

**PERFORMING ANIMAL WELFARE  
SOCIETY**

Financial Statements

Years Ended  
December 31, 2019 and 2018

**McCurry & White LLP  
Certified Public Accountants  
The Fountains  
3031 West March Lane, Suite 205 West  
Stockton, California 95219**

PERFORMING ANIMAL WELFARE SOCIETY  
Financial Statements  
Years Ended December 31, 2019 and 2018

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# McCurry & White LLP

Certified Public Accountants

Richard L. McCurry

John H. White

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Performing Animal Welfare Society  
Galt, California

We have audited the accompanying financial statements of Performing Animal Welfare Society (PAWS) (a California nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

Board of Directors  
Performing Animal Welfare Society  
Galt, California

INDEPENDENT AUDITOR'S REPORT (Continued)

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PAWS 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.

**Other Matter**

*Supplementary Information -*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying information on page 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounts and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*McCree & White LLP*

Stockton, California  
April 10, 2020

PERFORMING ANIMAL WELFARE SOCIETY  
Statements of Financial Position

	December 31,	
	2019	2018
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 1,422,017	\$ 1,650,652
Temporarily Restricted Cash and Cash Equivalents	-0-	-0-
Investment Income Receivable	23,858	23,488
Investments – Current (Note 10)	3,844,735	2,750,000
Prepaid Expenses	104,110	90,529
Total Current Assets	5,394,720	4,514,669
OTHER ASSETS:		
Permanently Restricted Endowment Cash and Equivalents	27,181	27,181
Property and Equipment – Net (Note 3)	6,738,418	7,111,030
Construction in Progress (Note 4)	-0-	26,330
Investments – Long-Term (Note 10)	7,858,123	6,887,741
Property Held for Sale (Note 5)	10,660	10,660
Bequests Receivable (Note 6)	536,650	1,270,000
Deposits	4,668	4,696
Total Other Assets	15,175,700	15,337,638
TOTAL ASSETS	\$ 20,570,420	\$ 19,852,307
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts Payable	\$ 72,212	\$ 71,393
Accrued Payroll	62,707	3,804
Total Current Liabilities	134,919	75,197
NET ASSETS (Note 12):		
Net Assets without Donor Restrictions (Note 1)	20,408,320	19,749,929
Net Assets with Donor Restrictions (Notes 1 and 11)	27,181	27,181
Total Net Assets	20,435,501	19,777,110
TOTAL LIABILITIES AND NET ASSETS	\$ 20,570,420	\$ 19,852,307

SEE ACCOMPANYING NOTES.

PERFORMING ANIMAL WELFARE SOCIETY  
Statements of Activities

	Year Ended December 31, 2019		
	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
<b>CHANGES IN NET ASSETS:</b>			
Contributions	\$ 1,546,794	\$ 29,490	\$ 1,576,284
Legacies and Bequests	953,329	-0-	953,329
Advocacy Campaign	6,000	-0-	6,000
Annual Conference	-0-	-0-	-0-
Affiliate Program	12,161	-0-	12,161
Noncash Contributions	32,019	-0-	32,019
Events and Conferences	227,964	-0-	227,964
Pledge Program	100,057	-0-	100,057
Grants	603,501	10,500	614,001
Memorials	11,501	-0-	11,501
Adoptions	40,231	-0-	40,231
Educational Materials	21,025	-0-	21,025
Miscellaneous	<u>1,764</u>	<u>-0-</u>	<u>1,764</u>
 Total Revenue, Gains, and Other Support	 3,556,346	 39,990	 3,596,336
<b>OTHER REVENUES (LOSSES):</b>			
Investment Gains (Losses) (Note 10)	834,223	-0-	834,223
Stock Donations	42,432	-0-	42,432
Reclassifications	<u>39,990</u>	<u>(39,990)</u>	<u>-0-</u>
 Total Support, Revenue, and Reclassifications	 <u>4,472,991</u>	 <u>-0-</u>	 <u>4,472,991</u>
<b>EXPENSES:</b>			
Direct Program Services	<u>3,177,460</u>	<u>-0-</u>	<u>3,177,460</u>
Supporting Services:			
Management	450,833	-0-	450,833
Fundraising	<u>186,307</u>	<u>-0-</u>	<u>186,307</u>
 Total Supporting Services	 <u>637,140</u>	 <u>-0-</u>	 <u>637,140</u>
 Total Expenses	 <u>3,814,600</u>	 <u>-0-</u>	 <u>3,814,600</u>
 CHANGE IN NET ASSETS	 658,391	 -0-	 658,391
<b>NET ASSETS (Note 11):</b>			
Beginning of Year	<u>19,749,929</u>	<u>27,181</u>	<u>19,777,110</u>
End of Year	<u>\$ 20,408,320</u>	<u>\$ 27,181</u>	<u>\$ 20,435,501</u>

SEE ACCOMPANYING NOTES.

