

**FINANCIAL STATEMENTS  
THE PAWS CLINIC, INC.  
DECEMBER 31, 2023**



Certified Public Accountants

**THE PAWS CLINIC, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

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## **Independent Auditor's 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, 2023, 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, 2023, 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.

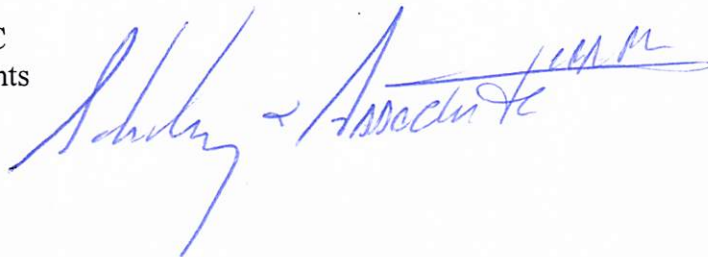
In performing an audit in accordance with generally accepted auditing standards, we:

- 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 14, 2024



**THE PAWS CLINIC, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2023**

<u>ASSETS</u>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 644,052	
Accounts receivable	1,536	
Grants receivable	16,000	
Inventory	44,747	
<b>Total current assets</b>		\$ 706,335
<b>Fixed assets</b>		
Equipment	57,419	
Furniture	88,498	
Leasehold improvements	191,301	
Less: accumulated depreciation	(222,893)	
<b>Fixed assets, net</b>		<u>114,325</u>
<b>Total assets</b>		<u><u>\$ 820,660</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
<b>Current liabilities</b>		
Accounts payable	\$ 10,074	
Accrued expenses	8,160	
Unearned revenue	295	
<b>Total current liabilities</b>		\$ 18,529
<b>Net assets</b>		
Without donor restriction		
Undesignated	779,763	
Board designated	6,368	
With donor restriction	16,000	
<b>Total net assets</b>		<u>802,131</u>
<b>Total liabilities and net assets</b>		<u><u>\$ 820,660</u></u>

See Independent Auditors' Report  
See Accompanying Notes to Financial Statements

**THE PAWS CLINIC, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Assets Without Donor Restriction</u>	<u>Assets With Donor Restriction</u>	<u>Total</u>
<b>Revenue and support</b>			
Service & merchandise revenue	\$ 1,297,762	\$ -	\$ 1,297,762
Grants	-	20,875	20,875
Donations	64,045	-	64,045
Interest income	22	-	22
	<u>1,361,829</u>	<u>20,875</u>	<u>1,382,704</u>
Net assets released from restrictions	<u>4,875</u>	<u>(4,875)</u>	<u>-</u>
<b>Total revenue and support</b>	<u>1,366,704</u>	<u>16,000</u>	<u>1,382,704</u>
<b>Expenses</b>			
Program services	909,411	-	909,411
Support services	<u>214,670.00</u>	<u>-</u>	<u>214,670</u>
<b>Total expenses</b>	<u>1,124,081</u>	<u>-</u>	<u>1,124,081</u>
<b>Change in net assets</b>	242,623	16,000	258,623
<b>Net assets, beginning of year</b>	<u>543,508</u>	<u>-</u>	<u>543,508</u>
<b>Net assets, end of year</b>	<u>\$ 786,131</u>	<u>\$ 16,000</u>	<u>\$ 802,131</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, 2023**

	<b>Program Services</b>	<b>Support Services</b>	<b>Total</b>
Advertising	\$ 1,054	\$ -	\$ 1,054
Bank service charges	20,322	1,070	21,392
Computers and internet	3,958	208	4,166
Depreciation	25,947	1,366	27,313
Health insurance	15,763	830	16,593
Insurance	12,085	636	12,721
Maintenance	11,445	602	12,047
Medical supplies and drugs	214,217	11,275	225,492
Occupancy	53,557	2,819	56,376
Office expense	10,060	529	10,589
Payroll taxes	47,971	2,525	50,496
Professional fees	33,988	1,789	35,777
Salaries	443,850	190,221	634,071
Staff incentives	1,578	83	1,661
Utilities	13,616	717	14,333
<b>Total functional expenses</b>	<b>\$ 909,411</b>	<b>\$ 214,670</b>	<b>\$ 1,124,081</b>

See Independent Auditors' Report  
See Accompanying Notes to Financial Statements

