

THE PUBLIC FOR ANIMAL WELFARE, INC.
dba PAWS SHELTER AND HUMANE SOCIETY
(A Nonprofit Corporation)

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

DECEMBER 31, 2015

THE PUBLIC FOR ANIMAL WELFARE, INC.
dba PAWS SHELTER AND HUMANE SOCIETY
(A Nonprofit Corporation)

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

December 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Public for Animal Welfare, Inc.

We have audited the accompanying financial statements of The Public for Animal Welfare, Inc. dba PAWS Shelter and Humane Society (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2015, 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 of 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 The Public for Animal Welfare, Inc. as of December 31, 2015, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Allman & Associates, Inc.

Austin, Texas
November 28, 2016

THE PUBLIC FOR ANIMAL WELFARE, INC.
dba PAWS SHELTER AND HUMANE SOCIETY
(A Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION

As of December 31, 2015

Assets	
Current Assets:	
Cash and cash equivalents	\$ 236,340
Prepaid expenses	967
Investments	20,043
Investment held by Austin Community Foundation	<u>276,909</u>
Total Current Assets	<u>534,259</u>
Property and Equipment, net of accumulated depreciation	<u>522,761</u>
Total Assets	<u><u>\$ 1,057,020</u></u>
Liabilities and Net Assets	
Current Liabilities:	
Accounts payable	\$ 14,494
Accrued payroll liabilities	15,485
Deferred liabilities	<u>1,781</u>
Total Current Liabilities	<u>31,760</u>
Net Assets:	
Unrestricted	1,020,985
Temporarily restricted	<u>4,275</u>
Total Net Assets	<u>1,025,260</u>
Total Liabilities and Net Assets	<u><u>\$ 1,057,020</u></u>

See accompanying auditors' report and notes to the financial statements.

THE PUBLIC FOR ANIMAL WELFARE, INC.
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STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Program revenue	\$ 126,216	-	\$ 126,216
Grants and contributions	285,512	5,000	290,512
Event income	111,136	-	111,136
Investment income	(21,665)	-	(21,665)
In-kind donations	22,475	-	22,475
Other income	25,919	-	25,919
	<u>549,593</u>	<u>5,000</u>	<u>554,593</u>
Net Assets Released from Restrictions	<u>725</u>	<u>(725)</u>	<u>-</u>
Total Revenue	<u>550,318</u>	<u>4,275</u>	<u>554,593</u>
 Expenses			
Program Services	484,686	-	484,686
Management and general	39,035	-	39,035
Fundraising	26,286	-	26,286
Total Expenses	<u>550,007</u>	<u>-</u>	<u>550,007</u>
Change in Net Assets	311	4,275	4,586
Beginning Net Assets	<u>1,020,674</u>	<u>-</u>	<u>1,020,674</u>
Ending Net Assets	<u><u>\$ 1,020,985</u></u>	<u><u>\$ 4,275</u></u>	<u><u>\$ 1,025,260</u></u>

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THE PUBLIC FOR ANIMAL WELFARE, INC.
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STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015

Expense Category	Program Services	Management & General	Fundraising	Totals
Salaries and wages	\$ 311,090	\$ 18,444	\$ -	\$ 329,534
Fundraising and marketing	-	-	26,286	26,286
Administrative	23,059	1,472	-	24,531
IT and technology	5,209	332	-	5,541
Advertising and promotion	1,613	103	-	1,716
Travel	9,081	580	-	9,661
Animal supplies and operations	63,506	-	-	63,506
Accounting and legal	-	3,044	-	3,044
Insurance	12,846	820	-	13,666
Depreciation	19,676	1,256	-	20,932
Facility and maintenance	27,368	1,747	-	29,115
In-kind expense	11,238	11,237	-	22,475
	<u>\$ 484,686</u>	<u>\$ 39,035</u>	<u>\$ 26,286</u>	<u>\$ 550,007</u>

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THE PUBLIC FOR ANIMAL WELFARE, INC.
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STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2015

Cash Flows From Operating Activities	
Change in net assets	\$ 4,586
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	20,932
Realized gain on investments	(9,632)
Unrealized loss on investments	31,564
Investment fees	3,271
Changes in assets and liabilities	
Prepaid	(967)
Accounts payable	11,647
Accrued payroll expense	5,401
Deferred revenue	437
	<hr/>
Net Cash Provided by Operating Activities	<u>67,239</u>
Cash Flows For Investing Activities:	
Purchase of property and equipment	<u>(31,610)</u>
Net Cash Used by Investing Activities	<u>(31,610)</u>
Net Increase in Cash	35,629
Cash, Beginning of the Year	<u>200,711</u>
Cash, End of the Year	<u><u>\$ 236,340</u></u>
Supplemental Disclosure of Cash Flow Information:	
Interest paid	<u><u>\$ -</u></u>
Federal income taxes paid	<u><u>\$ -</u></u>

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THE PUBLIC FOR ANIMAL WELFARE, INC.
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NOTES TO FINANCIAL STATEMENTS

December 31, 2015

1. General Information

PAWS Shelter of Central Texas was founded in Kyle, Texas in 1986 as a 501(c)(3) non-profit organization providing care and love to homeless, abandoned, and abused animals in Central Texas. PAWS is a no-kill shelter that believes in second chances. When companion animals are taken in at PAWS, they are given medical attention, care, and love for however long it takes to find them a loving home.

