

**WAYSIDE WAIFS, INC.**

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**FINANCIAL STATEMENTS**

---

**December 31, 2019 and 2018**

# IFFT & CO. PA

*Certified Public Accountants*

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Wayside Waifs, Inc.  
Kansas City, Missouri

We have audited the accompanying financial statements of Wayside Waifs, Inc. (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### *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 Wayside Waifs, Inc. as of December 31, 2019 and 2018, 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.

***Change in Accounting Principle***

As described in Note 1 to the financial statements, Wayside Waifs, Inc. has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, FASB Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, and ASU 2016-18, *Statement of Cash Flow - Restricted Cash*. Our opinion is not modified with respect to this matter.

*IFF + Co. PA*

September 18, 2020

**WAYSIDE WAIFS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,138,588	943,865
Cash restricted for capital campaign	2,626,862	-
Investments	12,425,519	11,356,528
Accounts receivable	22,773	14,778
Other receivables	2,429	1,633
Donations receivable	203,611	191,441
Current portion of capital campaign receivable	535,215	-
Bequests receivable	6,555	862,067
Retail inventory	17,986	22,009
Prepaid expenses	<u>46,894</u>	<u>55,614</u>
TOTAL CURRENT ASSETS	17,026,432	13,447,935
 PROPERTY AND EQUIPMENT, net	 9,615,659	 7,545,741
 ASSETS LIMITED AS TO USE - INVESTMENTS	 98,000	 98,000
 CAPITAL CAMPAIGN RECEIVABLE, less current portion	 <u>414,605</u>	 <u>-</u>
TOTAL ASSETS	<u>\$ 27,154,696</u>	<u>21,091,676</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,020,435	191,715
Accrued expenses and payroll withholdings	<u>93,170</u>	<u>211,849</u>
TOTAL CURRENT LIABILITIES	1,113,605	403,564
 <b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	8,175,069	8,354,980
Board-designated	<u>12,425,519</u>	<u>9,845,565</u>
Total without donor restrictions	20,600,588	18,200,545
With donor restrictions		
Perpetual in nature	98,000	98,000
Purpose restrictions	5,335,948	2,379,567
Time-restricted for future periods	<u>6,555</u>	<u>10,000</u>
Total with donor restrictions	<u>5,440,503</u>	<u>2,487,567</u>
TOTAL NET ASSETS	<u>26,041,091</u>	<u>20,688,112</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 27,154,696</u>	<u>21,091,676</u>

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

**WAYSIDE WAIFS, INC.**  
**STATEMENTS OF ACTIVITIES**  
**For the years ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Support and revenues		
Contributions	\$ 3,042,341	3,412,717
Bequests	444,243	623,671
Adoption services	619,637	619,694
Animal receiving	40,711	32,207
Cremations and burials	93,832	104,332
City fees	99,355	100,891
Special events, net of direct benefits to donors of \$101,353 in 2019 and \$97,932 in 2018	1,675,143	1,214,325
Sales revenue, net of cost of goods sold of \$123,936 in 2019 and \$114,023 in 2018	92,374	100,729
Investment return	2,185,727	(548,855)
In-kind contributions	82,436	71,240
Loss on disposal of property and equipment	(37,808)	-
Other	15,956	19,395
Net assets released from restrictions	<u>37,500</u>	<u>206,467</u>
	8,391,447	5,956,813
 Expenses		
Program services	4,496,780	4,548,557
General and administrative	484,415	526,497
Fundraising	<u>1,010,209</u>	<u>979,097</u>
	<u>5,991,404</u>	<u>6,054,151</u>
 CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	 2,400,043	 (97,338)
 <b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
Support and revenues		
Contributions	56,671	17,500
Bequests	6,555	10,000
Capital campaign	2,927,210	-
Net assets released from restrictions	<u>(37,500)</u>	<u>(206,467)</u>
 CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	 <u>2,952,936</u>	 <u>(178,967)</u>
 CHANGE IN NET ASSETS	 5,352,979	 (276,305)
 NET ASSETS, BEGINNING OF YEAR	 <u>20,688,112</u>	 <u>20,964,417</u>
 NET ASSETS, END OF YEAR	 <u>\$ 26,041,091</u>	 <u>20,688,112</u>

