

**FINANCIAL STATEMENTS
THE PAWS CLINIC, INC.
DECEMBER 31, 2022**



Certified Public Accountants

THE PAWS CLINIC, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2022

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Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of The PAWS Clinic, Inc (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, statement of functional expenses, and statement of cash flows for the year 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 The PAWS Clinic, Inc as of December 31, 2022, and the changes in its net assets and its cash flows for the year 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 The PAWS Clinic, 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.

Responsibilities of Management 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 The PAWS Clinic, 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 Responsibilities 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.

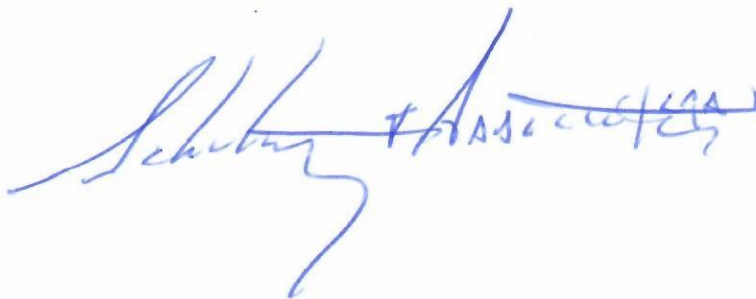
In performing an audit in accordance with generally accepted auditing standards, we:

- 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 The PAWS Clinic, 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 The PAWS Clinic, 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.

Schultz & Associates, PLC
Certified Public Accountants

Canton, Michigan
November 16, 2023



THE PAWS CLINIC, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 393,942	
Accounts receivable	5,787	
Prepaid expenses	4,000	
Inventory	31,020	
Total current assets		\$ 434,749
Fixed assets		
Equipment	57,419	
Furniture	88,498	
Leasehold improvements	191,301	
Less: accumulated depreciation	(195,580)	
Fixed assets, net		141,638
Total assets		\$ 576,387
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 16,420	
Accrued expenses	12,614	
Unearned revenue	3,845	
Total current liabilities		\$ 32,879
Net assets		
Without donor restriction	543,508	
With donor restriction	-	
Total net assets		543,508
Total liabilities and net assets		\$ 576,387

See Independent Auditors' Report
See Accompanying Notes to Financial Statements

THE PAWS CLINIC, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Assets Without Donor Restriction</u>	<u>Assets With Donor Restriction</u>	<u>Total</u>
Revenue and support			
Service & merchandise revenue	\$ 1,050,494	\$ -	\$ 1,050,494
Grants	6,500	14,670	21,170
Donations	47,814	-	47,814
Interest income	24	-	24
	<u>1,104,832</u>	<u>14,670</u>	<u>1,119,502</u>
Net assets released from restrictions	<u>14,670</u>	<u>(14,670)</u>	<u>-</u>
Total revenue and support	<u>1,119,502</u>	<u>-</u>	<u>1,119,502</u>
Expenses			
Program services	800,297	-	800,297
Support services	182,060	-	182,060
Total expenses	<u>982,357</u>	<u>-</u>	<u>982,357</u>
Change in net assets	137,145	-	137,145
Net assets, beginning of year	<u>406,363</u>	<u>-</u>	<u>406,363</u>
Net assets, end of year	<u>\$ 543,508</u>	<u>\$ -</u>	<u>\$ 543,508</u>

See Independent Auditors' Report
See Accompanying Notes to Financial Statements

THE PAWS CLINIC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>
Advertising	\$ 779	\$ -	\$ 779
Bank service charges	14,588	768	15,356
Computers and internet	4,065	214	4,279
Depreciation	25,008	1,316	26,324
Health insurance	20,957	1,103	22,060
Insurance	15,069	1,150	16,219
Maintenance	11,942	629	12,571
Medical supplies and drugs	197,336	10,386	207,722
Occupancy	53,557	2,819	56,376
Office expense	10,294	542	10,836
Payroll taxes	40,714	2,143	42,856
Professional fees	19,125	1,007	20,132
Salaries	371,397	159,170	530,567
Staff incentives	2,944	155	3,099
Telephone	4,563	240	4,803
Utilities	7,959	419	8,378
Total functional expenses	\$ 800,297	\$ 182,060	\$ 982,357

