PERFORMING ANIMAL WELFARE SOCIETY

Financial Statements

Years Ended
December 31, 2018 and 2017

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, 2018 and 2017

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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 (a California nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, 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.

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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 Performing Animal Welfare Society as of December 31, 2018 and 2017, 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.

Emphasis of Matter

The Performing Animal Welfare Society adopted the provisions of Financial Accounting Standards Update No. 2016-14 on a retrospective basis for the years ended December 31, 2018 and 2017, effectively recasting the previously-issued financial statements as of, and for the year ended December 31, 2017. Early adoption of this accounting standard - mandatory for PAWS year ended December 31, 2018 – is more fully explained at Note 1, Pages 8 to 11, "Reclassifications." Adoption caused no material changes to the previously-issued financial statements, not does it affect our opinion on the comparative financial statements.

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.

McCurry & White LLP

Stockton, California
May 31, 2019

PERFORMING ANIMAL WELFARE SOCIETY

Statements of Financial Position

	December 31, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 1,650,652	$ 1,860,142
Temporarily Restricted Cash and Cash Equivalents	-0-	12,166
Investment Income Receivable	23,488	8,634
Investments – Current (Note 10)	2,750,000	1,335,000
Prepaid Expenses	90,529	86,129
Total Current Assets	4,514,669	3,202,071
OTHER ASSETS:		
Permanently Restricted Endowment Cash and Equivalents	27,181	27,181
Property and Equipment – Net (Note 3)	7,111,030	7,549,125
Construction in Progress (Note 4)	26,330	-0-
Investments – Long-Term (Note 10)	6,887,741	4,855,267
Property Held for Sale (Note 5)	10,660	10,660
Bequests Receivable (Note 6)	1,270,000	693,000
Deposits	4,696	5,822
Total Other Assets	15,337,638	13,141,055
TOTAL ASSETS	$ 19,852,307	$ 16,443,126
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	$ 71,393	$ 93,200
Accrued Payroll	3,804	49,920
Total Current Liabilities	75,197	143,120
NET ASSETS (Note 12):		
Net Assets without Donor Restrictions (Note 1)	19,749,929	16,272,825
Net Assets with Donor Restrictions (Note 1)	27,181	27,181
Total Net Assets	19,777,110	16,300,006
TOTAL LIABILITIES AND NET ASSETS	$ 19,852,307	$ 16,443,126

SEE ACCOMPANYING NOTES.

PERFORMING ANIMAL WELFARE SOCIETY

Statements of Activities

	Year Ended December 31, 2018		
	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
CHANGES IN NET ASSETS:			
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
Bull Elephant Campaign	-0-	-0-	-0-
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	4,372	-0-	4,372
Total Revenue, Gains, and Other Support	4,179,791	80,600	4,260,391
OTHER REVENUES (LOSSES):			
Investment Gains (Losses) (Note 10)	(123,190)	-0-	(123,190)
Stock Donations	3,046,014	-0-	3,046,014
Gain (Loss) on Disposal of Assets	-0-	-0-	-0-
Reclassifications	80,600	(80,600)	-0-
Total Support, Revenue, and Reclassifications	7,183,215	-0-	7,183,215
EXPENSES:			
Direct Program Services	3,136,784	-0-	3,136,784
Supporting Services:			
Management	387,760	-0-	387,760
Fundraising	181,567	-0-	181,567
Total Supporting Services	569,327	-0-	569,327
Total Expenses	3,706,111	-0-	3,706,111
CHANGE IN NET ASSETS	3,477,104	-0-	3,477,104
NET ASSETS (Note 11):			
Beginning of Year	16,272,825	27,181	16,300,006
End of Year	$ 19,749,929	$ 27,181	$ 19,777,110

SEE ACCOMPANYING NOTES.

