



PAWS WITH A CAUSE

WAYLAND, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022



Vredeveld Haefner LLC
CPAs and Consultants

PAWS WITH A CAUSE

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INDEPENDENT AUDITORS' REPORT

November 20, 2023

Board of Directors
Paws With A Cause
Wayland, Michigan

Opinion

We have audited the accompanying financial statements of Paws With A Cause (the Organization), which comprise the statements of financial position as of September 30, 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 the Organization as of September 30, 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 audits 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 Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Organization'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 Organization'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 Organization'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.

Oradenfeld Haefner LLC

PAWS WITH A CAUSE
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 673,017	\$ 1,493,301
Investments	9,464,042	4,517,265
Pledges receivable, current portion	621,864	166,885
Inventories	10,848	16,936
Prepaid expenses	18,290	26,303
	10,788,061	6,220,690
Noncurrent assets		
Property and equipment		
Construction in progress	21,723	21,723
Land, buildings and improvements	4,467,050	4,383,538
Equipment	551,558	652,104
Vehicles	323,983	323,983
Total property and equipment	5,364,314	5,381,348
Less accumulated depreciation	4,272,168	4,171,413
Net property and equipment	1,092,146	1,209,935
Investments	1,158,634	922,584
Pledges receivable	425,184	283,700
	2,675,964	2,416,219
Total noncurrent assets		
	\$ 13,464,025	\$ 8,636,909
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 42,724	\$ 35,944
Accrued payroll	96,581	87,982
	139,305	123,926
Total liabilities (all current)		
Net assets		
Without donor restrictions	5,696,522	5,062,213
With donor restrictions	7,628,198	3,450,770
	13,324,720	8,512,983
Total net assets		
	\$ 13,464,025	\$ 8,636,909

The accompanying notes are an integral part of these financial statements.

PAWS WITH A CAUSE

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenue and support			
Contributions	\$ 3,236,828	\$ 573,647	\$ 3,810,475
United Way funding	356,272	-	356,272
Independent Charities of America funding	46,132	-	46,132
Capital campaign			
Contributions	-	3,833,357	3,833,357
Donated securities	-	16,265	16,265
Donated goods and services	275,448	-	275,448
Charges for services			
Direct placements	296,105	-	296,105
Client application fees	2,552	-	2,552
Special events	83,965	-	83,965
Investment income	275,580	-	275,580
Unrealized gains (loss) on investments	192,215	-	192,215
Miscellaneous	71,172	-	71,172
Net assets released from restrictions			
Satisfaction of time restrictions	65,597	(65,597)	-
Satisfaction of purpose restrictions	180,244	(180,244)	-
Total revenue and support	<u>5,082,110</u>	<u>4,177,428</u>	<u>9,259,538</u>
Expenses			
Program services			
Training and services	3,426,329	-	3,426,329
General education	-	-	-
Total program services	<u>3,426,329</u>	<u>-</u>	<u>3,426,329</u>
Supporting services			
Management and general	327,841	-	327,841
Resource development	693,631	-	693,631
Total supporting services	<u>1,021,472</u>	<u>-</u>	<u>1,021,472</u>
Total expenses	<u>4,447,801</u>	<u>-</u>	<u>4,447,801</u>
Change in net assets	<u>634,309</u>	<u>4,177,428</u>	<u>4,811,737</u>
Net assets, beginning of year	<u>5,062,213</u>	<u>3,450,770</u>	<u>8,512,983</u>
Net assets, end of year	<u>\$ 5,696,522</u>	<u>\$ 7,628,198</u>	<u>\$ 13,324,720</u>

The accompanying notes are an integral part of these financial statements.

2022		
<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 3,639,004	\$ 112,120	\$ 3,751,124
575,695	-	575,695
53,983	-	53,983
-	2,393,135	2,393,135
-	41,886	41,886
68,356	-	68,356
141,358	-	141,358
13,500	-	13,500
82,327	-	82,327
376,272	-	376,272
(981,885)	(51,069)	(1,032,954)
72,221	-	72,221
72,051	(72,051)	-
36,585	(36,585)	-
<u>4,149,467</u>	<u>2,387,436</u>	<u>6,536,903</u>
3,426,078	-	3,426,078
11,107	-	11,107
<u>3,437,185</u>	<u>-</u>	<u>3,437,185</u>
291,291	-	291,291
947,135	-	947,135
<u>1,238,426</u>	<u>-</u>	<u>1,238,426</u>
<u>4,675,611</u>	<u>-</u>	<u>4,675,611</u>
<u>(526,144)</u>	<u>2,387,436</u>	<u>1,861,292</u>
<u>5,588,357</u>	<u>1,063,334</u>	<u>6,651,691</u>
<u>\$ 5,062,213</u>	<u>\$ 3,450,770</u>	<u>\$ 8,512,983</u>

