

MCPAWS, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020



WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

CLAconnect.com

**MCPAWS, INC.
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2020**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7



INDEPENDENT AUDITORS' REPORT

Board of Directors
McPaws, Inc.
McCall, Idaho

We have audited the accompanying financial statements of McPaws, Inc. (an Idaho nonprofit organization), which comprise the financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 auditors' 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.

Board of Directors
McPaws, Inc.

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, 2020, and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14, beginning net assets balances were restated. Our opinion is not modified with respect to this matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boise, Idaho
February 22, 2022

MCPAWS, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	520,530
Receivables		12,854
Inventory		53,872
Prepaid Expenses		711
Total Current Assets		587,967

RESERVED FUNDS

Reserved Cash		-
Reserved Investments		277,713
Total Reserved Funds		277,713

PROPERTY AND EQUIPMENT, Net

1,288,137

OTHER ASSETS

427,429

Total Assets

\$ 2,581,246

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$	46,780
Accrued Liabilities		33,477
Deferred Revenue		10,000
Current Portion of Notes Payable		19,292
Total Current Liabilities		109,549

LONG TERM LIABILITIES

Notes Payable		713,018
		713,018

Total Liabilities

822,567

NET ASSETS

Without Donor Restrictions:

General		1,452,222
Total Without Donor Restrictions		1,452,222

With Donor Restrictions:

Purpose-Restricted		28,744
Endowment		277,713
Total With Donor Restrictions		306,457
Total Net Assets		1,758,679

Total Liabilities and Net Assets

\$ 2,581,246

See accompanying Notes to Financial Statements.

MCPAWS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND PUBLIC SUPPORT			
Revenue:			
Hospital Services	\$ 773,081	\$ -	\$ 773,081
Thrift Store Sales	244,141	-	244,141
Shelter Fees	27,304	-	27,304
Government Revenues	56,000	-	56,000
Special Events	34,612	-	34,612
Rental Income	1,500	-	1,500
Other Income	16,124	-	16,124
Investment Income	2,136	38,187	40,323
Gain on Extinguishment of Debt	72,900	-	72,900
Loss on Disposal of Fixed Assets	(2,466)	-	(2,466)
Public Support:			
Contributions	271,724	15,118	286,842
In-kind Contributions	188,501	-	188,501
Grants	89,500	143,825	233,325
Net Assets Released from Restrictions	<u>159,277</u>	<u>(159,277)</u>	<u>-</u>
Total Revenue and Support	<u>1,934,334</u>	<u>37,853</u>	<u>1,972,187</u>
OPERATING EXPENSES			
Program Expenses:			
Hospital	881,855	-	881,855
Shelter	253,997	-	253,997
Thrift Store	378,861	-	378,861
Fundraising	52,294	-	52,294
Management and General	<u>112,046</u>	<u>-</u>	<u>112,046</u>
Total Operating Expenses	<u>1,679,053</u>	<u>-</u>	<u>1,679,053</u>
CHANGE IN NET ASSETS	255,281	37,853	293,134
Net Assets - Beginning of Year, as Restated	<u>1,196,941</u>	<u>268,604</u>	<u>1,465,545</u>
NET ASSETS - END OF YEAR	<u>\$ 1,452,222</u>	<u>\$ 306,457</u>	<u>\$ 1,758,679</u>

See accompanying Notes to Financial Statements.

MCPAWS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Hospital	Shelter	Thrift Store	Management and General	Fundraising	Total
Salaries	\$ 202,037	\$ 101,495	\$ 155,406	\$ 73,786	\$ 34,500	\$ 567,224
Payroll Taxes	15,375	8,357	12,430	6,337	4,702	47,201
Employee Benefits	4,485	1,893	5,137	2,746	4,846	19,107
Advertising and Promotion	3,395	5,441	9	-	3,142	11,987
Events	-	-	-	-	940	940
Dues and Subscriptions	75	770	75	-	370	1,290
Insurance	2,144	14,858	-	-	-	17,002
Repairs and Maintenance	134,615	7,505	4,077	28	-	146,225
Occupancy	210	2,043	2,643	-	-	4,896
Training and Education	660	-	-	368	-	1,028
Cost of Goods Sold	184,146	24,063	168,151	-	-	376,360
General Supplies	6,442	10,720	3,126	3,958	65	24,311
Licenses and Permits	991	100	95	-	-	1,186
Software	1,561	856	943	-	3,729	7,089
Professional Services	188,395	33,693	1,802	9,500	-	233,390
Equipment	1,366	6,281	140	470	-	8,257
Travel and Meetings	-	456	-	-	-	456
Depreciation and Amortization	62,130	14,975	4,517	-	-	81,622
Utilities	9,476	9,765	8,545	373	-	28,159
Taxes	2,773	385	715	-	-	3,873
Employee Appreciation	3,590	4,349	2,876	163	-	10,978
Interest	34,838	-	-	-	-	34,838
Fees	19,386	5,992	6,309	12,529	-	44,216
Miscellaneous	3,765	-	1,865	1,788	-	7,418
Total Expenses by Function	\$ 881,855	\$ 253,997	\$ 378,861	\$ 112,046	\$ 52,294	\$ 1,679,053

