

**PAWS WITH A CAUSE, INC.®**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR 2016)**

MEYAARD TOLMAN & VENLET p.c.  
Certified Public Accountants  
Zeeland, Michigan

**TABLE OF CONTENTS**

INDEPENDENT AUDITOR'S REPORT ..... 1

STATEMENTS OF FINANCIAL POSITION ..... 3

STATEMENTS OF ACTIVITIES ..... 4

STATEMENTS OF FUNCTIONAL EXPENSES ..... 5

STATEMENTS OF CASH FLOWS ..... 6

NOTES TO FINANCIAL STATEMENTS ..... 7



Jayne E. Venlet, CPA  
Charles D. Olszewski, CPA  
John P. Rosendall, CPA

**MEYAARD TOLMAN & VENLET p.c.**  
*Certified Public Accountants*

Glenn Meygaard, CPA  
Matthew Mol, CPA, CFE  
Lyndon Wood, CPA  
Chanda M. Leech, CPA

**Kenneth Tolman, CPA (1959-2003)**

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Paws With A Cause, Inc.®  
Wayland, Michigan

We have audited the accompanying financial statements of Paws With A Cause, Inc.® (a nonprofit organization) which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, cash flows and functional expenses 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.

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

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

### **Opinion**

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

**Report on Summarized Comparative Information**

We have previously audited Paws With A Cause, Inc.'s@ December 31, 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 9, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Meynard Tolman, <sup>2</sup>/<sub>5</sub> Venlet p.c.*

Meynard Tolman & Venlet p.c.  
Certified Public Accountants  
March 12, 2018

**PAWS WITH A CAUSE, INC.®**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR 2016)**

| <u>ASSETS</u>  | <u>2017</u>                | <u>2016</u>                |
|--|----------------------------|----------------------------|
| <b>CURRENT:</b>  |                            |                            |
| Cash   | \$ 846,116                 | \$ 1,212,353               |
| Investments  | 2,258,444                  | 1,833,519                  |
| Pledges receivable - net   | 335,292                    | 432,737                    |
| Inventories  | 26,789                     | 29,282                     |
| Prepaid expenses   | <u>57,537</u>              | <u>97,164</u>              |
| Total Current Assets   | <u>3,524,178</u>           | <u>3,605,055</u>           |
| <b>PROPERTY AND EQUIPMENT:</b>   |                            |                            |
| Buildings, improvements and equipment - net of<br>accumulated depreciation | <u>1,675,725</u>           | <u>1,817,530</u>           |
| <b>OTHER:</b>  |                            |                            |
| Investments  | <u>783,370</u>             | <u>778,360</u>             |
| <b>TOTAL ASSETS</b>  | <u><u>\$ 5,983,273</u></u> | <u><u>\$ 6,200,945</u></u> |

See accompanying notes.

|                                      | <u>2017</u>             | <u>2016</u>             |
|--------------------------------------|-------------------------|-------------------------|
| <u>LIABILITIES</u>                   |                         |                         |
| CURRENT:                             |                         |                         |
| Accounts payable - trade             | \$ 85,266               | \$ 67,149               |
| Accrued salaries and wages           | <u>42,237</u>           | <u>42,035</u>           |
| Total Current Liabilities            | <u>127,503</u>          | <u>109,184</u>          |
| <br>TOTAL LIABILITIES                | <br><u>127,503</u>      | <br><u>109,184</u>      |
| <u>NET ASSETS</u>                    |                         |                         |
| Unrestricted:                        |                         |                         |
| Investment in property and equipment | 1,675,725               | 1,817,530               |
| Other unrestricted                   | <u>2,740,424</u>        | <u>2,748,550</u>        |
| Total unrestricted                   | 4,416,149               | 4,566,080               |
| Temporarily restricted               | 656,251                 | 747,321                 |
| Permanently restricted               | <u>783,370</u>          | <u>778,360</u>          |
| TOTAL NET ASSETS                     | <u>5,855,770</u>        | <u>6,091,761</u>        |
| <br>TOTAL LIABILITIES AND NET ASSETS | <br><u>\$ 5,983,273</u> | <br><u>\$ 6,200,945</u> |