	Year Ended December 31, 2017		
	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
CHANGES IN NET ASSETS:			
Contributions	$ 920,608	$ 41,600	$ 966,698
Legacies and Bequests	773,629	71,823	845,752
Advocacy Campaign	-0-	-0-	-0-
Annual Conference	-0-	-0-	-0-
Affiliate Program	-0-	-0-	-0-
Bull Elephant Campaign	-0-	800	800
Noncash Contributions	56,535	-0-	56,535
Events and Conferences	200,766	-0-	200,766
Pledge Program	115,619	-0-	115,619
Grants	242,499	27,976	270,475
Memorials	25,116	-0-	25,116
Adoptions	46,046	-0-	46,046
Educational Materials	23,701	-0-	23,701
Miscellaneous	1,036	-0-	1,036
Total Revenue, Gains, and Other Support	2,405,555	146,989	2,552,544
OTHER REVENUES (LOSSES):			
Investment Gains (Losses) (Note 10)	294,800	-0-	294,800
Stock Donations	-0-	-0-	-0-
Gain (Loss) on Disposal of Assets	-0-	-0-	-0-
Reclassifications	186,521	(186,521)	-0-
Total Support, Revenue, and Reclassifications	2,886,876	(39,532)	2,847,344
EXPENSES:			
Direct Program Services	3,075,418	-0-	3,075,418
Supporting Services:			
Management	357,323	-0-	357,323
Fundraising	185,267	-0-	185,267
Total Supporting Services	542,590	-0-	542,590
Total Expenses	3,618,008	-0-	3,618,008
CHANGE IN NET ASSETS	(731,132)	(39,532)	(770,664)
NET ASSETS (Note 11):			
Beginning of Year	17,003,957	66,713	17,070,670
End of Year	$ 16,272,825	$ 27,181	$ 16,300,006

PERFORMING ANIMAL WELFARE SOCIETY

Statements of Functional Expenses

	Year Ended December 31, 2018				
	Program Services	Supporting Services Management	Supporting Services Fundraising	Supporting Services Subtotal	Total Expenses
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	$ 3,136,784	$ 387,760	$ 181,567	$ 569,327	$ 3,706,111

	Year Ended December 31, 2017				
	Program Services	Supporting Services Management	Supporting Services Fundraising	Supporting Services Subtotal	Total Expenses
Salaries and Wages	$ 998,076	$ 97,099	$ 35,309	$ 132,408	$ 1,130,484
Employee Benefits	143,234	14,649	4,883	19,532	162,766
Animal Sanctuary Costs	634,292	-0-	-0-	-0-	634,292
Professional Services	25,292	132,307	-0-	132,307	157,599
Operating Supplies	56,137	10,227	5,460	15,687	71,824
Purchased and Rental Services	275,053	46,517	45,935	92,452	367,505
Occupancy and Utilities	383,072	20,719	665	21,384	404,456
Other Expenses	4,303	12,396	87,163	99,559	103,862
Conference	-0-	-0-	-0-	-0-	-0-
	2,519,459	333,914	179,415	513,329	3,032,788
Depreciation	555,959	23,409	5,852	29,261	585,220
Total Functional Expenses	$ 3,075,418	$ 357,323	$ 185,267	$ 542,590	$ 3,618,008

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

	Years Ended December 31, 2018	2017
OPERATING ACTIVITIES:		
Change in Net Assets	$ 3,477,104	$ (770,664)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by (Used in) Operating Activities –		
Depreciation and Amortization	564,726	585,200
Net Realized and Unrealized (Gains) Losses on Investments	413,786	(137,961)
Contributions in Kind	(29,986)	(67,213)
Receipt of Contributed Securities	(3,046,014)	(17,622)
Proceeds from Sale of Contributed Securities	2,984,019	19,720
(Increase) Decrease in:		
Bequests Receivable	(577,000)	395,200
Investment Income Receivable	(14,854)	4,407
Prepaid Expenses	(4,400)	7,004
Property Held for Sale and Other Assets	1,126	35,520
Increase (Decrease) in:		
Accounts Payable and Accrued Payroll	(67,923)	47,542
Net Cash Provided by Operating Activities	3,700,584	98,153
INVESTING ACTIVITIES:		
Proceeds from Sale of Investments	631,988	800,000
Acquisition of Investments	(4,376,935)	(920,441)
Cash Investment in Endowment Cash and Mutual Fund	-0-	(748)
Cash Expended for Construction in Progress	(26,330)	(27,976)
Cash Expended for Property and Equipment	(126,631)	(39,375)
Net Cash Used in Investing Activities	(3,897,908)	(178,540)
FINANCING ACTIVITIES:		
Contributions for Permanent Endowment Assets	-0-	748
Net Cash Released from Restrictions	(12,166)	53,969
Contributions for Capital Expenditures	-0-	(40,280)
Net Cash Provided by (Used in) Financing Activities	(12,166)	14,437
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(209,490)	(69,950)
CASH AND CASH EQUIVALENTS:		
Beginning of Year	1,860,142	1,926,092
End of Year	$ 1,650,652	$ 1,860,142

