# PAWS CHICAGO

## FINANCIAL REPORT

## DECEMBER 31, 2019 AND 2018

BANSLEY AND KIENER, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

O'HARE PLAZA
8745 WEST HIGGINS ROAD
SUITE 200
CHICAGO, ILLINOIS 60631

TEL: (312) 263-2700
FAX: (312) 263-6935
WWW.BK-CPA.COM

# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
PAWS Chicago
Chicago, Illinois

We have audited the accompanying financial statements of PAWS Chicago, 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 the 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 PAWS Chicago as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Bansley and Kiener, L.L.P.

Certified Public Accountants

November 12, 2020

# PAWS CHICAGO

## STATEMENTS OF FINANCIAL POSITION
## DECEMBER 31, 2019 AND 2018

| A S S E T S | 2019 | 2018 |
|---|---|---|
| Cash | $ 2,867,789 | $ 3,951,166 |
| Investments, at fair value | 51,825,040 | 40,831,633 |
| Unconditional promises to give, net | 3,846,113 | 2,147,003 |
| Accounts receivable | 280,581 | 381,244 |
| Inventories | 82,068 | 90,615 |
| Prepaid expenses | 330,639 | 334,639 |
| Property and equipment, net | 17,400,879 | 12,455,598 |
| Total assets | $ 76,633,109 | $ 60,191,898 |
| LIABILITIES AND NET ASSETS | | |
| Accounts payable | $ 869,045 | $ 330,313 |
| Accrued expenses | 311,908 | 300,962 |
| Deferred revenue | 167,249 | 206,505 |
| Total liabilities | 1,348,202 | 837,780 |
| Net assets | | |
| Without donor restrictions | 58,793,439 | 42,480,547 |
| With donor restrictions | 16,491,468 | 16,873,571 |
| Total net assets | 75,284,907 | 59,354,118 |
| Total liabilities and net assets | $ 76,633,109 | $ 60,191,898 |

The accompanying notes are an integral part of the financial statements.

PAWS CHICAGO

STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018

**2019**

| | WITHOUT DONOR RESTRICTIONS | | | WITH DONOR RESTRICTIONS | | | |
|---|---|---|---|---|---|---|---|
| | Operations | Board Designated | Total | Purpose Restricted | Perpetual In Nature | Total | Total |
| REVENUE | | | | | | | |
| Program service fees: | | | | | | | |
| Adoption centers | $ 941,605 | $ - | $ 941,605 | $ - | $ - | $ - | $ 941,605 |
| Admission centers | 460 | - | 460 | - | - | - | 460 |
| Spay/neuter clinic | 774,160 | - | 774,160 | - | - | - | 774,160 |
| Training center | 178,483 | - | 178,483 | - | - | - | 178,483 |
| Contributions | 6,524,823 | - | 6,524,823 | 3,578,031 | 2,018,044 | 5,596,075 | 12,120,898 |
| Contributions - in kind | 1,100,980 | - | 1,100,980 | - | - | - | 1,100,980 |
| Investment income | 1,712,253 | - | 1,712,253 | - | - | - | 1,712,253 |
| Net gain (loss) on investments | 8,401,330 | - | 8,401,330 | - | - | - | 8,401,330 |
| Special events | 3,889,094 | - | 3,889,094 | - | - | - | 3,889,094 |
| Other income | 38,230 | - | 38,230 | - | - | - | 38,230 |
| Net assets released from restrictions | 5,978,178 | - | 5,978,178 | (5,978,178) | - | (5,978,178) | - |
| Total revenue | 29,539,596 | - | 29,539,596 | (2,400,147) | 2,018,044 | (382,103) | 29,157,493 |
| EXPENSES | | | | | | | |
| Program services: | | | | | | | |
| Rescue and recovery center | 4,358,138 | - | 4,358,138 | - | - | - | 4,358,138 |
| Spay/neuter clinic | 1,750,248 | - | 1,750,248 | - | - | - | 1,750,248 |
| Adoption centers | 2,037,665 | - | 2,037,665 | - | - | - | 2,037,665 |
| Community outreach | 625,637 | - | 625,637 | - | - | - | 625,637 |
| Volunteer program | 432,989 | - | 432,989 | - | - | - | 432,989 |
| Community development | 871,089 | - | 871,089 | - | - | - | 871,089 |
| | 10,075,766 | - | 10,075,766 | - | - | - | 10,075,766 |
| Supporting services: | | | | | | | |
| Management and general | 801,101 | - | 801,101 | - | - | - | 801,101 |
| Special events | 1,878,815 | - | 1,878,815 | - | - | - | 1,878,815 |
| Fundraising | 471,022 | - | 471,022 | - | - | - | 471,022 |
| | 3,150,938 | - | 3,150,938 | - | - | - | 3,150,938 |
| Total expenses | 13,226,704 | - | 13,226,704 | - | - | - | 13,226,704 |
| Change in net assets | 16,312,892 | - | 16,312,892 | (2,400,147) | 2,018,044 | (382,103) | 15,930,789 |
| Net assets at beginning of year | 12,784,402 | 29,696,145 | 42,480,547 | 8,493,197 | 8,380,374 | 16,873,571 | 59,354,118 |
| Designation of net assets | (1,715,829) | 1,715,829 | - | - | - | - | - |
| Net assets at end of year | $ 27,381,465 | $ 31,411,974 | $ 58,793,439 | $ 6,093,050 | $ 10,398,418 | $ 16,491,468 | $ 75,284,907 |

