

**FINANCIAL STATEMENTS
THE PAWS CLINIC, INC.
DECEMBER 31, 2020**



Certified Public Accountants



Independent Auditors' Report

To the Board of Directors
The PAWS Clinic, Inc.
Taylor, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of The PAWS Clinic, Inc., which comprise the statement of financial position as of December 31, 2020 and the related statement 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 the financial statements in accordance with the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 PAWS Clinic, Inc. as of December 31, 2020 and the results of its operations, functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Schultz & Associates, PLC
Certified Public Accountants
Plymouth, Michigan

October 3, 2022

A handwritten signature, possibly reading "Schultz", is enclosed within a hand-drawn oval. The signature is written in dark ink on a white background.

THE PAWS CLINIC, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2020

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THE PAWS CLINIC, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS

	<u>Assets Without Donor Restriction</u>	<u>Assets With Donor Restriction</u>	<u>Total</u>
Current Assets			
Cash & cash equivalents	\$ 117,986	\$ 8,880	\$ 126,866
Accounts receivable	1,964	-	1,964
Prepaid payroll	4,000	-	4,000
Inventory	27,807	-	27,807
Total current assets	<u>151,757</u>	<u>8,880</u>	<u>160,637</u>
Fixed Assets			
Equipment	47,768	-	47,768
Furniture	88,498	-	88,498
Leasehold improvements	191,301	-	191,301
Accumulated depreciation	(144,101)	-	(144,101)
Total fixed assets, net	<u>183,466</u>	<u>-</u>	<u>183,466</u>
Total assets	<u>\$ 335,223</u>	<u>\$ 8,880</u>	<u>\$ 344,103</u>

LIABILITIES AND NET ASSETS

Current Liabilities			
Accounts payable	\$ 15,019	\$ -	\$ 15,019
Accrued expenses	5,607	-	5,607
Unearned revenue	77	8,880	8,957
Total current liabilities	<u>20,703</u>	<u>8,880</u>	<u>29,583</u>
Net Assets			
Assets without donor restriction	314,520	-	314,520
Assets with donor restriction	-	-	-
Total net assets	<u>314,520</u>	<u>-</u>	<u>314,520</u>
Total liabilities and net assets	<u>\$ 335,223</u>	<u>\$ 8,880</u>	<u>\$ 344,103</u>

See Independent Accountant's Audit Report
See Accompanying Notes to Financial Statements

THE PAWS CLINIC, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

Revenue and Support	<u>Assets Without Donor Restriction</u>	<u>Assets With Donor Restriction</u>	<u>Total</u>
Service revenue	\$ 670,068	\$ -	\$ 670,068
Grants	20,000	11,644	31,644
Donations	32,668	-	32,668
Interest	47	-	47
PPP Loan Forgiveness	102,202	-	102,202
	<u>824,985</u>	<u>11,644</u>	<u>836,629</u>
Net assets released from restrictions	<u>11,644</u>	<u>(11,644)</u>	<u>-</u>
Total revenue and support	<u>836,629</u>	<u>-</u>	<u>836,629</u>
Expenses			
Program services	694,530	-	694,530
Support services	160,842	-	160,842
Total expenses	<u>855,371</u>	<u>-</u>	<u>855,371</u>
Change in Net Assets	(18,742)	-	(18,742)
Net Assets, beginning of year	<u>333,262</u>	<u>-</u>	<u>333,262</u>
Net Assets, end of year	<u><u>\$ 314,520</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 314,520</u></u>

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THE PAWS CLINIC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>
Advertising	\$ 448	\$ -	\$ 448
Bank service charges	7,597	400	7,996
Computers and internet	2,992	157	3,149
Depreciation	24,327	1,280	25,607
Health insurance	22,118	1,164	23,282
Insurance	11,953	1,150	13,103
Maintenance	8,190	431	8,621
Medical supplies and drugs	150,846	7,939	158,785
Occupancy	53,557	2,819	56,376
Office expense	11,323	596	11,919
Payroll taxes	37,820	1,991	39,811
Professional fees	21,778	1,146	22,924
Salaries	329,281	141,120	470,402
Staff incentives	797	42	839
Telephone	3,572	188	3,760
Utilities	7,931	417	8,349
	<hr/>	<hr/>	<hr/>
Total functional expenses	<u>\$ 694,530</u>	<u>\$ 160,842</u>	<u>\$ 855,371</u>

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THE PAWS CLINIC, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