**THE PAWS CLINIC, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

<b>Cash flows from operating activities</b>		
Change in net assets	\$	258,623
Adjustments to reconcile change in net assets to net cash & cash equivalents provided by operating activities:		
Depreciation		27,313
Decrease in accounts receivable		4,251
Increase in grants receivable		(16,000)
Increase in inventory		(13,727)
Decrease in prepaid expenses		4,000
Decrease in accounts payable		(6,345)
Decrease in accrued expenses		(4,455)
Decrease in unearned revenue		(3,550)
Net cash & cash equivalents		
Provided by operating activities	\$	250,110
<b>Cash flows from investing activities</b>		<u>-</u>
Net cash & cash equivalents		
Used by investing activities		-
<b>Cash flows from financing activities</b>		<u>-</u>
Net cash & cash equivalents		
Used by financing activities		-
<b>Net increase in cash &amp; cash equivalents</b>		250,110
<b>Cash &amp; cash equivalents, beginning</b>		<u>393,942</u>
<b>Cash &amp; cash equivalents, ending</b>	\$	<u><u>644,052</u></u>
<b>Supplementary Disclosures:</b>		
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, 2023**

**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 Auditor’s Report**

**THE PAWS CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**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 Auditor's Report**

**THE PAWS CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**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 and grants receivable were \$1,536 and \$16,000, respectively, for the year ending December 31, 2023. Contract assets and liabilities were not material as of December 31, 2023 or 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, 2023, 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 Auditor's Report**

**THE PAWS CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**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, 2023 were \$1,054.

**Accounts Receivable**

As of December 31, 2023, accounts receivable was \$1,536, all of which the Organization believes is collectible. Accordingly, no allowance for credit losses is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

**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 14, 2024, 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.

**See Accompanying Independent Auditor's Report**

**THE PAWS CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 2 – TAX STATUS (continued)**

No liability has been recognized by the Organization for uncertain tax positions as of December 31, 2023. The Organization’s tax returns are subject to review and examination by federal and state authorities. The tax returns for fiscal years 2020 and thereafter are open to examination by federal and state authorities.

**NOTE 3 - PROPERTY AND EQUIPMENT**

At December 31, 2023 property and equipment consist of the following:

	Beginning Balance	Additions/ Reclassifications	Dispositions/ Reclassifications	Total
Equipment	\$ 57,419	\$ 0	\$ 0	\$ 57,419
Furniture	88,498	0	0	88,498
Leasehold improvements	191,301	0	0	191,301
	<u>\$ 337,218</u>	<u>\$ 0</u>	<u>\$ 0</u>	337,218
Less accumulated depreciation				(222,893)
				<u>\$ 114,325</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 WITH DONOR RESTRICTION**

At December 31, 2023, assets with donor restriction are available for the following:

<b>Subject to expenditure for specified purpose:</b>	
Surgical Subsidies	\$ 16,000
<b>Total net assets with donor restrictions</b>	<b>\$ 16,000</b>

**See Accompanying Independent Auditor’s Report**

**THE PAWS CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 6 - 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	\$	<u>4,875</u>
	\$	<u><u>4,875</u></u>

**NOTE 7 – BOARD DESIGNATED FUNDS**

The Organization’s board has placed limitations on management’s use of assets without donor restriction. Funds set aside by Board resolution for the purpose of supporting the general and tax-exempt purposes of the Organization are as follows:

SPIN Fund	\$	<u>6,368</u>
	\$	<u><u>6,368</u></u>

**NOTE 8 - 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, 2023, totaled \$56,376. As of the financial statement date, the Organization is still negotiating a long-term lease with its landlord.

**NOTE 9 - LIQUIDITY**

The Organization’s financial assets available within one year of the balance sheet date for general expenditure total \$661,588. This includes cash and cash equivalents of \$644,052, accounts receivable of \$1,536 and grants receivable of \$16,000.

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 10 – ACCOUNTING STANDARDS UPDATE**

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2016-13, Measurement of Credit Losses on Financial Instruments. ASU 2016-13 replaces the previous incurred loss impairment methodology for financial instruments, including accounts and notes receivable, with a methodology that reflects expected credit losses. Under ASU 2016-13, consideration of a broader range of reasonable and supportable information, including forecasts, are required to develop credit loss estimates (previously the allowance for doubtful accounts). previous accounting. ASU 2016-13 is effective for fiscal years beginning after December 15, 2022.

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**THE PAWS CLINIC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 10 – ACCOUNTING STANDARDS UPDATE (continued)**

The new methodology measures impairment of financial instruments, including accounts and notes receivable, and may result in earlier recognition of credit losses than under The organization implemented ASU 2016-13 as of January 1, 2023. There was no impact to net assets as of January 1, 2023, or to the financial statements for the year ended December 31, 2023, as a result of implementation.