**PAWS WITH A CAUSE, INC.®**  
**STATEMENTS OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR 2016)**

|  | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted | Totals              |                     |
|--|---------------------|---------------------------|---------------------------|---------------------|---------------------|
|  |                     |                           |                           | 2017                | 2016                |
| <b>PUBLIC SUPPORT AND REVENUES:</b>                    |                     |                           |                           |                     |                     |
| Contributions  | \$ 2,470,714        | \$ 315,175                | \$ 5,010                  | \$ 2,790,899        | \$ 3,050,008        |
| Support from United Ways                               | 503,344             | 27,108                    | -                         | 530,452             | 553,024             |
| Support from federal / state combined<br>campaigns     | 75,374              | 35,099                    | -                         | 110,473             | 136,046             |
| Special events   | 93,576              | -                         | -                         | 93,576              | 91,588              |
| Less direct costs                                      | (35,604)            | -                         | -                         | (35,604)            | (39,383)            |
| Other revenue  | 61,305              | -                         | -                         | 61,305              | 70,497              |
| Investment gains (losses)                              | 369,849             | -                         | -                         | 369,849             | 148,074             |
| Net assets released from restrictions:                 |                     |                           |                           |                     |                     |
| Release of purpose restrictions                        | 89,457              | (89,457)                  | -                         | -                   | -                   |
| Release of time restrictions                           | 378,995             | (378,995)                 | -                         | -                   | -                   |
| <b>Total Public Support and Revenues</b>               | <b>4,007,010</b>    | <b>(91,070)</b>           | <b>5,010</b>              | <b>3,920,950</b>    | <b>4,009,854</b>    |
| <b>EXPENSES:</b>                                       |                     |                           |                           |                     |                     |
| Program services:                                      |                     |                           |                           |                     |                     |
| Training and services                                  | 3,049,207           | -                         | -                         | 3,049,207           | 3,041,020           |
| General education                                      | 236,332             | -                         | -                         | 236,332             | 228,268             |
| <b>Total Program Services Expenses</b>                 | <b>3,285,539</b>    | <b>-</b>                  | <b>-</b>                  | <b>3,285,539</b>    | <b>3,269,288</b>    |
| Support services:                                      |                     |                           |                           |                     |                     |
| Management and general                                 | 402,290             | -                         | -                         | 402,290             | 404,240             |
| Fund raising   | 469,112             | -                         | -                         | 469,112             | 300,473             |
| <b>Total Support Services Expenses</b>                 | <b>871,402</b>      | <b>-</b>                  | <b>-</b>                  | <b>871,402</b>      | <b>704,713</b>      |
| <b>Total Program and Support Services<br/>Expenses</b> | <b>4,156,941</b>    | <b>-</b>                  | <b>-</b>                  | <b>4,156,941</b>    | <b>3,974,001</b>    |
| <b>CHANGE IN NET ASSETS</b>                            | <b>(149,931)</b>    | <b>(91,070)</b>           | <b>5,010</b>              | <b>(235,991)</b>    | <b>35,853</b>       |
| <b>NET ASSETS - BEGINNING</b>                          | <b>4,566,080</b>    | <b>747,321</b>            | <b>778,360</b>            | <b>6,091,761</b>    | <b>6,055,908</b>    |
| <b>NET ASSETS - ENDING</b>                             | <b>\$ 4,416,149</b> | <b>\$ 656,251</b>         | <b>\$ 783,370</b>         | <b>\$ 5,855,770</b> | <b>\$ 6,091,761</b> |

See accompanying notes.

