



Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

THE PUBLIC FOR ANIMAL WELFARE, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2023



Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

Arturo Montemayor III CPA, President & CEO | Stacy Britton CPA, Shareholder | Sean Bender CPA, Shareholder
Danielle Guerrero, Shareholder | Sara Carey CPA, Shareholder

Board of Directors and Management
The Public for Animal Welfare, Inc.

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of The Public for Animal Welfare, Inc. (PAWS), which comprise the statement of financial position as of 31 December 2023, and the related statement of activities and 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 PAWS as of 31 December 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 PAWS 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.

Emphasis of Matter

As discussed in Note 9 to the financial statements, certain errors resulted in the understatement of amounts previously reported for accrued liabilities and the overstatement of net assets without donor restrictions as of 31 December 2022. Accordingly, amounts recorded for net assets without donor restrictions have been restated in the 2022 financial statements. Our opinion is not modified with respect to that matter.

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 PAWS's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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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'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'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 to matters that we identified during the audit.

Montemayer Bittor Bender PC

10 September 2024
Austin, Texas

THE PUBLIC FOR ANIMAL WELFARE, INC.

STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2023

ASSETS

Current assets	
Cash	\$172,831
Investments	735,873
Prepaid expenses	<u>17,810</u>
	926,514
FIXED ASSETS	2,585,439
BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS	<u>7,938</u>
	<u>\$3,519,891</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$4,887
Accrued liabilities	<u>25,251</u>
	<u>30,138</u>
Net assets	
Without donor restrictions	
Undesignated	3,427,907
Board-designated for endowment	<u>7,938</u>
	3,435,845
With donor restrictions	<u>53,908</u>
	<u>3,489,753</u>
	<u>\$3,519,891</u>

The accompanying notes are an integral part of this financial statement presentation.

THE PUBLIC FOR ANIMAL WELFARE, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED 31 DECEMBER 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE			
Foundation grants	\$393,500	\$39,500	\$433,000
Donations	464,100	24,903	489,003
Adoption fees	124,127	0	124,127
Fundraiser income	98,693	0	98,693
Contributed goods	19,910	0	19,910
Investment and other income	47,229	0	47,229
Net assets released from restriction	<u>65,748</u>	<u>(65,748)</u>	<u>0</u>
	<u>1,213,307</u>	<u>(1,345)</u>	<u>1,211,962</u>
EXPENSES			
Program	1,046,412	0	1,046,412
Administrative	172,354	0	172,354
Fundraising	<u>58,905</u>	<u>0</u>	<u>58,905</u>
	<u>1,277,671</u>	<u>0</u>	<u>1,277,671</u>
	(64,364)	(1,345)	(65,709)
CHANGE IN NET ASSETS			
	<u>3,500,209</u>	<u>55,253</u>	<u>3,555,462</u>
BEGINNING NET ASSETS, restated			
	<u>\$3,435,845</u>	<u>\$53,908</u>	<u>\$3,489,753</u>
ENDING NET ASSETS			

The accompanying notes are an integral part of this financial statement presentation.

THE PUBLIC FOR ANIMAL WELFARE, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	(\$65,709)
Unrealized (gain)/loss on investments	(15,427)
Net change in beneficial interest in assets held by others	(1,637)
Depreciation expense	64,781
Change in accounts receivable	200
Change in prepaid expenses	(12,326)
Change in accounts payable	4,317
Change in accrued liabilities	<u>3,616</u>
	<u>(22,185)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(281,011)
Proceeds from sale of investments	305,327
Purchase of fixed assets	<u>(37,636)</u>
	<u>(13,320)</u>

CHANGE IN CASH (35,505)

BEGINNING CASH 208,336

ENDING CASH \$172,831

The accompanying notes are an integral part of this financial statement presentation.