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

**WAYSIDE WAIFS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2019**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Cost of Direct Benefit to Donors</u>	<u>Total</u>
Salaries	\$ 2,216,255	249,547	293,976	-	2,759,778
Payroll taxes	171,236	18,979	21,958	-	212,173
Employee benefits	<u>200,967</u>	<u>15,711</u>	<u>32,664</u>	-	<u>249,342</u>
	2,588,458	284,237	348,598	-	3,221,293
Property and liability insurance	65,442	-	-	-	65,442
Professional fees	-	31,700	-	-	31,700
Veterinary supplies	272,266	-	-	-	272,266
Office expense	57,477	16,333	47,033	-	120,843
Animal care related expenses	86,646	-	-	-	86,646
Maintenance and repairs	96,189	-	-	-	96,189
Utilities	200,312	4,545	4,545	-	209,402
Advertising	112,157	-	70,292	-	182,449
Information technology	48,582	23,576	78,923	-	151,081
Website maintenance	10,691	-	10,691	-	21,382
Consulting fees	5,714	-	-	-	5,714
Training	5,959	930	1,508	-	8,397
Travel	12,207	3,654	2,714	-	18,575
Dog and cat food	72,134	-	-	-	72,134
Contract labor	209,362	36,840	100	-	246,302
Automobile and truck expense	8,655	-	-	-	8,655
Telephone	24,830	1,379	1,379	-	27,588
Licenses and permits	3,090	75	-	-	3,165
Direct mail expenses	94,728	-	284,185	-	378,913
Dues and subscriptions	3,288	3,261	2,208	-	8,757
Direct fundraising costs, including special events	-	-	158,033	-	158,033
Direct benefit to donors	-	-	-	101,353	101,353
Cost of goods sold	123,936	-	-	-	123,936
Other	<u>-</u>	<u>50,590</u>	<u>-</u>	<u>-</u>	<u>50,590</u>
	4,102,123	457,120	1,010,209	101,353	5,670,805
Depreciation	<u>518,593</u>	<u>27,295</u>	<u>-</u>	<u>-</u>	<u>545,888</u>
Total expenses by function	4,620,716	484,415	1,010,209	101,353	6,216,693
Less expenses included with revenues on the statement of activities					
Cost of direct benefit to donors	-	-	-	(101,353)	(101,353)
Cost of goods sold	<u>(123,936)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(123,936)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 4,496,780</u>	<u>484,415</u>	<u>1,010,209</u>	<u>-</u>	<u>5,991,404</u>