**2018**

| | WITHOUT DONOR RESTRICTIONS | | | WITH DONOR RESTRICTIONS | | | |
|---|---|---|---|---|---|---|---|
| | Operations | Board Designated | Total | Purpose Restricted | Perpetual In Nature | Total | Total |
| REVENUE | | | | | | | |
| Program service fees: | | | | | | | |
| Adoption centers | $ 1,019,474 | $ - | $ 1,019,474 | $ - | $ - | $ - | $ 1,019,474 |
| Admission centers | 655 | - | 655 | - | - | - | 655 |
| Spay/neuter clinic | 817,301 | - | 817,301 | - | - | - | 817,301 |
| Training center | 159,704 | - | 159,704 | - | - | - | 159,704 |
| Contributions | 7,381,102 | 609,430 | 7,990,532 | 1,372,294 | 2,446,078 | 3,818,372 | 11,808,904 |
| Contributions - in kind | 919,572 | - | 919,572 | - | - | - | 919,572 |
| Investment income | 1,637,804 | - | 1,637,804 | - | - | - | 1,637,804 |
| Net gain (loss) on investments | (5,417,886) | - | (5,417,886) | - | - | - | (5,417,886) |
| Special events | 3,448,389 | - | 3,448,389 | - | - | - | 3,448,389 |
| Other income | 104,709 | - | 104,709 | - | - | - | 104,709 |
| Net assets released from restrictions | 1,268,707 | | 1,268,707 | (1,268,707) | - | (1,268,707) | - |
| Total revenue | 11,339,531 | 609,430 | 11,948,961 | 103,587 | 2,446,078 | 2,549,665 | 14,498,626 |
| EXPENSES | | | | | | | |
| Program services: | | | | | | | |
| Rescue and recovery center | 4,206,093 | - | 4,206,093 | - | - | - | 4,206,093 |
| Spay/neuter clinic | 1,703,850 | - | 1,703,850 | - | - | - | 1,703,850 |
| Adoption centers | 2,051,669 | - | 2,051,669 | - | - | - | 2,051,669 |
| Community outreach | 566,146 | - | 566,146 | - | - | - | 566,146 |
| Volunteer program | 387,048 | - | 387,048 | - | - | - | 387,048 |
| Community development | 848,288 | - | 848,288 | - | - | - | 848,288 |
| | 9,763,094 | - | 9,763,094 | - | - | - | 9,763,094 |
| Supporting services: | | | | | | | |
| Management and general | 804,814 | - | 804,814 | - | - | - | 804,814 |
| Special events | 1,787,515 | - | 1,787,515 | - | - | - | 1,787,515 |
| Fundraising | 523,684 | - | 523,684 | - | - | - | 523,684 |
| | 3,116,013 | - | 3,116,013 | - | - | - | 3,116,013 |
| Total expenses | 12,879,107 | - | 12,879,107 | - | - | - | 12,879,107 |
| Change in net assets | (1,539,576) | 609,430 | (930,146) | 103,587 | 2,446,078 | 2,549,665 | 1,619,519 |
| Net assets at beginning of year | 16,323,978 | 27,086,715 | 43,410,693 | 8,389,610 | 5,934,296 | 14,323,906 | 57,734,599 |
| Designation of net assets | (2,000,000) | 2,000,000 | - | - | - | - | - |
| Net assets at end of year | $ 12,784,402 | $ 29,696,145 | $ 42,480,547 | $ 8,493,197 | $ 8,380,374 | $ 16,873,571 | $ 59,354,118 |

The accompanying notes are an integral part of the financial statements.

# PAWS CHICAGO

## STATEMENT OF FUNCTIONAL EXPENSES
## YEAR ENDED DECEMBER 31, 2019

| | Program Services | | | | | | | Supporting Services | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Rescue and Recovery | Spay/Neuter Clinic | Adoption Centers | Community Outreach | Volunteer Program | Community Development | Total Program Services | Management And General | Special Events | Fund Raising | Total Supporting Services | Total |
| EXPENSES | | | | | | | | | | | | |
| Compensation | $ 2,231,568 | $ 1,007,948 | $ 924,793 | $ 356,990 | $ 274,886 | $ 456,894 | $ 5,253,079 | $ 354,537 | $ 272,930 | $ 79,644 | $ 707,111 | $ 5,960,190 |
| Benefits and taxes | 317,220 | 152,229 | 140,694 | 45,204 | 40,371 | 65,172 | 760,890 | 66,548 | 37,532 | 9,399 | 113,479 | 874,369 |
| Animal care supplies | 560,931 | 15,555 | 560 | 1,101 | - | - | 578,147 | - | - | - | - | 578,147 |
| Medical supplies | 544,444 | 191,157 | 769 | 99,404 | - | - | 835,774 | - | - | - | - | 835,774 |
| Merchandise cost | - | - | - | - | - | 12,575 | 12,575 | 14,656 | 83,801 | - | 98,457 | 111,032 |
| Professional fees | 172,056 | 58,472 | 113,678 | 10,721 | 28,276 | 133,301 | 516,504 | 126,635 | 123,497 | 211,348 | 461,480 | 977,984 |
| Office supplies | 116,904 | 23,360 | 61,887 | 10,624 | 28,183 | 13,940 | 254,898 | 105,607 | 156,139 | 4,261 | 266,007 | 520,905 |
| Advertising | 6,692 | 3,346 | 16,901 | 115 | 100 | 22,950 | 50,104 | - | 11,136 | 2,644 | 13,780 | 63,884 |
| Event catering and food | - | - | 56 | 223 | 7,644 | 12,929 | 20,852 | - | 921,934 | 1,622 | 923,556 | 944,408 |
| Dues and subscriptions | 2,979 | 1,649 | 815 | 6 | 229 | 100 | 5,778 | 1,256 | 110 | 77 | 1,443 | 7,221 |
| Conferences and seminars | 3,237 | 2,883 | 589 | 464 | 206 | 206 | 7,585 | 294 | 177 | 119 | 590 | 8,175 |
| Depreciation | 62,758 | 131,269 | 295,352 | 27,633 | 8,311 | 21,719 | 547,042 | 32,696 | 20,212 | 2,438 | 55,346 | 602,388 |
| Insurance expense | 25,048 | 11,071 | 10,508 | 7,889 | 5,286 | 5,685 | 65,487 | 6,504 | 5,722 | 2,921 | 15,147 | 80,634 |
| Technology expense | 104,757 | 37,834 | 106,143 | 15,912 | 10,163 | 7,742 | 282,551 | 60,783 | 19,543 | 25,065 | 105,391 | 387,942 |
| Printing and production | 41,831 | 27,643 | 36,152 | 1,431 | 1,609 | 61,814 | 170,480 | 7,923 | 31,527 | 97,240 | 136,690 | 307,170 |
| Postage | 36,663 | 17,456 | 26,449 | 1,271 | 2,563 | 36,704 | 121,106 | 4,969 | 13,874 | 28,642 | 47,485 | 168,591 |
| Repairs and maintenance | 44,384 | 26,819 | 73,049 | 6,087 | 3,474 | 6,306 | 160,119 | 3,636 | 5,673 | 576 | 9,885 | 170,004 |
| Telephone and internet | 35,169 | 15,121 | 50,127 | 8,754 | 3,404 | 3,360 | 115,935 | 4,132 | 5,493 | 408 | 10,033 | 125,968 |
| Travel, meals and auto | 22,007 | 4,645 | 4,566 | 17,100 | 15,469 | 5,423 | 69,210 | 5,199 | 4,944 | 3,787 | 13,930 | 83,140 |
| Occupancy | 28,913 | 21,222 | 113,565 | 4,899 | 2,527 | 3,979 | 175,105 | 4,817 | 13,434 | 831 | 19,082 | 194,187 |
| Training reimbursement | - | - | 53,800 | - | - | - | 53,800 | - | - | - | - | 53,800 |
| Rental fees | 577 | 569 | 7,212 | 9,809 | 288 | 290 | 18,745 | 909 | 151,137 | - | 152,046 | 170,791 |
| Total expenses | $ 4,358,138 | $ 1,750,248 | $ 2,037,665 | $ 625,637 | $ 432,989 | $ 871,089 | $ 10,075,766 | $ 801,101 | $ 1,878,815 | $ 471,022 | $ 3,150,938 | $ 13,226,704 |