SEE ACCOMPANYING NOTES.

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:

Prior to the adoption and implementation of the Financial Accounting Standards Board's (FASB) ASU 2016-14 *(the ASU)* (see "Reclassifications" section included in this Summary of Significant Accounting Policies) PAWS reported information regarding its financial position and activities according to three classes of net assets that were based upon the existence or absence of restrictions imposed by donors regarding the use of donated assets, into one or more of the following categories: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. How these classes operated and interrelated previously, and how their treatment may have changed under *the ASU* is set forth below:

Unrestricted Net Assets -

Unrestricted net assets were resources available to support operations. The only limits on the use of unrestricted net assets are broad limits resulting from the nature of PAWS' operations, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others entered into in the course of PAWS operations. The definition of unrestricted net assets was unaffected by the adoption of *the ASU*; however, the class within which such net assets are now included is called "net assets without donor restrictions.

Temporarily Restricted Net Assets -

Temporarily restricted net assets were resources restricted by a donor to be used for a particular purpose or within a particular future period. Unspent contributions to PAWS were reported in this class if the donor limited their use. The unspent appreciation of PAWS' donor-restricted endowment funds was also reported as temporarily restricted net assets. This former class of net assets is now included as part of "net assets with donor restrictions," subsequent to implementation of *the ASU.*

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -

Basis of Presentation:

Prior to the adoption and implementation of the Financial Accounting Standards Board's (FASB) ASU 2016-14 (*the ASU*) (see "Reclassifications" section included in this Summary of Significant Accounting Policies) PAWS reported information regarding its financial position and activities according to three classes of net assets that were based upon the existence or absence of restrictions imposed by donors regarding the use of donated assets, into one or more of the following categories: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. How these classes operated and interrelated previously, and how their treatment may have changed under *the ASU* is set forth below (Continued):

Temporarily Restricted Net Assets (Continued) -

Formerly, contributions of property and equipment, or cash that were restricted to acquisition of property and equipment were reported as temporarily restricted net assets if the donor had restricted use of the property or equipment to a specific program. Where donors specified a length of time within which the property or equipment would have to be used, such restrictions were subject to expiration evenly over the required period. Where no use restriction applied, management treated a restriction as having been met when the assets were placed in service.

When a donor's restriction was satisfied, either by using the resources in the manner specified by the donor or by the passage of time, expiration of a restriction was reported in the financial statements by reclassifying net assets from the temporarily restricted to an unrestricted status. Fundamentally, the above definitions still apply, but the terminology is now dictated by *the ASU*

Permanently Restricted Net Assets -

Prior to *the ASU*, net assets whose use was limited by donor-imposed restrictions that neither expired by being used in accordance with a donor's restriction, nor by the passage of time, were termed permanently restricted net assets. For such assets, PAWS committed to maintaining and preserving the principal portion of donor-restricted endowment funds in perpetuity, treating them as an endowment of principal. Subsequent to *the ASU*, such permanent restrictions of net assets are now included in the second category: "net assets with donor restrictions."

Reclassifications:

Certain amounts presented in the financial statements for the year ended December 31, 2017, have been reclassified so as to better conform to the presentation adopted for the year ended December 31, 2018.

