FRIENDS OF CHICAGO ANIMAL CARE AND CONTROL, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2019

CJBS, LLC
2100 Sanders Road, Suite 200, Northbrook, Illinois 60062-6141 • p. 847-945-2888 • f. 847-945-9512

www.cjbs.com

FRIENDS OF CHICAGO ANIMAL CARE AND CONTROL, INC.

TABLE OF CONTENTS

CJBS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Friends of Chicago Animal Care and Control, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Friends of Chicago Animal Care and Control, Inc (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets – cash basis as of December 31, 2019, and the related statements of support, revenue, and expenses – cash basis and functional expenses – cash basis 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 the cash basis of accounting as described in Note A; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Friends of Chicago Animal Care and Control, Inc. as of December 31, 2019, and its support, revenue, and expenses for the year then ended in accordance with the cash basis of accounting as described in Note A.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

CJBS, LLC

CJBS, LLC
Northbrook, IL

July 20, 2020

FRIENDS OF CHICAGO ANIMAL CARE AND CONTROL, INC.

STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - CASH BASIS

DECEMBER 31, 2019

ASSETS

Cash and cash equivalents	$	125,863
Investments		882,487
TOTAL ASSETS	$	1,008,350

LIABILITIES AND NET ASSETS

NET ASSETS WITHOUT DONOR RESTRICTIONS		1,008,350
TOTAL LIABILITIES AND NET ASSETS	$	1,008,350

See auditor's report and accompanying notes to financial statements

FRIENDS OF CHICAGO ANIMAL CARE AND CONTROL, INC.

STATEMENT OF SUPPORT, REVENUE AND EXPENSES - CASH BASIS

FOR THE YEAR ENDED DECEMBER 31, 2019

SUPPORT AND REVENUE COLLECTED		
Adoption fee	$	19,538
Bequests		38,578
Contributions		261,746
Gross special events revenue		49,106
Less cost of direct benefit to donors	(	28,362)
Net special events revenue		20,744
Investment income, net		38,526
TOTAL SUPPORT AND REVENUE COLLECTED		379,132
EXPENSES PAID		
Program services expense		393,391
Management and general expense		29,681
TOTAL EXPENSES		423,072
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(	43,940)
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR		1,052,290
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR	$	1,008,350

See auditor's report and accompanying notes to financial statements

FRIENDS OF CHICAGO ANIMAL CARE AND CONTROL, INC.

STATEMENT OF FUNCTIONAL EXPENSES - CASH BASIS

FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services	Management and General	Total
EXPENSES PAID			
Payroll and payroll tax	$ 101,831	$ -	$ 101,831
Professional fees	7,254	5,806	13,060
Occupancy - storage, utilities, telephone	1,827	4,932	6,759
Insurance	-	5,499	5,499
Supplies	76,030	8,779	84,809
Printing and postage	491	4,665	5,156
Licenses	1,355	-	1,355
Dog care	53,969	-	53,969
Dog training	791	-	791
Medical expenses	88,364	-	88,364
Photography	1,350	-	1,350
Travel and meetings	11,644	-	11,644
Rescue sponsorships	150	-	150
After hours crisis	48,335	-	48,335
TOTAL EXPENSES	$ 393,391	$ 29,681	$ 423,072

See auditor's report and accompanying notes to financial statements

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization

Friends of Chicago Animal Care and Control, Inc. (the "Organization") is a not-for-profit organization incorporated under the laws of Illinois. The Organization was founded to raise awareness of Chicago Animal Care and Control, provide extra care for the animals at the shelter beyond the City's resources, and help more animals find new homes. The Organization was created on July 11, 2000. The Organization's most significant program is the Foster Program where the Organization coordinates with the Chicago Animal Care and Control shelter in Chicago, Illinois. The Organization transfers animals from the shelter that are too young for adoption, medically fragile, or animals that have special needs and places them in licensed foster homes until they are ready for adoption. The primary sources of revenues are public support and fundraising events.