**PAWS WITH A CAUSE, INC.®**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR 2016)**

|                                    | Program Services      |                   | Support Services    |                        |                   | Total Expenses 2017 | Total Expenses 2016 |
|------------------------------------|-----------------------|-------------------|---------------------|------------------------|-------------------|---------------------|---------------------|
|                                    | Training and Services | General Education | Total               | Management and General | Fund Raising      |                     |                     |
| Salaries and wages                 | \$ 1,476,918          | \$ 107,648        | \$ 1,584,566        | \$ 178,379             | \$ 193,464        | \$ 1,956,409        | \$ 1,853,765        |
| Training center and kennels        | 435,138               | -                 | 435,138             | -                      | -                 | 435,138             | 420,300             |
| Employee insurance                 | 214,884               | 16,867            | 231,751             | 51,676                 | 14,754            | 298,181             | 294,119             |
| Outside services                   | 73,244                | 10,955            | 84,199              | 17,774                 | 105,284           | 207,257             | 189,643             |
| Payroll taxes                      | 108,971               | 9,216             | 118,187             | 27,272                 | 8,311             | 153,770             | 153,983             |
| Contract labor                     | 148,235               | 1,936             | 150,171             | -                      | -                 | 150,171             | 133,704             |
| Occupancy:                         |                       |                   |                     |                        |                   |                     |                     |
| Utilities                          | 76,119                | 454               | 76,573              | 1,288                  | 421               | 78,282              | 76,472              |
| Rent                               | 17,040                | 1,440             | 18,480              | 4,080                  | 1,440             | 24,000              | 23,250              |
| Maintenance                        | 12,409                | 830               | 13,239              | 2,395                  | 808               | 16,442              | 16,735              |
| Printing and advertising           | 18,209                | 10,270            | 28,479              | 3,457                  | 86,491            | 118,427             | 131,421             |
| Professional fees                  | 57,449                | 13,939            | 71,388              | 17,012                 | 7,986             | 24,998              | 83,117              |
| Meals /lodging                     | 47,038                | 19,605            | 66,643              | 5,161                  | 3,672             | 8,833               | 70,066              |
| Supplies                           | 39,990                | 12,157            | 52,147              | 20,574                 | 2,732             | 23,306              | 59,414              |
| Insurance                          | 36,525                | 2,986             | 39,511              | 9,040                  | 2,873             | 11,913              | 55,083              |
| Telephone                          | 33,846                | 2,937             | 36,783              | 8,415                  | 2,496             | 47,694              | 48,346              |
| Postage                            | 21,820                | 1,367             | 23,187              | 3,185                  | 19,345            | 22,530              | 48,461              |
| Equipment expense                  | 30,190                | 3,038             | 33,228              | 8,175                  | 2,594             | 10,769              | 44,450              |
| Miscellaneous                      | 19,788                | 5,826             | 25,614              | 6,333                  | 1,573             | 7,906               | 29,924              |
| Membership and dues                | 19,035                | 2,592             | 21,627              | 3,944                  | 3,864             | 7,808               | 27,695              |
| Veterinary expense                 | 15,275                | -                 | 15,275              | -                      | -                 | 15,275              | 10,244              |
| Total Expenses Before Depreciation | 2,902,123             | 224,063           | 3,126,186           | 368,160                | 458,108           | 826,268             | 3,770,192           |
| Depreciation                       | 147,084               | 12,269            | 159,353             | 34,130                 | 11,004            | 204,487             | 203,809             |
| <b>TOTAL EXPENSES</b>              | <b>\$ 3,049,207</b>   | <b>\$ 236,332</b> | <b>\$ 3,285,539</b> | <b>\$ 402,290</b>      | <b>\$ 469,112</b> | <b>\$ 871,402</b>   | <b>\$ 3,974,001</b> |
| Percentage of Total                | 73.35%                | 5.69%             | 79.04%              | 9.68%                  | 11.28%            | 20.96%              | 100.00%             |
| <b>PRIOR YEAR TOTALS</b>           | <b>\$ 3,041,020</b>   | <b>\$ 228,268</b> | <b>\$ 3,269,288</b> | <b>\$ 404,240</b>      | <b>\$ 300,473</b> | <b>\$ 704,713</b>   | <b>\$ 3,974,001</b> |
| <b>PRIOR YEAR PERCENTAGES</b>      | <b>76.52%</b>         | <b>5.75%</b>      | <b>82.27%</b>       | <b>10.17%</b>          | <b>7.56%</b>      | <b>17.73%</b>       | <b>100.00%</b>      |