Cash Flows From Operating Activities

Change in net assets	\$	(18,742)
Adjustments to reconcile change in net assets to net cash & cash equivalents provided by operating activities:		
Depreciation		25,607
Decrease in accounts receivable		2,419
Decrease in inventory		3,864
Increase in accounts payable		1,890
Decrease in accrued expenses		(1,965)
Increase in unearned revenue		5,481
		5,481
Net cash & cash equivalents		
Provided by operating activities	\$	18,554

Cash Flows From Investing Activities

Purchases of equipment and furniture		(9,330)
		(9,330)
Net cash & cash equivalents		
Used by investing activities		(9,330)

Cash Flows From Financing Activities

Proceeds from PPP loan		102,202
Forgivess of PPP loan		(102,202)
		0
Net cash & cash equivalents		
Used by financing activities		0

Net Increase in Cash & Cash Equivalents 9,224

Cash & Cash Equivalents, Beginning 117,642

Cash & Cash Equivalents, Ending \$ 126,866

Supplementary Disclosures:

Cash & cash equivalents paid for interest \$ -

Cash & cash equivalents paid for income tax \$ -

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See Accompanying Notes to Financial Statements

THE PAWS CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The PAWS Clinic, Inc. is a Michigan not-for-profit corporation established for the purpose of lowering the number of animals euthanized yearly by promoting and providing spay and neutering procedures for companion animals. The organization provides a low-cost high-quality option for pet owners, shelters and rescues.

The organization was incorporated in 2010 and since then has provided over 30,000 spay and neuter surgeries. The facility currently is open five days per week, and provides surgeries 4 days per week.

The facility relies on experienced veterinarians, paid staff and volunteers to fulfill its mission.

Basis of Accounting

The Organization follows current authoritative accounting guidance relating to financial statements for not-for-profit organizations. Under this guidance, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Revenue and expenses are reported on the accrual basis of accounting.

Basis of Reporting

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). (ASC) 958-205 was effective January 1, 2019. Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net Assets without Donor Restriction – net assets that are not subject to “donor-imposed” time or purpose restrictions.

Net Assets with Donor Restriction – consist of purpose or time-restricted contributions and net assets subject to “donor-imposed” restrictions that may be maintained in perpetuity. When a purpose or time restriction ends, temporary restricted net assets are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restriction.

Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

See Accompanying Independent Auditors' Report

THE PAWS CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Reporting (Continued)

Board-Designated Net Assets – net assets designated for investments. These designations are based on actions by the Board of Directors, which can be altered or revoked at a future time by a three-fourths vote of the entire Board.

A reconciliation of net assets is included in the statement of activities

Revenue and Cost Recognition

Revenue is recorded when: (i) a contract has been identified, (ii) the performance obligation(s) in the contract have been identified, (iii) the transaction price has been determined, (iv) the transaction price has been allocated to each performance obligation in the contract, and (v) the Organization has satisfied the applicable performance obligation. Expenses directly related to such transactions are recorded as incurred and presented within expenses. Fundraising expenses are netted against the specific fundraising event to which they apply.

Primary revenue streams

Revenue consists primarily of donations, grants and fees for services. Contributions are recognized as revenue when a donor makes an unconditional promise to give. Fees are recognized and recorded when the service is completed. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Management has determined that these methods provide a faithful depiction of the transfer of services.

Revenue disaggregation

In accordance with current accounting standards the Organization disaggregates revenue from contracts into major revenue streams as presented on the statements of activities. Revenue is recognized over the performance obligation period applicable to each revenue stream.

Contract balances

The timing of revenue recognition, billings and cash collections results in contract assets, receivables and contract liabilities. Contract assets would exist when the Organization has a contract with a customer for which revenue has been recognized but customer payment is contingent on a future event. The Organization's revenue is based on donations and fee for services performed, and is generally limited to amounts that are not contingent on future events, therefore, not resulting in a contract asset being recorded.

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THE PAWS CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Cost Recognition (continued)

Contract balances (continued)

The Organization records receivables when the right to consideration becomes unconditional and are presented separately in the statements of financial position. Contract liabilities may include advances and unearned revenue when the Organization receives payments from members/customers before the revenue is recognized and are presented separately in the statements of financial position. Accounts receivable was \$1,964 for the year ending December 21, 2020. Contract assets and liabilities were not material as of December 31, 2020.

Non-Cash and In-Kind Contributions

The Organization records the value of donated goods or services when there is an objective basis available to measure fair value. Donated materials and equipment are reflected as contributions at their estimated values at the date of receipt. Contributed services are reported as contributions at their fair value if such services create or enhance non-financial assets or would have been purchased if not provided by donation, require specialized skills, and are provided by individual possessing such specialized skills. Contributions of stock or other financial assets are recorded as revenue and support when the asset has been transferred to the Organization. The value of contributed stock or other financial assets is calculated at the median market price on the date of transfer.

