

PAWS Atlanta, Inc.

FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022
with
Independent Auditor's Report

DRAFT

PAWS Atlanta, Inc.

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December 31, 2023 and 2022

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INDEPENDENT AUDITOR’S REPORT

To the Board of Directors
PAWS Atlanta, Inc.

Opinion

We have audited the accompanying financial statements of PAWS Atlanta, Inc. (“the Organization”), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PAWS Atlanta, Inc. as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PAWS Atlanta, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PAWS Atlanta, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor’s Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 PAWS Atlanta Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PAWS Atlanta Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Geeslin Group LLC

GEESLIN GROUP LLC

Peachtree City, Georgia
July 8, 2024

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PAWS Atlanta, Inc.

STATEMENT OF FINANCIAL POSITION

December 31, 2023 and 2022

	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,019,590	\$ 1,355,371
Unrestricted contributions receivable	2,000	10,850
Inventory	12,261	13,594
Prepaid assets	10,000	31,755
Total current assets	1,043,851	1,411,570
Property, Plant and Equipment		
Building and building improvements	1,021,218	953,055
Land	166,028	166,028
Furniture, fixtures & equipment	254,845	248,439
Vehicles	90,606	26,041
Construction in progress	286,008	286,008
Less accumulated depreciation	(1,073,619)	(1,038,632)
Net fixed assets	745,086	640,939
Investments	1,596,689	1,489,005
TOTAL ASSETS	\$ 3,385,626	\$ 3,541,514
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 93,344	\$ 65,424
Total current liabilities	93,344	65,424
Without donor restrictions		
Board designated	1,876,233	2,000,973
Undesignated	804,099	857,560
Total net assets without donor restriction	2,680,332	2,858,533
Net assets with donor restriction		
Purpose restrictions	553,565	559,172
Perpetual in nature	58,385	58,385
Total net assets with donor restriction	611,950	617,557
Total net assets	3,292,282	3,476,090
TOTAL LIABILITIES AND NET ASSETS	\$ 3,385,626	\$ 3,541,514

See accompanying notes.

PAWS Atlanta, Inc.

STATEMENT OF ACTIVITIES

For the Years Ended December 31, 2023 and 2022

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Donations	\$ 961,779	\$ 51,287	\$ 1,013,066	\$ 1,140,606
Bequests	153,695	-	153,695	486,490
Donated goods	174,792	-	174,792	130,304
Adoption	102,035	-	102,035	114,356
Fundraising	57,704	-	57,704	100,725
Grants	83,165	21,695	104,860	115,436
Public clinic	112,159	-	112,159	113,736
Puppy Therapy	45,115	-	45,115	-
Net assets released from restrictions	78,589	(78,589)	-	-
Total support and revenue	1,769,033	(5,607)	1,763,426	2,201,653
Gross special events revenue - Party for the PAWS	200,924	-	200,924	146,456
Less cost of direct benefits to donors	(60,701)	-	(60,701)	(36,693)
	140,223	-	140,223	109,763
Gross special events revenue - Walk for the PAWS	52,025	-	52,025	49,188
Less cost of direct benefits to donors	(5,956)	-	(5,956)	(3,730)
	46,069	-	46,069	45,458
Dividend and interest income	113,447	-	113,447	60,176
Less investment fees	(15,329)	-	(15,329)	(14,893)
	98,118	-	98,118	45,283
Retail merchandise revenue	1,970	-	1,970	1,893
Less cost of sales	-	-	-	-
	1,970	-	1,970	1,893
TOTAL REVENUE, SUPPORT AND GAINS	2,055,413	(5,607)	2,049,806	2,404,050
OPERATING EXPENSES				
Program services	\$ 1,827,317	\$ -	\$ 1,827,317	\$ 1,631,850
General & administrative	307,358	-	307,358	257,569
Fundraising	156,218	-	156,218	140,983
Total operating expenses	2,290,893	-	2,290,893	2,030,402
Change in net assets from operations	(235,480)	(5,607)	(241,087)	373,648
Other miscellaneous income				
Investment (loss) gain, net	57,279	-	57,279	(167,786)
PPP loan forgiveness	-	-	-	204,379
Total miscellaneous income	57,279	-	57,279	36,593
Change in net assets	(178,201)	(5,607)	(183,808)	410,241
Net assets, beginning of year	2,858,533	617,557	3,476,090	3,065,849
NET ASSETS, END OF YEAR	\$ 2,680,332	\$ 611,950	\$ 3,292,282	\$ 3,476,090

See accompanying notes.

