

**DORCHESTER PAWS**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Dorchester Paws  
Summerville, South Carolina

We have audited the accompanying financial statements of Dorchester Paws which comprise of the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Dorchester Paws as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 1, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Updated (“ASU”) No. 2018-14, Not for Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities. The Shelter adopted ASU 2018-14 during the year ended December 31, 2018, and it was applied retrospectively. The adoption of this standard did not have any impact on the Shelter’s net assets or changes in net assets. Our opinion is not modified with respect to this matter.

***Other Matter***

The 2017 financial statements were reviewed by us, dated January 15, 2019, and we stated we were not aware of any material modifications that should be made to the statements for them to be in accordance with accounting principles generally accepted in the United States of America.

*DCPAs, LLC d/b/a Davis + Company CPAs*

Mount Pleasant, South Carolina  
September 18, 2019

**DORCHESTER PAWS  
STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2018**

	<i>Audited</i>		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>ASSETS</b>			
Cash	\$ 96,341	\$ 7,500	\$ 103,841
Property and equipment, net	272,187	-	272,187
Investments - Board restricted endowment	775,445	-	775,445
<b>TOTAL ASSETS</b>	<b>\$ 1,143,973</b>	<b>\$ 7,500</b>	<b>\$ 1,151,473</b>
<b>LIABILITIES AND NET ASSETS</b>			
Accounts payable	\$ 20,343	\$ -	\$ 20,343
Accrued expenses	13,810	-	13,810
Total current liabilities	34,153	-	34,153
<b>NET ASSETS</b>			
Without donor restrictions			
Undesignated	354,375	-	354,375
Board designated endowment	755,445	-	755,445
Total without donor restrictions	1,109,820	-	1,109,820
With donor restrictions	-	7,500	7,500
<b>TOTAL NET ASSETS</b>	<b>1,109,820</b>	<b>7,500</b>	<b>1,117,320</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,143,973</b>	<b>\$ 7,500</b>	<b>\$ 1,151,473</b>

See accompanying notes.

**DORCHESTER PAWS**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2017**

	Without Donor Restrictions	<i>Reviewed</i> With Donor Restrictions	Total
<b>ASSETS</b>			
Cash	\$ 249,517	\$ -	\$ 249,517
Property and equipment, net	281,515	-	281,515
Investments - Board restricted endowment	870,834	-	870,834
<b>TOTAL ASSETS</b>	<b>\$ 1,401,866</b>	<b>\$ -</b>	<b>\$ 1,401,866</b>
<b>NET ASSETS</b>			
Without donor restrictions			
Undesignated	\$ 531,032	\$ -	\$ 531,032
Board designated endowment	870,834	-	870,834
Total without donor restrictions	1,401,866	-	1,401,866
<b>TOTAL NET ASSETS</b>	<b>1,401,866</b>	<b>-</b>	<b>1,401,866</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,401,866</b>	<b>\$ -</b>	<b>\$ 1,401,866</b>

See accompanying notes.

**DORCHESTER PAWS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<i>Audited</i>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES AND OTHER SUPPORT</b>			
Contributions	\$ 218,407	\$ -	\$ 218,407
Grants	98,432	7,500	105,932
Adoption and shelter services	233,459	-	233,459
Government service contract	166,800	-	166,800
Special events, net \$52,103 expense	53,361	-	53,361
Unrealized loss	(90,731)	-	(90,731)
In-kind contribution	87,313	-	87,313
Investment income, net of \$4,178 in investment fees	46,769	-	46,769
Total revenue	<u>813,810</u>	<u>7,500</u>	<u>821,310</u>
Net assets released from restriction	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<u>813,810</u>	<u>7,500</u>	<u>821,310</u>
<b>EXPENSES</b>			
Program services	838,697	-	838,697
Supporting services			
Management and general	146,889	-	146,889
Fundraising	120,270	-	120,270
<b>TOTAL EXPENSES</b>	<u>1,105,856</u>	<u>-</u>	<u>1,105,856</u>
<b>CHANGE IN NET ASSETS</b>	(292,046)	7,500	(284,546)
<b>NET ASSETS, beginning of year</b>	<u>1,401,866</u>	<u>-</u>	<u>1,401,866</u>
<b>NET ASSETS, end of year</b>	<u>\$ 1,109,820</u>	<u>\$ 7,500</u>	<u>\$ 1,117,320</u>

See accompanying notes.