PAWS WITH A CAUSE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total Expenses</u>
	<u>Training and Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
Salaries and wages	\$ 1,822,011	\$ 158,693	\$ 353,320		\$ 2,334,024
Employee benefits	220,383	38,846	36,448		295,677
Payroll taxes	140,556	20,951	23,711		185,218
Training center and kennels	316,302	-	-		316,302
Outside services	77,309	9,571	43,541		130,421
Software technology	30,123	7,134	31,227		68,484
Contract labor	141,199	-	-		141,199
Professional fees	73,608	17,750	11,941		103,299
Utilities	78,991	12,312	13,324		104,627
Rent	17,817	-	-		17,817
Maintenance	17,664	1,631	2,286		21,581
Printing and advertising	6,021	462	69,931		76,414
Special events	4,558	-	30,276		34,834
Travel and meals	53,916	1,852	13,963		69,731
Supplies	44,517	5,195	3,427		53,139
Telephone	22,552	5,005	2,666		30,223
Equipment	37,464	16,000	2,004		55,468
Insurance	50,074	7,685	8,839		66,598
Postage	21,655	1,942	22,185		45,782
Membership and dues	6,291	1,975	2,105		10,371
Veterinary	41,444	-	-		41,444
Miscellaneous	27,744	3,835	2,677		34,256
Depreciation	174,130	17,002	19,760		210,892
Total expenses	\$ 3,426,329	\$ 327,841	\$ 693,631		\$ 4,447,801

The accompanying notes are an integral part of these financial statements.

PAWS WITH A CAUSE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Program Services			Supporting Services			Total Expenses
	Training and Services	General Education	Total	Management and General	Fundraising	Total	
Salaries and wages	\$ 1,867,974	\$ 508	\$ 1,868,482	\$ 122,662	\$ 322,007	\$ 444,669	\$ 2,313,151
Employee benefits	219,593	3,509	223,102	45,660	33,769	79,429	302,531
Payroll taxes	144,408	465	144,873	20,768	22,591	43,359	188,232
Training center and kennels	256,663	-	256,663	-	3	3	256,666
Outside services	107,020	1,523	108,543	10,434	382,083	392,517	501,060
Software technology	54,016	736	54,752	5,906	19,866	25,772	80,524
Contract labor	146,123	115	146,238	-	-	-	146,238
Professional fees	77,840	450	78,290	17,206	11,482	28,688	106,978
Utilities	74,823	320	75,143	12,666	10,582	23,248	98,391
Rent	16,849	-	16,849	-	-	-	16,849
Maintenance	15,644	115	15,759	1,622	1,290	2,912	18,671
Printing and advertising	7,378	71	7,449	1,466	46,792	48,258	55,707
Special events	-	-	-	-	22,178	22,178	22,178
Travel and meals	48,021	441	48,462	2,252	15,623	17,875	66,337
Supplies	33,340	156	33,496	4,402	2,095	6,497	39,993
Telephone	26,105	155	26,260	5,117	2,649	7,766	34,026
Equipment	43,187	189	43,376	11,012	1,579	12,591	55,967
Insurance	46,820	150	46,970	6,666	7,242	13,908	60,878
Postage	13,420	48	13,468	1,808	23,861	25,669	39,137
Membership and dues	8,969	240	9,209	2,026	490	2,516	11,725
Veterinary	11,255	-	11,255	-	-	-	11,255
Miscellaneous	22,516	1,223	23,739	2,241	1,046	3,287	27,026
Depreciation	184,114	693	184,807	17,377	19,907	37,284	222,091
Total expenses	\$ 3,426,078	\$ 11,107	\$ 3,437,185	\$ 291,291	\$ 947,135	\$ 1,238,426	\$ 4,675,611

The accompanying notes are an integral part of these financial statements.