The accompanying notes are an integral part of the financial statements.

PAWS CHICAGO

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

| | Program Services | | | | | | | Supporting Services | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Rescue and Recovery | Spay/Neuter Clinic | Adoption Centers | Community Outreach | Volunteer Program | Community Development | Total Program Services | Management And General | Special Events | Fund Raising | Total Supporting Services | Total |
| EXPENSES | | | | | | | | | | | | |
| Compensation | $ 2,082,847 | $ 851,729 | $ 848,095 | $ 341,369 | $ 245,854 | $ 376,694 | $ 4,746,588 | $ 366,571 | $ 214,670 | $ 52,886 | $ 634,127 | $ 5,380,715 |
| Benefits and taxes | 285,380 | 157,830 | 124,972 | 41,427 | 43,737 | 55,651 | 708,997 | 56,142 | 30,228 | 7,752 | 94,122 | 803,119 |
| Animal care supplies | 561,388 | 18,462 | 3,058 | 3,018 | 48 | 320 | 586,294 | - | 160 | - | 160 | 586,454 |
| Medical supplies | 552,619 | 230,275 | 660 | 96,913 | - | - | 880,467 | - | - | - | - | 880,467 |
| Merchandise cost | - | - | - | - | 656 | 16,605 | 17,261 | - | 108,826 | 87 | 108,913 | 126,174 |
| Professional fees | 136,980 | 67,015 | 78,178 | 6,826 | 24,301 | 124,148 | 437,448 | 204,062 | 84,413 | 195,427 | 483,902 | 921,350 |
| Office supplies | 119,565 | 35,044 | 57,635 | 8,716 | 24,068 | 14,825 | 259,853 | 25,162 | 228,092 | 1,125 | 254,379 | 514,232 |
| Advertising | - | - | 3,940 | - | - | 1,750 | 5,690 | - | 1,832 | 1,750 | 3,582 | 9,272 |
| Event catering and food | - | - | - | - | 7,496 | 769 | 8,265 | 566 | 725,497 | 7,754 | 733,817 | 742,082 |
| Bad debt expense | - | - | 150,346 | - | - | - | 150,346 | - | - | 15,000 | 15,000 | 165,346 |
| Dues and subscriptions | 1,911 | 1,332 | 793 | 7 | - | 126 | 4,169 | 1,503 | 31 | 627 | 2,161 | 6,330 |
| Conferences and seminars | 4,100 | 3,469 | 124 | 316 | - | 34 | 8,043 | 11 | - | - | 11 | 8,054 |
| Depreciation | 53,107 | 131,758 | 291,325 | 12,391 | 5,278 | 24,763 | 518,622 | 38,754 | 23,460 | 2,607 | 64,821 | 583,443 |
| Insurance expense | 12,572 | 2,343 | 5,650 | 7,041 | 2,428 | 6,211 | 36,245 | 9,445 | 6,332 | 667 | 16,444 | 52,689 |
| Technology expense | 92,678 | 33,488 | 100,823 | 11,320 | 11,936 | 8,885 | 259,130 | 76,373 | 19,660 | 3,462 | 99,495 | 358,625 |
| Printing and production | 81,156 | 57,179 | 38,583 | 1,832 | 754 | 146,424 | 325,928 | 2,067 | 27,569 | 151,705 | 181,341 | 507,269 |
| Postage | 66,494 | 46,563 | 38,320 | 1,800 | 522 | 56,970 | 210,669 | 4,236 | 25,836 | 78,919 | 108,991 | 319,660 |
| Repairs and maintenance | 62,548 | 28,429 | 70,514 | 8,230 | 3,288 | 3,853 | 176,862 | 6,488 | 3,698 | 1,485 | 11,671 | 188,533 |
| Telephone and internet | 28,938 | 8,161 | 57,223 | 4,354 | 320 | - | 98,996 | 7,374 | 3,439 | - | 10,813 | 109,809 |
| Travel, meals and auto | 24,873 | 1,777 | 3,779 | 10,981 | 14,021 | 5,912 | 61,343 | 1,751 | 3,370 | 1,686 | 6,807 | 68,150 |
| Occupancy | 38,883 | 28,978 | 114,718 | 5,902 | 2,199 | 4,120 | 194,800 | 4,165 | 13,600 | 735 | 18,500 | 213,300 |
| Training reimbursement | - | - | 58,500 | - | - | - | 58,500 | - | - | - | - | 58,500 |
| Rental fees | 54 | 18 | 4,433 | 3,703 | 142 | 228 | 8,578 | 144 | 266,802 | 10 | 266,956 | 275,534 |
| Total expenses | $ 4,206,093 | $ 1,703,850 | $ 2,051,669 | $ 566,146 | $ 387,048 | $ 848,288 | $ 9,763,094 | $ 804,814 | $ 1,787,515 | $ 523,684 | $ 3,116,013 | $ 12,879,107 |