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

**WAYSIDE WAIFS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2018**

	Program Services	General and Administrative	Fundraising	Cost of Direct Benefit to Donors	Total
Salaries	\$ 2,224,941	237,405	299,518	-	2,761,864
Payroll taxes	173,721	16,740	22,340	-	212,801
Employee benefits	<u>199,214</u>	<u>40,842</u>	<u>40,832</u>	-	<u>280,888</u>
	2,597,876	294,987	362,690	-	3,255,553
Property and liability insurance	63,549	-	-	-	63,549
Professional fees	-	35,896	-	-	35,896
Veterinary supplies	247,622	-	-	-	247,622
Office expense	44,992	16,309	40,333	-	101,634
Animal care related expenses	86,620	-	-	-	86,620
Maintenance and repairs	94,832	-	-	-	94,832
Utilities	210,645	5,543	5,543	-	221,731
Advertising	194,903	-	-	-	194,903
Information technology	49,463	19,088	65,330	-	133,881
Website maintenance	20,117	-	20,117	-	40,234
Training	5,311	3,499	3,633	-	12,443
Travel	1,893	9,103	1,384	-	12,380
Dog and cat food	68,232	-	-	-	68,232
Contract labor	200,848	36,849	9,071	-	246,768
Automobile and truck expense	14,534	-	-	-	14,534
Telephone	22,423	1,246	1,246	-	24,915
Taxes and licenses	3,453	-	-	-	3,453
Direct mail expenses	98,796	-	296,387	-	395,183
Dues and subscriptions	2,959	2,080	3,425	-	8,464
Direct fundraising costs, including special events	-	-	169,938	-	169,938
Direct benefit to donors	-	-	-	97,932	97,932
Cost of goods sold	114,023	-	-	-	114,023
Other	<u>-</u>	<u>74,555</u>	<u>-</u>	<u>-</u>	<u>74,555</u>
	4,143,091	499,155	979,097	97,932	5,719,275
Depreciation	<u>519,489</u>	<u>27,342</u>	<u>-</u>	<u>-</u>	<u>546,831</u>
Total expenses by function	4,662,580	526,497	979,097	97,932	6,266,106
Less expenses included with revenues on the statement of activities					
Cost of direct benefit to donors	-	-	-	(97,932)	(97,932)
Cost of goods sold	<u>(114,023)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(114,023)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 4,548,557</u>	<u>526,497</u>	<u>979,097</u>	<u>-</u>	<u>6,054,151</u>

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

**WAYSIDE WAIFS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the years ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 5,352,979	(276,305)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	545,888	546,831
Loss on disposal of property and equipment	37,808	-
Realized gains on investments	(249,798)	(221,577)
Unrealized (gains) losses on investments	(1,616,670)	1,016,447
Changes in operating assets and liabilities		
Accounts receivable	(7,995)	15,834
Other receivables	(796)	-
Donations receivable	(12,170)	104,045
Capital campaign receivable	(949,820)	-
Bequests receivable	855,512	1,621,467
Retail inventory	4,023	6,408
Prepaid expenses	8,720	(35,848)
Accounts payable	828,720	68,981
Accrued expenses and payroll withholdings	<u>(118,679)</u>	<u>(94,113)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>4,677,722</b>	<b>2,752,170</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(2,711,104)	(202,680)
Proceeds from disposal of property and equipment	57,490	-
Purchases of investments	(4,134,130)	(3,692,835)
Proceeds from sale of investments	<u>4,931,607</u>	<u>1,421,835</u>
 <b>NET CASH USED IN INVESTING ACTIVITIES</b>	 <b><u>(1,856,137)</u></b>	 <b><u>(2,473,680)</u></b>
 <b>NET CHANGE IN CASH, CASH EQUIVALENTS, AND CASH RESTRICTED FOR CAPITAL CAMPAIGN</b>	 <b>2,821,585</b>	 <b>278,490</b>
 <b>CASH, CASH EQUIVALENTS, AND CASH RESTRICTED FOR CAPITAL CAMPAIGN, BEGINNING OF YEAR</b>	 <b><u>943,865</u></b>	 <b><u>665,375</u></b>
 <b>CASH, CASH EQUIVALENTS, AND CASH RESTRICTED FOR CAPITAL CAMPAIGN, END OF YEAR</b>	 <b><u>\$ 3,765,450</u></b>	 <b><u>943,865</u></b>

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



**WAYSIDE WAIFS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Wayside Waifs, Inc. (the Organization) is a charitable animal shelter whose mission is preparing pets and people for the bond of their lives.

Wayside Waifs, Inc. provides a wide range of services to adopters and pet owners. The Organization has been helping families for generations by providing pet memorial aftercare, training and humane education, animal surrender, and much more.

The donor base of Wayside Waifs, Inc. consists primarily of businesses and residents in the Greater Kansas City area.