See accompanying Notes to Financial Statements.

MCPAWS, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 293,134
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by Operating Activities:	
Depreciation and Amortization	81,622
Realized and Unrealized loss (gain) on investments	(37,303)
Loss on Disposal of Property and Equipment	2,466
Amortization of Loan Fees	2,424
Expenses Related to Asset Acquisition	65,735
Gain on Extinguishment of Debt	(72,900)
(Increase) Decrease in Assets:	
Prepaid Expenses	69,289
Accounts Receivable	(12,854)
Inventory	(37,006)
Reserved Cash	49,272
Increase (Decrease) in Liabilities:	
Accounts Payable	37,000
Accrued Liabilities	14,720
Deferred Revenue	10,000
Net Cash Provided by Operating Activities	<u>465,599</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of Reserved Funds - Investments	304,434
Purchase of Reserved Funds - Investments	(9,700)
Purchases of Other Assets	(261,333)
Purchases of Property and Equipment	(32,666)
Net Cash Provided by Investing Activities	<u>735</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Loan Fees	(17,598)
Proceeds from PPP Loan	72,900
Payments on Note payable	(116,316)
Net Cash Used by Financing Activities	<u>(61,014)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	405,320
Cash and Cash Equivalents - Beginning of Year	<u>115,210</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 520,530</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash Paid for Interest	<u><u>\$ 34,838</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVATES	
Purchase of Assets and Expenses With Notes Payable	<u><u>\$ 863,800</u></u>

See accompanying Notes to Financial Statements.

MCPAWS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

McPaws, Inc. (the Organization, we, us, our), is a nonprofit organization formed in 1998 to assist the City of McCall with the operation and maintenance of the McCall City Dog Pound. The Organization has grown from a small grass-roots, all-volunteer pound assistance group, to a regional animal shelter for dogs and cats. The Organization is committed to maintaining a high standard of care and pet adoption processes at the shelter, and to promoting responsible pet ownership. The Organization 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 Organization's animal shelter.

Major Programs

The shelter program provides a safe shelter for abandoned, lost and surrendered dogs and cats to find loving homes for all adoptable animals and to reduce pet overpopulation through spay and neuter services.

In 2020, the Organization began operations of a full-service veterinary hospital. The program ensures that pet owners in our community have access to high quality veterinary care for their pets and also provides subsidized veterinary care to the public on an income-based discount program. The Organization also provides emergency and/or specialized care to shelter animals on an as needed basis, when animals need vet care beyond what can be provided at the shelter location.

Thrift Store is the collection, processing and sales of donated goods in a retail facility to provide revenue to support shelter programs.

Basis of Accounting

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

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due to the Shelter. The Organization determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. At December 31, 2020, the allowance was \$-0-.

MCPAWS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Organization records investments purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Inventory

Inventory of purchased goods and supplies are recorded at the lower of cost (first-in, first-out) or net realizable value. Donated goods inventory is valued at fair value at the date of donation, less an allowance for items that will not sell and instead be disposed of.

Property and Equipment

The Organization records property and equipment additions over \$5,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2020.

Other Assets

Goodwill – the Organization amortizes goodwill over a 10-year period. Goodwill is reviewed annually for potential impairment if a triggering event occurs that indicates fair value may be below its carrying value. When impairment is likely, the Organization calculates goodwill impairment as the amount the Organization's carrying value including goodwill exceeds its fair value.