**DORCHESTER PAWS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<i>Reviewed</i>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES AND OTHER SUPPORT</b>			
Contributions	\$ 149,238	\$ -	\$ 149,238
Grants	115,328	-	115,328
Adoption and shelter services	191,407	-	191,407
Government service contract	189,250	-	189,250
Special events, net \$43,166 expense	39,980	-	39,980
Unrealized gain	77,563	-	77,563
Investment income, net of \$8,525 in investment fees	35,122	-	35,122
Total revenue	<u>797,888</u>	<u>-</u>	<u>797,888</u>
Net assets released from restriction	<u>26,709</u>	<u>(26,709)</u>	<u>-</u>
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<u>824,597</u>	<u>(26,709)</u>	<u>797,888</u>
<b>EXPENSES</b>			
Program services	708,906	-	708,906
Supporting services			
Mangement and general	105,531	-	105,531
Fundraising	7,669	-	7,669
<b>TOTAL EXPENSES</b>	<u>822,106</u>	<u>-</u>	<u>822,106</u>
<b>CHANGE IN NET ASSETS</b>	2,491	(26,709)	(24,218)
<b>NET ASSETS, beginning of year</b>	<u>1,399,375</u>	<u>26,709</u>	<u>1,426,084</u>
<b>NET ASSETS, end of year</b>	<u>\$ 1,401,866</u>	<u>\$ -</u>	<u>\$ 1,401,866</u>

See accompanying notes.



**DORCHESTER PAWS  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<i>Audited</i>			
	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fund- raising</u>	<u>Total</u>
<b>COMPENSATION AND RELATED EXPENSES</b>				
Salaries	\$ 436,933	\$ 39,387	\$ 48,841	\$ 525,161
Payroll taxes	34,134	4,267	4,267	42,668
Payroll service fees	2,771	346	346	3,463
Total compensation and related expenses	<u>473,838</u>	<u>44,000</u>	<u>53,454</u>	<u>571,292</u>
<b>OTHER EXPENSES</b>				
Animal care expenses	98,909	32,970	32,968	164,847
Veterinary care	36,247	12,082	12,082	60,411
Supplies	36,212	12,070	12,070	60,352
Utilities	33,344	1,438	281	35,063
Public relations	29,136	5,017	450	34,603
Clinic expense	18,793	6,264	6,264	31,321
Insurance	27,172	-	-	27,172
Building maintenance	20,344	877	171	21,392
Miscellaneous	17,050	2,936	264	20,250
Computer and equipment	7,311	1,259	113	8,683
Taxes	-	8,181	-	8,181
Bank fees	-	7,475	-	7,475
Printer lease	3,907	1,302	1,302	6,511
Administration and faculty	5,002	-	-	5,002
Professional fees	-	4,490	-	4,490
Telephone	3,167	545	49	3,761
Licenses	-	3,189	-	3,189
Office expense	688	1,148	459	2,295
Occupancy	1,617	278	25	1,920
Travel	1,300	224	19	1,543
Postage and printing	280	93	93	466
<b>TOTAL EXPENSES BEFORE DEPRECIATION</b>	<u>814,317</u>	<u>145,838</u>	<u>120,064</u>	<u>1,080,219</u>
Depreciation	24,380	1,051	206	25,637
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u><u>\$ 838,697</u></u>	<u><u>\$ 146,889</u></u>	<u><u>\$ 120,270</u></u>	<u><u>\$ 1,105,856</u></u>

See accompanying notes.