Net Assets

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 – Net assets available for use in general operations and not subject to donor restrictions. The Organization’s Board of Directors has designated, from net assets without donor restrictions, a reserve fund for Organization expenses approved by the Board of Directors.
- Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions.

Cash Equivalents

The Organization considers all highly liquid investments purchased with initial maturities of less than three months to be cash equivalents.

**WAYSIDE WAIFS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable

The Organization's receivables are due within thirty days from billing and are recorded at amounts due, net of an allowance for doubtful accounts. Accounts outstanding longer than the contractual payment terms are considered past due. The Organization determines its allowance by considering a number of factors, including the length of time receivables are past due, the Organization's previous loss history, the debtor's current ability to pay its obligations to the Organization, and the condition of the general economy as a whole. The Organization writes off receivables when they become uncollectible. At December 31, 2019 and 2018, the Organization considered accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts was recorded.

Property and Equipment

The Organization capitalizes all significant acquisitions of property and equipment, which are recorded at cost or fair value, if donated. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets.

Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures that materially extend the life of an asset are capitalized.

Inventories

Inventories consist primarily of pet supplies. All inventories are valued at the lower of cost or net realizable value, with cost being determined using the first-in, first-out (FIFO) method.

In-Kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions of pet food and professional services from various donors. It is the policy of the Organization to record the estimated fair value of these in-kind contributions.

Income Taxes

The Organization is generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision or liability for income taxes has been included in the accompanying financial statements.

The Organization recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority.

**WAYSIDE WAIFS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes - Continued

The Organization is subject to income tax regulations in the U.S. federal jurisdiction and certain state jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Organization is no longer subject to income tax examinations by the applicable tax authorities for the years before 2016. If any were to be incurred, the Organization's policy is to record penalties and interest assessed by income tax authorities as operating expenses.

Advertising and Promotion Costs

Advertising and promotion costs are charged to operations when incurred.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the accompanying statements of activities. The accompanying statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**WAYSIDE WAIFS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Change in Accounting Principle

Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Organization has implemented Topic 606 and has adjusted the presentation in the financial statements accordingly. The amendments have been applied retrospectively to all periods presented, with no effect on net assets.

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The provisions of ASU 2018-08 have been implemented to contributions received in the accompanying financial statements. There was no effect on net assets in connection with the implementation of ASU 2018-08.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows - Restricted Cash*, that requires the inclusion of restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The provisions of ASU 2016-08 have been implemented in the accompanying financial statements.

New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The objective of this ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. The Organization will adopt this ASU in the reporting period beginning January 1, 2022. The Organization is currently evaluating the potential impact on the financial statements.

Reclassifications

Certain items in the accompanying 2018 financial statements have been reclassified to conform with the 2019 presentation. These reclassifications had no effect on the previously reported change in net assets.

Subsequent Events

Subsequent events have been evaluated through September 18, 2020, which is the date the financial statements were available to be issued.

**WAYSIDE WAIFS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,138,588	943,865
Cash restricted for capital campaign	2,626,862	-
Investments	12,523,519	11,454,528
Accounts receivable	25,202	16,411
Donations receivable	203,611	191,441
Capital campaign receivable, net	949,820	-
Bequests receivable	<u>6,555</u>	<u>862,067</u>
	17,474,157	13,468,312
Less: Net assets restricted in perpetuity	98,000	98,000
Net assets restricted as to purpose excluding construction in progress	2,711,441	2,379,567
Net assets with board designations	<u>12,425,519</u>	<u>9,845,565</u>
	<u>\$ 2,339,197</u>	<u>1,145,180</u>

As part of the Organization's liquidity management plan, the Organization invests cash periodically in short-term investments and money market funds. The Organization's Board of Directors has designated a portion of the Organization's investments as an operating reserve fund, which was \$12,425,519 and \$9,845,565 at December 31, 2019 and 2018, respectively. The reserve fund is available for operations with approval by the Board of Directors.