PAWS WITH A CAUSE

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 4,811,737	\$ 1,861,292
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	210,892	222,091
Contributions restricted for endowment	(236,050)	(16,150)
Unrealized (gain) loss on investments	(192,215)	1,032,954
Donated securities received	(133,187)	(54,342)
Changes in operating assets and liabilities which provided (used) cash		
Accounts receivable	-	314
Pledges receivable	(596,463)	(408,059)
Inventories	6,088	6,962
Prepaid expenses	8,013	34,207
Accounts payable	6,780	(8,566)
Accrued expenses	8,599	14,805
	<u>3,894,194</u>	<u>2,685,508</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Purchases of investments	(8,579,138)	(3,576,176)
Proceeds from sale of investments	3,721,713	984,792
Purchases of property and equipment	(93,103)	(68,524)
	<u>(4,950,528)</u>	<u>(2,659,908)</u>
Net cash provided by (used in) investing activities		
Cash flows from financing activities		
Collections of endowment support	236,050	16,150
	<u>236,050</u>	<u>16,150</u>
Net increase (decrease) in cash and cash equivalents	(820,284)	41,750
Cash and cash equivalents, beginning of year	<u>1,493,301</u>	<u>1,451,551</u>
Cash and cash equivalents, end of year	<u>\$ 673,017</u>	<u>\$ 1,493,301</u>

The accompanying notes are an integral part of these financial statements.

PAWS WITH A CAUSE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Paws With A Cause (the Organization) is a not-for-profit corporation organized in 1979 as “Ears for the Deaf”. The Organization raises puppies and custom-trains assistance dogs to create opportunities for both people with disabilities and communities to live with dignity, companionship and confidence and increases awareness of the rights and roles of assistance dog teams through education and advocacy.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 income and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all demand and time deposits with an original maturity of 90 days or less and cash on hand to be cash and cash equivalents. The Organization’s deposits are secured through FDIC insurance. At times during the year, deposits may exceed the maximum FDIC insurance coverage. Management believes the Organization is not exposed to any significant interest rate or other risk on these deposits.

Investments

Investments are composed of funds held by a bank. Net investment income and gains and losses are included as changes in net assets with donor restrictions in the accompanying statement of activities. Income generated from the Endowment fund is expendable for general operations. Income generated from the Westerman fund is to be accumulated until it can cover the cost of training one dog.

The primary investment objective of excess unrestricted funds is to preserve and protect its assets by earning a total return. The Organization utilizes an investment advisor to manage the portfolio in accordance with the following acceptable ranges:

United States stocks	25 – 45%
Foreign stocks	10 – 20%
Fixed income – medium to high quality (BBB or better) with short/intermediate maturity	40 – 55%

The primary investment objective of long-term investments for the endowment, Westerman and California Hearing Dog accounts is to preserve and protect its assets by earning a total return. The Organization utilizes an investment advisor to manage the portfolio in accordance with the following acceptable ranges:

PAWS WITH A CAUSE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022

United States stocks	40 – 50%
Foreign stocks	10 – 20%
Bonds – medium to high quality (BBB or better) with short/intermediate maturity	35 – 45%

Pledges Receivable

Pledges receivable are stated at their estimated net realizable value which is the amount management expects to collect from outstanding balances. The Organization recorded an allowance of \$12,415 and \$13,764 at September 30, 2023 and 2022, respectively, which is based on information from various donor pass-through organizations, as well as historical experience, and is estimated to cover United Way campaign costs as well as potential losses inherent in the receivable portfolio.

Unconditional promises to give are recognized as revenues in the period received. Conditional promises to give are recognized as revenues when the conditions on which they depend are substantially met. For the years ended September 30, 2023 and 2022, the Organization received only unconditional promises to give.

Inventory

Inventory is stated at cost on a first-in, first-out basis and consists of merchandise available for retail sale.

The Organization adds value to the dogs in its program through customized training and specialized veterinary care. The customized training spans approximately 12 months prior to a dog being placed with a client. After certification, the client assumes ownership of the dog. It is the Organization's policy to expense dog training and veterinary care as the costs are incurred and, accordingly, the dogs are not included in the valuation of inventory.

Property and Equipment and Depreciation

Property and equipment are capitalized at cost or, if donated, at the approximate fair value at the date of donation. Acquisitions of property or equipment in excess of \$2,000 are capitalized while ordinary repairs are expensed. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets which range from 3 to 30 years.