The Organization accounts for covenants not to compete and goodwill at cost less accumulated amortization. Covenants not to compete are amortized over the life of the agreement, generally five years.

MCPAWS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

To determine revenue recognition for the arrangements that the Organization determines are within the scope of Topic 606, The Organization performs the following five steps (1) identify the contracts(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligation in the contract, and (5) recognize revenue when (or as) the Organization satisfied a performance obligation.

The Organization recognizes revenue from hospital services, thrift store sales and shelter fees at a point in time when the customer obtains control of promised goods and services in an amount that reflects the consideration which the Organization expects to receive in exchange for those goods. Revenue is recognized when control of the goods has transferred to the customer or services have been performed.

Government revenues relate contracts with government agencies for care and shelter of animals. The Organization recognized revenue over the term of the contract.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

The Organization’s contract assets and liabilities consist of the following at December 31:

Accounts Receivable	<u>\$ 12,854</u>
Deferred Revenue	<u>\$ 10,000</u>

MCPAWS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition (Continued)

The following table provides information about significant changes in the contract liabilities for the year ended December 31:

Deferred Revenue, Beginning of Year	\$ 10,000
Revenue Recognized that was Included in Deferred Revenue at the Beginning of the Year	(10,000)
Increase in Deferred Revenue Due to Cash Received During the Period	10,000
	<u>\$ 10,000</u>

The following table provides information about revenue recognized at a point in time and over time:

Point in time:	<u>Amount</u>
Hospital Services	\$ 773,081
Thrift Store Sales	244,141
Shelter Fees	27,304
Special Events	34,612
	<u>\$ 1,079,138</u>
Over time	
Government Revenues	<u>\$ 56,000</u>

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by accounting principles generally accepted in the United States of America. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recognized at the respective fair values of the services received. During 2020, the Organization recognized donated goods with an estimated fair value of \$188,501 as revenue.

This merchandise requires program-related expenses/processes before it reaches its point of sale. Revenue is recognized at the time of the transaction.

Advertising Costs

Advertising costs are expensed as incurred and approximated \$11,987 during the year ended December 31, 2020.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

MCPAWS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 specific function but provide overall support and direction of the Organization.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation.

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Investments are made by diversified investment managers whose performance is monitored by us. Although the fair values of investments are subject to fluctuation on a year-to-year basis, we believe that the investment policies and guidelines are prudent for the long-term welfare of the organizations.

Adoption of New Accounting Principal

In May 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Organization's financial statements reflect the application of ASC 606 guidance beginning in 2020. No cumulative effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the Organization's reported historical revenue.

MCPAWS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Upcoming Accounting Pronouncement

In February 2016, the FASB Issued ASU 2016-02, *Leases* (Topic 842), which is expected to increase transparency and comparability among organizations. The core principle of this guidance is that a lessee should recognize the assets and liabilities that arise from leases. The standard requires lessees to reflect most leases on their statement of financial position as lease liabilities which a corresponding right-of-use asset, while leaving presentation of the lease expense in the statement of activities largely unchanged. The standard also eliminates real-estate specific provisions that exist under current U.S. GAAP and modifies the classification criteria and accounting which lessors must apply to sales-type and direct-financing leases. In June 2020, the FASB approved the delay of the effective date of ASU 2016-02 which is now effective for the Organization's year ending December 31, 2022. Management will be evaluating the effects of the new standard.

Subsequent Events

We have evaluated subsequent events through February 22, 2022, the date the financial statements were available to be issued.

On June 25th, 2021, the Organization obtained a line of credit from Idaho First Bank for \$350,000. The line of credit has a maturity date of February 5th, 2022.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial Assets at Year-End	\$	520,530
Accounts Receivable		12,854
Investments		<u>277,713</u>
Total Financial Assets at End of Year		811,097
Less: Those Unavailable for General Expenditures		
Within One Year:		
Donor-Imposed Transactions:		
Endowment		(277,713)
Restricted by Donor With Purpose Restrictions		<u>(28,744)</u>
Financial Assets Available to Meet Cash Needs		
for General Expenditures Within One Year	\$	<u><u>504,640</u></u>

Our endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

MCPAWS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 INVENTORY

Inventories consisted of the following at December 31:

Donated Goods	\$ 20,350
New Goods Inventory	26,333
Supplies	7,189
Total Inventories	<u><u>\$ 53,872</u></u>

NOTE 4 FAIR VALUE MEASUREMENTS

We report certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

A significant portion of our investment assets are classified within Level 1 because they comprise of equities and open-end mutual funds with readily determinable fair values based on daily redemption values.

