

KANSAS CITY PET PROJECT

FINANCIAL STATEMENTS

December 31, 2018 and 2017

IFFT & CO. PA

Certified Public Accountants

11030 Granada Lane • Suite 100 • Overland Park, Kansas 66211
Tel 913-345-1120 • Fax 913-345-0724 • E-mail info@ifftcpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Kansas City Pet Project
Kansas City, Missouri

We have audited the accompanying financial statements of Kansas City Pet Project (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, 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 Kansas City Pet Project as of December 31, 2018 and 2017, 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, Kansas City Pet Project adopted Accounting Standards Update (ASU) 2016-14 Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit-Entities*. Our opinion is not modified with respect to this matter.

IFR + Co. PA

August 12, 2019

KANSAS CITY PET PROJECT
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 892,611	402,042
Investments	185,880	127,967
Accounts receivable	60,782	56,816
Other receivable	-	10,638
Inventories	24,336	19,691
Prepaid expenses	26,532	23,679
Sales tax bond	<u>25</u>	<u>25</u>
TOTAL CURRENT ASSETS	1,190,166	640,858
 PROPERTY AND EQUIPMENT, net	 <u>639,886</u>	 <u>714,328</u>
 TOTAL ASSETS	 <u><u>\$ 1,830,052</u></u>	 <u><u>1,355,186</u></u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 130,181	86,076
Accrued liabilities	182,324	122,013
Other payable	450,000	-
Deferred revenue	<u>747</u>	<u>547</u>
TOTAL CURRENT LIABILITIES	763,252	208,636
 NET ASSETS		
Without donor restrictions	1,000,771	1,084,807
With donor restrictions	<u>66,029</u>	<u>61,743</u>
TOTAL NET ASSETS	1,066,800	1,146,550
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 1,830,052</u></u>	 <u><u>1,355,186</u></u>

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

KANSAS CITY PET PROJECT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
City of Kansas City, Missouri contract	\$ 1,690,891	-	1,690,891
Contributions	1,324,881	119,220	1,444,101
Animal receiving	163,660	-	163,660
Adoption services	588,355	-	588,355
Veterinary services	32,677	-	32,677
Special events	61,859	-	61,859
Sales revenue, net of cost of goods sold of \$88,698	101,290	-	101,290
Investment return	3,647	-	3,647
In-kind contributions	99,324	-	99,324
Other income	20,612	-	20,612
Net assets released from restrictions	<u>114,934</u>	<u>(114,934)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	4,202,130	4,286	4,206,416
EXPENSES			
Program services	3,702,931	-	3,702,931
General and administrative	305,840	-	305,840
Fundraising	<u>277,395</u>	<u>-</u>	<u>277,395</u>
TOTAL EXPENSES	<u>4,286,166</u>	<u>-</u>	<u>4,286,166</u>
CHANGE IN NET ASSETS	(84,036)	4,286	(79,750)
NET ASSETS, BEGINNING OF YEAR	<u>1,084,807</u>	<u>61,743</u>	<u>1,146,550</u>
NET ASSETS, END OF YEAR	<u>\$ 1,000,771</u>	<u>66,029</u>	<u>1,066,800</u>

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

KANSAS CITY PET PROJECT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
City of Kansas City, Missouri contract	\$ 1,350,336	-	1,350,336
Contributions	859,736	207,374	1,067,110
Animal receiving	168,620	-	168,620
Adoption services	527,863	-	527,863
Veterinary services	26,590	-	26,590
Special events	138,683	-	138,683
Sales revenue, net of cost of goods sold of \$92,880	86,349	-	86,349
Investment return	14,747	-	14,747
In-kind contributions	455,139	-	455,139
Other income	23,691	-	23,691
Net assets released from restrictions	<u>696,802</u>	<u>(696,802)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	4,348,556	(489,428)	3,859,128
EXPENSES			
Program services	3,492,503	-	3,492,503
General and administrative	321,343	-	321,343
Fundraising	<u>271,227</u>	<u>-</u>	<u>271,227</u>
TOTAL EXPENSES	<u>4,085,073</u>	<u>-</u>	<u>4,085,073</u>
 CHANGE IN NET ASSETS	 263,483	 (489,428)	 (225,945)
 NET ASSETS, BEGINNING OF YEAR	 <u>821,324</u>	 <u>551,171</u>	 <u>1,372,495</u>
 NET ASSETS, END OF YEAR	 <u><u>\$ 1,084,807</u></u>	 <u><u>61,743</u></u>	 <u><u>1,146,550</u></u>