Year Ended December 31, 2018

	<u>Net Assets without Donor Restrictions</u>	<u>Net Assets with Donor Restrictions</u>	<u>Total</u>
<b>CHANGES IN NET ASSETS:</b>			
Contributions	\$ 1,004,506	\$ 41,600	\$ 1,046,106
Legacies and Bequests	2,447,026	-0-	2,447,026
Advocacy Campaign	6,964	-0-	6,964
Annual Conference	-0-	-0-	-0-
Affiliate Program	24,357	-0-	24,357
Noncash Contributions	29,986	-0-	29,986
Events and Conferences	201,303	-0-	201,303
Pledge Program	104,120	-0-	104,120
Grants	258,796	39,000	297,796
Memorials	15,367	-0-	15,367
Adoptions	50,442	-0-	50,442
Educational Materials	32,552	-0-	32,552
Miscellaneous	<u>4,372</u>	<u>-0-</u>	<u>4,372</u>
 Total Revenue, Gains, and Other Support	 4,179,791	 80,600	 4,260,391
<b>OTHER REVENUES (LOSSES):</b>			
Investment Gains (Losses) (Note 10)	(123,190)	-0-	(123,190)
Stock Donations	3,046,014	-0-	3,046,014
Reclassifications	<u>80,600</u>	<u>(80,600)</u>	<u>-0-</u>
 Total Support, Revenue, and Reclassifications	 <u>7,183,215</u>	 <u>-0-</u>	 <u>7,183,215</u>
<b>EXPENSES:</b>			
Direct Program Services	<u>3,136,784</u>	<u>-0-</u>	<u>3,136,784</u>
Supporting Services:			
Management	387,760	-0-	387,760
Fundraising	<u>181,567</u>	<u>-0-</u>	<u>181,567</u>
 Total Supporting Services	 <u>569,327</u>	 <u>-0-</u>	 <u>569,327</u>
 Total Expenses	 <u>3,706,111</u>	 <u>-0-</u>	 <u>3,706,111</u>
 CHANGE IN NET ASSETS	 3,477,104	 -0-	 3,477,104
<b>NET ASSETS (Note 11):</b>			
Beginning of Year	<u>16,272,825</u>	<u>27,181</u>	<u>16,300,006</u>
End of Year	<u>\$ 19,749,929</u>	<u>\$ 27,181</u>	<u>\$ 19,777,110</u>

PERFORMING ANIMAL WELFARE SOCIETY  
Statements of Functional Expenses

	Year Ended December 31, 2019				
	Program Services	Supporting Services			Total Expenses
		Management	Fundraising	Subtotal	
Salaries and Wages	\$ 1,241,882	\$ 106,197	\$ 43,288	\$ 149,485	\$ 1,391,367
Employee Benefits	139,969	11,248	4,999	16,247	156,216
Animal Sanctuary Costs	525,600	-0-	-0-	-0-	525,600
Professional Services	-0-	220,885	-0-	220,885	220,885
Operating Supplies	75,654	18,286	4,489	22,775	98,429
Purchased and Rental Services	254,949	48,893	50,251	99,144	354,093
Occupancy and Utilities	389,899	15,614	794	16,408	406,307
Other Expenses	6,575	6,850	76,771	83,621	90,196
Conference	-0-	-0-	-0-	-0-	-0-
	2,634,528	427,973	180,592	608,565	3,243,093
Depreciation	542,932	22,860	5,715	28,575	571,507
Total Functional Expenses	<u>\$ 3,177,460</u>	<u>\$ 450,833</u>	<u>\$ 186,307</u>	<u>\$ 637,140</u>	<u>\$ 3,814,600</u>

	Year Ended December 31, 2018				
	Program Services	Supporting Services			Total Expenses
		Management	Fundraising	Subtotal	
Salaries and Wages	\$ 1,067,307	\$ 90,079	\$ 31,301	\$ 121,380	\$ 1,188,687
Employee Benefits	134,319	10,794	4,797	15,591	149,910
Animal Sanctuary Costs	541,098	-0-	-0-	-0-	541,098
Professional Services	-0-	189,873	-0-	189,873	189,873
Operating Supplies	94,340	3,405	9,446	12,851	107,191
Purchased and Rental Services	257,465	50,247	47,988	98,235	355,700
Occupancy and Utilities	487,316	20,569	653	21,222	508,538
Other Expenses	5,578	204	81,735	81,939	87,517
Conference	12,871	-0-	-0-	-0-	12,871
	2,600,294	365,171	175,920	541,091	3,141,385
Depreciation	536,490	22,589	5,647	28,236	564,726
Total Functional Expenses	<u>\$ 3,136,784</u>	<u>\$ 387,760</u>	<u>\$ 181,567</u>	<u>\$ 569,327</u>	<u>\$ 3,706,111</u>

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, directly related to the varied usage of property and equipment within PAWS operations, occupancy and utilities, expensed directly to operations, and salaries and benefits, expensed to program and supporting services on the basis of estimates of personnel time and effort.

SEE ACCOMPANYING NOTES.



