Animal Protection Society of Orange County, Inc. DBA Paws4Ever

Financial Statements

June 30, 2023

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
Perry Dowd
Irene Faust
Jill Grant
Sally Schatz
Sue Sopa
Valarie Zeithaml

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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, 2023, 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
November 03, 2023

Animal Protection Society of Orange County, Inc. DBA Paws4Ever
Statement of Financial Position
(See Independent Accountants' Review Report)
June 30, 2023

Assets		
Current assets:		
Cash	$	694,999
Investments		8,505
Prepaid expenses		1,000
Sales tax receivable		2,048
Inventories		4,227
Total current assets		710,779
Cash restricted for Legacy Care		1,381
Property and equipment - net		225,610
Total assets	$	937,770
Liabilities		
Current liabilities:		
Accounts payable - trade	$	10,562
Accrued expenses		6,288
Refundable deposits		1,250
Current portion of long-term debt		15,728
Total current liabilities		33,828
Deferred revenue		42,500
Long-term debt		302,576
Total liabilities		378,904
Net assets		
Without donor restrictions:		
Undesignated		440,850
Board designated		90,002
Total net assets without donor restrictions		530,852
With donor restrictions		28,014
Total net assets		558,866
Total liabilities and net assets	$	937,770

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, 2023

	Without donor restriction	With donor restriction	Total
Public support and revenues:			
Contributions	$ 563,593	$ 91,500	$ 655,093
Bequest	29,133	-	29,133
Inventory sales - net	49,569	-	49,569
Program revenue	73,459	-	73,459
Rental income	11,638	-	11,638
Special events	53,114	-	53,114
In-kind contributions	24,679	-	24,679
Investment income - net	2,012	-	2,012
Other income	1,772	-	1,772
Net assets released from restriction	92,336	(92,336)	-
Total public support and revenues	901,305	(836)	900,469
Expenses:			
Program services	568,019	-	568,019
Management and general	64,967	-	64,967
Fundraising	90,000	-	90,000
Total expenses	722,986	-	722,986
Increase (decrease) in net assets	$ 178,319	$ (836)	$ 177,483
Net assets - beginning	352,533	28,850	381,383
Net assets - ending	$ 530,852	$ 28,014	$ 558,866

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, 2023

	Program Services	Management and General	Fundraising	Total
Salaries	$ 285,413	$ 37,993	$ 46,593	$ 369,999
Advertising	2,659	-	1,073	3,732
Animal care expenses	66,112	-	-	66,112
Auto	4,485	97	5	4,587
Bank service charges	2,971	57	5,059	8,087
Board of directors	-	698	-	698
Depreciation	47,460	826	826	49,112
Gain on disposal of fixed assets	(369)	-	-	(369)
Insurance	10,869	790	2,286	13,945
Interest	11,288	-	-	11,288
Miscellaneous	235	-	-	235
Fundraising and event	727	-	26,043	26,770
Occupancy	90,953	1,930	1,930	94,813
Office	6,572	624	1,743	8,939
Payroll taxes	22,252	2,982	3,756	28,990
Professional education	4,636	5,243	95	9,974
Professional fees	2,102	12,963	400	15,465
Supplies	8,272	515	172	8,959
Taxes	1,382	249	19	1,650
Total expenses	$ 568,019	$ 64,967	$ 90,000	$ 722,986

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, 2023

Cash flows from operating activities		
Increase in net assets	$	177,483
Adjustments to reconcile net increase in assets to net cash provided by operating activities:		
Depreciation		49,112
Gain on disposal of property and equipment		(369)
Net realized and unrealized gain on investments		(2,012)
Stock donation		(33,638)
Changes in operating assets and liabilities:		
Sales tax receivable		(827)
Inventories		(240)
Accounts payable - trade		(4,558)
Accrued expenses		2,059
Deferred revenue		(10,000)
Net cash provided by operating activities		177,010
Cash flows from investing activities		
Proceeds from disposal of property and equipment		760
Proceeds from sale of investments		27,145
Purchases of property and equipment		(70,663)
Net cash used in investing activities		(42,758)
Cash flows from financing activities		
Principal payments on long-term debt		(18,018)
Net cash used in financing activities		(18,018)
Net increase in cash		116,234
Cash - beginning		580,146
Cash - ending	$	696,380

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, 2023

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 $193,478. The Organization plans to address and eliminate credit risk exposure in the future by maintenance of additional federally insured accounts.

Restricted cash - The Organization maintains certain cash balances restricted as to withdrawal or use. Restricted cash is comprised of cash held for the Legacy Care program. On the statement of financial position, the combination of cash and cash restricted for Legacy Care totals $696,380, which equals the total amount of cash reported on the statement of cash flows.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

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 $49,112 for the year ended June 30, 2023.