Contributions and Foundation Grants Revenue Recognition

Contributions received are recorded as net assets without donor restrictions or with donor restrictions depending on the existence of any donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by donor restriction or by law. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Advertising

The Organization follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for the years ended September 30, 2023 and 2022 was \$76,414 and \$55,707, respectively.

PAWS WITH A CAUSE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022

Functional Allocation of Expenses

Expenses identified as applying to a specific program or supporting service are recorded in the appropriate service area as incurred. Expenses not directly attributable to a program or supporting service are allocated based on percentages formulated through monthly time studies of each employee.

Donations

Donated materials are reflected as contributions in the accompanying statements at their estimated fair market value at the date of receipt. Contributions of donated services that create or enhance non-financial assets, or that require specialized skills are provided by the individuals possessing those skills and would typically need to be purchased if not provided by the donation, are recorded at fair value at the date the services are performed.

A significant number of volunteers have donated substantial amounts of their time to program services however various volunteer services have not been recorded in the financial statements as there is no objective basis upon which to measure the value of such services.

Income Taxes

The Organization is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Generally, income tax returns filed within the last three years remain open and subject to audit by regulatory authorities. The Organization concludes that there are no significant uncertain tax positions requiring recognition in the financial statements.

Reclassifications

Certain amounts as presented in the 2022 financial statements have been reclassified to conform with the 2023 presentation.

Subsequent Events

In preparing these financial statements, management has evaluated significant events and transactions for potential recognition or disclosure subsequent to September 30, 2023 and through the auditors' report date, the date the financial statements were available to be issued. No such events or transactions were identified.

2. LIQUIDITY AND AVAILABILITY

The Organization is supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities with donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure financial assets to be available as its general expenditures, liabilities and other obligations come due. As more fully described in Note 6, the Organization also has a line of credit available in the amount of \$1,000,000 which it could draw upon in the event of an unanticipated liquidity need.

PAWS WITH A CAUSE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022

The Organization's financial assets at year-end are as follows:

Financial assets at September 30, 2023	\$12,342,741
Less those unavailable for general expenditure within one year due to donor specified time or purpose restrictions	<u>7,628,198</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,714,543</u>

3. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Organization's investments measured at fair value:

September 30, 2023				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments at fair value:				
Mutual funds	\$ 3,862,304	\$ -	\$ -	\$ 3,862,304
Money markets	1,689,191	-	-	1,689,191
Stocks and exchange traded funds	74,282	-	-	74,282
Market linked certificates of deposit	4,996,899	-	-	4,996,899
	<u>\$10,622,676</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$10,622,676</u>
September 30, 2022				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments at fair value:				
Mutual funds	\$2,697,014	\$ -	\$ -	\$2,697,014
Money markets	633,680	-	-	633,680
Stocks and exchange traded funds	65,751	-	-	65,751
Market linked certificates of deposit	2,043,404	-	-	2,043,404
	<u>\$5,439,849</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$5,439,849</u>

Fair value is defined by generally accepted accounting principles as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability.

In addition to defining fair value, accounting standards establish a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities, and the lowest priority to unobservable inputs.

The three levels of inputs used to measure fair value are as follows:

Level 1 - inputs are unadjusted quoted market prices in active markets for identical assets or liabilities in active markets that the Organization has the ability to access.

PAWS WITH A CAUSE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022

Level 2 - inputs to the valuation methodology include:

- a. quoted prices for similar assets and liabilities in active markets
- b. quoted prices for identical or similar assets and liabilities in markets that are not active
- c. other inputs that are observable or can be corroborated by observable market data
- d. inputs that are derived from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - inputs are generally unobservable and significant to the fair value measurement. Such inputs typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability, including certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

4. PLEDGES RECEIVABLE, INCLUDING RELATED PARTIES (RESTRICTED)

The Organization conducted a capital campaign to obtain funds for the renovation and expansion of its facility. Scheduled payments on pledges receivable for the five fiscal years succeeding September 30, 2023, and thereafter, are summarized as follows:

<u>Year</u>	<u>Capital Campaign</u>	<u>Other Pledges</u>	<u>Total</u>
2024	\$583,600	\$38,264	\$ 621,864
2025	184,422	7,500	191,922
2026	170,600	7,500	178,100
2027	53,662	-	53,662
2028	1,500	-	1,500
Total	\$993,784	\$53,264	\$1,047,048

Approximately \$65,550 of the total pledges receivable represents pledges from board members or other related parties.