PERFORMING ANIMAL WELFARE SOCIETY  
Statements of Cash Flows

	<u>Years Ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
<b>OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 658,391	\$ 3,477,104
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by (Used in) Operating Activities –		
Depreciation and Amortization	571,507	564,726
Net Realized and Unrealized (Gains) Losses on Investments	(518,634)	413,786
Contributions in Kind	(32,646)	(29,986)
Receipt of Contributed Securities	(42,434)	(3,046,014)
Proceeds from Sale of Contributed Securities	-0-	2,984,019
(Increase) Decrease in:		
Bequests Receivable	733,350	(577,000)
Investment Income Receivable	(370)	(14,854)
Prepaid Expenses	(13,581)	(4,400)
Property Held for Sale and Other Assets	28	1,126
Increase (Decrease) in:		
Accounts Payable and Accrued Payroll	<u>59,721</u>	<u>(67,923)</u>
Net Cash Provided by Operating Activities	<u>1,415,332</u>	<u>3,700,584</u>
<b>INVESTING ACTIVITIES:</b>		
Proceeds from Sales of Investments	2,903,627	631,988
Acquisitions of Investments	(4,379,953)	(4,376,935)
Cash Expended for Construction in Progress	-0-	(26,330)
Cash Expended for Property and Equipment	<u>(167,641)</u>	<u>(126,631)</u>
Net Cash Used in Investing Activities	<u>(1,643,967)</u>	<u>(3,897,908)</u>
<b>FINANCING ACTIVITIES:</b>		
Net Cash Released from Restrictions	<u>-0-</u>	<u>(12,166)</u>
Net Cash Provided by (Used in) Financing Activities	<u>-0-</u>	<u>(12,166)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(228,635)	(209,490)
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of Year	<u>1,650,652</u>	<u>1,860,142</u>
End of Year	<u>\$ 1,422,017</u>	<u>\$ 1,650,652</u>

SEE ACCOMPANYING NOTES.

PERFORMING ANIMAL WELFARE SOCIETY  
Notes to Financial Statements  
Years Ended December 31, 2019 and 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -

This summary of significant accounting policies of Performing Animal Welfare Society (PAWS) is presented to assist in understanding PAWS' financial statements. The financial statements and notes are representations of PAWS' management, who is responsible for their integrity and objectivity.

Nature of Activities:

PAWS provides sanctuary to retired, abused, and abandoned wild animals and is actively involved in educating the public and the media regarding the problems associated with the trade in captive wildlife. PAWS is headquartered in Galt, California, and maintains sanctuaries in Galt, Herald, and San Andreas, California.

Basis of Presentation:

*Changes in Accounting Principle -*

Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09 (Topic 606), *Revenue from Contracts with Customers*:

In May 2014 the FASB issued the above ASU relating to revenue recognition. Under this standard, revenue is recognized when a customer or client obtains control of promised goods or services in an amount that reflects the consideration an entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. PAWS adopted and implemented the above pronouncement for the year ended December 31, 2019. Adoption did not require use of either full or modified retrospective applications to recast the prior- or current-year beginning net assets.

FASB ASU No. 2016-01 (Topic 825-10), *Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*:

In January 2016 the FASB issued the above ASU applying to all entities holding financial assets or owing financial liabilities, including nonprofit organizations. However, many changes embodied by the issuance of ASU No. 2016-01 are specific solely to for-profit organizations. The above ASU caused a number of changes in coding classifications for nonprofit organizations, relating to creation of a new Accounting Standard Codification (ASC) for equity securities for purposes of presenting of investments and their related income, gains, and losses. The thrust of the above ASU, and changes to the underlying ASC classifications, is to broaden standards applying to equity investments without readily determinable fair values and expand options available for presenting fair values of alternative, non-quoted equity investments. PAWS adopted and implemented the above pronouncement for the year ended December 31, 2019, in conjunction with FASB ASC 958-321, but there was virtually no element of alternative, equity investments in PAWS portfolio, requiring application of the standard, and presentation adjustments, for 2019.

PERFORMING ANIMAL WELFARE SOCIETY  
Notes to Financial Statements  
Years Ended December 31, 2019 and 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -

Basis of Presentation (Continued):

*Changes in Accounting Principle (Continued)-*

FASB ASU No. 2016-14 (Topic 958), *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*:

In August 2016 the FASB issued the above ASU, and it was adopted and implemented by PAWS, effective for 2018. PAWS adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards changed the following aspects of PAWS' financial statements –

- Temporarily restricted and permanently restricted net asset classes were combined into a single net asset class called, “net assets with donor restrictions.”
- The previously termed “unrestricted net asset” class was renamed “net assets without donor restrictions.”
- No changes to total net assets were necessary in implementing ASU No. 2016-14.
- The format of the statement of cash flows was not changed to the optional direct method of reporting cash flows from operations, as use of the indirect method appeared to be more understandable for users of PAWS' financial statements.
- A new disclosure regarding liquidity and availability of resources was added to the financial statements.
- Future disclosures about any designations of net assets made by PAWS board of governance will now be required.
- PAWS must describe the methods used to allocate costs among program and supporting functions. To enhance consistency of allocations, ASU 2016-14 provides examples that differentiate activities that constitute direct conduct or direct supervision of program activities that are classified as management and general.