PAWS Atlanta, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the Years Ended December 31, 2023 and 2022

EXPENSES	2023				2022	
	Program Services	General and Administrative	Fundraising and Development	Expenses Included with Revenue on Statement of Activity	Total	Total
Adoption expenses	\$ 410,003	\$ -	\$ -	\$ -	\$ 410,003	\$ 336,300
Advertising	1,301	-	-	-	1,301	6,718
Depreciation	34,986	-	-	-	34,986	39,872
Direct fundraising - Party for the PAWS	-	-	-	60,701	60,701	36,693
Direct fundraising - Walk for the PAWS	-	-	-	5,956	5,956	3,730
Fundraising expenses - other	-	-	18,548	-	18,548	15,863
Insurance	29,429	9,810	-	-	39,239	37,959
Investment fees	-	-	-	15,329	15,329	14,893
Miscellaneous	-	17,762	-	-	17,762	12,786
Other fees	-	55,514	-	-	55,514	48,400
Payroll and related costs	1,237,807	150,952	120,762	-	1,509,521	1,335,633
Contract labor	-	-	-	-	-	-
Postage and shipping	5,796	1,932	-	-	7,728	10,223
Professional fees	-	39,452	16,908	-	56,360	39,833
Rental expense	6,194	6,194	-	-	12,388	12,090
Retail merchandise	-	-	-	-	-	-
Repairs and maintenance	27,665	9,222	-	-	36,887	53,795
Supplies	3,069	1,023	-	-	4,092	3,355
Technical support	10,789	3,596	-	-	14,385	16,775
Telephone	5,776	1,926	-	-	7,702	3,755
Utilities	29,923	9,975	-	-	39,898	35,667
Public clinic expense	24,579	-	-	-	24,579	21,378
Total expenses by function	1,827,317	307,358	156,218	81,986	2,372,879	2,085,718
Less expenses included with revenues on the statement of activities						
Cost of direct benefits to donors - Party for the PAWS	-	-	-	(60,701)	(60,701)	(36,693)
Cost of direct benefits to donors - Walk for the PAWS	-	-	-	(5,956)	(5,956)	(3,730)
Investment fees	-	-	-	(15,329)	(15,329)	(14,893)
Total expenses included in the expense section on the statement of activities	\$ 1,827,317	\$ 307,358	\$ 156,218	\$ -	\$ 2,290,893	\$ 2,030,402

See accompanying notes.

PAWS Atlanta, Inc.

STATEMENT OF CASH FLOWS

For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ (183,808)	\$ 410,241
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	34,986	39,872
Realized and unrealized (gain) loss on investments, net	(57,279)	167,786
Paycheck Protection Program loan forgiveness	-	(204,379)
Change in:		
Unconditional contribution receivables	8,850	(7,350)
Inventory	1,333	1,661
Prepaid assets	21,755	(17,884)
Accounts payable and accrued expenses	27,920	(28,615)
Net cash provided by operating activities	(146,243)	361,332
Cash flows from investing activities		
Purchase of fixed assets	(139,134)	(5,500)
Proceeds from investments, net of (purchases)	(50,404)	(131,510)
Net cash used by investing activities	(189,538)	(137,010)
Cash flows from financing activities	-	-
Net cash provided by financing activities	-	-
Net increase in cash and cash equivalents	(335,781)	224,322
Cash and cash equivalents, beginning of year	1,355,371	1,131,049
Cash and cash equivalents, end of year	\$ 1,019,590	\$ 1,355,371

See accompanying notes.

PAWS Atlanta, Inc.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

NOTE 1 – NATURE OF ORGANIZATION

PAWS Atlanta, Inc. (the “Organization”) is a not-for-profit, 501(c)(3) animal welfare organization founded in 1967, originally as the DeKalb Humane Society. It was organized under the laws of Georgia and registered a name change with the Georgia Secretary of State in early 2003. PAWS Atlanta, Inc. is a no-kill animal shelter that provides love, nutrition, medical care, and behavioral training to enrich the lives of homeless animals until permanent, safe homes can be found. The mission of PAWS Atlanta, Inc. is to build a community of caring by people helping pets and pets helping people. The Organization delivers on this mission by offering pet adoption services, spay and neuter clinics, pet vaccine clinics, behavioral training, pet dental clinics, health preventatives, a pet food bank, education through summer camps for youth and education through community outreach. The majority of the Organization’s revenues come from program fees, donations, and fundraising activities. The Organization receives no funding from the federal, state, or county governments.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies of the Organization applied in the preparation of the accompanying financial statements follows.

Basis of Accounting

The Organization prepares its financial statements using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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. Accordingly, actual results could differ from those estimates. Significant estimates used in preparing these financial statements include those used in valuing some of the donated goods and donated technology services.