The accompanying notes are an integral part of the financial statements.

PAWS CHICAGO

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

| | 2019 | 2018 |
|---|---|---|
| Cash flows from operating activities: | | |
| Cash received from customers | $ 1,994,345 | $ 2,686,871 |
| Cash received from contributors | 10,636,022 | 11,389,974 |
| Investment income received | 1,712,253 | 1,638,414 |
| Cash paid to employees and suppliers | (10,975,996) | (11,315,466) |
| Net cash provided by operating activities | 3,366,624 | 4,399,793 |
| Cash flows from investing activities: | | |
| Purchases of investment securities | (26,059,551) | (14,380,894) |
| Sale of investment securities | 25,139,175 | 8,887,654 |
| Purchases of property and equipment | (5,547,669) | (891,455) |
| Net cash used in investing activities | (6,468,045) | (6,384,695) |
| Cash flows from financing activities: | | |
| Contributions restricted for long-term purposes | 2,018,044 | 2,446,078 |
| Increase (decrease) in cash | (1,083,377) | 461,176 |
| Cash at beginning of year | 3,951,166 | 3,489,990 |
| Cash at end of year | $ 2,867,789 | $ 3,951,166 |
| Supplemental disclosure of non-cash operating and financing activities: | | |
| In-kind contributions | $ 1,086,095 | $ 919,572 |
| Reconciliation of change in net assets to net cash provided by operating activities: | | |
| Change in net assets | $ 15,930,789 | $ 1,619,519 |
| Adjustments: | | |
| Net (appreciation) depreciation in investments | (8,401,330) | 5,417,886 |
| Depreciation | 602,388 | 583,443 |
| Provision for doubtful accounts | - | 133,846 |
| Contributions restricted for long-term purposes | (2,018,044) | (2,446,078) |
| Contributed investments received | (1,671,701) | (1,515,039) |
| (Increase) decrease in: | | |
| Unconditional promises to give | (1,699,110) | 93,797 |
| Accounts receivable | 100,663 | 547,181 |
| Inventories | 8,547 | 25,045 |
| Prepaid expenses | 4,000 | (4,855) |
| Accrued interest and dividends | - | 610 |
| Increase (decrease) in: | | |
| Accounts payable | 538,732 | (157,150) |
| Accrued expenses | 10,946 | 63,741 |
| Deferred revenue | (39,256) | 37,847 |
| Total adjustments | (12,564,165) | 2,780,274 |
| Net cash provided by operating activities | $ 3,366,624 | $ 4,399,793 |

The accompanying notes are an integral part of the financial statements.

PAWS CHICAGO

NOTES TO FINANCIAL STATEMENTS

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

*Nature of Activities*

PAWS Chicago's comprehensive No Kill Model is at work, fulfilling the Organization's mission of building No Kill communities, ending pet overpopulation and transforming animal welfare by setting higher standards. Since PAWS Chicago's founding in 1997, the number of pets killed each year in Chicago has been reduced by more than 91 percent.

In summary, 2019 results include performing 15,174 spay/neuter surgeries; 5,271 adoptions of homeless animals into new, loving families; a 97.9% save rate; 32,561 pounds of food distributed through the Pet Food Pantry; 3,003 homeless animals placed in foster care; 149,507 hours worked by volunteers, the equivalent of 71 full-time employees; 2,749 pets from underserved communities given medical care; and the 17$^{th}$ consecutive year receiving the highest 4-star rating from Charity Navigator.

All of PAWS Chicago's programs are directed at building No Kill communities through the comprehensive No Kill Model. The foundation of the No Kill Model is community engagement, PAWS Chicago's mission - critical programs - the No Kill pillars of Prevention, Animal Health & Behavior, Adoption and Volunteers - sit atop this foundation. Detailed program information follows.

**Community Engagement**

Community engagement is the foundation for creating lasting change for animals and is the basis upon which all of PAWS Chicago's programs are built. It is people who cause the pet overpopulation problem and people who solve it; the animals are the victims. The way to inspire and create real change for animals is to mobilize people to be their caretakers and advocates.

In 1997, the year PAWS Chicago was founded, mass killing of homeless pets was a hidden crisis. The public had no idea more than 42,000 homeless cats and dogs would be euthanized in the city of Chicago that year. PAWS Chicago was founded to bring attention to the plight of these vulnerable animals and to mobilize community support to develop humane solutions and build a No Kill community.

Shining a light on pet homelessness - and the resultant killing - has mobilized thousands of people to get involved in the cause by adopting, volunteering, fostering, advocating for and donating to homeless pets. PAWS Chicago continues to raise awareness through many vehicles, including working with the media to promote the cause of homeless pets, hosting high profile adoption events throughout the city, generating millions of views through its digital platforms, and publishing *PAWS Chicago* Magazine, which has the largest circulation of any Chicago magazine publication.

