

**PETS ARE WONDERFUL
SUPPORT/LOS ANGELES**

FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

TOGETHER WITH
INDEPENDENT AUDITORS' REPORT

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SUPPORT/LOS ANGELES
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Pets are Wonderful Support/Los Angeles:

We have audited the accompanying financial statements of Pets are Wonderful Support/Los Angeles ("PAWS-LA") (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 of the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pets are Wonderful Support/Los Angeles as of December 31, 2019 and 2018, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink that reads "GGF, LLP". The letters are stylized and cursive.

GGF, LLP
Encino, California
May 27, 2020

**PETS ARE WONDERFUL
SUPPORT/LOS ANGELES
STATEMENTS OF FINANCIAL POSITION
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
ASSETS:		
Cash	\$ 171,755	\$ 94,966
Short-term investments	976,891	1,003,764
Contribution receivable	16,696	15,652
Grants receivable	99,945	87,068
Unconditional promises to give	25,000	53,385
Pet food and supplies	101,126	91,457
Prepaid expenses	527	527
Property and equipment, net	9,352	12,742
Deposits	9,550	9,550
TOTAL ASSETS	\$ 1,410,842	\$ 1,369,111
LIABILITIES:		
Accounts payable	\$ 22,463	\$ 14,577
Accrued expenses	13,914	14,975
Accrued vacation	16,830	17,015
Deferred rent	1,849	3,697
TOTAL LIABILITIES	55,056	50,264
NET ASSETS WITHOUT DONOR RESTRICTIONS	1,355,786	1,318,847
TOTAL LIABILITIES AND NET ASSETS	\$ 1,410,842	\$ 1,369,111

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

**PETS ARE WONDERFUL
SUPPORT/LOS ANGELES
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Public support and revenue		
Public support:		
Contributions	\$ 127,425	\$ 285,022
Grants	159,088	153,553
Grants – HOPWA	578,656	520,950
Special events	55,300	35,239
Donated materials and services	281,121	405,689
Total public support	1,201,590	1,400,453
Revenue:		
Investment income or (loss), net	115,127	(29,268)
TOTAL PUBLIC SUPPORT AND REVENUE WITHOUT DONOR RESTRICTIONS	1,316,717	1,371,185
Expenses:		
Program services	1,109,213	1,255,770
Management and general	130,919	139,995
Fundraising	39,646	79,290
TOTAL EXPENSES	1,279,778	1,475,055
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	36,939	(103,870)
NET ASSETS AT BEGINNING OF YEAR	1,318,847	1,422,717
NET ASSETS AT END OF YEAR	\$ 1,355,786	\$ 1,318,847

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

**PETS ARE WONDERFUL SUPPORT/LOS ANGELES
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31,**

	2019				2018			
	Program services	Management and general	Fundraising	Total	Program services	Management and general	Fundraising	Total
Salaries	\$ 464,841	\$ 78,250	\$ 25,489	\$ 568,580	\$ 428,291	\$ 79,700	\$ 25,697	\$ 533,688
Payroll taxes and benefits	42,972	7,999	2,575	53,546	40,258	7,492	2,415	50,165
Advertising	7,288	-	392	7,680	6,112	-	2,033	8,145
Bank charges	-	2,127	-	2,127	596	8,455	-	9,051
Community relations	-	-	150	150	-	-	-	-
Data processing	-	1,986	-	1,986	-	2,020	-	2,020
Depreciation	2,712	339	339	3,390	3,902	488	488	4,878
Dues and subscriptions	3,686	967	-	4,653	4,108	839	-	4,947
Equipment rental	2,753	-	823	3,576	329	-	1,190	1,519
Food and merchandise	-	-	-	-	-	-	2,026	2,026
Insurance	49,001	25,015	2,328	76,344	40,452	25,655	2,342	68,449
Interest	2,309	289	289	2,887	1,681	210	210	2,101
Maintenance	2,610	390	-	3,000	4,569	683	-	5,252
Miscellaneous	100	10	234	344	-	2,484	-	2,484
Office expense	16,053	1,936	100	18,089	12,732	1,412	-	14,144
Pet boarding	-	-	-	-	-	-	-	-
Pet care and food	185,594	-	-	185,594	360,801	-	-	360,801
Pet supplies	1,210	-	-	1,210	1,122	-	-	1,122
Photography	-	-	1,500	1,500	-	-	400	400
Postage	1,036	155	583	1,774	1,334	199	4,862	6,395
Printing	8,822	-	2,354	11,176	5,418	-	6,870	12,288
Professional fees and outside services	34,905	3,803	1,490	40,198	24,312	2,923	20,312	47,547
Rent	58,823	5,796	1,000	65,619	62,305	5,872	8,930	77,107
Supplies	-	-	-	-	-	-	913	913
Telephone	11,430	474	-	11,904	9,398	399	-	9,797
Transportation	5,972	83	-	6,055	5,597	25	602	6,224
Utilities	9,781	1,300	-	11,081	8,667	1,139	-	9,806
Veterinary costs	197,315	-	-	197,315	233,786	-	-	233,786
	<u>\$ 1,109,213</u>	<u>\$ 130,919</u>	<u>\$ 39,646</u>	<u>\$ 1,279,778</u>	<u>\$ 1,255,770</u>	<u>\$ 139,995</u>	<u>\$ 79,290</u>	<u>\$ 1,475,055</u>