**DORCHESTER PAWS  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<i>Reviewed</i>			
	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fund- raising</u>	<u>Total</u>
<b>COMPENSATION AND RELATED EXPENSES</b>				
Salaries	\$ 382,602	\$ 65,888	\$ 5,907	\$ 454,397
Payroll taxes	30,528	5,257	471	36,256
Payroll service fees	2,936	506	44	3,486
Total compensation and related expenses	<u>416,066</u>	<u>71,651</u>	<u>6,422</u>	<u>494,140</u>
<b>OTHER EXPENSES</b>				
Shelter expenses	173,403	-	-	173,403
Utilities	36,971	1,594	311	38,876
Building maintenance	18,745	808	158	19,711
Insurance	15,272	2,631	234	18,137
Professional fees	-	17,564	-	17,564
Occupancy	7,563	1,297	117	8,977
Bank fees	-	6,354	-	6,354
Printer lease	4,428	765	64	5,257
Telephone	3,389	583	53	4,025
Public relations	2,045	352	32	2,429
Office expense	2,033	350	30	2,413
Education expenses	2,379	-	-	2,379
Miscellaneous	1,245	214	17	1,476
Travel	1,124	194	16	1,334
Computer and equipment	685	118	10	813
Postage and printing	271	47	4	322
<b>TOTAL EXPENSES BEFORE DEPRECIATION</b>	<u>685,621</u>	<u>104,527</u>	<u>7,471</u>	<u>797,619</u>
Depreciation	23,285	1,004	198	24,487
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u><u>\$ 708,906</u></u>	<u><u>\$ 105,531</u></u>	<u><u>\$ 7,669</u></u>	<u><u>\$ 822,106</u></u>

See accompanying notes.

**DORCHESTER PAWS  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<i>(Audited)</i> <u>2018</u>	<i>(Reviewed)</i> <u>2017</u>
<b>Operating activities</b>		
Change in net assets	\$ (284,546)	\$ (24,218)
Adjustments to reconcile change in net assets to net cash		
Depreciation	25,637	24,487
Unrealized loss (gain)	90,731	(77,563)
Increase in accrued expenses	13,810	7,800
Increase(Decrease) in accounts payable	<u>20,343</u>	<u>(16,043)</u>
<b>Net cash provided (used) by operating activities</b>	<u>(134,025)</u>	<u>(85,537)</u>
<b>Investing activities</b>		
Purchases of equipment	(16,309)	(40,090)
Sale of investments	34,411	25,406
Purchase of investments	<u>(29,753)</u>	<u></u>
<b>Net cash used in investing activities</b>	<u>(11,651)</u>	<u>(14,684)</u>
<b>Net decrease in unrestricted cash and cash equivalents</b>	(145,676)	(100,221)
Cash and cash equivalents as of beginning of year	<u>249,517</u>	<u>349,738</u>
<b>Cash and cash equivalents as of end of year</b>	<u>\$ 103,841</u>	<u>\$ 249,517</u>
 <b>Supplemental Disclosures</b>		
In-kind contributions	\$ 87,313	\$ -
Assets donated for use	\$ 12,000	\$ -
Income taxes paid	\$ 8,181	\$ -

See accompanying notes.

**DORCHESTER PAWS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Shelter**

Dorchester Paws (the Shelter) is a 501(c)(3) non-profit shelter dedicated to improving the lives of animals in Dorchester County, South Carolina. The Shelter is the only open-admission shelter in Dorchester County, serving towns including Rosinville, Ridgeville, Oakbrook, St. George, Summerville and Grover. Partnering with Dorchester Code Enforcement, the Shelter takes in every lost, abandoned and abused animal and provides them with food, shelter and medical attention until they find their forever home.

The Shelter was established in 1972 as the Dorchester Society for Prevention of Cruelty to Animals, Dorchester County by Frances R. Willis with land donated by Kapstone. Dr. Brunson Westbury and Frances R. Willis worked to get the road built and land cleared to open the facility. Over the years, the shelter has been expanded, but continues to reach and exceed capacity because the community served is growing and the pet overpopulation crisis is not abating. In October 2017, the Shelter was renamed to Dorchester Paws.

**Basis of Accounting**

The financial statements of the Shelter have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**Net Assets**

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions that are placed by its donors, as follows:

**Net Assets Without Donor Restrictions**

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the board limits resulting for the nature of the Shelter, 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 others that are entered into in the course of its operations.

**Net Assets With Donor Restrictions**

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Shelter must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

**Classification of Transactions**

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreased in net assets without donor restrictions.