NOTE 3 - FAIR VALUE MEASUREMENTS

FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, establishes a single authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. In accordance with ASC 820, the Organization classifies its investments into Level 1 (securities valued using quoted market prices from active markets for identical assets), Level 2 (securities not traded on an active market for which observable inputs are readily available), and Level 3 (securities valued based on significant unobservable inputs). Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

**WAYSIDE WAIFS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

NOTE 3 - FAIR VALUE MEASUREMENTS - Continued

The following is a description of the valuation methodologies and inputs for investments measured at fair value pursuant to the valuation hierarchy.

- Funds held by a community foundation in pooled investment funds are valued at the net asset value (NAV) of shares held by the Organization at the reporting date. These pooled investment funds are invested in money market, equity, and fixed income funds. The fair value of the underlying assets is used to determine the NAV of the pooled fund, which is not publicly quoted. The funds are classified within Level 2 of the fair value hierarchy.
- Other investments are valued at closing price reported on the active market on which the individual securities are traded and are classified within Level 1 of the fair value hierarchy.

The following tables summarize the valuation of investments measured at fair value on a recurring basis in the accompanying statements of financial position, including the additional requirement to classify securities by major category, which is defined as the major security type classifications within ASC 820.

<u>Description</u>	<u>Assets at Fair Value as of December 31, 2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market pool	\$ -	128,066	-	128,066
Fixed income pool - short term	-	1,778,713	-	1,778,713
Fixed income pool - intermediate	-	1,775,225	-	1,775,225
Equity pool - domestic	-	6,294,742	-	6,294,742
Equity pool - international	-	2,545,755	-	2,545,755
Other	<u>1,018</u>	<u>-</u>	<u>-</u>	<u>1,018</u>
	<u>\$ 1,018</u>	<u>12,522,501</u>	<u>-</u>	<u>12,523,519</u>

<u>Description</u>	<u>Assets at Fair Value as of December 31, 2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market pool	\$ -	1,642,888	-	1,642,888
Fixed income pool - short term	-	1,532,917	-	1,532,917
Fixed income pool - intermediate	-	1,541,703	-	1,541,703
Equity pool	<u>-</u>	<u>6,737,020</u>	<u>-</u>	<u>6,737,020</u>
	<u>\$ -</u>	<u>11,454,528</u>	<u>-</u>	<u>11,454,528</u>

**WAYSIDE WAIFS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

NOTE 3 - FAIR VALUE MEASUREMENTS - Continued

Additional information about investments where fair value is estimated using NAV follows:

<u>December 31, 2019</u>	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Expected liquidation term</u>	<u>Redemption terms</u>	<u>Redemption restrictions</u>
Money market pool	\$ 128,066	None	None	Immediate	None
Fixed income pools	3,553,938	None	None	Immediate	None
Equity pools	<u>8,840,497</u>	None	None	Immediate	None
	<u>\$ 12,522,501</u>				

<u>December 31, 2018</u>	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Expected liquidation term</u>	<u>Redemption terms</u>	<u>Redemption restrictions</u>
Money market pool	\$ 1,642,888	None	None	Immediate	None
Fixed income pools	3,074,620	None	None	Immediate	None
Equity pool	<u>6,737,020</u>	None	None	Immediate	None
	<u>\$ 11,454,528</u>				

Disbursements can be made with authorization by the Board of Directors.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Land	\$ 272,731	272,731
Buildings	10,783,752	10,874,803
Furniture and equipment	1,948,209	2,166,583
Vehicles	251,272	228,271
Construction in progress	<u>2,624,507</u>	<u>61,329</u>
	15,880,471	13,603,717
Less accumulated depreciation	<u>6,264,812</u>	<u>6,057,976</u>
	<u>\$ 9,615,659</u>	<u>7,545,741</u>