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

**PETS ARE WONDERFUL
SUPPORT/LOS ANGELES
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 36,939	\$ (103,870)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,390	4,878
Unrealized gain/(loss) on investments	67,387	(48,884)
(Increase) decrease in:		
Contributions receivable	(1,044)	266,884
Grants receivable	(12,877)	(20,165)
Unconditional promises to give without donor restrictions	28,385	53,385
Pet food and supplies	(9,669)	56,720
Prepaid expenses	-	635
Increase (decrease) in:		
Accounts payable	7,886	(1,469)
Accrued expenses	(1,061)	2,603
Accrued vacation	(185)	4,139
Deferred rent	(1,848)	(1,848)
NET CASH PROVIDED BY OPERATING ACTIVITIES	117,303	213,008
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(182,514)	(170,405)
Proceeds from sale of investments	142,000	-
Purchases of fixed assets	-	(3,789)
NET CASH USED BY INVESTING ACTIVITIES	(40,514)	(174,194)
NET INCREASE IN CASH	76,789	38,814
BEGINNING CASH	94,966	56,152
ENDING CASH	\$ 171,755	\$ 94,966

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

**PETS ARE WONDERFUL
SUPPORT/LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

Note 1 – Description of the Organization and significant accounting policies

A summary of the Organization’s significant accounting policies consistently applied in the preparation of the accompanying financial statements is as follows:

- A. Description of the Organization – Pets are Wonderful Support/Los Angeles (“PAWS-LA” or “The Organization”), was organized in 1989 as a California Nonprofit Benefit Corporation, for the purpose of providing services to people in Southern California with HIV and AIDS to assist in the care of their pets. Such services include providing food, assistance in daily pet care, coordinating low-cost veterinary services and assisting clients in obtaining housing facilities and thereby enabling pets and clients to remain together. This housing assistance is partially funded through a city agency.
- B. Basis of accounting – The financial statements, presented on the accrual basis of accounting, have been prepared to focus on the Organization as a whole and to present net assets, revenues, and expenses based on the existence or absence of donor-impaired restrictions. This has been accomplished by the classification of assets, liabilities, and net assets into two groups – with donor restrictions and without donor restrictions:

These two groups are defined as follows:

- Net assets without donor restrictions – the portion of the Organization’s net assets that is not subject to donor-imposed restrictions
- Net assets with donor restrictions – the portion of the Organization’s net assets that is subject to donor-imposed restrictions

A donor-imposed restriction is a stipulation that specifies the use for a contributed asset that is more specific than broad limits resulting from the nature of the Organization, the environment in which it operates, or its mission. A donor-imposed restriction may be temporary or permanent. Temporary restrictions may be fulfilled by actions of the Organization to meet the stipulations or be fulfilled by the passage of time. Permanent restrictions stipulate that the resources must be maintained in perpetuity.

