

PAWS CHICAGO

FINANCIAL REPORT

DECEMBER 31, 2013 AND 2012

# BANSLEY AND KIENER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

O'HARE PLAZA

8745 WEST HIGGINS ROAD, SUITE 200

CHICAGO, ILLINOIS 60631

AREA CODE 312 263.2700

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
PAWS Chicago  
Chicago, Illinois

We have audited the accompanying financial statements of PAWS Chicago, which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PAWS Chicago as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Bansley and Kiener, L.L.P.*

Certified Public Accountants

May 12, 2014

PAWS CHICAGOSTATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Cash	\$ 2,846,286	\$ 1,324,598
Investments, at fair value	15,389,389	11,548,173
Unconditional promises to give, net	780,748	1,627,254
Accounts receivable	219,625	58,478
Inventories	74,503	54,350
Prepaid expenses	113,219	99,710
Property and equipment, net	11,715,664	11,939,795
	<u>\$ 31,139,434</u>	<u>\$ 26,652,358</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	\$ 145,877	\$ 241,809
Accrued property taxes	-	3,388
Accrued payroll and taxes	97,285	70,492
Deferred revenue	10,000	1,500
	<u>253,162</u>	<u>317,189</u>
Net assets		
Unrestricted	15,192,850	14,107,761
Temporarily restricted	15,503,422	12,072,408
Permanently restricted	190,000	155,000
	<u>30,886,272</u>	<u>26,335,169</u>
Total liabilities and net assets	<u>\$ 31,139,434</u>	<u>\$ 26,652,358</u>

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

STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013					2012						
	UNRESTRICTED			Temporarily Restricted	Permanently Restricted	Total	UNRESTRICTED			Temporarily Restricted	Permanently Restricted	Total
	Operations	Board Designated	Total				Operations	Board Designated	Total			
<b>REVENUE</b>												
Program service fees:												
Adoption center	\$ 905,130	\$ -	\$ 905,130	\$ -	\$ -	\$ 905,130	\$ 820,697	\$ -	\$ 820,697	\$ -	\$ -	\$ 820,697
Admission center	14,380	-	14,380	-	-	14,380	14,123	-	14,123	-	-	14,123
Spay/neuter clinic	917,023	-	917,023	-	-	917,023	785,391	-	785,391	-	-	785,391
GUS mobile	15,409	-	15,409	-	-	15,409	10,440	-	10,440	-	-	10,440
Contributions	4,185,111	837,336	5,022,447	925,364	35,000	5,982,811	1,168,363	1,964,501	3,132,864	741,420	30,000	3,904,284
Contributions - in kind	492,404	-	492,404	-	-	492,404	543,000	-	543,000	-	-	543,000
Investment income	232	-	232	450,077	-	450,309	550	-	550	300,714	-	301,264
Net appreciation of investments	-	-	-	2,289,039	-	2,289,039	-	-	-	759,731	-	759,731
Special events	2,541,481	-	2,541,481	-	-	2,541,481	2,414,795	-	2,414,795	-	-	2,414,795
Other income	174,468	-	174,468	-	-	174,468	185,760	-	185,760	-	-	185,760
Net assets released from restrictions	233,466	-	233,466	(233,466)	-	-	2,109,824	-	2,109,824	(2,092,498)	(17,326)	-
Total revenue	9,479,104	837,336	10,316,440	3,431,014	35,000	13,782,454	8,052,943	1,964,501	10,017,444	(290,633)	12,674	9,739,485
<b>EXPENSES</b>												
Program services:												
Rescue & recovery center	2,357,179	-	2,357,179	-	-	2,357,179	1,930,635	-	1,930,635	-	-	1,930,635
Spay/neuter clinic	1,685,762	-	1,685,762	-	-	1,685,762	1,569,895	-	1,569,895	-	-	1,569,895
Adoption center	2,147,830	-	2,147,830	-	-	2,147,830	1,792,525	-	1,792,525	-	-	1,792,525
Humane education	701,238	-	701,238	-	-	701,238	762,803	-	762,803	-	-	762,803
GUS mobile	54,426	-	54,426	-	-	54,426	87,437	-	87,437	-	-	87,437
	6,946,435	-	6,946,435	-	-	6,946,435	6,143,295	-	6,143,295	-	-	6,143,295
Supporting services:												
Management and general	334,914	-	334,914	-	-	334,914	247,283	-	247,283	-	-	247,283
Special events	1,484,001	-	1,484,001	-	-	1,484,001	1,447,325	-	1,447,325	-	-	1,447,325
Fundraising	466,001	-	466,001	-	-	466,001	370,750	-	370,750	-	-	370,750
	2,284,916	-	2,284,916	-	-	2,284,916	2,065,358	-	2,065,358	-	-	2,065,358
Total expenses	9,231,351	-	9,231,351	-	-	9,231,351	8,208,653	-	8,208,653	-	-	8,208,653
Change in net assets	247,753	837,336	1,085,089	3,431,014	35,000	4,551,103	(155,710)	1,964,501	1,808,791	(290,633)	12,674	1,530,832
Net assets at beginning of year	9,662,898	4,444,863	14,107,761	12,072,408	155,000	26,335,169	9,818,608	2,480,362	12,298,970	12,363,041	142,326	24,804,337
Net assets at end of year	\$ 9,910,651	\$ 5,282,199	\$ 15,192,850	\$ 15,503,422	\$ 190,000	\$ 30,886,272	\$ 9,662,898	\$ 4,444,863	\$ 14,107,761	\$ 12,072,408	\$ 155,000	\$ 26,335,169