Financial Statement Presentation

As required by the “Financial Statements of Not-For-Profit Organizations” topic of FASB Accounting Standards Codification, the Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The Organization had net assets with donor restrictions on December 31, 2023 and 2022.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

PAWS Atlanta, Inc.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Uninsured Cash Balances

The Organization maintains cash balances at three institutions with amounts that are periodically in excess of federal insurance coverage.

Fixed Assets

Fixed assets are carried at cost. Depreciation is computed using the straight line method over the estimated useful lives of the assets, which are 5 to 39 years. The Organization evaluates each purchase on its purpose, its cost, and its estimated life. The Board of Directors has established a capitalization policy by which asset purchases greater than or equal to \$5,000 are capitalized. Depreciation expense for the years ended December 31, 2023 and 2022 was \$34,986 and \$39,872, respectively.

The cost of assets sold, traded or otherwise retired, and the related accumulated depreciation are removed from the accounts in the year of retirement. Gains and losses from the sale of assets are included in income in the year of sale. Improvements, additions, and major renewals which extend the life of an asset are charged to fixed asset accounts and depreciated in accordance with the capitalization policy. Repairs are expensed in the year incurred.

Contributions

The Organization reports contributions in accordance with Financial Standards Accounting Board ASC 958-605, "*Accounting for Contributions Received*" whereby contributions received are recorded as restricted or unrestricted support. A not-for-profit entity shall distinguish between contributions received with donor-imposed restrictions and those received without donor-imposed restrictions. Contributions without donor-imposed restrictions shall be reported as unrestricted support that increases unrestricted net assets. Promises to give without a stipulated due date and for which the Organization has met all conditions precedent to receipt of the contribution prior to the Organization's fiscal year-end are classified as unrestricted net assets.

A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration of the time and/or purpose of the restrictions, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. Restricted contributions received in the same year in which the restrictions are met are recorded of receipt and as net assets released from restrictions.

Contributed Services and In-Kind Contributions

Members of the Board of Directors contribute uncompensated services to assist the Organization in administrative and fundraising activities. The Organization also uses the services of volunteers to assist in the shelter. The value of such contributed services has not been recorded because the criteria for recognition in the financial statements under accounting principles generally accepted in the United States of America have not been met. Contributed goods are recorded at fair value at the date of donation.

PAWS Atlanta, Inc.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Investments

The Organization carries investments in accordance with Financial Standards Accounting Board ASC 958-320, “Accounting for Certain Investments Held by Not-for-Profit Organizations,” whereby investments in marketable securities with readily determinable fair market values and all investments in debt securities are valued at their fair market values in the statement of financial positions. Unrealized gains and losses are included in the change in net assets. Investment income from interest and dividends is shown net of investments fees in operating income.

Income Taxes

The Organization is exempted from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has also determined that the Organization is not a private foundation as defined by Section 509(a)(1) of the code. The Organization believes that it has appropriate support for any tax positions taken, and as such does not have any uncertain tax positions that are material to the financial statements or any tax year still open to taxing authorities.

Adoption of New Accounting Standard

On January 1, 2023, the Organization adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 326, Financial Instruments—Credit Losses, using the modified retrospective approach. ASC 326 requires entities to measure expected credit losses on financial instruments measured at amortized cost and certain off-balance-sheet credit exposures. After a comprehensive analysis and evaluation, management determined that the adoption of ASC 326 did not result in any material impact on the Organization's financial statements. Specifically, there were no significant changes or adjustments to the statement of financial position, no material impact on the statement of activity for the reporting periods presented, and no cumulative effect adjustment to net assets as of the adoption date. The assessment considered the nature and extent of the financial instruments such as Accounts Receivable and Contributions Receivable held by the Organization, historical credit loss experience, current economic conditions, and reasonable forecasts about future economic conditions. The Organization will continue to monitor and evaluate the credit risk associated with its financial instruments and will update its disclosures as necessary in future reporting periods. Management has concluded that the adoption of ASC 326 had no effect on the Organization's financial position, results of operations, or cash flows for the reporting periods presented.

Contributions Receivable

Contributions receivable are unconditional promises to give that are recognized as revenue when the promise is received. Contributions receivable that are expected to be collected in less than one year are recorded at net realizable value. No allowance for uncollectible receivables has been established as all receivables are considered collectible.

PAWS Atlanta, Inc.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Advertising

The Organization expenses advertising costs as incurred. The Organization incurred \$1,301 and \$6,718 of advertising expenses in the years ended December 31, 2023 and 2022, respectively.