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

Reclassifications (Continued):

New Accounting Pronouncement -

On August 18, 2016, the Financial Accounting and Standards Board (FASB) issued ASU 2016-14 (*the ASU*) *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which significantly amended the standards for presentation and accompanying disclosures of the financial statements of nonprofit organizations. The issuance of *the ASU* resulted from a FASB project having the broad objective of reexamining standards for financial statement presentation to be applied by nonprofit organizations, developed by FASB more than 20 years ago. The project was divided into two phases: *The ASU* was the outcome of Phase 1; Phase 2 is focused on defining operating measures and aligning the presentation of operating measures in the statement of activities with those in the statement of cash flows. Those issues are being examined in a research project addressing performance measures for business enterprises. There is currently no timeframe for completing Phase 2. Users can monitor the status of this project at www.fasb.org.

PAWS presented its financial statements by applying changes retrospectively to the comparative periods. *The ASU* bears on the following aspects of PAWS' financial statements:

- *The ASU* is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, with earlier implementation permitted. Previously-issued 2017 annual financial statements were recast to conform on a comparative basis to the new presentation and disclosures implemented for 2018.

- Only two classes of net assets are reported in the statement of financial position, as opposed to the formerly-presented three classes.

- The previously-presented *temporarily restricted* and *permanently restricted* net asset classes have been combined into a single net asset class called *net assets with donor restrictions.*

- The unrestricted net asset class has been renamed *net assets without donor restrictions*.

- There were no changes in the amounts previously presented as *unrestricted net assets*, now presented as *net assets without donor restrictions*.

- Disclosures about designations of net assets made by the governmental board are now required.

- Nonprofit organizations are required to describe the methods used to allocate costs among the program and support functions. To enhance the consistency of allocation, *the ASU* provides examples that differentiate activities that constitute direct conduct or direct supervision of program activities that are classified as management and general.

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

Reclassifications (Continued):

New Accounting Pronouncement (Continued) -

PAWS presented its financial statements by applying changes retrospectively to the comparative periods. *The ASU* bears on the following aspects of PAWS' financial statements (Continued):

- All nonprofit organizations, not just voluntary health and welfare organizations, are required to present an analysis of expenses by both nature and function in one location – either on the face of the statement of activities, as a separate statement, or in the notes to the financial statements. Voluntary health and welfare organizations have the same three choices for presentation, and they are no longer required to present a separate statement of functional expenses. As a voluntary health and welfare organization, PAWS has chosen to continue presenting its statement of functional expenses as a separate statement, and to now include an analysis of expenses as part of its statement of activities.

- Nonprofit organizations are still permitted to report cash flows from operating activities using either the direct or indirect methods. However, a reconciliation to the indirect method is no longer required when the direct method is used. PAWS will continue to present its statement of cash flows using the indirect method.

- Investment return is reported net of external and direct internal investment expenses on the statement of activities in the net asset category in which the net investment return is reported. The current requirement to disclose the amount of these expenses is eliminated. *The ASU* provides guidelines for the types of expenses that can be netted against investment income.

- The release of restrictions on donor-restricted gifts of cash or assets to be used to acquire or construct capital assets is recognized when the assets are placed in service, unless the donor places a time restriction on the use of the asset. Previously, a nonprofit organization could choose whether to release restrictions when the assets were placed in service or over their useful lives. Assuming an organization had adopted a policy to release the restriction over the useful lives of the capital assets, any remaining net assets classified as temporarily restricted are to be reclassified as net assets without donor restrictions upon implementation of *the ASU.*

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

Reclassifications (Continued):

New Accounting Pronouncement (Continued) -

PAWS presented its financial statements by applying changes retrospectively to the comparative periods. *The ASU* bears on the following aspects of PAWS' financial statements (Continued):

- Nonprofit organizations are required to provide more information about liquidity of their assets and how the availability of the financial assets is limited by donor-imposed restrictions, legal restrictions, and governing board designations. The organization must present both qualitative and quantitative information about how the organization manages liquid assets to meet cash needs for general expenditures within one year from the date of the statement of financial position. The above disclosures are in addition to the existing requirement to report on the face of the financial statements or in the notes to the financial statements information about the nature and amounts of restrictions and limits on liquid assets' availability, whether limited by their nature; by external limits imposed by donors, grantors, laws, or contracts; or by internal limits self-imposed by governing boards.