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

PAWS CHICAGOSTATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from customers	\$ 1,873,763	\$ 1,783,927
Cash received from contributors	9,088,364	6,786,956
Investment income received	450,309	301,264
Cash paid to employees and suppliers	(8,342,365)	(7,472,592)
Net cash provided by operating activities	<u>3,070,071</u>	<u>1,399,555</u>
Cash flows from investing activities:		
Purchases of investment securities	(3,193,588)	(3,882,515)
Sale of investment securities	1,743,474	923,188
Purchases of property and equipment	(133,269)	(2,011,255)
Net cash used in investing activities	<u>(1,583,383)</u>	<u>(4,970,582)</u>
Cash flows from financing activities:		
Contributions restricted for long-term purposes	<u>35,000</u>	<u>30,000</u>
Increase (decrease) in cash	1,521,688	(3,541,027)
Cash at beginning of year	<u>1,324,598</u>	<u>4,865,625</u>
Cash at end of year	<u>\$ 2,846,286</u>	<u>\$ 1,324,598</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	<u>\$ 4,551,103</u>	<u>\$ 1,530,832</u>
Adjustments:		
Net appreciation in investments	(2,289,039)	(759,732)
Depreciation	357,400	315,315
Provision for doubtful pledges	145,371	204,958
Contributions restricted for long-term purposes	(35,000)	(30,000)
Contributed investments received	(102,063)	(433,707)
(Increase) decrease in:		
Unconditional promises to give	701,135	726,627
Accounts receivable	(161,147)	9,516
Inventories	(20,153)	1,637
Prepaid expenses	(13,509)	1,856
Increase (decrease) in:		
Accounts payable	(95,932)	(67,824)
Deferred revenue	8,500	(42,000)
Accrued property taxes	(3,388)	(70,036)
Accrued payroll and taxes	26,793	12,113
Total adjustments	<u>(1,481,032)</u>	<u>(131,277)</u>
Net cash provided by operating activities	<u>\$ 3,070,071</u>	<u>\$ 1,399,555</u>
Supplemental disclosure of non-cash operating and financing activities:		
In-kind contributions	<u>\$ 492,404</u>	<u>\$ 543,000</u>

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

PAWS CHICAGONOTES TO FINANCIAL STATEMENTS

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

*Nature of Activities*

PAWS Chicago, a nonprofit corporation, was organized on January 29, 1998. PAWS Chicago seeks to end the killing of homeless pets by reducing unwanted litters, increasing adoptions and promoting responsible pet care. PAWS Chicago operates a shelter and facilitates foster care for homeless cats and dogs until they can be placed in loving homes. PAWS Chicago is reducing the city's tragic pet overpopulation problem by providing free and low-cost spay/neuter surgeries at the Lurie Spay/Neuter Clinic located in an area where the highest number of strays originate and where the largest number of residents are living at or below poverty level. PAWS Chicago's Humane Education and Community Outreach Program works in tandem with Chicago Alternative Policing Strategies (CAPS), local churches, schools and community groups to promote the humane treatment of animals and promote responsible pet care in communities reporting the highest incidence of strays, dog bites and crimes against/involving animals. PAWS Chicago has constructed a new Adoption & Humane Center to enable it to help even more homeless animals. PAWS Chicago hosts annual fundraising events to support its programs, increase awareness and recruit volunteers, and is supported entirely by private contributions.

*Basis of Accounting*

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

*Use of Estimates*

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

Material estimates that are particularly susceptible to significant change relate to the valuation of contributed services received by the Organization.