Through its No Kill Model in action, PAWS Chicago is leading a movement, community building, and preparing the foundation to be able to share lessons learned on a national basis. Every year, PAWS Chicago welcome shelters, allows rescue groups and individuals from around the country to shadow its operations. PAWS Chicago helps start-up adoption groups and spay/neuter clinics around the world. In Chicago, PAWS helps rescue groups and shelters close to home by providing low-cost medical services at the Lurie Spay/Neuter Clinic and by increasing exposure of their homeless animals through Angels with Tails adoption events.

By raising awareness about pet homelessness and engaging people in lifesaving efforts, PAWS Chicago makes lasting change for animals.

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

*Nature of Activities (continued)*

**Prevention: The Spay/Neuter Solution**

Preventing unwanted pets from being born is key to building a No Kill Chicago. A single female cat and her offspring can theoretically produce 420,000 kittens in seven years. For dogs, the number is 96,000. Spay/neuter surgeries are the solution, and as such, are at the core of PAWS prevention initiatives.

PAWS Chicago performed 15,174 spay/neuter surgeries in 2019. The majority of stray, feral and unwanted pets originate in low-income, under-resourced communities. With the PAWS Chicago Lurie Clinic located in Little Village and the GusMobile Spay/Neuter Van, which brings life-saving solutions directly to neighborhoods most in need, PAWS offers spay/neuter services where they are needed most and where they make the most impact.

In 2019, PAWS Chicago opened its Englewood Outreach Center, a new home for the PAWS for Life Outreach program which goes door-to-door, helping people in Chicago's most underserved communities. Since 2014, the primary neighborhood of focus has been Englewood, where more than 49 percent of the population lives below the poverty line. This important new space serves as an animal welfare anchor in Englewood, enabling PAWS to provide even more preventative resources beyond free spay/neuter and transportation. This new location is expanding services into Community Medicine, providing veterinary care to sick, injured and suffering pets who would otherwise never see a veterinarian, Pet Food Pantry, the GusMobile, volunteer orientations, feral cat shelter building assistance, Trap-Neuter-Return support, educational sessions and more.

In 2018, PAWS for Life also added the Back of the Yards community. By increasing spay/neuter outreach and meeting people who would never know about PAWS Chicago's support and resources, the number of stray and unwanted pets has dramatically declined. 95% of the pets PAWS for Life meets are unaltered; through simply removing barriers, PAWS achieves a spay/neuter conversion rate of 83 percent of all unaltered pets met through this program.

PAWS Chicago's feral cat Trap Neuter Return (TNR) program is another critical aspect of Prevention through targeted spay/neuter. By proactively sterilizing and managing the free roaming cat population, the source of thousands of unwanted kittens born each year. TNR reduces the number of animals entering the sheltering system each year while also saving kittens and finding them adoptive homes. In 2019, PAWS performed 2,244 spay/neuter surgeries on feral cats. These prevention efforts are critical to ending the killing of homeless pets, with the achievement of a 91 percent reduction in killing since 1997. Two-thirds of this reduction is the result of fewer pets entering shelters.

**Animal Health & Behavior**

Committing to the life of each treatable pet and providing all medical treatment and behavioral enrichment needed to optimize health and wellbeing are two of the most critical elements of No Kill. Due to our expert veterinary and behavior teams, PAWS Chicago is one of the few shelters in the country that can treat and rehabilitate a large volume of sick, injured and behaviorally challenged animals. In 2019, PAWS Chicago had a 97.9 percent Save Rate, even while taking in a vulnerable population of animals. The Medical Center—the first stop for homeless animals when they arrive at PAWS—with a world class veterinary team treats the most serious cases on site. A robust foster network cares for pets when they are stable and ready to recover in a home environment. 3,003 animals went into foster care in 2019.

PAWS CHICAGO

NOTES TO FINANCIAL STATEMENTS

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

*Nature of Activities (continued)*

As the animal welfare movement continues to grow in Chicago, healthy animals are being saved in record numbers at the city pound, which means the population of animals in need of rescue increasingly requires more significant medical resources to treat. To save more lives, in 2019 PAWS Chicago began construction on a major expansion of its Medical Center and shelter medicine program to increase capacity to rescue sick and injured animals. The completed Medical Center will triple the number of isolation suites – from 30 to 90 – and will be the premier homeless pet hospital in the nation.

The PAWS Chicago Training Center is home to an innovative dog training and enrichment programming. Through this Center, a team of behavior professionals and trained volunteers provide abused, neglected and under socialized homeless dogs with one-on-one and group training, agility and enrichment to help them build confidence and communication, which leads to successful adoptions.

**Adoption**

Rescuing homeless pets and uniting them with their new families is at the forefront of what PAWS Chicago does daily. Through PAWS Chicago's adoption centers, offsite events and innovative programming, 5,271 animals found loving homes in 2019.

The Pippen Fasseas Adoption Center in Lincoln Park, which opened in 2007, redefined animal sheltering as the first cageless, state-of-the-art, No Kill shelter in the Midwest. PAWS Chicago's first satellite adoption facility, the Glenn L. Felner Adoption Center, located inside a Petco in the Chicago suburb of Highland Park, was responsible for 452 adoptions in 2019.

Critical to adoption is raising awareness and bringing in the community. PAWS hosts innovative on-site adoption events, like a multi-day adopt-a-thon in the spring and fall, to raise awareness and bring in the community, resulting in more lives saved. In addition, through off-site adoption events in communities across Chicagoland, PAWS brings adoptable animals to high-traffic shopping centers and retail stores where people will stop, play with the animals and think about adopting.