**Cash and Cash Equivalents**

For the purposes of the Statement of Cash Flows, the Shelter considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. This includes cash in banks and money market funds.

**DORCHESTER PAWS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Investments**

The Shelter investments consist primarily of assets invested in mutual funds and fixed income securities, stocks, and money-market funds. The Shelter accounts for investments in accordance with FASB ASC 958-320 and subsections. This standard requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the statement of financial position. Fair value of marketable equity and debt securities is based on quoted market prices.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Financial Position.

Investment income is recorded net of investment expenses. Realized gains or losses on investments are determined by comparison of specific cost of acquisition to proceeds at the time of disposal. Unrealized gains or losses are calculated by comparing cost to market values at the statement of financial position date. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

**Board Designated Endowment Funds**

The Shelter's endowment funds consist of funds without donor restrictions functioning as endowment through designation by the Board. The earnings of the Shelter's endowment fund support the mission of the Shelter. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

*Return Objectives and Risk Parameters*

The Shelter has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

*Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the Shelter 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 Shelter targets a diversified asset allocation that places an emphasis on equity-based investments and mutual funds to achieve its long-term objectives within prudent risk constraints.

*Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Shelter has a policy of appropriating the distribution for each year not to exceed 4.75% of its selected endowment fund's trailing average market value over the three years preceding the year in which the distribution is planned. In establishing this policy, the Shelter considered the long-term expected return on its endowment. Accordingly, over the long term, the Shelter expects the current spending policy to allow its endowment to grow at an average of 5 to 8 percent annually.

**DORCHESTER PAWS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Property and Equipment**

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at the approximate fair value at the date of donation. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of the operations for the respective period. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, ranging from 3 to 39 years.

**Fair Value of Financial Instruments**

The carrying amounts of financial instruments, including cash and cash equivalents, money market funds and accounts payable approximate fair value because of the short maturity of those financial instruments.

**Accounting of Contributions**

Contributions, including contributions receivable, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specially reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Contributions receivable with payments due in the future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contributions is clearly intended to support activities in the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until as conditions on which they depend are substantially met. It is the Shelter's policy to record restricted contributions received and released in the same year as support without donor restrictions.

**Gifts-In-Kind Contributions**

The Shelter records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. Donated use of facilities are reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional contribution receivable at the date of gift, and the expense is report over the term of the use. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

No amounts have been reflected in the financial statements for donated services. The Shelter pays for most services requiring specific expertise. However, a substantial number of volunteers have donated significant amounts of their time to the Shelter's program services and its fundraising campaigns, the value of which is not recorded in the accompanying financial statements.

**DORCHESTER PAWS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Expense Allocation**

The costs of providing various programs and other activities have been summarized in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries, wages and payroll taxes are allocated based on activity reports prepared by key personnel.
- Direct expenses are charged to their specific area of activity
- All other expenses are recorded directly to its function.

**Advertising**

Cost of promotions and advertising are expensed as incurred. Advertising and promotion expense total \$36,402 and \$10,068 for the years ending December 31, 2018 and 2017, respectively.

**Income Tax Status**

The Shelter is a not-for-profit Shelter that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law as a charitable Shelter whereby only unrelated business income, as defined by Section 509(a)(1) of the Code is subject to federal income tax. The Shelter qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an association other than a private Shelter under Section 509(a)(2).

Management has evaluated the tax positions of the Shelter and does not believe that any uncertain tax positions or unrecognized tax benefits exist for the year ended December 31, 2018. The Shelter's policy is to report accrued interest related to unrecognized tax benefits, when applicable, as interest expense and to report penalties as other expense. The Shelter currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded. The Shelter is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax period in progress.

**Compensated Absences**

Employees earn vacation at various rates depending on their status as non-exempt and exempt, job classification and years of service. Vacation increases by five (5) days at each job classification after two (2) years and five (5) years. Unused vacation carryover is allowed.

**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.

**Reclassifications**

Certain amounts from the prior year have been reclassified to conform to the 2018 presentation without affecting the previously reported net assets.