*Recognition of Donor Restrictions*

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

*Accounts Receivable*

Accounts receivable are stated at the amount management expects to collect from outstanding balances at year-end. Based on management's assessment of the credit history with debtors having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

*Promises to Give*

Unconditional promises to give are recognized as assets and revenue in the period the promise is received. Promises to give are recorded at net realizable value if expected to be collected in the current year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

PAWS CHICAGONOTES TO FINANCIAL STATEMENTS

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

*Inventories*

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

*Property, Equipment, and Depreciation*

Property and equipment are recorded at cost, or if donated, at estimated fair value at date of acquisition. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Leasehold improvements are amortized on the straight-line method over the shorter of the estimated useful lives of the improvements or the terms of the related leases.

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

	<u>Years</u>
Buildings	70
Leasehold improvements	5-20
Equipment	5-10

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

*Deferred Revenue*

Revenue collected for programs or services of the succeeding year are classified as deferred revenue.

*Donated Services*

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. In addition, many volunteers also perform a variety of tasks throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

*Advertising*

The Organization recognizes advertising revenue when collected and expenses the costs of advertising as incurred. Advertising revenue was \$47,388 and \$58,680 for the years ended December 31, 2013 and 2012, respectively. Advertising expense totaled \$10,303 and 14,895 for the years ended December 31, 2013 and 2012, respectively.

*Income Taxes*

The Organization is a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code except for income derived from unrelated business activities, as defined under the Internal Revenue Code. There was no provision for tax required for 2013 or 2012. The Organization's federal Forms 990 and 990-T for 2013, 2012, and 2011 are subject to examination by the Internal Revenue Service, generally for three years after they are filed. In addition, the Organization's state Forms AG990-IL and IL990-T are subject to examination by the state tax authority for similar years.

PAWS CHICAGONOTES TO FINANCIAL STATEMENTS

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

*Evaluation of Subsequent Events*

Management has evaluated subsequent events through May 12, 2014, the date the financial statements were available to be issued.

## Note 2 – Investments

Investments at December 31, 2013 and 2012 are reported at fair value as determined by quoted market prices and are composed of the following:

	<u>2013</u>	<u>2012</u>
Money market	\$ 1,414,680	\$ 2,502,982
Mutual funds		
International equity	2,506,528	1,993,223
Global equity	1,465,788	1,095,540
Fixed income	647,873	810,165
Growth and income	-	87,843
Balanced	792,495	676,178
Large Cap Growth	923,928	709,581
Large Cap Blend	602,175	-
Stocks		
Energy	1,677,760	1,159,029
Financial	879,440	482,420
Consumer staples	58,320	65,680
Consumer discretionary	265,427	43,909
Healthcare	273,420	197,602
Utilities	348,250	334,350
Information technology	1,617,595	462,085
Telecommunications	491,400	432,700
Industrial	834,710	421,606
Diversified emerging markets	493,680	-
Large blend	<u>95,920</u>	<u>73,280</u>
	<u>\$15,389,389</u>	<u>\$11,548,173</u>

During the years ended December 31, 2013 and 2012, the Organization's investments (including investments bought, sold, as well as held during the period) appreciated in fair value by \$2,289,039 and \$759,731, respectively.



PAWS CHICAGONOTES TO FINANCIAL STATEMENTS

## Note 3 – Unconditional Promises to Give

Unconditional promises to give have been received in support of the spay/neuter clinic, the adoption center, and the endowment fund. Unconditional promises to give include the following:

	<u>2013</u>	<u>2012</u>
Promises to give beginning	\$1,790,802	\$2,909,380
Amount pledged during the year	30,000	75,000
Amount collected during the year	(826,146)	(981,420)
Pledges written off	<u>(117,371)</u>	<u>(212,158)</u>
Promises to give ending	877,285	1,790,802
Less:		
Discounts to present value	(68,537)	(163,548)
Allowance for doubtful promises	<u>(28,000)</u>	<u>-</u>
Net promises to give	<u>\$ 780,748</u>	<u>\$1,627,254</u>

Unconditional promises to give at December 31, 2013 and 2012 are as follows.