**PAWS WITH A CAUSE, INC.®**  
**STATEMENTS OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR 2016)**

|  | 2017         | 2016         |
|--|--------------|--------------|
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>  |              |              |
| Change in net assets   | \$ (235,991) | \$ 35,853    |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: |              |              |
| Depreciation   | 204,487      | 203,809      |
| Net (gains) / losses on investments  | (238,605)    | (81,007)     |
| Donated securities received  | (304,562)    | (44,401)     |
| Donated equipment and software received  | (24,000)     | -            |
| (Increase) decrease in:  |              |              |
| Pledges receivable - net   | 97,445       | (150,713)    |
| Inventories  | 2,493        | 1,576        |
| Prepaid expenses   | 39,627       | 32,879       |
| Increase (decrease) in:  |              |              |
| Accounts payable   | 18,117       | 13,300       |
| Accrued salaries and wages   | 202          | 15,308       |
| Contributions restricted for endowment   | (5,010)      | (17,210)     |
| Net Cash Provided (Used) by Operating Activities   | (445,797)    | 9,394        |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>  |              |              |
| Purchases of investments   | (1,087,348)  | (876,028)    |
| Proceeds from sale of investments  | 1,200,580    | 980,010      |
| Purchases of equipment   | (38,682)     | (40,956)     |
| Net Cash Provided (Used) by Investing Activities   | 74,550       | 63,026       |
| <b><u>CASH FLOWS FROM FINANCING ACTIVITIES:</u></b>  |              |              |
| Collections of endowment support   | 5,010        | 17,210       |
| Net Cash Provided (Used) by Financing Activities   | 5,010        | 17,210       |
| Net increase (decrease) in unrestricted cash   | (366,237)    | 89,630       |
| Cash - unrestricted - beginning  | 1,212,353    | 1,122,723    |
| Cash - unrestricted - ending   | \$ 846,116   | \$ 1,212,353 |

See accompanying notes.

**PAWS WITH A CAUSE, INC.®**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

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NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES - Paws With A Cause, Inc.® (PAWS®) was organized as a Michigan nonprofit corporation in 1979 as "Ears for the Deaf". The Organization's vision is to embrace innovation to address the aging population and to strengthen families living with disabilities.

PAWS® has its national headquarters in Wayland, Michigan and provides services in forty one (41) states in the United States of America. The Organization is primarily supported by public contributions, including wills and bequests, as well as United Way and federal/state combined campaigns. PAWS®' mission is to enhance the independence and quality of life for people with disabilities nationally through custom-trained Assistance Dogs. PAWS® increases awareness of the rights and roles of Assistance Dog teams through education and advocacy.

BASIS OF PRESENTATION - The accompanying financial statements have been prepared on the accrual basis of accounting. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets, as follows:

Unrestricted net assets - net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

The Organization follows the policy of reporting donor-imposed restricted contributions whose restrictions are met within the fiscal year as unrestricted support.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

PROPERTY AND EQUIPMENT - Property and equipment acquisitions exceeding \$2,000 are stated at cost except for donated equipment, which is stated at fair market value at date of receipt. In the absence of donor-imposed restrictions on how long donated assets must be maintained or how those assets are to be used, the Organization reports such donations as unrestricted support. Restrictions on cash or other assets restricted to acquiring buildings, improvements or equipment, expire when such assets are acquired.