5. LEASES

The Organization leases both office space and office equipment under various agreements. These leases call for monthly rental payments ranging between \$256 and \$1,549. Total rental expense under the agreements amounted to approximately \$39,000 and \$35,000 for the years ended September 30, 2023 and 2022, respectively.

6. LINE OF CREDIT

The Organization has available a line of credit with maximum borrowings up to \$1,000,000 with interest charged at prime plus 1% (effective rate of 9.5% at September 30, 2023), collateralized by all inventory and equipment, with no stated expiration date. There were no borrowings outstanding on the line of credit as of September 30, 2023 or 2022.

PAWS WITH A CAUSE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 and 2022

7. NET ASSETS

Net assets with donor restrictions at September 30 are as follows:

	<u>2023</u>	<u>2022</u>
Perpetual in nature		
Endowment fund	\$1,108,634	\$ 872,584
Westerman fund	50,000	50,000
Specific purpose restriction		
Assistance to people with disabilities in California	51,069	-
Dog training – general (Westerman fund earnings)	26,487	18,069
Capital improvements	18,651	18,651
Training of dogs for veterans	35,050	17,243
Capital Campaign	5,291,259	2,023,638
Time restriction		
Capital Campaign-Pledges	993,784	411,383
Other pledges	53,264	39,202
Total net assets with donor restrictions	<u>\$7,628,198</u>	<u>\$3,450,770</u>

Net assets released from donor restrictions during the years ended September 30 are as follows:

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restriction		
Training of dogs for veterans	\$ 17,243	\$ -
Bulb Digital project	-	985
Dog training - general	163,001	25,600
Mary Free Bed dog	-	10,000
Decline in market value of investments	-	51,069
Satisfaction of time restriction	65,597	72,051
Total restrictions released	<u>\$245,841</u>	<u>\$159,705</u>

8. ENDOWMENT FUNDS

The Organization is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and accordingly classifies amounts in its donor-restricted endowment as net assets with donor restrictions because those net assets are restricted in perpetuity. Investment earnings on those net assets are time restricted until appropriated for expenditure, at which time the amount is reclassified to net assets without donor restrictions. The Organization has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amounts contributed to the endowment fund. As a result of this interpretation, when reviewing its donor-restricted endowment fund, the Organization considers the fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

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Additionally, in accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Organization and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Organization

The Organization has adopted an investment policy for endowment assets which is itemized above; however, the Organization has not adopted a spending policy for endowment assets.

Westerman Endowment Fund

Changes in endowment net assets during the years ended September 30 are as follows:

	<u>2023</u>	<u>2022</u>
Endowment net assets, beginning of year	\$68,069	\$83,669
Contributions	-	-
Investment return, net	8,418	(15,600)
Appropriation of endowment assets for expenditure	-	-
	<u>\$76,487</u>	<u>\$68,069</u>

Paws Endowment Fund

Changes in endowment net assets during the years ended September 30 are as follows:

	<u>2023</u>	<u>2022</u>
Endowment net assets, beginning of year	\$1,886,295	\$2,434,460
Contributions	236,050	16,150
Investment return, net	230,873	(480,793)
Appropriation of endowment assets for expenditure	(86,126)	(83,522)
	<u>\$2,267,092</u>	<u>\$1,886,295</u>

9. RETIREMENT PLAN

The Organization maintains a defined contribution retirement plan qualified under Internal Revenue Code section 403(b)(7). Eligible employees were permitted to contribute into the retirement plan up to a maximum determined by the Internal Revenue Code. The plan allows a 50% Organization matching contribution up to 6% of employee compensation. The Board of Directors determines annually if the Organization will contribute. No contributions were made for the years ended September 30, 2023 or 2022.

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10. DONATED GOODS AND SERVICES

Donated goods and services consist of the following for the years ended September 30:

	<u>2023</u>	<u>2022</u>
Professional and skilled services:		
Breeding services	\$ 46,538	\$ 53,812
Veterinary services	4,000	-
In-kind items:		
Investment securities	133,187	54,342
Land	84,600	-
Materials and supplies	7,123	2,088
Total received	<u>\$275,448</u>	<u>\$110,242</u>