Promises to give expected to be collected in:

	<u>2013</u>	<u>2012</u>
Less than one year	\$602,716	\$ 955,472
One to five years	274,569	830,330
More than five years	<u>-</u>	<u>5,000</u>
	<u>\$877,285</u>	<u>\$1,790,802</u>

## Note 4 – Inventories

Inventories at December 31, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Merchandise	\$30,582	\$19,392
Clinic inventory	<u>43,921</u>	<u>34,958</u>
	<u>\$74,503</u>	<u>\$54,350</u>

## Note 5 – Property, Equipment, and Depreciation

Property and equipment at December 31, 2013 and 2012 consists of the following:

	<u>2013</u>	<u>2012</u>
Land	\$ 3,514,619	\$ 3,514,619
Buildings	8,269,688	7,692,715
Building improvements	539,225	1,084,040
Equipment	<u>1,230,988</u>	<u>1,129,877</u>
	13,554,520	13,421,251
Less accumulated depreciation	<u>1,838,856</u>	<u>1,481,456</u>
	<u>\$11,715,664</u>	<u>\$11,939,795</u>

PAWS CHICAGONOTES TO FINANCIAL STATEMENTS

## Note 5 – Property, Equipment, and Depreciation (Continued)

Depreciation expense for the years ended December 31, 2013 and 2012 was \$357,400 and \$315,315, respectively. During the year ended December 31, 2012, the Organization completed the purchase of a building for \$1,350,000 to be utilized as a development and training center.

## Note 6 – Net Assets

*Board-designated Endowment*

The Board of Directors has designated a portion of unrestricted net assets as a general endowment fund to support the mission of the Organization. The amounts of the designation at December 31, 2013 and 2012 were \$5,282,199 and \$4,444,863, respectively. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

The Organization has not appropriated for distribution any of its board-designated endowment.

Composition of and changes in board-designated endowment net assets for the years ended December 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Beginning designated balance	\$4,444,863	\$2,480,362
Contributions	<u>837,336</u>	<u>1,964,501</u>
Ending designated balance	<u>\$5,282,199</u>	<u>\$4,444,863</u>

*Donor-designated Endowment*

The Organization's permanently restricted net assets consist of one donor-restricted endowment fund. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

## PAWS CHICAGO

## NOTES TO FINANCIAL STATEMENTS

## Note 6 – Net Assets (Continued)

*Investment Return Objectives, Risk Parameters and Strategies*

Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period of time. The endowment assets are invested in a manner to accept prudent levels of short and long-term volatility consistent with the near-term cash flow needs, funding level, and long-term liability structure of the investment portfolio.

To achieve long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Endowment net asset composition by type of fund as of December 31, 2013 and 2012 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
<i>December 31, 2013</i>				
Endowment Funds:				
Donor-restricted	\$ -	\$15,503,422	\$190,000	\$15,693,422
Board-designated	<u>5,282,199</u>	<u>-</u>	<u>-</u>	<u>5,282,199</u>
	<u>\$5,282,199</u>	<u>\$15,503,422</u>	<u>\$190,000</u>	<u>\$20,975,621</u>
<i>December 31, 2012</i>				
Endowment Funds:				
Donor-restricted	\$ -	\$12,072,408	\$155,000	\$12,227,408
Board-designated	<u>4,444,863</u>	<u>-</u>	<u>-</u>	<u>4,444,863</u>
	<u>\$4,444,863</u>	<u>\$12,072,408</u>	<u>\$155,000</u>	<u>\$16,672,271</u>

Changes in endowment net assets as of December 31, 2013 and 2012 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
<i>December 31, 2013</i>				
Endowment Funds:				
Beginning of year	\$4,444,863	\$12,072,408	\$155,000	\$16,672,271
Contributions	837,336	925,364	35,000	1,792,875
Investment income	-	450,077	-	450,077
Net appreciation of investments	-	2,289,039	-	2,289,039
Appropriated for expenditure	-	(233,466)	-	(233,466)
End of year	<u>\$5,282,199</u>	<u>\$15,503,422</u>	<u>\$190,000</u>	<u>\$20,975,621</u>
<i>December 31, 2012</i>				
Endowment Funds:				
Beginning of year	\$2,480,362	\$12,363,041	\$142,326	\$14,985,729
Contributions	1,964,501	741,420	30,000	2,735,921
Investment income	-	300,714	-	300,714
Net appreciation of investments	-	759,731	-	759,731
Bad debt write-off	-	-	(17,326)	(17,326)
Appropriated for expenditure	-	(2,092,498)	-	(2,092,498)
End of year	<u>\$4,444,863</u>	<u>\$12,072,408</u>	<u>\$155,000</u>	<u>\$16,672,271</u>

PAWS CHICAGONOTES TO FINANCIAL STATEMENTS

## Note 6 – Net Assets (Continued)

*Temporarily Restricted Net Assets*

Following is a summary of the activity in temporarily restricted net assets for the years ended December 31, 2013 and 2012:

	<u>2013</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Assets Released</u>	<u>Ending Balance</u>
Spay/neuter clinic	\$ 64,142	\$ 40,138	\$ 27,648	\$ 76,632
X-ray machine	-	171,055	-	171,055
GUS Mobile	433,208	7,358	54,426	386,140
Training Center	-	200,500	-	200,500
Adoption center	<u>11,575,058</u>	<u>3,245,429</u>	<u>151,392</u>	<u>14,669,095</u>
	<u>\$12,072,408</u>	<u>\$3,664,480</u>	<u>\$233,466</u>	<u>\$15,503,422</u>
	<u>2012</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Assets Released</u>	<u>Ending Balance</u>
Spay/neuter clinic	\$ 52,759	\$ 45,185	\$ 33,802	\$ 64,142
GUS Mobile	413,442	126,973	107,207	433,208
Adoption center	<u>11,896,840</u>	<u>1,629,707</u>	<u>1,951,489</u>	<u>11,575,058</u>
	<u>\$12,363,041</u>	<u>\$1,801,865</u>	<u>\$2,092,498</u>	<u>\$12,072,408</u>

Temporarily restricted net assets at December 31, 2013 and 2012 consists of the following:

	<u>2013</u>	<u>2012</u>
Cash	\$ 735,409	\$ 28,912
Investments	13,987,265	10,416,242
Unconditional promises to give	<u>780,748</u>	<u>1,627,254</u>
	<u>\$15,503,422</u>	<u>\$12,072,408</u>

*Permanently Restricted Net Assets*

The following is a summary of permanently restricted net assets for the years ended December 31:

	<u>2013</u>	<u>2012</u>
General Endowment	<u>\$190,000</u>	<u>\$155,000</u>

Permanently restricted assets consists of investments.

PAWS CHICAGONOTES TO FINANCIAL STATEMENTS

## Note 6 – Net Assets (Continued)

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

Earnings on permanently restricted net assets may be used to support the general operations of the Organization.

## Note 7 – Related Party Transactions

During 2013 and 2012, the Organization paid \$69,808 and \$110,055, respectively, to related corporations for marketing, accounting and administrative services.

## Note 8 – Employee Benefit Plan

The Organization adopted a 401(k) savings plan covering substantially all employees that have completed the service requirement. For each year, the Board of Directors determines the amount of the discretionary contribution to be made to the Plan. No contributions were made for 2013 and 2012.

## Note 9 – Fair Value Measurements

Information related to the Organization's assets measured at fair value on a recurring basis at December 31, 2013 and 2012 is as follows:

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<i>December 31, 2013</i>				
Investment securities	\$15,389,389	\$15,389,389	\$ -	\$ -
Unconditional promises to give	<u>780,748</u>	<u>-</u>	<u>-</u>	<u>780,748</u>
Total	<u>\$16,170,137</u>	<u>\$15,389,389</u>	<u>\$ -</u>	<u>\$ 780,748</u>
<i>December 31, 2012</i>				
Investment securities	\$11,548,173	\$11,548,173	\$ -	\$ -
Unconditional promises to give	<u>1,627,254</u>	<u>-</u>	<u>-</u>	<u>1,627,254</u>
Total	<u>\$13,175,427</u>	<u>\$11,548,173</u>	<u>\$ -</u>	<u>\$1,627,254</u>

Fair values for investments are determined by quoted market prices. Fair Value of unconditional promises to give are determined by calculating the present values of estimated future pledge payments expected to be received, over the expected term of the agreements, using a discount rate of 6%.

Mutual funds above determine fair value using a calculated net asset value per share, or its equivalent. As of December 31, 2013 and 2012, the fair value of the mutual funds was \$6,938,787 and \$5,372,530, respectively, and there were no unfunded commitments related to these investments. These investments can be redeemed daily with no redemption notice required. This category of investments primarily includes investments in stocks, bonds, and short-term investments.

PAWS CHICAGONOTES TO FINANCIAL STATEMENTS

## Note 9 – Fair Value Measurements (Continued)

Assets measured on a recurring basis using significant unobservable inputs (Level 3 inputs) are as follows:

	<u>2013</u>	<u>2012</u>
Unconditional promises to give:		
Beginning of year	\$1,627,254	\$2,558,839
New pledges	30,000	75,000
Pledge payments received	(826,146)	(981,420)
Provision for bad debts	(145,371)	(204,958)
Change in present value discount	<u>95,011</u>	<u>179,793</u>
End of year	<u>\$ 780,748</u>	<u>\$1,627,254</u>

## Note 10 – Functional Allocation of Expenses

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

## Note 11 – Concentrations

The Organization maintains cash balances with two banks. Accounts at financial institutions may at times exceed the amount insured by the Federal Deposit Insurance Corporation.