Reclassifications:

Certain amounts presented in the financial statements for the year ended December 31, 2018, have been reclassified so as to better conform to the presentation adopted for the year ended December 31, 2019.

PERFORMING ANIMAL WELFARE SOCIETY  
Notes to Financial Statements  
Years Ended December 31, 2019 and 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued) -

Estimates:

PAWS management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstance; however, actual results could differ from those estimates.

Income Taxes:

Incorporated in California on March 7, 1986, PAWS is a not-for-profit organization exempt from federal income taxes under Internal Revenue Code section 501 (c) (3), and exempt from California income taxes under R & TC section 23701d. PAWS qualifies as a California public benefit corporation and does not operate as a private foundation.

PAWS may recognize the tax benefit from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of PAWS and various positions related to the potential sources of unrelated business taxable income. PAWS' management has analyzed its tax positions taken for filings with the Internal Revenue Service and the state of California. PAWS' management believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on PAWS' financial condition, results of operations, or cash flows. Accordingly, PAWS has not recorded any tax assets or liabilities, or related accruals for interest and penalties, for uncertain income tax positions at December 31, 2019 or 2018.

PAWS' federal exempt information Forms 990 for the years ended December 31, 2016, 2017, 2018, and 2019 remain subject to Internal Revenue Service examination. The California Franchise Tax Board has a four-year statute of limitations, back to December 31, 2015.

Cash and Cash Equivalents:

For purposes of the statements of cash flows, PAWS management considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents, unless such investments are held in order to meet restrictions concerning purchases of property and equipment, payments of long-term debt, or endowment purposes.

Expense Allocation:

Costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

PERFORMING ANIMAL WELFARE SOCIETY  
Notes to Financial Statements  
Years Ended December 31, 2019 and 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued) -

Investments:

PAWS carries investments in equity securities with readily determinable fair values and all investments in debt securities at fair value in the statements of financial position. Unrealized gains and losses are included in changes in net assets in the accompanying statements of activities.

Investment Income and Gains:

Investment income and gains restricted by donors are reported as increases in net assets with donor restrictions if the restrictions are met, whereby a stipulated time period has ended or a purpose restriction is accomplished, in the reporting period in which the income and gains are recognized.

Promises to Give:

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Donated Assets:

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

Donated Services:

No amounts have been reflected in the financial statements for donated services. PAWS generally pays for services requiring specific expertise. However, many individuals volunteer their time and talents to PAWS, committing unquantifiable resources to its ongoing and periodic programs, animal campaign solicitations, and various committee assignments.

Property and Equipment:

Property and equipment are stated at cost or fair value at date of donation. Depreciation is provided using the straight-line method over the useful lives of the assets as follows:

Office Equipment	5 to 7 years
Vehicles and Transportation Equipment	5 years
Buildings and Improvements	15 to 31.5 years
Furniture and Fixtures	5 to 10 years
Machinery and Equipment	5 to 20 years

PERFORMING ANIMAL WELFARE SOCIETY  
Notes to Financial Statements  
Years Ended December 31, 2019 and 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued) -

Property and Equipment (Continued):

Additions and betterments of \$1,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Donations of property and equipment to PAWS are recorded as contributions at their estimated fair value at the date of the donation. Assets donated with donor stipulations regarding their use, as well as contributions of cash that must be used to acquire property and equipment, are reported as increases in net assets with donor restrictions.

Property and equipment are reviewed for impairment if the use of these assets significantly changes or another indicator of possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value.

Inventories and Operating Supplies:

Consumable operating supplies, as well as retail and non-retail promotional items, are stated at the lower of cost or market, determined by the first-in, first-out method.

Endowment Funds:

*Donor-Restricted -*

PAWS' endowment consists of a funded and separately-maintained trust fund. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the PAWS Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The trust fund established by the original gift is known as the Patricia A. Tabor Endowment Fund. Income from the fund shall be used only for the exclusive purpose of supporting the elephant sanctuary, with principal to be retained as part of endowment trust principal in perpetuity.

PERFORMING ANIMAL WELFARE SOCIETY  
Notes to Financial Statements  
Years Ended December 31, 2019 and 2018

NOTE 2: FINANCIAL INSTRUMENTS -

Concentrations arising from Cash Deposits in Excess of Insured Limits:

Banks –

Among bank demand deposits held at a number of different financial institutions, PAWS maintains accounts with one regional bank operating in the San Joaquin Valley and local foothill area. Collectively, balances held by this bank are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. At December 31, 2019, PAWS' held no such uninsured account balances.

Bank balances held with the primary custodial brokerage are managed so as to keep the various savings accounts below the above-noted \$250,000 threshold.

Brokerages –

In response to the financial crises of 2008, the U.S. Department of the Treasury created a money market fund insurance program. Participating funds paid premiums to the Treasury Department, and investors were then assured of insurance payouts on losses occurring when such pooled funds broke below the level of \$1.00 net asset value per share. However, in 2009, the Treasury Department opted to discontinue this insurance program. Consequently, neither the federal government nor any other agency offers principal protection or insurance on money market funds.