Inventory

The Organization's inventory consists of medicines used in the shelter, and medicines that are sold to the public. They are valued in inventory at their average cost from the vendors.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended December 31, 2022, from which the summarized information was derived.

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 (or certain grantor) restrictions. The board of directors has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

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.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The 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. Such allocations are determined by management on an equitable basis.

PAWS Atlanta, Inc.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Fair Value Measurement

The Organization has adopted FASB ASC 820-10, “Fair Value Measurements” which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820-10 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization’s assumptions about the assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date. All of the Organization’s investments are Level 1 assets.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization’s assessment of the quality, risk, or liquidity profile of the asset or liability.

The carrying value of the Organization’s financial instruments not discussed in other notes, including cash and other assets, approximates their fair value based on the short term maturities of these instruments using Level 1 inputs. The fair value of investments is discussed in Note 10, and is reported at fair value on a recurring basis determined by reference to quoted market prices and other relevant information generated by market transactions. The estimated fair value of donated goods is discussed in Note 6. All other financial instruments are carried at amounts that approximate estimated fair value.

PAWS Atlanta, Inc.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue Recognition

Additionally, effective January 1, 2020 the Organization adopted Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, which introduces a new core principle that requires organizations to approach revenue recognition in a new way. The focus of ASC 606 is on the transfer of control and requires that the entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that they expect to be entitled to in exchange. ASC 606 provides a five-step framework for organizations to determine the amount and timing of revenue recognition:

- Identify the contract(s) with the customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations.
- Recognize revenue when (or as) the entity satisfies a performance obligation.

The Organization is engaged in exchange transactions including pet adoption, puppy therapy, and certain veterinary services. Clients pay adoption fees at the time of adoption and fees for veterinary services at the time of performance. Revenue is recognized at the time of transaction.

After a detailed evaluation by the Organization, it was determined that the adoption of ASU 2018-08 and ASC 606 do not result in a materially different revenue recognition as compared to previous accounting standards.

NOTE 3– LEASE OBLIGATIONS

On January 1, 2023, the Organization adopted the requirements of Accounting Standards Update 2016-02, Leases (Topic 842) (“ASC 842”), which supersedes existing guidance for accounting for leases under Topic 840, Leases. The new standard requires the recognition of a right-of-use (“ROU”) asset and lease liability on the statement of financial position. The new standard requires disclosures to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. Under ASC 842, the Organization uses three primary accounting provisions to classify transactions as financing or operating leases. Leases meeting any of these conditions are accounted for as finance leases, those that meet none, as operating leases.

1. Review of the lease term to determine if it is for the major part of the economic life of the underlying asset, defined as greater than 75%
2. Review of the present value of the lease payments to determine if they are equal to or greater than substantially all of the fair market value of the equipment at the inception of the lease, defined as greater than 90%.

PAWS Atlanta, Inc.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

NOTE 3– LEASE OBLIGATIONS - Continued

- Review of the lease agreement to determine if there is an option to purchase the underlying asset that the Company is reasonably certain to exercise, or if the ownership of the underlying asset transfers to the Company at the end of the lease term.

Upon review of the conditions listed above, the Organization has determined that its leases meet the criteria to be classified as operating leases. PAWS' leases are required to be included on the Statement of Financial Position under FASB ASC 842. As a result, adopting FASB ASC 842 had no impact on the prior year statement of financial position, and because this lease is an operating lease, the adoption of this standard has no impact on the Organization's results of operations.

The Organization adopted ASC 842, using the modified retrospective approach with January 1, 2023 as the date of initial adoption. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Organization to carry forward the historical lease classification.

PAWS has one operating lease for a trailer on its property. In November 2011, the Organization entered into an operating lease with a twenty-four-month term for a trailer. The Organization did not renew this lease when it expired in 2013. They are currently renting the trailer on a month-to-month basis. The lease expense paid for the trailer was \$8,865 in 2023 and in 2022. As the lease is month-to-month, this operating lease has no impact on the balance sheet for the year under audit.

Additionally, the Organization signed a new lease agreement for office equipment in 2019 that is rented by the Organization for a five-year period (April 2019 – April 2024). The total lease payments made for the office equipment totaled approximately \$750 in both 2023 and 2022. The future minimum annual lease payments on the office equipment lease are approximately \$750 through 2024. This operating lease has no impact on the Organization's balance sheet for the year under audit.

