

**Animal Protection Society of
Orange County, Inc.
DBA Paws4Ever**

Financial Statements

June 30, 2022

Animal Protection Society of Orange County, Inc.
DBA Paws4Ever

Officers

Katie Stember	President
Kendall Page	Vice President
Rob Johnson	Treasurer
Carla Julian	Secretary
Jaye Kreller	Member at Large

Board of Directors

Eleanor Armstrong	Jill McCullough
Perry Dowd	Sally Schatz
Jill Grant	Sue Sopa

Contents

Independent Accountants' Review Report	Page 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7



Gilliam Bell Moser LLP
we hear you

Independent Accountants' Review Report

The Board of Directors
Animal Protection Society of Orange County, Inc. DBA Paws4Ever
Mebane, North Carolina

We have reviewed the accompanying financial statements of Animal Protection Society of Orange County, Inc. DBA Paws4Ever (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Animal Protection Society of Orange County, Inc. DBA Paws4Ever and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Gilliam Bell Moser LLP

Certified Public Accountants
Burlington, North Carolina
September 14, 2022

Animal Protection Society of Orange County, Inc. DBA Paws4Ever
Statement of Financial Position
(See Independent Accountants' Review Report)
June 30, 2022

Assets

Current assets:

Cash	\$ 391,408
Prepaid expenses	1,000
Sales tax receivable	1,221
Inventories	<u>3,987</u>

Total current assets 397,616

Cash restricted for Legacy Care	188,738
Property and equipment - net	<u>204,450</u>

Total assets \$ 790,804

Liabilities

Current liabilities:

Accounts payable - trade	\$ 15,120
Accrued expenses	4,229
Refundable deposits	1,250
Current portion of long-term debt	<u>16,598</u>

Total current liabilities 37,197

Deferred revenue	52,500
Long-term debt	<u>319,724</u>

Total liabilities 409,421

Net assets

Without donor restrictions:

Undesignated	241,812
Board designated	<u>110,721</u>

Total net assets without donor restrictions 352,533
With donor restrictions 28,850

Total net assets 381,383

Total liabilities and net assets \$ 790,804

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

Animal Protection Society of Orange County, Inc. DBA Paws4Ever**Statement of Activities**

(See Independent Accountants' Review Report)

For the Year Ended June 30, 2022

	Without donor restriction	With donor restriction	Total
Public support and revenues:			
Contributions	\$ 403,775	\$ 88,823	\$ 492,598
Bequest	777	-	777
Inventory sales - net	51,041	-	51,041
Program revenue	85,930	-	85,930
Rental income - net	8,819	-	8,819
Special events	35,639	-	35,639
In-kind contributions	24,116	-	24,116
Debt forgiveness income	64,217	-	64,217
Other income	1,753	-	1,753
Net assets released from restriction	89,039	(89,039)	-
Total public support and revenues	<u>765,106</u>	<u>(216)</u>	<u>764,890</u>
Expenses:			
Program services	512,531	-	512,531
Management and general	84,861	-	84,861
Fundraising	60,513	-	60,513
Total expenses	<u>657,905</u>	<u>-</u>	<u>657,905</u>
Increase (decrease) in net assets	<u>\$ 107,201</u>	<u>\$ (216)</u>	<u>\$ 106,985</u>
Net assets - beginning	228,837	45,561	274,398
Prior period adjustment	16,495	(16,495)	-
Net assets - beginning restated	<u>245,332</u>	<u>29,066</u>	<u>274,398</u>
Net assets - ending	<u>\$ 352,533</u>	<u>\$ 28,850</u>	<u>\$ 381,383</u>

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

Animal Protection Society of Orange County, Inc. DBA Paws4Ever**Statement of Functional Expenses**

(See Independent Accountants' Review Report)