Compensating for the above, United States brokerage firms invariably belong to the Securities Investor Protection Corporation (the SIPC). The SIPC insures assets held by member firms for up to \$500,000 per investor, per firm, relating to a brokerage firm becoming insolvent. Originally created under federal law, the SIPC is not, in itself a governmental agency. Rather, it consists of a nonprofit organization funded by its broker-dealer members. The SIPC does not insure losses caused by money market cash equivalents falling below \$1.00 per share, arising, for example, from an incidence of severe and major declines in the values of the underlying mutual fund investment pool.

At December 31, 2019 and 2018, consistent with its policy, PAWS held no such money market funds.

PERFORMING ANIMAL WELFARE SOCIETY  
Notes to Financial Statements  
 Years Ended December 31, 2019 and 2018

NOTE 3: PROPERTY AND EQUIPMENT -

Property and equipment consist of the following:

	December 31,	
	2019	2018
Land	\$ 1,777,169	\$ 1,777,169
Buildings and Structural Components	10,015,399	9,920,483
Equipment	1,253,916	1,157,237
Furnishings	54,733	54,733
Vehicles	120,606	113,306
	13,221,823	13,022,928
Less: Accumulated Depreciation	(6,483,405)	(5,911,898)
Book Value	\$ 6,738,418	\$ 7,111,030

NOTE 4: CONSTRUCTION IN PROGRESS -

In the Year 2000, PAWS began planning construction of ARK 2000, a free-roam animal sanctuary for hundreds of animals on a 2,300-acre facility, located near San Andreas in Calaveras County. Construction in progress includes continued and ongoing expansion costs of the facilities. Such capitalized costs were \$-0- and \$26,330 at December 31, 2019 and 2018, respectively.

NOTE 5: PROPERTY HELD FOR SALE -

The above consist of donated jewelry and other noncash property, available for sale at auction.

NOTE 6: BEQUESTS RECEIVABLE -

Bequests receivable are promises to give as of December 31, 2019 and 2018. Such receivables reside in trusts and estates not yet distributed, or in wills contested by alternate beneficiaries. PAWS has not recorded any impairment of these receivables, as all accounts have been determined to be collectible.



PERFORMING ANIMAL WELFARE SOCIETY  
Notes to Financial Statements  
Years Ended December 31, 2019 and 2018

NOTE 7: LEASES -

Sale-Leaseback:

In February 2004, PAWS sold its 30-acre sanctuary property located in Galt. Simultaneously, PAWS entered into a 10-year lease with the new owner, so as to continue operating a sanctuary on the property. In March 2014, the original 10-year lease expired and, subsequently, PAWS continued to rent the property on a month-to-month basis, at the rate of \$3,000 per month, plus utilities. PAWS' lease includes the underlying land, as well as the building, animal enclosures, and other equipment housed on the property. The lease can be terminated by either party, with 30 days written notice.

Non-Cancelable Operating Leases:

PAWS has several noncancelable operating leases of equipment, as set forth below, expiring at various future dates.

*Copiers -*

As part of the Galt Office operations, PAWS began a noncancelable 60-month operating lease of a Xerox 7845i High-Capacity copier beginning in June 2017, calling for monthly payments of \$335.94, expiring in May 2022. PAWS is obligated to pay all executory costs, including taxes, maintenance, and insurance associated with this equipment. Rental expense for this copier for the years ended December 31, 2019 and 2018 was \$4,031.28 for both years. PAWS has an option at the end of the lease term to purchase the copier from the lessor at its then fair market value or, alternatively, to return it to the lessor in good condition. PAWS written intent to purchase the copier or to return it must be communicated to the lessor by no later than 90 days before the expiration of the lease term. Absent the above communication, the lease will automatically renew for an additional 12-month period, from the lease's expiration, and then on a month-to-month basis thereafter, until the purchase option is exercised or the copier is returned to the lessor.

PERFORMING ANIMAL WELFARE SOCIETY  
Notes to Financial Statements  
 Years Ended December 31, 2019 and 2018

NOTE 7: LEASES (Continued) -

Non-Cancelable Operating Leases (Continued):

*Copiers (Continued) -*

As part of the San Andreas Office operations, PAWS began a noncancelable 60-month operating lease of a Xerox Altalink C8045 copier beginning in October 2019, calling for monthly payments of \$292.00, expiring in September 2024. Monthly payments encompass the right to transact up to 1,000 black-and-white and 500 color copies per month. Monthly copies exceeding those thresholds are assessed an additional per-copy charge of \$.012 and \$.075 for black-and-white and color prints, respectively. PAWS is obligated to pay all executory costs, including taxes, maintenance, and insurance associated with this equipment. Rental expense for this copier for the year ended December 31, 2019, was \$986.00. Upon the expiration of this lease's 60-month term, it will automatically renew for an additional year, unless the lessor has been given written notice by PAWS, at least 60, but no earlier than 120, days before the end of the lease, that it is PAWS' intention to return the copier to the lessor in good condition.