Depreciation is provided on the straight-line basis over the estimated useful lives of the respective assets, as follows:

|   |               |
|---|---------------|
| Buildings and improvements                                | 20 - 30 years |
| Computers, furniture, fixtures, equipment<br>and vehicles | 5 - 7 years   |

INVENTORY - Inventories are stated at cost on a first-in, first-out basis and consist of merchandise available for retail sale.

INVESTMENTS - The Organization accounts for investments under FASB ASC 820, *Fair Value Measurement and Disclosures*. Fair value measurement is determined based on the assumptions - referred to as inputs - that market participants would use in pricing the investment, as follows:

- Level 1 inputs - quoted price in an active market for an identical investment;
- Level 2 inputs - input that is observable for the investment, either directly or indirectly, other than quoted prices included within level 1;
- Level 3 inputs - unobservable inputs for the investment, used only when observable inputs are not available.

Unrealized, as well as realized gains and losses on investments are included in the change in net assets in the accompanying financial statements.

Donated securities are recorded at market value at the date of the gift.

In the absence of donor stipulations to the contrary, losses on investments of donor-restricted endowment funds are classified as decreases in unrestricted net assets. Gains that restore the fair value of the assets of endowment funds to the level required by the donor are classified as increases in unrestricted net assets.

CASH AND CASH EQUIVALENTS - For the purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

PLEDGES RECEIVABLE - Pledges receivable are stated at their estimated net realizable value. When the Organization is notified of donor designations from United Ways and the Federal / state combined campaigns, the amounts are recognized as support, net of an estimated allowance for campaign costs and pledge shrinkage. This allowance is estimated based upon information received from the various donor pass through organizations, as well as historical results. Carrying amounts of pledges are periodically reassessed as additional information becomes available, and are adjusted accordingly.

INCOME TAXES - The Organization is a 501(c)(3) organization exempt from income tax as provided under Section 501 (a) of the Internal Revenue Code on all exempt purpose activities. The Organization is liable for federal income taxes on unrelated business income, if any, during the year.

DONATED SERVICES, MATERIALS AND EQUIPMENT - Agencies, business firms and others contribute materials and services toward the fulfillment of projects initiated by PAWS®. To the extent that contributions of materials and services are objectively measurable and represent program or support expenditures which would otherwise be incurred by PAWS®, they are reflected in both public support and program or supporting service expense in the accompanying financial statements.

No volunteer services have been valued in the financial statements inasmuch as there is no objective basis available to measure the value of such services; however, a number of volunteers have donated substantial amounts of their time to program services.

Contributions of furniture and equipment are reflected in the accompanying financial statements to the extent that they are objectively measurable and represent program or support services expenditures that would otherwise be incurred by the Organization.

UNITED WAY AND FEDERAL/STATE COMBINED CAMPAIGNS - Pledges receivable from the United Way and federal/state combined campaigns are reported as temporarily restricted support to the extent they represent contributions for the next fiscal year. Such contributions are then reclassified to unrestricted net assets upon expiration of this time restriction.

FUNCTIONAL EXPENSES - Expenses identified as applying to a specific program or supporting service are recorded in the appropriate service area as incurred. Expenses not directly attributable to a program or supporting service are allocated between service areas based on percentages formulated through ongoing time studies of professional staff time.

USE OF ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

#### CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject PAWS® to concentrations of credit risk consist principally of temporary cash investments, pledges receivable and publicly traded securities.

Substantially all of PAWS®' cash is on deposit with three financial institutions. The carrying amounts and bank balances of PAWS®' deposits with one financial institution were \$588,239 and \$619,906, respectively. Balances with this financial institution in excess of the \$250,000 insured by the Federal Deposit Insurance Corporation (FDIC), are collateralized by U.S. Treasury notes. Carrying amounts and bank balances in the second financial institution were both \$25,403, and are covered by the FDIC to a maximum of \$250,000. Carrying amounts and bank balances in the third financial institution were both \$231,974, and are covered by the FDIC to a maximum of \$250,000.