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

KANSAS CITY PET PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	Program <u>Services</u>	General and <u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 2,098,053	193,728	145,305	2,437,086
Payroll taxes	179,449	15,675	12,053	207,177
Employee benefits	<u>7,864</u>	<u>236</u>	<u>-</u>	<u>8,100</u>
	2,285,366	209,639	157,358	2,652,363
Shelter operational expenses	54,810	-	-	54,810
Veterinary services	116,643	-	-	116,643
Insurance	98,014	3,308	-	101,322
Office expense	29,543	40,210	1,100	70,853
Professional fees	-	36,558	-	36,558
Printing and copying	-	351	245	596
Veterinary and kennel supplies	695,632	-	-	695,632
Utilities	165,572	-	-	165,572
Occupancy	95,585	-	-	95,585
Maintenance and repairs	17,730	-	-	17,730
Training	2,702	1,272	14	3,988
Travel	13,815	720	1,252	15,787
Dues and subscriptions	1,132	610	892	2,634
Special event expenses	-	-	24,560	24,560
Advertising	-	-	67,311	67,311
Computer technology	4,384	2,637	20,779	27,800
Other	36	5,393	-	5,429
Employer shared responsibility payment	44,163	4,078	3,059	51,300
Cost of goods sold	88,698	-	-	88,698
Depreciation	<u>77,804</u>	<u>1,064</u>	<u>825</u>	<u>79,693</u>
	3,791,629	305,840	277,395	4,374,864
Less expenses included with revenues on the statement of activities				
Cost of goods sold	<u>(88,698)</u>	<u>-</u>	<u>-</u>	<u>(88,698)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 3,702,931</u>	<u>305,840</u>	<u>277,395</u>	<u>4,286,166</u>

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

KANSAS CITY PET PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 2,008,271	205,667	154,554	2,368,492
Payroll taxes	173,468	15,802	12,793	202,063
Employee benefits	<u>4,273</u>	<u>241</u>	<u>-</u>	<u>4,514</u>
	2,186,012	221,710	167,347	2,575,069
Shelter operational expenses	34,609	-	-	34,609
Veterinary services	99,694	-	-	99,694
Insurance	74,403	3,209	-	77,612
Office expense	23,026	36,324	8,217	67,567
Professional fees	-	51,618	-	51,618
Printing and copying	181	111	13,198	13,490
Veterinary and kennel supplies	681,638	-	-	681,638
Utilities	166,087	-	-	166,087
Occupancy	74,235	-	-	74,235
Maintenance and repairs	11,197	-	-	11,197
Training	2,820	548	291	3,659
Travel	9,792	395	3,319	13,506
Dues and subscriptions	253	540	1,180	1,973
Special event expenses	-	-	56,561	56,561
Advertising	-	-	7,333	7,333
Computer technology	3,076	2,483	12,667	18,226
Contributions	53,202	-	-	53,202
Other	-	2,240	-	2,240
Cost of goods sold	92,880	-	-	92,880
Depreciation	<u>72,278</u>	<u>2,165</u>	<u>1,114</u>	<u>75,557</u>
	3,585,383	321,343	271,227	4,177,953
Less expenses included with revenues on the statement of activities				
Cost of goods sold	<u>(92,880)</u>	<u>-</u>	<u>-</u>	<u>(92,880)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 3,492,503</u>	<u>321,343</u>	<u>271,227</u>	<u>4,085,073</u>