Minimum lease payments under operating leases with remaining terms in excess of one year as of December 31, 2019, are:

Years Ending December 31:

2020	\$	7,535
2021		7,535
2022		5,184
2023		3,504
2024		<u>2,628</u>
		<u>\$ 26,386</u>

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS -

Per donor requirements, as warranted, restricted cash and investments equivalent to cash, including endowment funds, are maintained and accounted for separately.

PERFORMING ANIMAL WELFARE SOCIETY  
Notes to Financial Statements  
Years Ended December 31, 2019 and 2018

NOTE 9: OTHER DONATIONS -

Contributed assets are recorded at fair market value when PAWS obtains possession of the asset or an unconditional promise to give is made. During the years ended December 31, 2019 and 2018, PAWS received the following noncash assets or services:

	December 31,	
	2019	2018
Food and Medicine for Animals	\$ 16,648	\$ 17,880
Marketable Securities	42,432	3,046,014
Vehicles	4,924	-0-
Animal Shelter Supplies and Maintenance	9,178	6,911
Educational Materials	1,268	4,345
Office Supplies and Maintenance	-0-	850
	\$ 74,450	\$ 3,076,000

NOTE 10: INVESTMENTS –

Investment gains and (losses) are as follows:

	Years Ended December 31,	
	2019	2018
Investment Income	\$ 315,589	\$ 290,596
Net Realized Gains (Losses)	(126,966)	(15,551)
Net Unrealized Gains (Losses)	645,600	(398,235)
Total Investment Gain (Loss)	\$ 834,223	\$ (123,190)
Net Assets without Donor Restrictions	\$ 834,223	\$ (123,190)
Net Assets with Donor Restrictions	-0-	-0-
Total Investment Gain (Loss)	\$ 834,223	\$ (123,190)

PERFORMING ANIMAL WELFARE SOCIETY  
Notes to Financial Statements  
 Years Ended December 31, 2019 and 2018

NOTE 10: INVESTMENTS (Continued) –

Investments are stated at fair value, comprised of the following:

	December 31,	
	2019	2018
Current -		
Equity Securities	\$ -0-	\$ -0-
Mutual Funds	-0-	-0-
Certificates of Deposit	3,250,000	2,750,000
U.S. Treasury Bills	594,735	-0-
Alternative Investments	-0-	-0-
Total Short-Term Investments	<u>3,844,735</u>	<u>2,750,000</u>
Long-Term -		
Equity Securities	652,377	243,623
Mutual Funds	3,678,097	2,531,213
Certificates of Deposit	3,450,000	4,050,000
U.S. Treasury Bills	-0-	-0-
Alternative Investments	77,649	62,905
Total Long-Term Investments	<u>7,858,123</u>	<u>6,887,741</u>
Total -		
Equity Securities	652,377	243,623
Mutual Funds	3,678,097	2,531,213
Certificates of Deposit	6,700,000	6,800,000
U.S. Treasury Bills	594,735	-0-
Alternative Investments	77,649	62,905
Total Investments	<u>\$11,702,858</u>	<u>\$ 9,637,741</u>

Investment classifications are characterized by: Level 1 - Quoted prices in active markets for identical assets or liabilities; Level 2 - Significant other observable inputs; or Level 3 - Significant unobservable inputs. Portfolio investments under Management’s control are available for sale at Management’s discretion, and included entirely as Level 1 investments for purposes of these financial statements.

PERFORMING ANIMAL WELFARE SOCIETY  
Notes to Financial Statements  
 Years Ended December 31, 2019 and 2018

NOTE 10: INVESTMENTS (Continued) –

Carrying values of investments are:

	December 31,	
	2019	2018
Equity Securities	\$ 480,359	\$ 197,125
Mutual Funds	3,601,678	2,970,511
Certificates of Deposit	6,700,000	6,800,000
United States Treasury Bills	594,735	-0-
Alternative Investments	78,278	70,194
Total Carrying Value	\$ 11,455,050	\$ 6,189,824

NOTE 11: NET ASSETS -

The following summarizes activity in net asset components:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Ending Balance – 12/31/2017	\$16,272,825	\$ 27,181	\$16,300,006
Support and Revenue	4,179,791	-0-	4,179,791
Donations with Donor Restrictions	-0-	80,600	80,600
Investment Income (Loss)	(123,190)	-0-	(123,190)
Stock Donations	3,046,014	-0-	3,046,014
Reclassifications	80,600	(80,600)	-0-
Expenses	(3,706,111)	-0-	(3,706,111)
Change in Net Assets	3,477,104	-0-	3,477,104
Ending Balance – 12/31/2018	\$19,749,929	\$ 27,181	\$19,777,110
Support and Revenue	3,556,346	-0-	3,556,346
Donations with Donor Restrictions	-0-	39,990	39,990
Investment Income (Loss)	834,223	-0-	834,223
Stock Donations	42,432	-0-	42,432
Reclassifications	39,990	(39,990)	-0-
Expenses	(3,814,600)	-0-	(3,814,600)
Change in Net Assets	658,391	-0-	658,391
Ending Balance – 12/31/2019	\$20,408,320	\$ 27,181	\$20,435,501

PERFORMING ANIMAL WELFARE SOCIETY

Notes to Financial Statements

Years Ended December 31, 2019 and 2018

NOTE 11: NET ASSETS (Continued) -

For the years ended December 31, 2019 and 2018, contributions in the amounts of \$29,400 and \$41,600, respectively, were temporarily restricted for specific purposes. For the years ended December 31, 2019 and 2018, grants in the amounts of \$10,500 and \$39,000, respectively, were temporarily restricted for specific purposes. It is Management's policy to not carry over immaterial, temporary restrictions of its net assets, from year to year.