Leases - Under provisions of ASC 842, the Organization has elected to use the short-term lease recognition exemption for all asset classes. This means that for leases that qualify, the Organization will not recognize right of use assets or lease liabilities.

Contributed services and assets - Donated materials and services are reflected in the financial statements only if an objective basis is available to measure the value of such material and services. Volunteers have donated significant amounts of time in the Organization's program services, the value of which cannot be objectively determined.

Note 1: Summary of Significant Accounting Policies (continued)

Contributed services and assets (continued) - Contributed veterinary services, supplies, and items for fundraising events are recorded as in-kind contribution revenue with a corresponding increase to program or fundraising expense, value of these gifts are determined based on the fair value the Organization would have paid for these services and items.

Advertising costs - The Organization expenses advertising costs as incurred. Total advertising costs for the year ended June 30, 2023 were $3,732.

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.

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 compromises 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.

Rental income is derived from leasing the right to use a cottage on the Organization's campus. Income is recognized under provisions of ASC 842 on a straight-line basis over the term of the lease when collectability is probable.

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 1: Summary of Significant Accounting Policies (continued)

Recently adopted accounting standard - In February 2016, the FASB amended ASC 842, Leases (issued under ASU 2016-02). This amendment requires the recognition of lease assets and lease liabilities on the balance sheet for most lessees under arrangements classified as operating leases. The Organization applied the modified retrospective transition method and elected the transition option to use the effective date of July 1, 2022, as the date of the initial application. The Organization elected the package of practical expedients, which includes not reassessing whether existing contracts contain leases under the new definition of a lease, reassessing the classification of existing leases, and reassessing whether previously capitalized initial direct costs qualify for capitalization under the new standard. The Organization elected separate practical expedients to not separate lease and non-lease components and to not record leases with initial terms of 12 months or less on the balance sheet. The adoption of ASU 2016-02 did not have a material impact on the Organization's statement of financial position, statement of activities or statement of cash flows.

Note 2: 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	$	694,999
Less donor restricted		28,014
Less board designated		90,002
Financial assets available	$	576,983

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 3: Property and Equipment

The following is a summary of costs and accumulated depreciation:

Buildings	$	1,239,611
Furniture and equipment		118,609
Land		90,701
Land improvements		330,981
Vehicles		36,290
Total property and equipment		1,816,192
Less accumulated depreciation		1,590,582
Property and equipment - net	$	225,610

Note 4: Investments and Fair Value Measurements

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted, quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity. Level 3 assets are those whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques with significant unobservable inputs, as well as instruments for which the determination of fair value requires significant judgment or estimation.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization recognizes and discloses investments at fair value in the financial statements on a recurring basis using Level 1 inputs as described above. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023.

Mutual funds: Valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value (NAV) and to transact at that price.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes that its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Animal Protection Society of Orange County, Inc. DBA Paws4Ever
Notes to Financial Statements
(See Independent Accountants' Review Report)
June 30, 2023

Note 4: Investments and Fair Value Measurements (continued)

The following table sets forth, by level within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2023:

	Total	Level 1	Level 2	Level 3
Assets:				
Mutual fund	$ 8,505	$ -	$ -	$ 8,505
Total assets at fair value	$ 8,505	$ -	$ -	$ 8,505

Note 5: 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.	$ 318,304
Less current maturities	15,728
Long-term debt	$ 302,576

Future maturities of long-term debt are as follows:

2024	$ 15,728
2025	17,779
2026	284,797
Total maturities	$ 318,304

Note 6: Net Assets with Donor Restrictions

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

Shelter pet enrichment fund	$ 3,008
Generator grant	4,297
Legacy Care building maintenance	3,263
Community pet support	17,446
Total net assets with donor restrictions	$ 28,014

Note 7: Disaggregation of Program Revenue

The following is a summary of program revenue:

Legacy Care program	$	12,000
Adoption center		17,495
Dog training center		43,964
Total program revenue	$	73,459

Note 8: Leases

The Organization is involved in leasing activity as both a lessor and a lessee. As lessor, the Organization leases a cottage on its campus under a residential rental contract. The agreement is for a twelve-month term expiring February 2024. Renewal option under the agreement is month-to-month. Monthly rent under the agreement is $1,200 and the Organization recognized $11,638 in rental income for the year ended June 30, 2023.

As lessee, the Organization leases its resale store under an agreement that is short-term in nature. The agreement is for a twelve-month term expiring December 2023 and contains no renewal option. The Organization elected the practical expedient under provisions of ASC 842 to not recognize right of use assets and lease liabilities for short-term leases. Monthly rent under the agreement is $1,000 and $12,000 of rent expense is recognized within occupancy costs on the statement of functional expenses for the year ended June 30, 2023.

Note 9: 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 10: 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.

Note 11: Subsequent Events

The Organization has evaluated events and transactions that occurred between June 30, 2023 and November 03, 2023, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.