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

KANSAS CITY PET PROJECT
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (79,750)	(225,945)
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	79,693	75,557
Unrealized gains on investments	(2,011)	(13,094)
Contribution of investments	(54,266)	(54,991)
In-kind contribution of property and equipment	-	(240,972)
Changes in operating assets and liabilities		
Accounts receivable	(3,966)	(891)
Grants receivable	-	34,750
Other receivable	10,638	(9,788)
Inventories	(4,645)	4,963
Prepaid expenses	(2,853)	(11,157)
Accounts payable	44,105	5,698
Accrued liabilities	60,311	39,113
Other payable	450,000	-
Deferred revenue	200	40
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	497,456	(396,717)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(5,251)	(186,155)
Purchases of investments	(1,636)	(1,120)
NET CASH USED IN INVESTING ACTIVITIES	(6,887)	(187,275)
CHANGE IN CASH	490,569	(583,992)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	402,042	986,034
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 892,611</u>	<u>402,042</u>

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

KANSAS CITY PET PROJECT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Kansas City Pet Project (the Organization) is a charitable animal shelter whose purpose is to place adoptable companion animals in responsible homes. The Organization was organized in 2011 and began operations in 2012. The Organization's largest source of revenue is a contract to provide animal shelter services to the City of Kansas City, Missouri.

Basis of Accounting and Financial Statement Presentation

The Organization's policy is to prepare its financial statements on the accrual basis of accounting.

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 (or certain grantor) restrictions. Funds may be designated by the Organization's Board of Directors.
- Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of 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. 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.

Cash Equivalents

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

Accounts Receivable

The Organization's receivables are due from contracts and are recorded at amounts due, net of an allowance for doubtful accounts. Revenues from the City of Kansas City, Missouri contract are billed semi-monthly in arrears. No collateral is required. 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, 2018 and 2017, the Organization considered accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts was recorded.

KANSAS CITY PET PROJECT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Inventories

Inventories consist primarily of pet supplies. All inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out method.

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.

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 programs and supporting services benefited.

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.

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 2015. If any were to be incurred, the Organization's policy is to record penalties and interest assessed by income tax authorities as operating expenses.

KANSAS CITY PET PROJECT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In-Kind Contributions

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

Advertising and Promotion Costs

Advertising and promotion costs are charged to operations when incurred.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principle

On August 18, 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented, which had no effect on previously reported amounts, other than the reclassifications related to the functional expense allocation.

Subsequent Events

Subsequent events have been evaluated through August 12, 2019, which is the date the financial statements were available to be issued.

KANSAS CITY PET PROJECT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Equipment	\$ 137,204	132,953
Vehicle	76,203	76,203
Leasehold improvements	392,941	391,941
Building	<u>310,000</u>	<u>310,000</u>
	916,348	911,097
Less accumulated depreciation	<u>276,462</u>	<u>196,769</u>
	<u>\$ 639,886</u>	<u>714,328</u>

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.

The following are descriptions of the valuation methodologies and inputs for investments measured at fair value.

- Interest-bearing cash instruments, common stock, and exchange traded funds are valued at the quoted market prices reported on active markets at the reporting date and are classified within Level 1 of the fair value hierarchy.
- Mutual funds are valued at the net asset value of the shares held by the Organization at the reporting date 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.

KANSAS CITY PET PROJECT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 3 - FAIR VALUE MEASUREMENTS - Continued

<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>
Interest-bearing cash instruments	\$ 2,918	-	-	2,918
U.S. common stock	167,122	-	-	167,122
Mutual funds - U.S. equity	10,445	-	-	10,445
Exchange traded funds - U.S. equity	5,395	-	-	5,395
	<u>\$ 185,880</u>	<u>-</u>	<u>-</u>	<u>185,880</u>