NOTE 12: LIQUIDITY –

The following reflects PAWS' financial assets as of the dates of the statements of position, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the dates of the statements of position.

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 1,449,198	\$ 1,677,837
Investment Income Receivable	23,858	23,488
Investments - Current	3,844,735	2,750,000
Bequests Receivable	<u>536,650</u>	<u>1,270,000</u>
	5,854,441	5,721,325
Less: Permanently Restricted Endowment		
Cash and Investments	<u>(27,181)</u>	<u>(27,181)</u>
Financial Assets available to meet Cash Needs for General Expenditures within One Year	<u>\$ 5,827,260</u>	<u>\$ 5,694,144</u>

A *financial asset* is a non-physical asset whose value is derived from a contractual claim, such as bank deposits, bonds, and stocks. *Financial assets* are convertible to cash on a fairly easy basis, like cash, receivables, and investments, but do not include assets like prepaid expenses, inventories, and fixed assets.

*General expenditures* commit financial assets to core, day-to-day operating costs of PAWS. Sufficient *financial assets* were available within one year of the statements of financial position as of December 31, 2019 and 2018, to meet *general expenditures*. PAWS' policy is to structure its *financial assets* so as to make them available as *general expenditures*, liabilities, and other obligations come due.

PERFORMING ANIMAL WELFARE SOCIETY  
Notes to Financial Statements  
Years Ended December 31, 2019 and 2018

NOTE 13: SUBSEQUENT EVENTS -

Management has evaluated subsequent events through the date the financial statements were available to be issued, which was April 10, 2020.

Subsequent to the date of these financial statements, a novel coronavirus, called COVID19, spread rapidly as a pandemic, extending its reach into various global sectors, including the United States. Countries, states, counties, and cities mandated varied quarantine levels on their population centers, exerting unprecedented curtailment of the conduct of business and those businesses' consumer bases. Federal and local governments continue to enact shelter-down or shut-down orders to moderate exposure of their citizens to the virus.

PAWS management believes that there is no imminent or long-term threat, from the above, to PAWS continuing to operate. Its supply chain remains intact, with both local and regional suppliers on solid footings. The animals have plenty of food, including that with which to forage, along with water availability and the utilities to support the preceding. Management is working closely with the United States Department of Agriculture (USDA) on any matters of concern.

Finally, in management's opinion, PAWS financial and cash positions are more than adequate to meet any new and emerging costs arising from the pandemic, and its donor base commitment continues to appear quite stable.

As of the issuance and availability dates of these financial statements, PAWS management is unable to estimate or quantify the range and scope of possible financial losses that will be sustained by the organization, due to the effects of the ongoing pandemic, combined with responsive federal and local governmental policies and actions.