PAWS is relentless in our effort to save lives and change lives. Our efforts in that regard include:

- Holding offsite adoptions to get the animals out into the community.
- Fully vaccinating and microchipping our animals so that they can begin their long, happy lives with their new owners. “fully equipped!”.
- Visiting local community groups and schools to educate our community on responsible pet ownership.
- Making sure that every animal in our care gets the medical attention it needs.
- Implementing a Behavior Testing Program which temperament tests all those in our care before they are adopted into the community, allowing for better placement of pets into a new home environment that is best for all.
- Spaying or neutering all our animals to further our commitment to be part of the solution in our communities’ pet overpopulation problem.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Contributions received are recorded as unrestricted, temporarily restricted and permanently restricted support depending on the existence or nature of donor stipulations.

THE PUBLIC FOR ANIMAL WELFARE, INC.
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NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2. Summary of Significant Accounting Policies - continued

Classification of Net Assets

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

Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations which expire when the stipulated purpose for which the resource was restricted has been fulfilled.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Corporation.

Cash and Equivalents

For the purpose of the statements of cash flows, the Corporation considers cash and highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Property and Equipment

Property, equipment and leasehold improvements are recorded at cost, including the cost of significant improvements or renovations. Costs of routine repairs and maintenance are charged to expense as incurred. Depreciation is calculated using the straight-line method over estimated lives of five to thirty-nine years. Assets purchased with a cost in excess of \$500 are capitalized.

Investments

Investments consist of money market funds, and mutual funds, and are stated at fair market value.

Functional Accounting

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or that relate to a specific source of revenue are allocated directly to that program.

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December 31, 2015

2. Summary of Significant Accounting Policies (continued)

Federal Income Taxes

The Corporation is exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in Section 501(c)(3). Therefore, no provision for income taxes has been included in these financial statements.

The Corporation has adopted the recognition requirements for uncertain income tax positions as required by GAAP, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more likely than not be sustained upon examination by taxing authorities. The Corporation has analyzed the tax positions taken in its filings with the Internal Revenue Service and state jurisdictions where it operates. The Corporation believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Corporations' financial position, changes in net assets or cash flows. Accordingly, the Corporation has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2015. The Corporation is subject to income tax audits for the previous three years which are open. There are currently no audits for any tax periods in progress.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Credit Risk

Financial instruments which potentially subject the Corporation to credit risk consist of cash and cash equivalents. The Corporation's deposits did not exceed the federal depository insurance limits as of December 31, 2015.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2015

3. Property and Equipment

Major classes of property and equipment consist of the following:

Building and improvements	\$ 304,387
Furniture and equipment	25,612
Automobiles	136,112
Work in process - building	8,405
Land	314,762
	<u>789,278</u>
Less accumulated depreciation	(266,517)
Property and equipment, net	<u><u>\$ 522,761</u></u>

Depreciation expense for the year ended December 31, 2015 was \$20,932.

4. In-Kind Contributions

The Corporation received \$22,475 in in-kind contributions during 2015. The in-kind contributions are included in the Corporation's program activities. Below is a breakdown of in-kind contributions for 2015.

Event items	\$ 1,765
Event food and drink	9,250
Services	6,960
Pet food and supplies	4,500
Total in-kind contributions	<u><u>\$ 22,475</u></u>

5. Temporarily Restricted Net Assets

As of December 31, 2015, temporarily restricted net assets were for the following purposes:

PAWS Up Training	<u>\$ 4,275</u>
Total temporarily restricted net assets	<u><u>\$ 4,275</u></u>

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6. Fair Value Measurements and Disclosures

The requirements of *Fair Value Measurements and Disclosures* of the ASC apply to all financial instruments and all nonfinancial assets and nonfinancial liabilities that are being measured and reported on a fair value basis. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement is the same in both cases – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (an exit price). *Fair Value Measurements and Disclosures* also establish a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

- Level 1 Inputs – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2 Inputs – Inputs other than quoted prices included with Level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3 Inputs – Unobservable inputs for the asset or liability.

The Corporation's assets and liabilities presented at fair value consisted of the following at December 31, 2015:

Description	Fair Value	Fair Value Measurements Using:		
		Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable inputs (Level 3)
Money Market	\$ 16,630	\$ -	\$ 16,630	\$ -
Mutual Funds				
Franklin US Government Secs A	9,956	9,956	-	-
Thornburg Invt Incm Builder A	10,087	10,087	-	-
Total Investments	<u>\$ 20,043</u>	<u>\$ 20,043</u>	<u>\$ -</u>	<u>\$ -</u>
Investment held in Austin				
Community Foundation	<u>\$ 276,909</u>	<u>\$ -</u>	<u>\$ 276,909</u>	<u>\$ -</u>

The fair value of the Corporation's remaining current assets and current liabilities approximate the carrying amounts of such instruments due to their short maturity.

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7. PAWS Shelter & Humane Society Reserve Fund

In November 2011, the PAWS Shelter & Humane Society Reserve Fund was established with the Austin Community Foundation (ACF). As a quasi-endowed fund with ACF, the assets and all the income and principal of the fund are available for distribution. The funds are managed to accomplish the designated charitable purpose.

The Corporation has recorded an asset on its books as Investment held at the Austin Community Foundation. The changes in endowment net assets for the year ended December 31, 2015 was as follows:

Endowment net assets -	
January 1, 2015	\$ 300,696
Investment income	9,633
Unrealized Loss	(30,149)
Fees	<u>(3,271)</u>
December 31, 2015	<u>\$ 276,909</u>

8. Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. Management evaluated subsequent events through the issuance date of the audit report, November 28, 2016, and there were no subsequent events to be disclosed.