Concentrations of credit risk with respect to pledges receivable are limited due to the large number of contributors comprising PAWS®' contributor base and their dispersion across different industries and geographic areas.

The Organization invests in publicly traded securities which are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with 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 the amounts reported in the statement of financial position.

## INVESTMENTS

Publicly traded investments at December 31, 2017, whose fair values were determined assuming Level 1 inputs, consisted of the following:

|                                 | Fair<br>Value |
|---------------------------------|---------------|
| Publicly traded mutual funds    | \$ 2,149,258  |
| Exchange traded funds           | 87,585        |
| Certificates of deposit         | 686,526       |
| Publicly traded common stock    | 19,284        |
| Publicly traded corporate bonds | 99,161        |
|                                 | <hr/>         |
| Total Investments               | \$ 3,041,814  |

The following schedule summarizes the return on investments and interest bearing cash accounts, as well as their classification in the statement of activities:

|  |            |
|--|------------|
| Interest and dividend income                     | \$ 131,244 |
| Net realized and unrealized gains on investments | 238,605    |
|  | <hr/>      |
| Classification in statement of activities:       |            |
| Investment gains (losses)                        | \$ 369,849 |

## PLEDGES RECEIVABLE

Pledges receivable that are due to be collected during the ensuing fiscal year, consisted of the following:

|  |            |
|--|------------|
| United Ways  | \$ 43,326  |
| Federal/state combined campaigns   | 93,361     |
| Allowance for campaign costs and pledge shrinkage                              | (26,428)   |
|  | <hr/>      |
|  | 110,259    |
| Other corporation, estates, trusts and individual pledges<br>and contributions | 225,033    |
|  | <hr/>      |
| Net pledges receivable   | \$ 335,292 |

## BUILDINGS, IMPROVEMENTS AND EQUIPMENT

Buildings, improvements and equipment consisted of the following:

|   |              |
|---|--------------|
| Land, buildings and improvements -<br>Wayland, Michigan | \$ 4,188,296 |
| Computers   | 120,013      |
| Furniture, fixtures and equipment                       | 484,251      |
| Vehicles  | 276,834      |
|   | <hr/>        |
|   | 5,069,394    |
| Less accumulated depreciation                           | 3,393,669    |
|   | <hr/>        |
| Net buildings, improvements and equipment               | \$ 1,675,725 |

## CONTRIBUTIONS - NONCASH

The Organization was the recipient of donated publicly traded securities with a market value of \$304,562 and equipment with a market value of \$24,000 during the year ended December 31, 2017.

Donated materials and services consist primarily of care and donation of dogs and veterinary, stud and other services related to the Training and Services and General Education programs. These materials and services are included as revenue and corresponding expense at their estimated fair market value of \$195,814.

## RETIREMENT PLAN

PAWS® maintains a 403(b)(7) retirement plan covering substantially all full-time employees. The plan allows the employee to defer a portion of their current salary until future years. The amount deferred is available for distribution at retirement, death, disability or termination of employment.

The plan allows a 50% employer matching contribution, on each employee's contribution up to 6% of their gross pay. This matching provision is redetermined annually at the discretion of the Board of Directors. The Board elected to forego a match for the year ended December 31, 2017.

## BANK LINE OF CREDIT

On May 27, 2017, the Organization renewed its \$1,000,000 line of credit with Huntington National Bank. The line of credit contains a provision for interest varying at 1% in excess of prime (minimum interest rate of 4%) and a maturity date of May 10, 2018. The credit facility is secured by substantially all assets of the Organization. No amount is currently due under this line of credit.