**Volunteers**

Volunteers are the life-force behind PAWS Chicago's operations and an essential ingredient to building a No Kill Chicago. In 2019, volunteers dedicated 149,507 hours of service, fulfilling the work of 71 full time employees. And this doesn't include foster families who took in and cared for animals in need. In 2019, 3,003 animals were placed in foster care. In addition to the time they commit to PAWS Chicago, volunteers are also ambassadors, reaching new people and engaging new communities in the cause of homeless animals through their everyday interactions.

Animal welfare is incredibly labor-intensive work. Only through volunteers is PAWS Chicago able to execute all elements of the comprehensive No Kill Model and advance on the mission of building No Kill communities.

*Basis of Accounting*

The financial statements of PAWS Chicago have been prepared on the accrual basis of accounting.

PAWS CHICAGO

NOTES TO FINANCIAL STATEMENTS

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Recognition of Donor Restrictions*

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, the donation is reclassified to net assets without restrictions.

*Accounts Receivable*

Accounts receivable are stated at the amount management expects to collect from outstanding balances at year-end. Based on management's assessment of the credit history with debtors having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will not be significant.

*Promises to Give*

Unconditional promises to give are recognized as assets and revenue in the period the promise is received. Promises to give are recorded at net realizable value if expected to be collected in the current year and at fair value, which is measured at the present value of their estimated future cash flows, if expected to be collected in more than one year. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution income. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

*Inventories*

Inventories are stated at the lower of cost (determined on a first-in, first-out basis) or net realizable value.

*Investments*

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. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Investment returns are presented net of investment expenses.

*Property, Equipment, and Depreciation*

Property and equipment are recorded at cost, or if donated, at estimated fair value at date of acquisition. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

*Property, Equipment, and Depreciation (Continued)*

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the restriction is considered to have expired when the assets are placed in service. The Organization reclassifies the net assets with donor restrictions to net assets without donor restrictions at that time. Assets are capitalized only if they have estimated useful lives of at least two years and have an initial value of $1,000 or more.

Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. When assets are sold, retired, or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the change in net assets.

Depreciation of property and equipment is computed on the straight-line method over the following estimated useful lives:

| | Years |
|---|---|
| Buildings | 10-40 |
| Furniture fixtures and improvements | 5-15 |
| Equipment | 7-10 |
| Computer equipment | 3-10 |
| Software | 3-7 |
| Vehicles | 5-10 |

*Deferred Revenue*

Revenue collected for program service fees are recognized when the services are performed. Revenue collected for program service fees of the succeeding year are classified as deferred revenue.

*Donated Services and Supplies*

Donated services are recognized as contributions 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 the Organization. In addition, many volunteers also perform a variety of tasks throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met. Donated supplies are recognized as contributions and program expense. They are valued at their estimated retail value.

*Advertising*

The Organization recognizes advertising expenditures as an expense as they are incurred. Advertising expense totaled $63,884 and $9,272 for the years ended December 31, 2019 and 2018, respectively.

*Income Taxes*

The Organization is a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code except for income derived from unrelated business activities, as defined under the Internal Revenue Code. There was no provision for income tax required for 2019 or 2018. The Organization's federal Forms 990 and 990-T for 2019, 2018, and 2017 are subject to examination by the Internal Revenue Service, generally for three years after they are filed. In addition, the Organization's state Forms AG990-IL and IL990-T are subject to examination by the state tax authority for similar years.

*Evaluation of Subsequent Events*

Management has evaluated subsequent events through November 12, 2020, the date the financial statements were available to be issued.

PAWS CHICAGO

NOTES TO FINANCIAL STATEMENTS

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

*Reclassifications*

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. The reclassifications had no impact on total net assets.

*Recently Issued Accounting Standards Not Yet Adopted*

In February 2016, the FASB issued ASU 2016-02, *Leases,* which will supersede the current lease requirements in ASC 840. The ASU requires leases to recognize a right-of-use asset and related lease liability for all leases, with limited exception for short-term leases. The new lease guidance will be effective for the year ending December 31, 2022 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented.

Note 2 – Investments

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect net assets and the amounts reported in the statement of activities.

Investments at December 31 are reported at fair value and are composed of the following:

| | 2019 | 2018 |
|---|---|---|
| Money market | $ 3,074,331 | $ 2,734,619 |
| Mutual funds: | | |
| Balanced | - | 1,329,109 |
| Emerging markets | 3,206,847 | 2,211,286 |
| Fixed income | 5,389,063 | 6,870,297 |
| Global equity | - | 1,613,071 |
| International equity | 6,092,490 | 4,373,346 |
| Large Cap Blend | 5,900,878 | 2,650,944 |
| Large Cap Growth | 7,737,286 | 5,235,522 |
| Large Cap Value | 3,833,676 | 3,423,625 |
| Mid Cap Blend | 3,771,671 | 949,531 |
| Other | 2,804,161 | 2,543,505 |
| Real Estate | 1,373,155 | 727,657 |
| Small Cap | - | 1,060,068 |
| Stocks: | | |
| Conglomerates | 230,005 | 156,868 |
| Energy | 289,686 | 279,579 |
| Financial | 1,674,880 | 920,108 |
| Healthcare | 271,146 | 224,946 |
| Industrials | 706,608 | 813,704 |
| Information technology | 5,278,904 | 2,634,449 |
| Other | 3,219 | 2,499 |
| Telecommunications | 79,875 | - |
| Utilities | 107,159 | 76,900 |
| | $51,825,040 | $40,831,633 |

Note 2 – Investments (continued)

During the year ended December 31, 2019 and 2018 the Organization's investments (including investments bought, sold, as well as held during the period) appreciated (depreciated) in fair value by $8,401,330 and $(5,417,886), respectively.