**WAYSIDE WAIFS, INC.**  
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NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Advertising	\$ 7,500	17,500
Animal care	37,000	2,362,067
Construction project	<u>5,291,448</u>	<u>-</u>
	5,335,948	2,379,567
Subject to the passage of time:		
Bequests receivable	6,555	10,000
Endowment:		
Restricted to investment in perpetuity	<u>98,000</u>	<u>98,000</u>
	<u>\$ 5,440,503</u>	<u>2,487,567</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Expiration of time restrictions	\$ 10,000	105,000
Satisfaction of purpose restrictions:		
Advertising	17,500	10,000
Animal care	10,000	16,467
Future special event	<u>-</u>	<u>75,000</u>
	<u>\$ 37,500</u>	<u>206,467</u>

NOTE 6 - ENDOWMENT

The Organization's endowment fund consists of gifts from two trusts of \$50,000 and \$48,000 that are donor-restricted to investment in perpetuity and additional board-designated amounts.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.



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NOTE 6 - ENDOWMENT - Continued

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, 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 fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (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
- (7) The investment policies of the Organization.

The Organization has adopted investment and spending policies for the endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment assets while seeking to maintain the purchasing power of the endowment assets. The endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. Actual returns in any given year may vary from the desired amount. 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 emphasis on interest-bearing cash instruments, fixed income securities, and equity-based investments.

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NOTE 6 - ENDOWMENT - Continued

The following tables present a reconciliation of the beginning and ending balances of the endowment for the years ended December 31, 2019 and 2018:

	<u>Board</u> <u>Designated</u>	<u>Donor</u> <u>Restricted</u>	<u>Total</u>
Balance at December 31, 2017	\$ 9,880,398	98,000	9,978,398
Contributions	856,664	-	856,664
Interest and dividends	255,746	-	255,746
Realized gains	221,577	-	221,577
Unrealized gains	(1,016,447)	-	(1,016,447)
Investment fees	(25,799)	-	(25,799)
Distributions	<u>(326,574)</u>	<u>-</u>	<u>(326,574)</u>
 Balance at December 31, 2018	 9,845,565	 98,000	 9,943,565
Contributions	848,392	-	848,392
Interest and dividends	289,533	-	289,533
Realized gains	250,326	-	250,326
Unrealized gains	1,616,670	-	1,616,670
Investment fees	(28,229)	-	(28,229)
Distributions	<u>(396,738)</u>	<u>-</u>	<u>(396,738)</u>
 Balance at December 31, 2019	 <u>\$ 12,425,519</u>	 <u>98,000</u>	 <u>12,523,519</u>

NOTE 7 - IN-KIND CONTRIBUTIONS

In-kind contributions consisted of the following for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Pet food	\$ 52,833	46,506
Professional services	<u>29,603</u>	<u>24,734</u>
	<u>\$ 82,436</u>	<u>71,240</u>

NOTE 8 - RETIREMENT PLAN

The Organization has a 401(k) retirement plan in which all employees meeting a service requirement may participate. Under the plan, the Organization matches 50% of each employee's contribution up to 3% of annual salary. Employer contributions in 2019 and 2018 were \$21,654 and \$23,038, respectively.

**WAYSIDE WAIFS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

NOTE 9 - LEASE COMMITMENTS

The Organization leases certain office equipment under non-cancelable operating leases expiring through November 2023. Rental expense associated with these leases totaled \$32,245 and \$16,267 for the years ended December 31, 2019 and 2018, respectively.

Future minimum lease payments under these operating leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 16,524
2021	16,524
2022	11,612
2023	<u>1,639</u>
	<u>\$ 46,299</u>

NOTE 10 - FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salary and benefit related expenses are allocated on the bases of estimates of time and effort, while depreciation and other occupancy related expenses are allocated on a square footage basis.