- *The ASU* defines the term *underwater endowment* and changes the net asset classification of the deficit when the fair value of the assets of an endowment is less than the original gift (or other amount that the organization must maintain in perpetuity). If an organization has deficits that have previously been reported within unrestricted net assets, these deficits will need to be reclassified and reported as net assets with donor restrictions on the statement of financial position. For each period that is presented, the organization is required to disclose in the aggregate, for all underwater endowment funds, the fair value of the underwater endowments, the original amount of the endowments (or the level required to be maintained by donor stipulations or by law that extends donor restrictions), and the deficiency (the amount by which the original gifts exceed the fair value of the endowments). The organization's policy for appropriation from underwater endowment funds and any actions taken during the period must be disclosed.

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.

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

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, 2018 or 2017.

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.

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.

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

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

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.

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

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.

Donor-Restricted Endowment:

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.

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, 2018, 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.

NOTE 2: FINANCIAL INSTRUMENTS (Continued) -

Concentrations arising from Cash Deposits in Excess of Insured Limits (Continued):

Brokerages (Continued) -

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, 2018 and 2017, consistent with its policy, PAWS held no such money market funds.

NOTE 3: PROPERTY AND EQUIPMENT -

Property and equipment consist of the following:

	December 31, 2018	December 31, 2017
Land	$ 1,777,169	$ 1,777,169
Buildings and Structural Components	9,920,483	9,837,423
Equipment	1,157,237	1,140,466
Furnishings	54,733	54,733
Vehicles	113,306	86,506
	13,022,928	12,896,297
Less: Accumulated Depreciation	(5,911,898)	(5,347,172)
Book Value	$ 7,111,030	$ 7,549,125

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 $26,330 and $-0- at December 31, 2018 and 2017, 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, 2018 and 2017. Such receivables reside in trusts and estates not yet distributed, or in wills contested by alternate beneficiaries. PAWS has not recorded an allowance, as all accounts have been determined to be collectible.

NOTE 7: LEASES -

PAWS leases a portion of Sacramento Municipal Utility District's (SMUD) Rancho Seco Recreational Area. The original lease was revised on February 22, 2002, from a five-to a twenty-year term, stipulating that the lease may be extended indefinitely in increments not exceeding five years. New lease agreements were entered into, commencing July 5, 2017, and July 1, 2016, each for one year. Annual terms of the recent leases allow extension at the end of each year, and successive periods thereafter, not to exceed five years, in exchange for PAWS' annual, upfront lease payments of $1,688.02 and $1,638.85, at July 1, 2018, and July 1, 2017, respectively. As of the issuance date of these financial statements, the subsequent lease agreement for the fiscal year July 1, 2019, to June 30, 2020, had not yet been approved by SMUD.

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.

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, 2018 and 2017, PAWS received the following noncash assets or services:

	December 31,	
	2018	2017
Food and Medicine for Animals	$ 17,880	$ 10,046
Marketable Securities	3,046,014	17,622
Vehicles	-0-	5,000
Shelter Equipment	-0-	13,000
Animal Shelter Supplies and Maintenance	6,911	4,056
Educational Materials	4,345	6,380
Office Supplies and Maintenance	850	431
	$ 3,076,000	$ 56,535

NOTE 10: INVESTMENTS –

Investment gains and (losses) are as follows:

	Years Ended December 31, 2018	Years Ended December 31, 2017
Investment Income	$ 290,596	$ 156,839
Net Realized Gains (Losses)	(15,551)	(164)
Net Unrealized Gains (Losses)	(398,235)	138,125
Total Investment Gain (Loss)	$ (123,190)	$ 294,800
Net Assets without Donor Restrictions	$ (123,190)	$ 294,800
Net Assets with Donor Restrictions	-0-	-0-
Total Investment Gain (Loss)	$ (123,190)	$ 294,800