THE PUBLIC FOR ANIMAL WELFARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION

The Public for Animal Welfare, Inc. (PAWS) was founded in Kyle, Texas in 1986 as a 501(c)(3) nonprofit organization providing care and love to homeless, abandoned, and abused animals in Central Texas. PAWS is a no-kill shelter that rescues animals, ensures each animal in their care receives necessary veterinary care, provides spay or neuter surgeries, provides behavior assistance, and holds offsite adoption events and will accept back any animal previously in their care for the life of the animal to ensure they ultimately find their forever home. PAWS is primarily supported through grants, donations, education income, shelter income, and fundraising events.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

PAWS uses the accrual basis method of accounting. Using this method of accounting, revenue and other support and the related accounts receivable are reported when funds are considered earned, regardless of when cash is received. Expenses and the related accounts payable are reported when an obligation is incurred, regardless of when cash is disbursed.

CONTRIBUTIONS

Contributions are recorded when cash, securities or other assets, or an unconditional promise to give is received. Contributions received are recorded as either donor restricted or unrestricted support depending on the existence or nature of any donor restrictions. As purpose or time restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions. PAWS's policy is to report restricted support that is satisfied in the year of the receipt first as donor restricted and then reclassified to net assets without donor restrictions.

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers relates to PAWS fundraiser income, adoption revenue, and sales of merchandise. PAWS recognizes revenue from ticket sales and auction items for its fundraisers. Fundraiser income is recognized at a point in time, when the event is held. Adoption revenue is recognized at a point in time, at the time of the adoption. Revenue from sales of merchandise is recognized at a point in time, when the goods are sold. With respect to fundraiser income, adoption revenue, and merchandise sales, revenue is recognized when control of the goods transfers to the customer in an amount that reflects the consideration PAWS expects to be entitled to in exchange for those goods. Typically, control is deemed to transfer at the date at which the customer received the benefit from the fundraiser, adopted an animal, or purchased merchandise. There is no significant financing component because payments are typically received at the time of sale.

FINANCIAL STATEMENT PRESENTATION

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:

THE PUBLIC FOR ANIMAL WELFARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

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. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

INVESTMENTS

PAWS reports investments at their fair market value in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment earnings are reported as an increase in unrestricted net assets in the reporting period in which the income is recognized.

FUNCTIONAL EXPENSE ALLOCATION

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll and related, legal and professional, depreciation, utilities, software programs, insurance, building and equipment maintenance, restricted fund expense, and other.

FIXED ASSETS

Fixed assets over \$2,500 are recorded at cost if purchased and estimated fair value if donated. Depreciation is computed using the straight-line method over the expected useful lives of the related assets.

CONTRIBUTED GOODS AND SERVICES

Contributed services that create or enhance non financial assets or that require specialized skills, which are provided by individuals possessing those skills, and which would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Contributed goods are recorded at their fair value in the period received.

FEDERAL INCOME TAX STATUS

PAWS is a nonprofit organization exempt from Federal income taxes under IRS Code Section 501(c)(3). Therefore, no provision has been made for Federal income tax in the accompanying financial statements.

THE PUBLIC FOR ANIMAL WELFARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SUBSEQUENT EVENTS

PAWS has evaluated subsequent events as of the date of the Independent Auditor's Report, the date the financial statements were available to be issued. In August 2024, PAWS entered into a new loan agreement in the amount of \$22,619 to purchase a new vehicle with an interest rate of 3.9%. Monthly payments of \$668 are required until maturity on 10 August 2027.

ESTIMATES

The preparation of financial statements in conformity with the U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 3: CONCENTRATIONS

For the year ended 31 December 2023, PAWS's grant revenue from one foundation represented 21% of PAWS's total revenue.

Investment balances in brokerage accounts exceeded SIPC coverage by \$238,873. PAWS has incurred no losses due to the lack of coverage.

NOTE 4: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash	\$172,831
Investments	<u>735,873</u>
	908,704
Less: amounts unavailable for general expenditure within one year due to donor restrictions	<u>(53,908)</u>
	<u>\$854,796</u>

As part of PAWS's liquid management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The policy is that monthly revenues are to cover monthly expenses. Monthly revenues and expenditures are deposited in and deducted from PAWS's operating accounts.