For the Year Ended June 30, 2022

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 237,185	\$ 29,096	\$ 27,588	\$ 293,869
Advertising	952	-	59	1,011
Animal care expenses	72,768	-	-	72,768
Auto	1,461	-	-	1,461
Bank service charges	3,044	173	3,573	6,790
Board of directors	-	698	-	698
Depreciation	42,083	935	935	43,953
Insurance	7,689	514	1,689	9,892
Interest	10,897	-	-	10,897
Miscellaneous	5,327	6,323	2,404	14,054
Fundraising and event	417	32	16,833	17,282
Occupancy	88,040	1,956	1,956	91,952
Office	13,856	3,212	2,934	20,002
Payroll taxes	18,498	2,258	2,122	22,878
Professional education	1,475	1,729	60	3,264
Professional fees	1,916	36,846	239	39,001
Supplies	6,136	779	102	7,017
Taxes	787	310	19	1,116
Total expenses	\$ 512,531	\$ 84,861	\$ 60,513	\$ 657,905

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

Animal Protection Society of Orange County, Inc. DBA Paws4Ever

Statement of Cash Flows

(See Independent Accountants' Review Report)

For the Year Ended June 30, 2022

Cash Flows From Operating Activities

Increase in net assets \$ 106,985

Adjustments to reconcile net increase in assets to
net cash provided by operating activities:

Depreciation 43,953

Debt forgiveness income (64,217)

Changes in operating assets and liabilities:

Prepaid expenses 1,426

Sales tax receivable (621)

Inventories (3,002)

Accounts payable - trade 3,225

Accrued expenses 1,209

Deferred revenue 1,500

Refundable deposits (200)

Net cash provided by operating activities 90,258

Cash Flows From Financing Activities

Principal payments on long-term debt (14,706)

Net cash used in financing activities (14,706)

Net increase in cash 75,552

Cash - beginning 504,594

Cash - ending \$ 580,146

Supplemental Disclosure of Cash Flows Information

Interest paid \$ 10,897

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

Animal Protection Society of Orange County, Inc. DBA Paws4Ever
Notes to Financial Statements

(See Independent Accountants' Review Report)
June 30, 2022

Note 1: Summary of Significant Accounting Policies

Nature of organization - The Animal Protection Society of Orange County, Inc. DBA Paws4Ever (the Organization) is a nonprofit organization which builds a compassionate community to support and ensure the well-being of animals in Orange County and surrounding areas; to save and adopt out homeless cats and dogs; offer dog training classes and workshops; and to provide legacy care to animals whose owners are no longer able to provide that care. The Organization is located in Mebane, North Carolina.

Use of accounting estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. Those estimates and assumptions affect reported amounts of assets and liabilities and the reported revenues and expenses. Accordingly, actual amounts could differ from those estimates.

Cash - Cash includes all cash balances and highly liquid investments with an original maturity of three months or less. At year-end, there is credit risk exposure for certain cash balances that exceed federally insured limits of \$250,000. The amounts in excess of federally insured limits totaled \$87,218.

Inventories - Inventories include goods donated to the Organization's resale store and are valued at the expected resale value. Any purchased inventory items are stated at cost.

Property and equipment - Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation, less accumulated depreciation and include expenditures for new facilities and major betterments and renewals. Maintenance, repairs and minor renewals are expensed as incurred.

Depreciation - The cost of property and equipment is depreciated over the assets' estimated useful lives using the straight-line method. Depreciation expense was \$43,953 for the year ended June 30, 2022.

Contributed services - The Organization does not record the value of contributed services as support, revenue or expense. Nonetheless, a number of volunteers have donated significant amounts of time in the Organization's program services.

Advertising costs - The Organization expenses advertising costs as incurred. Total advertising costs for the year ended June 30, 2022 were \$1,011.

Net assets - Net assets, revenue, gain 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:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor or grantor-imposed restrictions.

Animal Protection Society of Orange County, Inc. DBA Paws4Ever
Notes to Financial Statements

(See Independent Accountants' Review Report)
June 30, 2022

Note 1: Summary of Significant Accounting Policies (continued)

Net assets with donor restrictions - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (i.e., when a stipulated time restriction ends or a purpose restriction is accomplished) in the year in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When the restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue recognition - Revenue is recognized when performance obligations under the terms of a customer contract are satisfied. Revenue with customers is recognized within the categories of inventory sales through the re-sale store and program revenue which comprises adoption, training, and Legacy Care program fees.

Revenues from the resale store are recognized at the point of time the sales transaction takes place. Revenues from animal services such as adoption and training are recognized in the period the services are performed. Any sales tax charges are excluded from revenue.