The Organization follows the provisions of the financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”).

FASB ASC 905-205 establishes standards for general purpose external financial statements of not-for-profit organizations that require a statement of financial position, a statement of activities and changes in net assets, and a statement of cash flows.

FASB ASC 905-605 requires the Organization to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. It also requires recognition of contributed services meeting certain criteria at fair values.

As of December 31, 2019 and 2018, the Organization had no net assets with donor restrictions.

**PETS ARE WONDERFUL
SUPPORT/LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

Note 1 – Nature of activities and significant accounting policies (continued)

- C. Change in accounting principle – During 2019, the Organization adopted ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes applicable to the Organization include:
- Requiring the presentation of only two classes of net assets now titled “net assets without donor restrictions” and “net assets with donor restrictions”
 - Modifying the presentation of underwater endowment funds and related disclosures
 - Requiring the use if the placed in-service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise
 - Requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate functional expense statement, or in the notes and disclose a summary of the allocation methods used to allocate costs
 - Requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources
 - Presenting investment return net of external and direct internal investment expenses, and
 - Modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements
- D. Cash and cash equivalents – PAWS-LA considers all highly liquid instruments, with a maturity of three months or less, to be cash equivalents. As of December 31, 2019 and 2018, PAWS-LA had no cash equivalents.
- E. Investments – Investments held by the Organization include certificates of deposits, various mutual funds, exchange traded funds, closed ended mutual funds and equity securities. The investments are reported at their fair values in the statements of financial position. Investment income or loss (including realized and unrealized gains and or losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.
- F. Promises to give – Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

These notes are an integral part of the financial statements.

**PETS ARE WONDERFUL
SUPPORT/LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

Note 1 – Nature of activities and significant accounting policies (continued)

- G. Property and equipment - The Organization capitalizes property and equipment over \$2,500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are capitalized at their estimated fair value at the date contributed. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions.

Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from three to five years for furniture, computers, software and vehicles. Leasehold improvements are amortized on a straight-line basis over the lease life of 5 years.

- H. Donated materials and services – PAWS-LA records the value of donated material or services when an objective basis is available. For the years ended December 31, 2019 and 2018 donated materials and services reflected as in-kind revenue in the amounts of \$281,121 and \$405,689, respectively, are recorded in the accompanying statements at their estimated values at the date of receipt and consist of pet food, vehicles, veterinary services, grooming and postage. These amounts are offset by the recording of a commensurate expense in the statement of activities for donations in-kind.

Additionally, a substantial number of volunteers have donated a significant amount of time in PAWS-LA program services and fundraising events, which is considered valuable in the organization's overall efforts of providing services and is not reflected in the financial statements as of December 31, 2019 and 2018.

- I. Pet food and supplies – PAWS-LA values pet food and supplies at an estimated lower of cost or market. In 2019 and 2018, the cost for pet food and supplies were determined by using various wholesale catalogues. For the years ended December 31, 2019 and 2018 PAWS-LA provided \$185,594 and \$360,801, respectively, of pet food and supplies to its clients. As of December 31, 2019 and 2018 PAWS-LA pet food and supplies inventory was \$101,126 and \$91,457, respectively.
- J. Contributions – PAWS-LA accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in ASC No. 958. In accordance with ASC No. 958-225, contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.
- K. Income taxes - The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

**PETS ARE WONDERFUL
SUPPORT/LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

Note 1 – Nature of activities and significant accounting policies (continued)

- L. Estimates – The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.
- M. Statements of cash flows – For the year ended December 31, 2019 and 2018 PAWS-LA paid interest of \$2,887 and \$2,101, respectively. No income taxes were paid in 2019 and 2018.
- N. Functional expenses – Functional expenses have been allocated between program services and management and general services based on analysis of personnel time, expenditures incurred and facility space utilized for the related activities.

Note 2 – Promises to give

Unconditional promises to give were due in less than one year and are recognized at fair value. For the year ended December 31, 2019 and 2018, unconditional promises to give without donor restriction were \$25,000 and \$53,385, respectively.