MCPAWS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents assets measured at fair value on a recurring basis, except those measured at cost or by using NAV per share as a practical expedient as identified in the following, at December 31, 2020.

ASSETS	Total	Level 1	Level 2	Level 3
Equities	\$ 40,674	\$ 40,674	\$ -	\$ -
Equity Mutual Funds	237,039	237,039	-	-
	\$ 277,713	\$ 277,713	\$ -	\$ -

The following methods and assumptions were used to estimate the fair value of each class of financial instrument measured at fair value:

Equities – Equities are valued at the closing price report on the active market on which the individual securities are traded.

Mutual Funds – Mutual funds are classified as Level 1 if they are traded in an active market for which closing prices are readily available.

While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of difference methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

NOTE 5 ENDOWMENT FUNDS

Our endowment (the Endowment) consists of one individual fund established by a donor to provide annual funding for specific activities and general operations.

Our board of directors has interpreted the Idaho Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2020, there were no such donor stipulations. As a result of this interpretation, we retain in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give at fair value) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. We consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments

MCPAWS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 ENDOWMENT FUNDS (CONTINUED)

- Other resources of the organization
- The investment policies of the organization

As of December 31, we had the following endowment net asset composition by type of fund:

December 31, 2020	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year			
As Restated	\$ -	\$ 239,526	\$ 239,526
Investment Return, net	-	38,187	38,187
Endowment Net Assets - End of Year	<u>\$ -</u>	<u>\$ 277,713</u>	<u>\$ 277,713</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2020, no funds were underwater.

Investment and Spending Policies

Endowment assets include those assets of donor-restricted endowment funds the Organization 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 the Organization.

At the discretion of the board, up to 4% of average market value over the previous five-years may be utilized for program and agency expenses unless restricted for specific purposes by the donor. In making such 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 the Organization for the use of the funds.

Changes in Endowment net assets for the year ended December 31 is as follows:

December 31, 2020	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ -	\$ -	\$ -
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	200,000	200,000
Accumulated Investment Gains	-	77,713	77,713
Total	<u>\$ -</u>	<u>\$ 277,713</u>	<u>\$ 277,713</u>

MCPAWS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment at December 31 consisted of the following:

Furniture and Office Equipment	\$ 206,009
Buildings and Improvements	933,054
Land	<u>453,773</u>
Total	1,592,836
Less: Accumulated Depreciation	<u>(304,699)</u>
Property and Equipment, Net	<u><u>\$ 1,288,137</u></u>

NOTE 7 OTHER ASSETS

The following is a summary of goodwill activity:

	<u>Gross Amount</u>	<u>Accumulated Amortization</u>	<u>Net Amount</u>
Balance December 31, 2019	\$ -	\$ -	\$ -
Current Year Additions	449,748	-	449,748
Current Year Amortization	-	(34,819)	(34,819)
Balance December 31, 2020	<u>\$ 449,748</u>	<u>\$ (34,819)</u>	<u>\$ 414,929</u>

The following is a summary of covenants not to compete activity:

	<u>Gross Amount</u>	<u>Accumulated Amortization</u>	<u>Net Amount</u>
Balance December 31, 2019	\$ -	\$ -	\$ -
Current Year Additions	15,000	-	15,000
Current Year Amortization	-	(2,500)	(2,500)
Balance December 31, 2020	<u>\$ 15,000</u>	<u>\$ (2,500)</u>	<u>\$ 12,500</u>

Future amortization expense of other assets is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 47,975
2022	47,975
2023	47,975
2024	47,975
2025	45,475
Thereafter	190,054
Total	<u><u>\$ 427,429</u></u>

MCPAWS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 OPERATING LEASE

In November 2016, the Organization entered into a 60-month operating lease for a copy machine. Rental expense relating to this lease totaled \$3,191 for the year ended December 31, 2020.

Future minimum rental payments for the lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 11,446
2022	9,490
2023	9,924
2024	10,212
2025	1,710
Total	<u>\$ 42,782</u>

On September 16, 2020, the Organization entered into a one year lease, renewable annually, for office space. Term of the lease is November 1st, 2020 through October 31st, 2021. Rent is due on the 1st of each month in the amount of \$711. The Organization was allowed early occupancy on October 15th, 2020 and thus paid a prorated amount of rent expense in the amount of \$1,788 as of December 31, 2020.