Basis of Accounting

The Organization prepares its financial statements on the cash basis of accounting; consequently, contributions and other revenues are recognized when received rather then when promised or earned, and certain expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred. Under the cash basis of accounting, the effects of outstanding payables and receivables at the date of the financial statement are not included in the financial statement, and noncash transactions are not recognized.

New Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which outlines a single comprehensive model for recognizing revenue and supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition. ASU 2014-09 requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Topic 606 and all the related amendments were effective for 2019. The Organization prepares its financial statements on the cash basis of accounting; therefore, the ASU 2014-09 did not impact the Organization's results of operations.

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. ASU 2018-08 clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. The amendments in this Update require that an entity determine whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The Organization prepares its financial statements on the cash basis of accounting; therefore, the ASU 2018-08 did not impact the Organization's results of operations.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities,* which changes how public and private companies, not-for-profit entities and employee benefit plans recognize, measure, present and make disclosures about certain financial assets and financial liabilities.

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Under the new guidance, equity investments that don't have readily determinable fair values and don't qualify for the existing practical expedient in Accounting Standards Codification (ASC) 820 to estimate fair value using the net asset value (NAV) per share (or its equivalent) of the investment, the guidance provides a new measurement alternative. Entities may choose to measure those investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Under the new guidance, nonpublic business entities are no longer required to disclose the fair value of financial instruments measured at amortized cost, and they can early adopt this provision for any financial statements they haven't yet issued or made available for issuance. The ASU is effective for 2019 for the Organization. The guidance did not have a significant impact on the Organization's financial statements.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions are available for use in general operations and not subject to donor (or certain grantor) restrictions. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or Board approved spending policy.

The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Donor-restricted contributions and grants whose restrictions are met in the same reporting period are reported as *net assets without donor restrictions*.

Cash and Cash Equivalents

For the purposes of the financial statements, cash and cash equivalents include cash funds deposited in checking, savings, money market funds and deposits with PayPal and Network for Good. For purposes of the statement of cash flows, the Organization considers highly liquid investments with an original maturity of three months or less to be cash equivalents, except those held for long term investment.

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments

Investments are stated at fair value. Donated investments are recorded at the fair value as of the date of receipt.

Net appreciation (depreciation) in the fair value of investments, which consists of dividends and interest, realized gains or losses and unrealized gains and losses on those investments, is presented in the statement of support, revenue, and expenses – cash basis in accordance with donor restrictions as net investment earnings. Net investment earnings are presented net of investment fees. The original cost method is primarily used to determine the basis for computing realized gains or losses.

Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and investments. The Organization places its cash and deposits with high credit quality financial institutions; however, deposits may exceed the federally insured limits from time to time.

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the term and that such changes could materially affect the Organization and the amounts reported in the financial statements.

Revenue and Support Recognition

Contributions are recognized in the appropriate category of net assets when cash is received. Contributions of assets other than cash are not recognized at the time of receipt, but rather only if subsequently sold.

Contributed Services

The volunteers have a significant impact on making the Organization effective. Contributed services are noncash transactions which are not recognized under the cash basis of accounting.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosures. Although estimates are considered to be fairly stated at the time that the estimates are made, actual results could differ.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of support, revenue, expenses and other changes in net assets - cash basis. The statement of functional expenses - cash basis present the natural classification detail of expenses by function.

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among various functional areas using a variety of cost allocation techniques such as time and effort. Costs, such as insurance, occupancy, telephone, office supplies and professional fees are charged to management and general unless related to a specific program.

Advertising

All advertising costs are expensed when paid.

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization has been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). Accordingly, no provision has been made for income taxes in the financial statements. There was no unrelated business income for the year ended December 31, 2019. The Organization has filed for and received state income tax exemptions in the jurisdictions where it is required to do so.