Note 3 – Liquidity and availability of financial assets

The following reflects the Organization's financial assets as of the statement of financial position date:

	2019	2018
Cash	\$ 171,755	\$ 94,966
Short-term investments	976,891	1,003,764
Contribution receivable	16,696	15,652
Grants receivable	99,945	87,068
Unconditional promises to give	25,000	53,385
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,290,287	\$ 1,254,835

As part of the Organization's liquidity management, it invests cash in excess of daily requirements in short-term investments. For the year ended December 31, 2019 and 2018, there were no board designations or restrictions on the use or availability of the Organization's financial assets within one year.

**PETS ARE WONDERFUL
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

Note 4 – Property and equipment

Property and equipment consist of the following as of:

	2019	2018
Furniture and equipment	\$ 6,721	\$ 6,721
Computers	27,977	27,977
Website development	27,188	27,188
Leasehold improvements	5,242	5,242
Vehicles	2,800	2,800
	69,928	69,928
Less: accumulated depreciation and amortization	(60,576)	(57,186)
	\$ 9,352	\$ 12,742

Note 5 – Investments

Investments are carried at fair value as of:

	2019	2018
Cash	\$ 197,037	\$ 175,468
Certificate of deposits	90,752	240,189
Stocks	111,651	133,341
Mutual Funds	570,806	412,360
Exchange traded and closed ended funds	6,645	42,406
Investments at fair value	\$ 976,891	\$ 1,003,764

PAWS-LA invests cash in excess of daily requirements in short-term investments. For the year ended December 31, 2019 and 2018, brokerage fees amounted to \$5,997 and \$6,037, respectively, which are included net of investment income or loss recorded in the Statement of Activities.

Note 6 – Fair value measurements

As defined in ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, PAWS-LA uses various methods including market, income and cost approaches. Based on these approaches, PAWS-LA often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. PAWS-LA utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, PAWS-LA is required to provide the following information according to the fair value hierarchy.

**PETS ARE WONDERFUL
SUPPORT/LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

Note 6 – Fair value measurements (continued)

The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 Valuation for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.
- Level 3 Valuations for assets and liabilities that are derived from other valuation methodologies, including options pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are subject to ASC 820. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The fair value for these investments at December 31, 2019 and 2018 are as follows:

	<i>Assets at Fair Value as of December 31, 2019</i>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 197,037	-	-	\$ 197,037
Certificate of deposits	90,752	-	-	90,752
Stocks	111,651	-	-	111,651
Mutual Funds	570,806	-	-	570,806
Exchange traded and closed ended funds	6,645	-	-	6,645
Total assets in the fair value hierarchy	<u>976,891</u>	<u>-</u>	<u>-</u>	<u>976,891</u>
Investments at fair value	<u>\$ 976,891</u>	<u>-</u>	<u>-</u>	<u>\$ 976,891</u>

These notes are an integral part of the financial statements.

**PETS ARE WONDERFUL
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

Note 6 – Fair value measurements (continued)

	<i>Assets at Fair Value as of December 31, 2018</i>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 175,468	-	-	\$ 175,468
Certificate of deposits	240,189	-	-	240,189
Stocks	133,341	-	-	133,341
Mutual Funds	412,360	-	-	412,360
Exchange traded and closed ended funds	42,406	-	-	42,406
Total assets in the fair value hierarchy	<u>1,003,764</u>	<u>-</u>	<u>-</u>	<u>1,003,764</u>
Investments at fair value	<u>\$ 1,003,764</u>	<u>-</u>	<u>-</u>	<u>\$ 1,003,764</u>

Under ASC No. 820 “Fair Value Measurements and Disclosures”, all investments are considered Level 1 for fair value measurement. Fair value measurement on Level 1 assets are based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. An active market is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

As of December 31, 2019 and 2018, the Organizations investments represent 69% and 73%, respectively, of total net assets. These investments, with the exception of cash, are subject to risk due to market fluctuations. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, within twelve months, and that such changes could materially affect the amounts reported in the statements of activities.