SUPPLEMENTARY INFORMATION



PERFORMING ANIMAL WELFARE SOCIETY  
Detailed Schedules of Functional Expenses

	Year Ended December 31, 2019				
	Program Services	Supporting Services			Total Expenses
		Management	Fundraising	Subtotal	
Salaries and Wages	\$ 1,198,106	\$ 103,070	\$ 27,653	\$ 130,723	\$ 1,328,829
Compensation – Directors	43,776	3,127	15,635	18,762	62,538
Payroll Taxes	103,423	8,311	3,694	12,005	115,428
Employee Benefits	36,546	2,937	1,305	4,242	40,788
<b>Total Payroll Expenses</b>	<b>1,381,851</b>	<b>117,445</b>	<b>48,287</b>	<b>165,732</b>	<b>1,547,583</b>
Animal Feed and Supplies	159,888	-0-	-0-	-0-	159,888
Animal Shelter Supplies	32,170	-0-	-0-	-0-	32,170
Audit and Accounting Fees	-0-	121,400	-0-	121,400	121,400
Bank and Credit Card Costs	13,873	6,936	2,312	9,248	23,121
Behavioral Analysis	1,675	-0-	-0-	-0-	1,675
Conference	-0-	-0-	-0-	-0-	-0-
Consultants	72,414	23,982	23,511	47,493	119,907
Donor Relations	-0-	-0-	318	318	318
Educational Promotion	33,050	-0-	-0-	-0-	33,050
Equipment Rental	458	9,613	-0-	9,613	10,071
Fuel and Oil	21,869	2,430	-0-	2,430	24,299
Insurance	122,703	3,875	2,583	6,458	129,161
Legal Fees	-0-	99,484	-0-	99,485	99,485
Licenses and Permits	6,575	6,850	5,339	12,189	18,764
Mailing List and Services	4,059	-0-	2,185	2,185	6,244
Meeting Expenses	5,953	-0-	-0-	-0-	5,953
Miscellaneous	-0-	-0-	-0-	-0-	-0-
Office Supplies	3,901	14,734	-0-	14,734	18,635
Postage and Shipping	16,834	1,122	4,489	5,611	22,445
Printing and Publications	21,767	-0-	11,720	11,720	33,487
Property Taxes	21,175	-0-	-0-	-0-	21,175
Rent	34,991	8,748	-0-	8,748	43,739
Repairs and Maintenance	144,719	3,614	-0-	3,614	148,333
Security	77,100	-0-	-0-	-0-	77,100
Special Events	-0-	-0-	70,046	70,046	70,046
Telephone	13,501	1,588	794	2,382	15,883
Travel Program	788	-0-	-0-	-0-	788
Utilities	98,413	1,664	-0-	1,664	100,077
Veterinary Care and Medicine	331,867	-0-	-0-	-0-	331,867
Volunteer Expenses	-0-	-0-	1,068	1,068	1,068
Website and Computers	12,934	4,487	7,940	12,427	25,361
<b>Expenses before Depreciation</b>	<b>2,634,528</b>	<b>427,973</b>	<b>180,592</b>	<b>608,565</b>	<b>3,243,093</b>
<b>Depreciation</b>	<b>542,932</b>	<b>22,860</b>	<b>5,715</b>	<b>28,575</b>	<b>571,507</b>
<b>Total Functional Expenses</b>	<b>\$ 3,177,460</b>	<b>\$ 450,833</b>	<b>\$ 186,307</b>	<b>\$ 637,140</b>	<b>\$ 3,814,600</b>

SEE ACCOMPANYING NOTES.

Year Ended December 31, 2018

	Program Services	Supporting Services			Total Expenses
		Management	Fundraising	Subtotal	
Salaries and Wages	\$ 1,023,864	\$ 84,287	\$ 22,613	\$ 106,900	\$ 1,130,764
Compensation – Directors	43,443	5,792	8,688	14,480	57,923
Payroll Taxes	98,680	7,930	3,524	11,454	110,134
Employee Benefits	<u>35,639</u>	<u>2,864</u>	<u>1,273</u>	<u>4,137</u>	<u>39,776</u>
Total Payroll Expenses	1,201,626	100,873	36,098	136,971	1,338,597
Animal Feed and Supplies	186,203	-0-	-0-	-0-	186,203
Animal Shelter Supplies	28,417	-0-	-0-	-0-	28,417
Audit and Accounting Fees	-0-	127,760	-0-	127,760	127,760
Bank and Credit Card Costs	13,975	6,988	2,329	9,317	23,292
Behavioral Analysis	1,069	-0-	-0-	-0-	1,069
Conference	12,871	-0-	-0-	-0-	12,871
Consultants	69,299	24,508	23,065	47,573	116,872
Donor Relations	-0-	-0-	632	632	632
Educational Promotion	55,171	-0-	-0-	-0-	55,171
Equipment Rental	360	10,029	-0-	10,029	10,389
Fuel and Oil	20,937	2,326	-0-	2,326	23,263
Insurance	121,054	3,823	2,549	6,372	127,426
Legal Fees	-0-	62,113	-0-	62,113	62,113
Licenses and Permits	5,575	-0-	5,404	5,504	10,979
Mailing List and Services	4,668	-0-	2,513	2,513	7,181
Meeting Expenses	6,042	-0-	-0-	-0-	6,042
Miscellaneous	-0-	200	-0-	200	200
Office Supplies	1,985	-0-	5,114	5,114	7,099
Postage and Shipping	16,247	1,083	4,332	5,415	21,662
Printing and Publications	18,976	60	10,218	10,278	29,254
Property Taxes	20,070	-0-	-0-	-0-	20,070
Rent	39,750	9,938	-0-	9,938	49,688
Repairs and Maintenance	204,422	7,830	-0-	7,830	212,252
Security	123,525	-0-	-0-	-0-	123,525
Special Events	-0-	-0-	72,734	72,734	72,734
Telephone	11,114	1,308	653	1,961	13,075
Travel Program	2,168	-0-	-0-	-0-	2,168
Utilities	88,435	1,493	-0-	1,493	89,928
Veterinary Care and Medicine	325,412	-0-	-0-	-0-	325,412
Volunteer Expenses	-0-	-0-	2,965	2,965	2,965
Website and Computers	<u>20,923</u>	<u>4,839</u>	<u>7,314</u>	<u>12,153</u>	<u>33,076</u>
Expenses before Depreciation	2,600,294	365,171	175,920	541,091	3,141,385
Depreciation	<u>536,490</u>	<u>22,589</u>	<u>5,647</u>	<u>28,236</u>	<u>564,726</u>
Total Functional Expenses	<u>\$ 3,136,784</u>	<u>\$ 387,760</u>	<u>\$ 181,567</u>	<u>\$ 569,327</u>	<u>\$ 3,706,111</u>