THE PUBLIC FOR ANIMAL WELFARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5: INVESTMENTS

Money market and sweep accounts	\$547,193
Fixed income	122,053
Equities	<u>66,627</u>
	<u>\$735,873</u>

NOTE 6: FAIR VALUE DISCLOSURES

	<u>Amount</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	<u>\$735,873</u>	<u>\$735,873</u>	N/A	N/A
Beneficial interest in assets held by others	<u>\$7,938</u>	N/A	<u>\$7,938</u>	N/A

The carrying value of the beneficial interest in assets held by others represents the value reported by Austin Community Foundation.

NOTE 7: FIXED ASSETS

Building and improvements	\$2,708,784
Land	314,762
Vehicles	131,935
Furniture and equipment	40,815
Land improvements	32,718
Accumulated depreciation	<u>(643,575)</u>
	<u>\$2,585,439</u>

NOTE 8: CONTRIBUTED GOODS

During the year goods valued at \$19,910 were recognized in the statement of activities. PAWS recognized contributed nonfinancial assets within revenue. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. Contributed goods recognized are comprised of dog and cat food and other equipment used by PAWS in daily operations. The contributed goods are valued at on the fair value based on general knowledge of market rates for comparable goods and are used for program activities.

THE PUBLIC FOR ANIMAL WELFARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 9: PRIOR PERIOD ADJUSTMENT

As of 31 December 2022, accrued liabilities were understated by \$33,395, building improvements by \$343,802 and net assets without donor restrictions were understated by \$310,407 on the statement of financial position. A prior period adjustment has been recorded to correct beginning net assets without donor restrictions. The effect of this adjustment increased the change in net assets without donor restrictions for the year ended 31 December 2022 by \$310,407.

NOTE 10: NET ASSETS WITH DONOR RESTRICTIONS

Satisfaction of purpose restrictions during the year:

Shade structures, dog play yards, and pools	\$37,533
Surgeries	27,198
Other	<u>1,017</u>
	<u>\$65,748</u>

Balances of net assets with donor restrictions at year end:

Cell dog training	\$16,500
Surgeries	13,067
Rescue surgeries	12,204
Kyle remodel	10,170
Shade structures, dog play yards, and pools	<u>1,967</u>
	<u>\$53,908</u>

NOTE 11: REVENUE FROM CONTRACTS WITH OTHERS

DISAGGREGATION OF REVENUE

Revenue from contracts with customers disaggregated based on the timing of satisfaction of performance obligations is as follows:

Performance obligations satisfied at a point in time	<u>\$172,484</u>
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Revenue from performance obligations satisfied at a point in time consists of revenues related to adoption revenue, fundraisers held by PAWS included in fundraiser income on the statement of activities, and sales of merchandise which are included in investment and other income on the statement of activities. PAWS had no contract assets or contract liabilities related to these contracts at the beginning or end of the year.

THE PUBLIC FOR ANIMAL WELFARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 12: FUNCTIONAL EXPENSE ALLOCATION

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Payroll and related	\$708,027	\$134,140	\$30,252	\$872,419
Depreciation	52,473	9,717	2,591	64,781
Kennel	50,529	0	0	50,529
Veterinary supplies	43,877	0	0	43,877
Utilities	29,900	5,537	1,477	36,914
Legal and professional	25,521	4,726	1,260	31,507
Contract services - veterinary	27,198	0	0	27,198
Insurance	16,596	3,073	820	20,489
Software fees	15,208	2,816	751	18,775
Fundraising expenses	0	0	18,463	18,463
Building and equipment maintenance	13,700	2,537	677	16,914
Medical treatments	10,429	0	0	10,429
Other	<u>52,954</u>	<u>9,808</u>	<u>2,614</u>	<u>65,376</u>
	<u>\$1,046,412</u>	<u>\$172,354</u>	<u>\$58,905</u>	<u>\$1,277,671</u>