## LEASES

The Organization leases office space in Troy, Michigan under a month to month lease requiring payments of \$2,000 per month. The Organization is responsible for liability and property damage insurance, maintenance and utilities on the leased property. Rent expense under this lease amounted to \$24,000 during the year ended December 31, 2017.

The Organization leases office equipment under two operating leases requiring quarterly payments of \$928 through August, 2019, and monthly payments of \$173 through January, 2022. Expense under these leases amounted to \$5,453 for the year ended December 31, 2017.

Net future minimum lease commitments under the aforementioned Troy, Michigan and equipment leases are as follows:

|                                  |      |           |
|----------------------------------|------|-----------|
| Year ending December 31:         |      |           |
|                                  | 2018 | \$ 5,784  |
|                                  | 2019 | 3,927     |
|                                  | 2020 | 2,070     |
|                                  | 2021 | 2,070     |
|                                  | 2022 | 331       |
|                                  |      | <hr/>     |
| Future minimum lease commitments |      | \$ 14,182 |

## ADVERTISING COSTS

Advertising costs are charged to operations when incurred. Total advertising expense included in the statement of functional expenses was \$15,277 for the year ended December 31, 2017.

## SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

For purposes of the statement of cash flows, cash consists of balances of \$588,239 in checking accounts as well as money market account balances of \$257,377 and petty cash of \$500.

PAWS® was the recipient of donated publicly traded securities, equipment, supplies and other materials and services during 2017. See "CONTRIBUTIONS - NONCASH".

The Organization made no cash payments for interest or income taxes during the year ended December 31, 2017.

## TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

|  |    |                |
|--|----|----------------|
| Subsequent year's activities                         | \$ | 335,292        |
| Breeding program                                     |    | 133,254        |
| Assistance to persons with disabilities - California |    | 51,069         |
| Training of dogs - general                           |    | 40,253         |
| Autism program                                       |    | 30,000         |
| Assistance to those with spinal cord injuries        |    | 27,148         |
| Capital improvements                                 |    | 18,651         |
| Equipment acquisition and maintenance                |    | 14,192         |
| Computer software                                    |    | 6,392          |
|  |    | <hr/>          |
| Total Temporarily Restricted Net Assets              | \$ | <u>656,251</u> |

Permanently restricted net assets are to be maintained in perpetuity and consisted of the following:

|   |    |                |
|---|----|----------------|
| Endowment Fund                          | \$ | 733,370        |
| Westerman Fund                          |    | 50,000         |
|   |    | <hr/>          |
| Total Permanently Restricted Net Assets | \$ | <u>783,370</u> |

Income generated from the Westerman Fund is to be accumulated until it can cover the cost of training one dog. Therefore, this income is reported as temporarily restricted. Income generated from the Endowment Fund is expendable for general operations.

The primary investment objective of endowment funds is to preserve and protect its assets by earning a total return. The Board approved acceptable ranges of endowment fund investments are as follows:

|   |             |
|---|-------------|
| Equity securities - at least 80% should be rated B+ or better (Standard & Poor's) | 75% to 100% |
| Fixed income securities - AA or better (Standard & Poor's)                        | Up to 20%   |
| Short term reserves - A-1 or better (Standard & Poor's)                           | Up to 10%   |

#### NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring costs and expenses satisfying the restricted purposes specified by donors or by the passage of time, as follows:

|   |                   |
|---|-------------------|
| Purpose restrictions accomplished:      |                   |
| Training of dogs - veterans             | \$ 59,326         |
| Equipment and software acquisition      | 24,581            |
| Breeding program                        | <u>5,550</u>      |
| Total purpose restrictions accomplished | 89,457            |
| Time restrictions expired:              |                   |
| Passage of specified time               | <u>378,995</u>    |
| Total restrictions released             | <u>\$ 468,452</u> |

#### SUBSEQUENT EVENTS

Subsequent events were evaluated through March 12, 2018, which is the date the financial statements were available to be issued. No significant subsequent events were noted.