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

	December 31, 2018	December 31, 2017
Current -		
Equity Securities	$ -0-	$ -0-
Mutual Funds	-0-	-0-
Certificates of Deposit	2,750,000	1,335,000
Alternative Investments	-0-	-0-
Total Short-Term Investments	2,750,000	1,335,000
Long-Term -		
Equity Securities	243,623	202,545
Mutual Funds	2,531,213	1,684,196
Certificates of Deposit	4,050,000	2,900,000
Alternative Investments	62,905	68,526
Total Long-Term Investments	6,887,741	4,855,267
Total -		
Equity Securities	243,623	202,545
Mutual Funds	2,531,213	1,684,196
Certificates of Deposit	6,800,000	4,235,000
Alternative Investments	62,905	68,526
Total Investments	$ 9,637,741	$ 6,190,267

Investments are classified as: Level 1 - Characterized by quoted prices in active markets for identical assets or liabilities; Level 2 - Characterized by significant other observable inputs; or Level 3 - Significant unobservable inputs. Portfolio investments are under independent, outside financial management, deemed

NOTE 10: INVESTMENTS (Continued) -

by PAWS management to be available for sale at the discretion of its outside advisors, and included entirely as Level 1 investments for purposes of these financial statements.

The carrying values of the above investments are as follows:

	December 31,	
	2018	2017
Equity Securities	$ 197,125	$ 156,599
Mutual Funds	2,970,511	1,728,031
Certificates of Deposit	6,800,000	4,235,000
Alternative Investments	67,897	70,194
Total Carrying Value	$ 10,035,533	$ 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 – 12/31/2016	$ 17,003,957	$ 66,713	$ 17,070,670
Support and Revenue	2,405,555	-0-	2,405,555
Donations with Donor Restrictions	-0-	146,989	146,241
Investment Income (Loss)	294,800	-0-	294,800
Stock Donations	-0-	-0-	-0-
Reclassifications	186,521	(186,521)	-0-
Expenses	(3,618,008)	-0-	(3,618,008)
Change in Net Assets	(731,132)	(39,532)	(770,664)
Ending Balance – 12/31/2017	$ 16,272,825	$ 27,181	$ 16,300,006
Support and Revenue	4,179,792	-0-	4,179,792
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	(3,706,112)	-0-	(3,706,112)
Change in Net Assets	3,477,104	-0-	3,477,104
Ending Balance – 12/31/2018	$ 19,749,929	$ 27,181	$ 19,777,110

NOTE 12: LIQUIDITY -

	December 31, 2018	December 31, 2017
Current Assets:		
Cash and Cash Equivalents	$ 1,650,652	$ 1,860,142
Temporarily Restricted Cash and Cash Equivalents	-0-	12,166
Investment Income Receivable	23,488	8,634
Investments – Current (Note 10)	2,750,000	1,335,000
Prepaid Expenses	90,529	86,129
Total Current Assets	4,514,669	3,202,071
Other Assets:		
Permanently Restricted Endowment Cash and Equivalents	27,181	27,181
Property and Equipment – Net (Note 3)	7,111,030	7,549,125
Construction in Progress (Note 4)	26,330	-0-
Investments – Long-Term (Note 10)	6,887,741	4,855,267
Property Held for Sale (Note 5)	10,660	10,660
Bequests Receivable (Note 6)	1,270,000	693,000
Deposits	4,696	5,822
Total Current Assets	15,337,638	13,141,055
Total Assets	$ 19,852,307	$ 16,443,126
Liabilities:		
Accounts Payable and Accrued Payroll	$ 71,393	$ 93,200
Accrued Payroll	3,804	49,920
Total Liabilities	75,197	143,120
Net Assets:		
Without Donor Restrictions	19,749,929	16,272,825
With Donor Restrictions	27,181	27,181
Total Net Assets	19,777,110	16,300,006
Total Liabilities and Net Assets	$ 19,852,307	$ 16,443,126

NOTE 12: LIQUIDITY (Continued) -

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.

PAWS' policy is to structure its *financial assets* so as to make them available as *general expenditures,* liabilities, and other obligations come due.

