserve fund	5,555	173,951
Amounts set aside for liquidity reserve	<u>329,750</u>	<u>158,676</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 95,717</u>	<u>\$ 115,416</u>

As part of MCPAWS, Inc.'s liquidity management, it has a goal to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Amounts set aside for liquidity reserve include an operating and maintenance reserve fund. Occasionally, the board designates a portion of its operating reserve fund to meet the day-to-day financial obligations in a timely manner. The maintenance reserve fund was established by the governing board that may be drawn upon in the event of financial distress or immediate liquidity resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

NOTE I - EXPENSE ALLOCATION

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one program are charged to programs and supportive services on the basis of periodic time and expense analysis. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide overall support and direction of MCPAWS, Inc.

MCPAWS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2019 AND 2018

NOTE J - BOARD DESIGNATED 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 net assets without donor restrictions to assure adequate financing of such property improvements, acquisitions and future operating needs. As of December 31, 2019 and 2018, the Board designated net assets totaled \$335,305 and \$332,627 and the amount of Board endowment totaled \$39,526 and \$8,315, respectively.

NOTE K- NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are comprised of contributions received subject to donor-imposed restrictions and time restrictions and perpetual endowment received by MCPAWS, Inc.

Net assets with donor restrictions are restricted for the following purpose at December 31:

	<u>2019</u>	<u>2018</u>
Subject to expenditures for specified purpose:		
Animal comfort fund	\$ 7,382	\$ 6,986
Community outreach fund	14,596	10,765
Katherine Reid plaque	100	-
Peace garden	-	4,625
Equipment in the dog prep room	1,000	-
Spay/neuter surgeries	5,500	4,500
Shelter animal vaccinations and testing	-	2,725
Cat microchips	-	2,504
Emergency preparedness	500	500
	<u>29,078</u>	<u>32,605</u>
Donor-restricted endowment, perpetual in nature	<u>200,000</u>	<u>200,000</u>
	<u>\$ 229,078</u>	<u>\$ 232,605</u>

NOTE L - 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.

MCPAWS, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2019 AND 2018

NOTE M - SUBSEQUENT EVENTS

Subsequent events were evaluated through December 29, 2020, which coincides with the date in which the financial statements have been issued. MCPAWS has acquired two practices which include business name, existing client records, veterinary equipment, and other items related to the businesses. The new acquisitions are the following:

In January 2020, MCPAWS purchased the Donnelly Veterinary Hospital (DVH) practice for \$338,800. The entire purchase price was financed through a local bank. Payments are \$2,252 per month, with a balloon payment due in ten years.

MCPAWS purchased the property associated with the DVH in January of 2020 for \$525,000. A loan for the entire purchase price is being carried by the sellers of the property. Payments are \$3,069 per month with a balloon payment due in five years. In February of 2020 MCPAWS received a grant in the amount of \$100,000 to be used only for the purchase of this real property.

In April 2020, MCPAWS purchased Long Valley Veterinary Clinic (LVVC) practice for \$350,000. Cash reserves held by MCPAWS were utilized for the acquisition of Long Valley Veterinary Hospital practice.

MCPAWS also obtained a \$350,000 line of credit from a local bank in February of 2020. The line of credit is for operating expenses.