Deferred revenue reflects fees collected in advance of providing Legacy Care services. Deferred revenue is composed of fees collected, but not earned at year end and represents a liability on the balance sheet. All fees are reflected as revenue in the year that care begins.

Functional allocation of expenses - The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 2: Disaggregation of Program Revenue

The following is a summary of program revenue:

Legacy Care program	\$	14,500
Adoption center		27,885
Dog training center		<u>43,545</u>
Total program revenue	\$	<u><u>85,930</u></u>

Animal Protection Society of Orange County, Inc. DBA Paws4Ever
Notes to Financial Statements

(See Independent Accountants' Review Report)

June 30, 2022

Note 3: Available Resources and Liquidity

The following reflects the Organization's financial assets as of year-end, reduced by amounts not available for general use due to board designations and donor-imposed restrictions.

Cash	\$	391,408
Less donor restricted		28,850
Less board designated		110,721
		<hr/>
Financial assets available	\$	251,837
		<hr/> <hr/>

The Organization routinely receives support from various donors that is more than sufficient to fund operating expenses. Furthermore, management and the Board monitor support through routine review of the annual budget.

Note 4: Long-Term Debt

Note payable to a local bank. The note is payable in monthly installments of \$2,328 including interest at 3.4%. The note is due January 15, 2026 and is secured by the facility and site that the Organization occupies.

	\$	336,322
Less current maturities		16,598
		<hr/>
Long-term debt	\$	319,724
		<hr/> <hr/>

Future maturities of long-term debt are as follows:

2023	\$	16,598
2024		17,149
2025		17,779
2026		284,796
		<hr/>
Total maturities	\$	336,322
		<hr/> <hr/>

Animal Protection Society of Orange County, Inc. DBA Paws4Ever
Notes to Financial Statements

(See Independent Accountants' Review Report)

June 30, 2022

Note 5: Net Assets with Donor Restrictions

The following is summary of net assets with donor restrictions available for the following purposes:

Adoption Angels	\$ 1,560
Shelter pet enrichment fund	3,780
Generator grant	5,548
Margaret T. Petrie spay/neuter grant	6,899
Legacy Care building maintenance	5,717
Cat room renovations	<u>5,346</u>
Total net assets with donor restrictions	<u>\$ 28,850</u>

Note 6: Property and Equipment

The following is a summary of costs and accumulated depreciation:

Buildings	\$ 1,239,611
Furniture and equipment	84,236
Land	90,701
Land improvements	330,981
Vehicles	<u>2,849</u>
Total property and equipment	1,748,378
Less accumulated depreciation	<u>(1,543,928)</u>
Property and equipment - net	<u>\$ 204,450</u>

Note 7: Tax Exempt Organization

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state laws. Therefore, no income taxes are reflected in the accompanying financial statements. Management is unaware of any uncertain tax position in the financial statements that would jeopardize the Organization's tax-exempt status or otherwise requires disclosure.

Note 8: Functional Expenses

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. Facility costs are allocated based on a square footage. Personnel and other allocable expenses are allocated based on the estimates of time and effort.

Animal Protection Society of Orange County, Inc. DBA Paws4Ever
Notes to Financial Statements

(See Independent Accountants' Review Report)
June 30, 2022

Note 9: SBA Paycheck Protection Program Loan

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was passed into law. One of the provisions of this law is the Paycheck Protection Program ("PPP"), which guarantees bank loans made under the Small Business Administration ("SBA") for Company payroll and other, qualifying business expenses. If certain requirements are met, these loans can be forgiven.

In January 2021, the Company received an SBA PPP loan totaling \$64,217 with an interest rate of 1% and scheduled maturity of January 2026. The Company incurred eligible expenses and met other PPP eligibility requirements and received notification of forgiveness in August 2021. Accordingly, the company has recognized a total of \$64,217 of income from loan forgiveness for the year ended June 30, 2022.

Note 10: Prior Period Adjustment

The accompanying financial statements have been restated to reflect an increase of \$16,495 of net assets without donor restriction for net assets identified as board designated rather than donor restricted. Net assets with donor restriction have been decreased by this same amount.

Note 11: Subsequent Events

The Organization has evaluated events and transactions that occurred between June 30, 2022 and September 14, 2022, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.