NOTE 11 - JOINT COSTS

During 2019, the Organization incurred joint costs for advertising, website, and direct mail expenses. The costs were allocated between program and fundraising based on the content and recipients of the marketing materials and mailings. Of the total advertising costs of \$182,449, program costs were \$112,157, and fundraising costs were \$70,292. Of the total website costs of \$21,382, program costs were \$10,691, and fundraising costs were \$10,691. Of the total direct mail costs of \$378,913, program costs were \$94,728, and fundraising costs were \$284,185.

Similarly, during 2018, the Organization incurred joint costs for website and direct mail expenses. The costs were allocated between program and fundraising based on the content and recipients of the marketing materials and mailings. Of the total website costs of \$40,234, program costs were \$20,117, and fundraising costs were \$20,117. Of the total direct mail costs of \$395,183, program costs were \$98,796, and fundraising costs were \$296,387.

**WAYSIDE WAIFS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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NOTE 12 - CONCENTRATIONS OF RISK

A major contributor is considered to be any contributor that accounts for 10% or more of the Organization's support and revenue. The Organization did not have any major contributors during the year ended December 31, 2019. The Organization had one major contributor during the year ended December 31, 2018. Contributions from this contributor represented approximately 13% of support and revenues for the year ended December 31, 2018, with no amounts receivable as of December 31, 2018.

The Organization maintains cash balances in several financial institutions in the Greater Kansas City area. The balances at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2019 and 2018, the Organization's uninsured cash balances totaled \$3,237,259 and \$510,576, respectively.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. 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 and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

NOTE 13 - INVESTMENT RETURN

Investment return consisted of the following for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 350,028	273,853
Net realized gains	249,798	221,577
Net unrealized gains (losses)	1,616,670	(1,016,447)
Investment fees	<u>(30,739)</u>	<u>(27,838)</u>
	<u>\$ 2,185,727</u>	<u>(548,855)</u>

**WAYSIDE WAIFS, INC.**  
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NOTE 14 - CAPITAL CAMPAIGN RECEIVABLE

Capital campaign receivable consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Due in less than one year	\$ 535,215	-
Due in one to five years	<u>439,274</u>	<u>-</u>
	974,489	
Discount to present value	(14,485)	-
Allowance for uncollectible pledges	<u>(10,184)</u>	<u>-</u>
	<u>\$ 949,820</u>	<u>-</u>

NOTE 15 - REVENUE FROM CONTRACTS WITH CUSTOMERS

The Organization's contracts with customers include retail sales, city fees, adoption services, animal receiving, and cremation and burial services. Retail sales are recognized at the time of sale. City fees are recognized over the period of the contract. Adoption, animal receiving, and cremation and burial services are recognized upon completion of the service.

The following table provides information about accounts receivables, contract assets, and contract liabilities from contracts with customers for the years ended December 31, 2019 and 2018:

	<u>Accounts Receivable</u>	<u>Contract Assets</u>	<u>Contract Liabilities</u>
Balances, December 31, 2017	\$ 31,745	-	-
Revenue recognized	957,853	-	-
Collections	<u>(974,820)</u>	<u>-</u>	<u>-</u>
Balances, December 31, 2018	14,778	-	-
Revenue recognized	945,909	-	-
Collections	<u>(937,914)</u>	<u>-</u>	<u>-</u>
Balances, December 31, 2019	<u>\$ 22,773</u>	<u>-</u>	<u>-</u>

**WAYSIDE WAIFS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

NOTE 16 - SUBSEQUENT EVENTS

Subsequent to December 31, 2019, the COVID-19 outbreak in the United States began disrupting operations and affecting a wide range of industries and their employees. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the related impact on its investments, donors, employees, and vendors, all of which are uncertain and cannot be predicted. The extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain and cannot be reasonably estimated.

In April 2020, the Organization received a Paycheck Protection Program loan in the amount of \$611,967. If the funds are used for eligible purposes within a specified period, the loan may be forgiven. Any amount not forgiven will be a loan through the lending bank and repaid over a specified time period at an interest rate of 1%.