Functional Expenses

The Organization allocates common expenses to production and administrative costs based on time analysis by management and usage of space.

Use of Estimates

The preparation of financial statements 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 revenue and expenses during the reporting period.

Liquidity

Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash

Cash and Cash Equivalents

Cash and cash equivalents includes all monies in the bank and any funds yet to be deposited.

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THE PAWS CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are recorded at cost. Maintenance and repairs are expensed as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Depreciation is calculated on the straight-line basis over the estimated useful lives of the respective assets.

Advertising Costs

Advertising and promotion costs are expensed as incurred. Advertising expenses for the year ended December 31, 2020 were \$448.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions in the accompanying financial statements. Conditional promises to give are not included as support until the conditions are substantially met.

Date of Management's Review

Management has evaluated subsequent events through October 3, 2022, the date on which the financial statements were available to be issued.

NOTE 2 – TAX STATUS

The Internal Revenue Service has determined that the Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state income tax; however, any unrelated business income may be subject to taxation.

The Organization follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Organization for uncertain tax positions as of December 31, 2020. The Organization's tax returns are subject to review and examination by federal and state authorities. The tax returns for fiscal years 2013 and thereafter are open to examination by federal and state authorities.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 3 - PROPERTY AND EQUIPMENT

At December 31, 2020, property and equipment consist of the following:

	Beginning Balance	Additions/ Reclassifications	Dispositions/ Reclassifications	Total
Equipment	\$ 46,809	\$ 959	\$ 0	\$ 47,768
Furniture	88,498	0	0	88,498
Leasehold improvements	182,930	8,371	0	191,301
	\$ 318,237	\$ 9,330	\$ 0	327,567
Less accumulated depreciation				144,101
				\$ 183,466

NOTE 4 – BUSINESS AND CREDIT CONCENTRATIONS AND MAJOR CUSTOMERS

In the event that the Organization has cash balances in excess of the NCUA \$250,000, if the credit union were to default, the Organization would be a general creditor for those amounts in excess of \$250,000.

NOTE 5 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restriction were released from donor restrictions by incurring expenses satisfying the purpose by donors as follows:

Grants	\$11,644
	\$11,644

NOTE 6 – OPERATING LEASES

The Organization currently leases their facility on a month to month basis. The previous lease expired January 1, 2016. Currently the monthly lease payment is \$4,698 per month, and total lease expense for the year ending December 31, 2020, totaled \$56,376. As of the financial statement date, the Organization is still negotiating a long-term lease with its landlord.

NOTE 7 - LIQUIDITY

The Organization's financial assets available within one year of the balance sheet date for general expenditure total \$127,131. This includes cash and cash equivalents of \$117,986, accounts receivable of \$1,964, and inventory of \$27,870, less accounts payable of \$15,019 and accrued expenses of \$5,607.

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THE PAWS CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 7 – LIQUIDITY (Continued)

This has been reduced by amounts not available for general use because of donor imposed restrictions within one year of the balance sheet date. As part of Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 8 – ACCOUNTING STANDARDS UPDATE

Revenue from Contracts with Customers

During May 2014 the FASB issued "Accounting Standards Update" (ASU) 2014-09, "Revenue from Contracts with Customers" (Topic 606). ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers in an amount that reflects the expected consideration received in exchange for those goods or services. During August 2015, the FASB issued ASU 2015-14 which deferred the effective date of ASU 2014-09 to fiscal years beginning after December 15, 2019. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Organization adopted the standard on January 1, 2020. The aforementioned ASUs are codified as "Accounting Standards Codification" (ASC) Topic 606 "Revenue from Contracts with Customers".

There was no impact net assets as of January 1, 2020, or to revenue for the year ended December 31, 2020, as revenue recognition and timing of revenue did not change as a result of adopting/implementing the new standard.

Leases

In February 2016, the Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842) to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for leases and lessors. The new standard applies a right-of-use ("ROU") model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the Organization's fiscal years beginning after December 15, 2020 with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements.

NOTE 9 – SUBSEQUENT EVENTS

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (such as social distancing and working from home). At this stage, the impact on our business and results has not been significant and based on our experience to date we expect this to remain the case. and safest way possible without jeopardizing the health of our people. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardizing the health of our people.

See Accompanying Independent Auditors' Report