The Organization follows the guidance of Accounting Standards Codification (ASC 740), *Accounting for Income Taxes*, related to uncertainties in income taxes, which prescribes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. There are no such uncertain tax positions for the Organization for the years ended December 31, 2019. For federal income tax purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns. The Organization is generally no longer subject to examinations by the Internal Revenue Service for years prior to 2016.

NOTE B – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization monitors its liquidity to be able to meet its operating needs. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Financial Assets:		
Cash and cash equivalents	$	125,863
Investments		882,487
Total financial assets available within one year	$	1,008,350

As part of the Organization’s liquidity management, its policy is to structure its financial assets to be available as its general expenditures, liabilities and other obligations when they come due. To help manage unanticipated liquidity needs, and although it has not done in the past, the Organization will suspend certain programs for a period of time.

NOTE C – CONCENTRATION

The Organization received approximately 22% of its contributions from two donors in 2019.

NOTE D – INVESTMENTS AND FAIR VALUE MEASUREMENTS

The investment portfolio, at fair value, as of December 31, 2019, consisted of the following:

Common stock	$	210,122
Mutual funds		181,929
Exchange traded products		103,378
Total Investments		495,429
Cash and cash equivalents held in investment account		387,058
	$	882,487

The following summarizes the investment return from both cash equivalents and investments:

Interest and Dividends	$	10,780
Realized/ Unrealized Gains (Losses)		30,410
Investment Fees	(	2,664)
	$	38,526

The Organization follows Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures,* that provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurements.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE D – INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019.

Common Stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Money Market: Valued at cost plus interest earned, which approximates fair value.

The preceding methods described may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Assets measured at fair value on a recurring basis are summarized below:

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2019:

	Assets at Fair Value as of December 31, 2019			
Description	Level 1	Level 2	Level 3	Total
Common Stocks:				
Communication services	$ 18,231	$ -	$ -	$ 18,231
Consumer discretionary	23,394	-	-	23,394
Consumer staples	23,081	-	-	23,081
Energy	16,066	-	-	16,066
Financials	21,596	-	-	21,596
Healthcare	41,476	-	-	41,476
Industrials	14,990	-	-	14,990
Information technology	41,049	-	-	41,049
Other	10,239	-	-	10,239
	210,122			210,122
Mutual funds	181,929	-	-	181,929
Exchange traded products	103,378	-	-	103,378
	285,307			285,307
Total Investments in the Fair Value Hierarchy	$ 495,429	$ -	$ -	
Money market accounts				387,058
Total investments				$ 882,487

NOTE E – SUBSEQUENT EVENTS

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen, which are likely to impact the Organization's operations negatively. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

On March 27, 2020, the President signed the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act or the Act) to provide emergency assistance and health care response for individuals, families, and businesses affected by the coronavirus pandemic. Section 1102 of the Act temporarily permits Small Business Administration (SBA) to guarantee 100 percent of 7(a) loans under a new program titled the "Paycheck Protection Program." Section 1106 of the Act provides for forgiveness of up to the full principal amount of qualifying loans guaranteed under the Paycheck Protection Program (PPP). The actual amount of loan forgiveness will depend, in part, on the total amount spent over the eight-week period begins on the date the lender makes the first disbursement of the PPP loan to the borrower on certain expenses as defined on the Act.

On May 1, 2020, the Organization obtained a PPP loan totaling $18,750. Subject to the terms of the PPP loan, the forgiven balance will reduce the principal balance of the loan and the related accrued interest balance. The remaining principal and accrued interest at a 1% fixed rate are due and payable two years from the date of the note. All payments of principal and interest are deferred for the first six months.

The management of the Organization has evaluated events subsequent to the statement of assets, liabilities and net assets – cash basis date of December 31, 2019, through July 20, 2020, the date the financial statements were available to be issued. Except as disclosed in the above paragraphs, there were no subsequent material events that require recognition or additional disclosure in these financial statements in accordance with FASB ASC 855, *Subsequent Events*."