NOTE 4 – CASH AND CASH EQUIVALENTS

The Organization had cash and cash equivalents totaling \$1,019,590 and \$1,355,371 as of December 31, 2023 and 2022. These balances are all classified as unrestricted and are summarized below:

	<u>2023</u>	<u>2022</u>
Non-interest bearing checking account	\$ 193,037	\$ 797,347
Money market funds	785,585	472,392
Funds received but undeposited at year-end	40,868	85,532
Petty cash	100	100
Total cash and cash equivalents	<u>\$ 1,019,590</u>	<u>\$ 1,355,371</u>

PAWS Atlanta, Inc.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

NOTE 5 – FUNDRAISING EXPENSES

Fundraising expenses for the year ended December 31, 2023 consisted of \$60,701 and \$5,956 for Party for the PAWS and Walk for the PAWS, respectively. Fundraising expenses for the year ended December 31, 2022 consisted of \$36,693 and \$3,730 for Party for the PAWS and Walk for the PAWS, respectively. Other fundraising expenses for 2023 and 2022 were \$18,548 and \$15,863, respectively.

The totals of \$156,218 and \$196,299 for 2023 and 2022 total fundraising expense were approximately 7% and 8% of total support and revenue (excluding investment income and losses) for 2023 and 2022, respectively.

NOTE 6 – DONATED GOODS AND TECHNOLOGY SERVICES

Donated goods received by the Organization are included in unrestricted revenues, fixed assets, and fundraising income. The use of these goods is included in program expense or is capitalized as fixed assets. The estimated total value of these goods donated to the Organization in 2023 and 2022 was \$174,792 and \$130,304, respectively.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated events and transactions that occurred between December 31, 2023 and the date of the auditor's report, which is the date that the financial statements were available to be issued for possible recognition or disclosure in the financial statements.

NOTE 8 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position. The Organization had \$2,004,329 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash and cash equivalents and the unrestricted portion of the Organization's investments. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization's financial assets available within one year of the balance sheet date for designated expenditures are as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,019,590	\$ 1,355,371
Investments	<u>1,596,689</u>	<u>1,489,005</u>
Total liquid assets	2,616,279	2,844,376
Net assets with restrictions	<u>(611,950)</u>	<u>(617,557)</u>
Financial assets available to meet cash needs within one year	<u>\$ 2,004,329</u>	<u>\$ 2,226,819</u>

PAWS Atlanta, Inc.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

NOTE 9 – NET ASSETS

The net assets of the Organization at December 31, 2023 and 2022 are listed as follows:

	<u>2023</u>	<u>2022</u>
Net assets without donor restrictions		
Board designated funds	\$ 1,876,233	\$2,000,973
Undesignated	<u>804,099</u>	<u>857,560</u>
Total net assets without donor restrictions	<u>2,680,332</u>	<u>2,858,533</u>
Net assets with donor restrictions		
Building fund	308,018	308,018
Various restricted funds	118,928	110,928
Neuter fund	54,944	54,944
Perpetual in nature	58,385	58,385
Senior pets fund	43,973	36,107
Short term projects	27,602	45,616
Second chance fund	100	-
Feline Fund	-	3,558
Total net assets with donor restrictions	<u>611,950</u>	<u>617,556</u>
Total net assets	<u>\$ 3,292,282</u>	<u>\$3,476,089</u>

NOTE 10 – INVESTMENTS

The Organization's investments at December 31, 2023 and 2022 are reported on the basis of quoted market prices and are considered Level I investments. The Organization's investments and return on investments for the year ended December 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Fixed income	929,240	854,627
Equities	585,234	623,336
Other	<u>82,215</u>	<u>7,042</u>
Total investments	<u>1,596,689</u>	<u>1,485,005</u>
Interest and dividend income	113,447	60,176
Net realized and unrealized (loss) gain	57,279	(167,786)
Investment fees	<u>(15,329)</u>	<u>(14,893)</u>
Total investment return, net of fees	<u>155,397</u>	<u>(122,503)</u>

PAWS Atlanta, Inc.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

NOTE 11 – OTHER DISCLOSURES

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act commonly referred to as the CARES Act, was signed into law. One component of the CARES Act was the Paycheck Protection Program (“PPP”) which provides small business with the resources needed to maintain their payroll and cover applicable overhead. The PPP is implemented by the Small Business Administration (“SBA”) with support from the Department of the Treasury. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period.

The Organization applied for and was accepted to participate in this program. In May 2020, the Organization received loan proceeds in the amount of \$200,714 pursuant to the Paycheck Protection Program. The Organization used the funds in accordance with SBA requirements and received forgiveness for the entire amount of the original loan on September 7, 2021.

In March 2021, the Organization received a second PPP loan in the amount of \$204,379. The Organization has used the funds in accordance with SBA requirements and received forgiveness for the entire amount of the original loan in June 2022. The Organization recognized this amount as revenue at the time of forgiveness.

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