See Independent Auditors' Report
See Accompanying Notes to Financial Statements

THE PAWS CLINIC, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

Cash flows from operating activities		
Change in net assets	\$	137,145
Adjustments to reconcile change in net assets to net cash & cash equivalents provided by operating activities:		
Depreciation		26,324
Increase in accounts receivable		(4,364)
Increase in inventory		(887)
Increase in accounts payable		5,007
Increase in accrued expenses		10,157
Increase in unearned revenue		3,128
Net cash & cash equivalents		<u> </u>
Provided by operating activities	\$	176,510
Cash flows from investing activities		
Purchases of equipment and furniture		<u>(6,312)</u>
Net cash & cash equivalents		<u> </u>
Used by investing activities		(6,312)
Cash flows from financing activities		
Net cash & cash equivalents		<u> </u>
Used by financing activities		<u> </u>
Net increase in cash & cash equivalents		170,198
Cash & cash equivalents, beginning		<u>223,744</u>
Cash & cash equivalents, ending	\$	<u><u>393,942</u></u>
Supplementary Disclosures:		
Cash & cash equivalents paid for interest	\$	<u><u> </u></u>
Cash & cash equivalents paid for income tax	\$	<u><u> </u></u>

See Independent Auditors' Report
See Accompanying Notes to Financial Statements

THE PAWS CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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 two classes of net assets: without donor restriction and with donor restriction.

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, net assets with donor restriction 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 net assets with restriction are classified as without donor restriction unless these earnings are 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, 2022

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.

See Accompanying Independent Auditors' Report

THE PAWS CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 \$5,787 for the year ending December 31, 2022. Contract assets and liabilities were not material as of December 31, 2022.

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. For the year ended December 31, 2022, there were no non-cash contributions of materials or services.

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.

See Accompanying Independent Auditors' Report

THE PAWS CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022 were \$779.

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 November 15, 2023 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, 2022. The Organization's tax returns are subject to review and examination by federal and state authorities. The tax returns for fiscal years 2015 and thereafter are open to examination by federal and state authorities.

See Accompanying Independent Auditors' Report

THE PAWS CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3 - PROPERTY AND EQUIPMENT

At December 31, 2022, property and equipment consist of the following:

	Beginning Balance	Additions/ Reclassifications	Dispositions/ Reclassifications	Total
Equipment	\$ 51,107	\$ 6,312	\$ 0	\$ 57,419
Furniture	88,498	0	0	88,498
Leasehold improvements	191,301	0	0	191,301
	<u>\$ 330,906</u>	<u>\$ 6,312</u>	<u>\$ 0</u>	337,218
Less accumulated depreciation				<u>(195,580)</u>
				<u>\$ 141,638</u>

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:

Surgical Subsidies	\$ 14,670
	\$ 14,670

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, 2022, 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 \$399,729. This includes cash and cash equivalents of \$393,942, and accounts receivable of \$5,787.

See Accompanying Independent Auditors' Report

THE PAWS CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

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, 2021 with early adoption permitted.

The Organization adopted the standard on January 1, 2022. There was no impact net assets as of January 1, 2022, or to revenue for the year ended December 31, 2022, as lease recognition and timing did not change as a result of adopting/implementing the new standard.

Contributed Nonfinancial Assets

In September 2020 the Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Asses. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The new standard, as amended, is to be applied retrospectively, to annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. The Organization adopted the standard on January 1, 2022. The standard did not have a material impact on the financial statements. The Organization has updated disclosures as necessary.

See Accompanying Independent Auditors' Report