Financial assets were available within one year (1) year of the statements of financial position as of December 31, 2018 and 2017, to meet *general expenditures*, consisting of $1,650,652 and $1,860,142 in cash, $23,488 and $8,634 in investment income receivable, and investments of $9,637,741 and $6,190,267, respectively. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for *general expenditures* within one year of the statement of financial position date.

NOTE 13: SUBSEQUENT EVENTS -

Management has evaluated subsequent events through the date the financial statements were available to be issued, which was May 31, 2019.

SUPPLEMENTARY INFORMATION

PERFORMING ANIMAL WELFARE SOCIETY

Detailed Schedules of Functional Expenses

	Year Ended December 31, 2018				
	Program	Supporting Services			Total
	Services	Management	Fundraising	Subtotal	Expenses
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	35,639	2,864	1,273	4,137	39,776
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	20,923	4,839	7,314	12,153	33,076
Expenses before Depreciation	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	$ 3,136,784	$ 387,760	$ 181,567	$ 569,327	$ 3,706,111

SEE ACCOMPANYING NOTES.

	Year Ended December 31, 2017				
	Program Services	Supporting Services			Total Expenses
		Management	Fundraising	Subtotal	
Salaries and Wages	$ 951,346	$ 90,868	$ 25,962	$ 116,830	$ 1,068,176
Compensation – Directors	46,731	6,231	9,346	15,577	62,308
Payroll Taxes	88,459	9,047	3,016	12,063	100,522
Employee Benefits	54,775	5,602	1,867	7,469	62,244
Total Payroll Expenses	1,141,311	111,748	40,191	151,939	1,293,250
Animal Feed and Supplies	207,650	-0-	-0-	-0-	207,650
Animal Shelter Supplies	33,170	-0-	-0-	-0-	33,170
Audit and Accounting Fees	-0-	106,835	-0-	106,835	106,835
Bank and Credit Card Costs	13,568	6,784	2,261	9,045	22,613
Behavioral Analysis	583	-0-	-0-	-0-	583
Conference	-0-	-0-	-0-	-0-	-0-
Consultants	78,097	22,507	23,714	46,221	124,318
Donor Relations	-0-	-0-	-0-	-0-	-0-
Educational Promotion	16,509	-0-	-0-	-0-	16,509
Equipment Rental	27,176	11,345	-0-	11,345	38,521
Fuel and Oil	15,429	1,714	-0-	1,714	17,143
Insurance	102,143	3,226	2,150	5,376	107,519
Legal Fees	25,292	25,471	-0-	25,471	50,763
Licenses and Permits	4,303	12,316	-0-	12,316	16,619
Mailing List and Services	2,627	-0-	1,414	1,414	4,041
Meeting Expenses	9,274	-0-	-0-	-0-	9,274
Miscellaneous	-0-	80	-0-	80	80
Office Supplies	3,726	7,147	-0-	7,147	10,873
Postage and Shipping	20,473	1,366	5,460	6,826	27,299
Printing and Publications	16,017	114	8,624	8,738	24,755
Property Taxes	19,572	-0-	-0-	-0-	19,572
Rent	39,711	9,928	-0-	9,928	49,639
Repairs and Maintenance	102,080	8,244	-0-	8,244	110,324
Security	136,239	-0-	-0-	-0-	136,239
Special Events	-0-	-0-	83,402	83,402	83,402
Telephone	11,299	1,329	665	1,994	13,293
Travel Program	5,193	-0-	-0-	-0-	5,193
Utilities	74,171	1,218	-0-	1,218	75,389
Veterinary Care and Medicine	392,888	-0-	-0-	-0-	392,888
Volunteer Expenses	-0-	-0-	3,763	3,763	3,763
Website and Computers	20,958	2,542	7,771	10,313	31,271
Expenses before Depreciation	2,519,459	333,914	179,415	513,329	3,032,788
Depreciation	555,959	23,409	5,852	29,261	585,220
Total Functional Expenses	$ 3,075,418	$ 357,323	$ 185,267	$ 542,590	$ 3,618,008