Note 7 – Certain risk factors and concentrations

Competition among nonprofit organizations has intensified in recent years due to increasing numbers of agencies seeking support, shifting government funding, and the presence of for-profit organizations. The operations of PAWS-LA are primarily dependent upon third-party support and private funding.

The Organization maintains cash balances at one bank. Cash accounts at the bank are insured by the Federal Deposit Insurance Corporation (“FDIC”) for up to \$250,000. The Organization’s cash balances did not exceed the FDIC insurance limits at December 31, 2019 and 2018.

See Note 8 for discussion on concentrations of support and grant funding. In addition, PAWS-LA receives its support primarily from the donations of individuals and from grantors.

**PETS ARE WONDERFUL
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

Note 8 – City of Los Angeles HOPWA Program

For the year ended December 31, 2019 and 2018, PAWS-LA received a grant from the City of Los Angeles Housing Opportunities for People With AIDS (“HOPWA”) program. For the year ended December 31, 2019 and 2018, PAWS-LA recorded support of \$578,656 and \$520,950, respectively, related to this grant.

The HOPWA grant accounted for 44% and 38% of the total support for the years ended December 31, 2019 and 2018, respectively. The HOPWA grant is a material supporting factor for PAWS-LA. As of May 27, 2020, PAWS-LA has received verbal assurance that their annual renewal funding contract that guarantees grant support will be renewed through June 30, 2021. Should the grant be modified significantly or eliminated in its entirety, it may have a material adverse impact on the Organization.

Note 9 – Grants receivable

Grants receivables are due from the HOPWA program. As of December 31, 2019 and 2018, the receivable from these activities was \$99,945 and \$87,068, respectively.

Note 10 – Rent and lease commitment

In September 2015, PAWS-LA entered into a rental lease agreement for its main facility beginning November 1, 2015 and ending December 31, 2020. Management intends to exercise their option to renew the lease through December 31, 2022 with an increased monthly payment to \$4,918. Monthly rental payments during 2019 were \$4,775.

The following represents payments to be made on behalf of the main facility lease:

2020	\$	57,300
2021		59,019
2022		59,019
		<u>\$ 175,338</u>

For the years ended December 31, 2019 and 2018, total facility rental expense for the PAWS-LA facility was \$50,677 and \$53,604, respectively.

Note 11 – Special events

For the years ended December 31, 2019 and 2018, PAWS-LA generated contributions of \$55,300 and \$35,239, respectively, from various fundraising activities.

Volunteers contributed significant time to organizing and planning for these events. PAWS-LA is unable to provide basis for this contribution, and as such it is not recorded on the statements of activities for the years ended December 31, 2019 and 2018.

Note 12 – Grant support

For the years ended December 31, 2019 and 2018, PAWS-LA received grants of \$159,088 and \$153,553, respectively, from various sources including foundations.

These notes are an integral part of the financial statements.

**PETS ARE WONDERFUL
SUPPORT/LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

Note 13 – 403(b) tax sheltered annuity arrangement

Certain employees are contributors to a 403(b) tax sheltered annuity administered through PAWS-LA. A 403(b) tax sheltered annuity is considered an arrangement between the employee and the trustee and is not considered a pension plan. Contributions are made through salary reduction agreements and are passed through PAWS-LA directly to a trustee. This arrangement is made available to all employees.

Note 14 – Income taxes

The Organization has received a determination of tax-exempt status under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

Management is not aware of any activities that would jeopardize the Organization's tax-exempt status. The Organization is not aware of any tax positions it has taken that are subject to a significant degree of uncertainty. Tax years after December 31, 2016 remain subject to examination by taxing authorities.

Note 15 – Subsequent events

Subsequent events are events or transactions that occur after the Statement of Financial Position date but before financial statements are issued. PAWS-LA recognizes in the financial statements the effect of all subsequent events that provide additional evidence about conditions that existed at the date of the Statement of Financial Position, including the estimates inherent in the process of preparing the financial statements. PAWS-LA's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the Statement of Financial Position but arose after the said date and before financial statements are available to be issued.

PAWS-LA had evaluated subsequent events through May 27, 2020 which is the date the financial statements are available to be issued.