**DORCHESTER PAWS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**New Accounting Pronouncements**

The Financial Accounting Standards Board (FASB), on August 18, 2018, published Accounting Standards Updated (ASU) No. 2018-14, Not for Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities. The standard changes how not-for-profit organizations classify their net assets, with groups required to categorize assets as either those with donor restrictions or without. The standard also requires new information about the organization's liquidity and an analysis of expenses by nature and function. The update aims to help charities, universities, foundations, and other not-for-profit groups better convey how they spend and manage their resources. The Shelter has elected to adopt this standard for the year ended December 31, 2018 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

**NOTE 2 - AVAILABILITY AND LIQUIDITY**

Financial assets available for general expenditure, that are without donor or other restrictions limited their use within one year of the Statement of Financial Position date of December 31, 2018, comprise of the following at December 31, 2018:

Financial assets:		
Cash and cash equivalents, unrestricted	\$	103,841
Investments		<u>775,445</u>
Total financial assets		879,286
Less financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets		(7,500)
Board designated net assets		<u>(755,445)</u>
Amount available for general expenditures within one year	\$	<u><u>116,341</u></u>

As part of its liquidity plan, the Shelter has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

**NOTE 3 - INVESTMENTS**

Investments held by the Shelter are in various accounts at a national brokerage firm. Investment fees are netted against investment income. Investments are stated at fair market value and consist of the following at December 31, 2018:

	<i>Audited</i>		<i>Reviewed</i>	
	December 31, 2018		December 31, 2017	
	<u>FMV</u>	<u>Cost</u>	<u>FMV</u>	<u>Cost</u>
Money market	\$ 47,466	\$ 47,466	\$ 28,319	\$ 28,319
Mutual funds	693,503	563,312	811,532	599,819
Fixed income securities	29,298	24,679	30,983	24,679
Stocks	5,178	-	-	-
	<u>\$ 775,445</u>	<u>\$ 635,457</u>	<u>\$ 870,834</u>	<u>\$ 652,817</u>



**DORCHESTER PAWS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 4 - SUMMARY OF FAIR VALUE EXPOSURE**

ASC 820 defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

- Level 1: Quoted prices in active markets for identical securities
- Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.)
- Level 3: Significant unobservable inputs (including the The Shelter own assumptions in determining the fair value of investments)

For the year ended December 31, 2018, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

- *Money market:* The fair value of investments money market funds that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs- market approach).
- *Mutual funds:* The Shelter equity securities are readily marketable and have fair values which are determined by obtaining quoted market prices in active markets. (Level 1 inputs- market approach).
- *Fixed income securities:* Fair values of U.S. Government and corporate securities reflect closing prices reported in the active markets in which the securities are traded. (Level 1 inputs -market approach).
- *Stocks:* Fair values determined by the closing price on the last business day of the year.

The following tables provide fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of:

	<i>Audited</i>			
	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Money market	\$ 47,466	\$ -	\$ -	\$ 47,466
Mutual funds	693,503	-	-	693,503
Fixed income securities	29,298	-	-	29,298
Stocks	5,178	-	-	5,178
	<u>\$ 775,445</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 775,445</u>

	<i>Reviewed</i>			
	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Money market	\$ 28,319	\$ -	\$ -	\$ 28,319
Mutual funds	811,532	-	-	811,532
Fixed income securities	30,983	-	-	30,983
	<u>\$ 870,834</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 870,834</u>

The inputs and methodology used for valuing the Shelter financial assets and liabilities are not indicators of the risks associated with those instruments.

**DORCHESTER PAWS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 4 - SUMMARY OF FAIR VALUE EXPOSURE – CONTINUED**

Management evaluated the significant transfers between levels based upon the nature of the financial instrument and size of the transfer related to investments. For the years ending December 31, 2018 and 2017, there were no significant transfers in or out of levels 1, 2, or 3.

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of December 31, 2018 and 2017:

	<i>(Audited)</i>	<i>(Reviewed)</i>
	<u>2018</u>	<u>2017</u>
Depreciable assets:		
Furniture and equipment	\$ 187,906	\$ 233,616
Building improvements	78,058	78,058
Building	<u>417,957</u>	<u>417,957</u>
	683,921	729,631
Less: accumulated depreciation	<u>(411,733)</u>	<u>(448,115)</u>
Total property and equipment	<u>\$ 272,188</u>	<u>\$ 281,516</u>

Depreciation expense for the years ending December 31, 2018 and 2017 is \$25,865 and \$24,487, respectively.