<u>Description</u>	<u>Assets at Fair Value as of December 31, 2017</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Interest-bearing cash instruments	\$ 1,282	-	-	1,282
U.S. common stock	109,541	-	-	109,541
Mutual funds - U.S. equity	11,443	-	-	11,443
Exchange traded funds - U.S. equity	5,701	-	-	5,701
	<u>\$ 127,967</u>	<u>-</u>	<u>-</u>	<u>127,967</u>

NOTE 4 - INVESTMENT RETURN

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

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 1,671	1,653
Net unrealized gains	2,011	13,094
Investment fees	<u>(35)</u>	<u>-</u>
	<u>\$ 3,647</u>	<u>14,747</u>

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets were restricted by donors as follows at December 31:

	<u>2018</u>	<u>2017</u>
Kennels	\$ 12,295	12,294
Shelter and veterinary services	10,645	11,191
Shelter and veterinary equipment	17,603	20,223
Disaster preparedness	14,484	15,483
Senior animals	3,494	-
Other	<u>7,508</u>	<u>2,552</u>
	<u>\$ 66,029</u>	<u>61,743</u>

KANSAS CITY PET PROJECT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS - Continued

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donors as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Kennels	\$ 1,695	29,374
Shelter and veterinary services	1,096	3,410
Shelter and veterinary equipment	4,653	5,508
Disaster preparedness	999	522
Senior animals	2,320	-
Lifesaving impact	6,343	500,000
Lobbying	-	24,000
Medical	91,268	131,496
Other	<u>6,560</u>	<u>2,492</u>
	<u>\$ 114,934</u>	<u>696,802</u>

NOTE 6 - IN-KIND CONTRIBUTIONS

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

	<u>2018</u>	<u>2017</u>
Professional services	\$ 500	-
Shelter supplies	31,608	34,050
Veterinary and kennel supplies	35,745	148,627
Veterinary services	20,000	20,000
Building	-	240,972
Event supplies	10,721	10,390
Other	<u>750</u>	<u>1,100</u>
	<u>\$ 99,324</u>	<u>455,139</u>

NOTE 7 - OPERATING LEASES

Under the City of Kansas City, Missouri contract, the Organization is provided its main operating facility for \$1 per year.

The Organization leases certain other facilities under an operating lease. The lease expired in December 2018. The existing lease is ongoing until a new lease is signed. Rental expense associated with this lease was \$18,000 and \$18,264 for the years ended December 31, 2018 and 2017, respectively. Rental expense is included in occupancy expense in the accompanying statements of functional expenses.

KANSAS CITY PET PROJECT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 8 - CONCENTRATIONS OF RISK

For the years ended December 31, 2018 and 2017, the contract for services with the City of Kansas City, Missouri accounted for approximately 40% and 35%, respectively, of the Organization's total support and revenue in addition to providing the facility discussed in Note 7. The City of Kansas City, Missouri accounted for 96% and 100% of accounts receivable at December 31, 2018 and 2017, respectively.

The Organization maintains its cash balances at a financial institution in the Greater Kansas City, Missouri area. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2018 and 2017, the Organization's uninsured cash balances were \$638,841 and \$226,887, 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 9 - FUNCTIONALIZED EXPENSES

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

NOTE 10 - 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>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 892,611	402,042
Accounts and other receivables	60,782	67,454
Investments	<u>185,880</u>	<u>127,967</u>
	<u>\$ 1,139,273</u>	<u>597,463</u>

As part of the Organization's liquidity management plan, the Organization periodically invests cash in money market funds.

**KANSAS CITY PET PROJECT
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017**

NOTE 11 - EMPLOYER SHARED RESPONSIBILITY PAYMENT

During the year ended December 31, 2018, the Organization received from the Internal Revenue Service a proposed employer shared responsibility payment in the amount of \$51,300 related to 2016. This payment was imposed because the Organization did not provide minimum essential coverage of health insurance to at least ninety-five percent of its full-time employees during 2016 and because one or more of its full-time employees were allowed the premium tax credit on their 2016 tax returns. No amounts have been accrued for 2017 or 2018 because such amounts, if any, cannot be reasonably estimated.