NOTE 9 LINE OF CREDIT

We have a \$350,000 revolving line of credit with a bank, secured by a deed of trust and commercial security agreement both dated January 28, 2020. Accrued interest and principal are due at maturity (February 5, 2021). The agreement requires us to comply with certain non-financial covenants. On March 2, 2021, the Organization renewed the line of credit from Idaho First Bank for \$350,000. The line of credit has a maturity date of February 5th, 2022. The Organization was not in compliance with the nonfinancial covenants and the bank issued a waiver.

MCPAWS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 10 LONG-TERM DEBT

Long-term debt consisted of the following at December 31, 2020:

<u>Description</u>	<u>Amount</u>
Note payable to Idaho First Bank, due in monthly installments of \$2,252, including interest of 5% at December 31, 2020. Interest is variable at 2.75 percentage point above the 5 year federal Home Loan Bank of Des Moines, the interest rate will not change more often than each five years. matures February 2030	\$ 330,067
Note payable to seller, due in monthly installments of \$2,485 including interest at 5%, matures January 2025	417,417
Total Notes Payable	747,484
Less: Loan Fees	(15,174)
Less: Current Maturities	(19,292)
Total Noncurrent Portion	\$ 713,018

Principal maturities of long-term debt are expected to be as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 19,292
2022	20,295
2023	21,350
2024	22,361
2025	392,913
Thereafter	271,273
Total	\$ 747,484

NOTE 11 NET ASSETS

Net assets with donor restrictions are comprised of contributions received subject to donor-imposed restrictions and time restrictions and perpetual endowment received by the Organization

MCPAWS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 11 NET ASSETS (CONTINUED)

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

Subject to Expenditure for Specified Purpose:

Animal Comfort Fund	\$ 7,420
Community Outreach Fund	13,224
Katherine Reid Plaque	100
Spay/Neuter Surgeries	6,500
Community Food Bank	1,000
Emergency Preparedness	500
Total	28,744

Endowments:

Perpetual in Nature	200,000
Accumulated Investment Gains	77,713
Total	277,713

Total Net Assets with Donor Restrictions	\$ 306,457
--	------------

Net assets with donor restrictions were released for the following purposes during December 31:

Animal Comfort Fund	\$ 162
Community Outreach Fund	1,402
Spay/Neuter Surgeries	148,147
Equipment in Dog Prep Room	1,000
Shelter	8,566
Total Net Asset Releases	\$ 159,277

It is the policy of the board of directors of the Organization 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. As of December 31, 2020, the board designated net assets totaled \$-0-.

NOTE 12 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 the Organization the Organization receives annual support from the fund. All assets contributed to the Friends of the MCPAWS Fund are considered property of the Idaho Community Foundation. The Organization 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 the Organization. Annual support from the fund is recorded as contribution revenue when received.

MCPAWS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 13 PPP LOAN

On April 13, 2020, the Organization received a loan from Idaho First Bank in the amount of \$72,900 to fund payroll, rent, utilities, and interest on mortgages and existing debt through Paycheck Protection Program (the PPP Loan).

On November 23, 2020, the SBA processed the Organization's PPP Loan forgiveness application and notified Idaho First Bank the PPP Loan qualifies for full forgiveness. Loan proceeds were received by the bank from the SBA on this date. Therefore, the Organization was legally released from the debt and the loan forgiveness has been recorded as a gain on extinguishment of debt during the year ending December 31, 2020. The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

NOTE 14 RESTATEMENT

The Organization previously accounted for investment gains related to the donor restricted endowment fund as board designated endowment. In accordance with UPMIFA and the Organization's endowment policy, investment gains and losses should be accounted for as donor restricted until the spending allocation is made. Consequently, the Organization restated beginning net assets for 2020 to reduce net assets without donor restriction by \$39,526 and increase net assets with donor restrictions by \$39,526.

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor. CLA is an independent member of Nexia International, a leading, global network of independent accounting and consulting firms. See [nexia.com/member-firm-disclaimer](https://www.nexia.com/member-firm-disclaimer) for details. **CliftonLarsonAllen LLP**