**NOTE 6 - CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject the Shelter to concentrations of credit risk consist of cash in banks; investments managed by brokerage firms and promise to give. The Shelter places its cash and investments with reputable financial institutions and limits the amount of credit exposure for cash to any one financial institution. Accounts held by banking institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 and cash in investment accounts is insured by the brokers insurance. As of December 31, 2018 and 2017, the Shelter had no uninsured cash.

**NOTE 7 - OTHER CONCENTRATION RISK**

The Shelter has a vendor contract with the Dorchester County for the humane disposition of animals in Dorchester County. In 2018, the Shelter received 3,033 animals from animal control agencies and Dorchester County citizens, which represents 100% of the animal intake for the Shelter. The Shelter received \$166,800 from Dorchester County under the contract. The concentration of animal intake from Dorchester County related to one vendor contract is a risk to the Shelter.

In 2017, the Shelter received 3,167 animals from animal control agencies and Dorchester County citizens, which represents 100% of the animal intake for the Shelter. The Shelter received \$189,250 from Dorchester County under the contract. The concentration of animal intake from Dorchester County related to one vendor contract is a risk to the Shelter.

The Shelter must use reserves, donations and grants to fund the shortfall annually which creates a risk to the Shelter.

**DORCHESTER PAWS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 8 - RELATED PARTIES TRANSACTIONS**

The Shelter received contributions from members of its Board of Directors for the year ending December 31, 2018 and 2017.

The Shelter incurred insurance expense of \$7,381 to a related company for the year ended December 31, 2018.

The Shelter incurred auto expenses of \$204 to a related company for the year ended December 31, 2018.

The Shelter incurred veterinary expenses of \$795 to a related company for the year ended December 31, 2018.

**NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS**

The Shelter has net assets with donor restrictions that are available for the purchase of two dishwashers in the amount of \$7,500 as of December 31, 2018 and there were no donor restricted net assets for December 31, 2017.

**NOTE 10 - LEASE COMMITMENTS**

The Shelter has an operating lease obligation for office equipment under a five year lease dated January 31, 2017. For the years ending December 31, 2018 and 2017, total lease payments were \$6,511 and \$5,257, respectively.

The future minimum lease payments due under this lease obligation is \$4,770 for the years ended December 31, 2019, 2020 and 2021.

**NOTE 11 - BOARD RESTRICTED ENDOWMENT**

In 2003, the Board approved the formation of an endowment fund to be known as the Dorchester Shelter for Prevention of Cruelty to Animals Endowment Fund per the terms of an Endowment Agreement. The Endowment Board must vote and approve the disbursement of any funds. Generally, these funds are meant for projects to improve or repair the Shelter. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment net assets composition by type of fund as of December 31, 2018 and 2017 are as follows:

	<i>Audited</i>	<i>Reviewed</i>
	2018	2017
<hr/>		
With donor restrictions:		
Endowment net assets, Beginning of the year	\$ 870,834	\$ 818,676
Contributions	5,115	2,960
Interest and dividends	46,417	43,647
<hr/>		
Sale of investment	(34,411)	-
Unrealized (loss) gain	(90,731)	77,563
Management fees	(4,178)	(8,525)
Appropriation from board-designated endowment for expenditures	(17,601)	(63,487)
<hr/>		
Endowment net assets, End of the year	\$ 775,445	\$ 870,834

**DORCHESTER PAWS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 11 - BOARD RESTRICTED ENDOWMENT– CONTINUED**

The investment income related to the donor restricted funds has been accounted for within the donor restrictions investment earnings on the Statements of Activities. There were no contributions to the with donor restrictions corpus during years ended December 31, 2018 and 2017.

**NOTE 12 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the financial report date and has concluded no significant subsequent events meet the criteria of professional accounting standards to be recognized or disclosed in the financial statements.