*Fair Value Measurement*

*Financial Accounting Standards Board Accounting Standards Codification 820*, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

*Level 1:* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

*Level 2:* Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair market value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value of the Organization's investments is determined by Level 1 measurements. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

*Mutual Funds:* Valued at the daily closing price as reported by the Fund. Mutual funds held by the Organization are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

*Money Market:* Based on quoted market prices of shares held by the Organization at year-end.

*Stocks:* Valued at closing price reported on the active market on which the individual securities are traded.

## Note 3 – Unconditional Promises to Give

Unconditional promises to give have been received in support of the spay/neuter clinic, the adoption center, and the endowment fund. Carrying value of unconditional promises to give is determined by calculating the present values of estimated future pledge payments expected to be received, over the expected term of the agreements, using a risk-adjusted discount rate of 3.25% at December 31, 2019 and 2018.

Unconditional promises to give include the following:

| | 2019 | 2018 |
|---|---|---|
| Promises to give beginning of year | $ 2,400,459 | $ 2,509,133 |
| Amount pledged during the year | 3,341,749 | 940,000 |
| Amount collected during the year | (1,597,402) | (1,017,174) |
| Pledges written off | - | (31,500) |
| Promises to give end of year | 4,144,806 | 2,400,459 |
| Less: | | |
| Discounts to present value | (228,693) | (183,456) |
| Allowance for doubtful promises | (70,000) | (70,000) |
| Net promises to give | $ 3,846,113 | $ 2,147,003 |

Promises to give expected to be collected in:

| | 2019 | 2018 |
|---|---|---|
| Less than one year | $2,348,006 | $ 825,754 |
| One to five years | 1,581,800 | 1,399,705 |
| More than five years | 215,000 | 175,000 |
| | $4,144,806 | $2,400,459 |

## Note 4 – Inventories

Inventories at December 31, 2019 and 2018 consist of the following:

| | 2019 | 2018 |
|---|---|---|
| Merchandise | $ 38,306 | $ 33,393 |
| Medical supplies | 43,762 | 57,222 |
| | $ 82,068 | $ 90,615 |

Note 5 – Property, Equipment, and Depreciation

Property and equipment at December 31, 2019 and 2018 consists of the following:

| | 2019 | 2018 |
|---|---|---|
| Land | $ 3,874,619 | $ 3,874,619 |
| Buildings | 9,271,951 | 9,194,107 |
| Furniture fixtures and improvements | 1,760,556 | 1,717,514 |
| Equipment | 602,018 | 571,582 |
| Computer equipment | 479,455 | 479,455 |
| Software | 283,233 | 283,233 |
| Vehicles | 550,556 | 511,732 |
| | 16,822,388 | 16,632,242 |
| Less accumulated depreciation | 5,440,297 | 4,837,909 |
| | 11,382,091 | 11,794,333 |
| Construction in progress | 6,018,788 | 661,265 |
| | $17,400,879 | $12,455,598 |

Depreciation expense for the years ended December 31, 2019 and 2018 was $602,388 and $583,443, respectively.

During 2017, the Organization began a project to expand the Medical Center in order to increase the capacity of animals that the Organization can treat. The budgeted cost of the construction for the expansion of the Medical Center is $8,500,000. The expansion of the Medical Center should be available for occupancy in December 2020.

Note 6 – Net Assets Without Donor Restrictions

*Board-Designated Endowment*

The Board of Directors has designated a portion of net assets without donor restrictions as a general endowment fund to support the mission of the Organization. Since this resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions. The Organization determines annually any allocation of contributions, investment income, and gains or losses from investments, as well as any appropriation of its board-designated endowments for expenditure. There were no appropriations during the years 2019 and 2018.

Composition of and changes in board-designated endowment net assets for the years ended December 31, 2019 and 2018 are as follows:

| | 2019 | 2018 |
|---|---|---|
| Beginning designated balance | $29,696,145 | $27,086,715 |
| Contributions | - | 609,430 |
| Investment income | - | - |
| Net appreciation (depreciation) on investments | - | - |
| Current designation | 1,715,829 | 2,000,000 |
| Appropriated for expenditure | - | - |
| Ending designated balance | $31,411,974 | $29,696,145 |

Note 7 – Net Assets With Donor Restrictions

The Organization is subject to the State Prudent Management of Institutional Funds (SPMIFA) and, therefore, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions until the Board appropriates amounts for expenditure and any purpose restrictions have been met. The Board of Directors of the Organization has interpreted SPMIFA as requiring the maintenance of only the original gift amount contributed to an endowment fund, unless a donor stipulates to the contrary. As a result of this interpretation, the Organization would consider the fund to be under water 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 the applicable donor gift instrument. The Organization has interpreted SPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. The funds are not currently underwater.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization’s investment policies.

The Organization has adopted investment and spending policies that accept prudent levels of short and long-term volatility consistent with the near-term cash flow needs, funding level, and long-term liability structure of the investment portfolio. To achieve long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The Organization appropriates for expenditure all of the investment income of the funds. This is consistent with the objective to provide income for its programs, preserve endowment assets without subjecting them to substantial risk, and provide additional real growth through new gifts.

Changes in net assets with donor restrictions as of December 31, 2019 and 2018 are as follows:

| | Perpetual In Nature | Purpose Restricted | Total |
|---|---|---|---|
| *December 31, 2019* | | | |
| Endowment Funds: | | | |
| Beginning of year | $ 8,380,374 | $ 8,493,197 | $ 16,873,571 |
| Contributions | 2,018,044 | 3,578,031 | 5,596,075 |
| Investment income | - | - | - |
| Appropriated for expenditure | - | (5,978,178) | (5,978,178) |
| End of year | $10,398,418 | $ 6,093,050 | $ 16,491,468 |
| *December 31, 2018* | | | |
| Endowment Funds: | | | |
| Beginning of year | $5,934,296 | $ 8,389,610 | $ 14,323,906 |
| Contributions | 2,446,078 | 1,372,294 | 3,818,372 |
| Investment income | - | - | - |
| Appropriated for expenditure | - | (1,268,707) | (1,268,707) |
| End of year | $ 8,380,374 | $ 8,493,197 | $ 16,873,571 |

PAWS CHICAGO

NOTES TO FINANCIAL STATEMENTS

Note 7 – Net Assets (Continued)

*Donor-restricted - Perpetual in Nature*

The Organization's net assets with donor restrictions include seven donor-restricted endowment funds. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift to be held and invested by the Organization indefinitely, and income from the fund is to be expended for program services. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Following is a summary of funds that have restrictions that are perpetual in nature as of December 31:

| | 2019 | 2018 |
|---|---|---|
| Free spay/neuter program | $ 1,231,296 | $1,231,296 |
| Lincoln Park Adoption Center | 6,934,586 | 4,960,697 |
| Medical assistance for dogs with treatable illness | 500,000 | 500,000 |
| Medical Center Campaign Fund Endowment | 356,285 | 348,381 |
| Medical treatment of animals under 6 months old | 181,251 | 180,000 |
| Medical treatment of kittens | 800,000 | 800,000 |
| General endowment | 395,000 | 360,000 |
| | $10,398,418 | $8,380,374 |

When donors amend or clarify intent for applicable gifts and contributions reported in a previous fiscal year, revisions are separately reflected as donor designated changes within the statement of activities.

*Donor-Restricted – Purpose Restricted*

Following is a summary of the activity in purpose restricted net assets for the years ended December 31, 2019 and 2018:

| | 2019 | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions | Assets Released | Ending Balance |
| Adoption program | $1,546,477 | $ 75,055 | $ 42,862 | $1,578,670 |
| GUS Mobile | 394,971 | - | 20,775 | 374,196 |
| Sick and Injured / Shelter Medicine | 793,484 | 154,724 | 254,726 | 693,482 |
| Spay/Neuter Clinic | 8,225 | - | 8,225 | - |
| Strategic initiatives growth fund | 5,198,423 | 2,792,342 | 5,085,174 | 2,905,591 |
| Other timing restrictions | 551,617 | 555,910 | 566,416 | 541,111 |
| | $8,493,197 | $3,578,031 | $5,978,178 | $6,093,050 |

| | 2018 | | | |
|---|---|---|---|---|
| | Beginning Balance | Additions | Assets Released | Ending Balance |
| Adoption program | $1,346,477 | $ 215,151 | $ 15,151 | $1,546,477 |
| GUS Mobile | 422,327 | - | 27,356 | 394,971 |
| Sick and Injured / Shelter Medicine | 893,484 | 22,750 | 122,750 | 793,484 |
| Spay/Neuter Clinic | 32,387 | 33,225 | 57,387 | 8,225 |
| Strategic initiatives growth fund | 5,335,634 | 425,487 | 562,698 | 5,198,423 |
| Other timing restrictions | 359,301 | 675,680 | 483,364 | 551,617 |
| | $8,389,610 | $1,372,293 | $1,268,707 | $8,493,197 |

PAWS CHICAGO

NOTES TO FINANCIAL STATEMENTS

Note 8 – Liquidity and Availability of Financial Assets

The following represents the Organization's financial assets available to meet the cash needs for general expenditures within one year of the date of the statement of financial position. Financial assets have been reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the financial position date. Due to the nature of restrictions from contributions received from donors, the Organization has omitted all restricted contributions.

| | 2019 | 2018 |
|---|---|---|
| Total assets | $76,633,109 | $60,191,898 |
| Less nonfinancial assets: | | |
| Prepaid expenses | 330,639 | 334,639 |
| Property and equipment, net | 17,400,879 | 12,455,598 |
| | 17,731,518 | 12,790,237 |
| Financial assets | 58,901,591 | 47,401,661 |
| Less assets not available for general expenditures within one year due to: | | |
| Contractual or donor imposed restrictions: | | |
| Restrictions that are perpetual in nature | 10,398,418 | 8,380,374 |
| Purpose restricted | 5,000,000 | 7,000,000 |
| Board designations set aside for liquidity needs that exceed one year | 31,411,974 | 29,696,145 |
| | 46,810,392 | 45,076,519 |
| Financial assets available to meet cash needs for general expenditures within one year | $ 12,091,199 | $ 2,325,142 |

As a part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has board designated endowment as noted above. Although the Organization does not intend to spend from its board designated endowment, amounts could be made available if necessary.

Note 9 – Operating Leases

The Organization had a lease with a retail merchant in Highland Park, Illinois whereby the Organization occupies a small space within their retail store to operate a satellite adoption facility. The lease term began in 2014 and expired December 3, 2018. The annual base rent was $1 per year payable in advance. The lease was subject to various restrictions related to operating hours and animal care. It was not practical to estimate the fair value of the donated premises.

Note 10 – Employee Benefit Plan

The Organization maintains a 401(k) savings plan covering substantially all employees that have completed the service requirement. For each year, the Board of Directors determines the amount of the discretionary contribution to be made to the Plan. No employer contributions were made for 2019 or 2018.

Note 11 – Concentrations

*Cash*

The Organization maintains cash balances with two banks (one in 2018). Amounts on deposit generally exceed the amount insured by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses in these accounts. Management believes the Organization is not exposed to any significant credit risk on cash accounts.

*Contribution Revenue*

For the year ended December 31, 2019 one major contributor accounted for 11% of total contribution revenue to the Organization. For the year ended December 31, 2018, contributions from one contributor accounted for nearly 10% of the total contributions to the Organization.

Note 12 – Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Allocations are based on a square footage basis or on estimates of time and effort.

Note 13 – Subsequent Events

The Organization's operations may be affected by the recent and ongoing outbreak of the coronavirus disease (COVID-19), which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in disruption of the Organization's operations and revenue streams, and a decline in value of the Organization's marketable securities.