

**FINANCIAL STATEMENTS
THE PAWS CLINIC, INC.
DECEMBER 31, 2017**



Certified Public Accountants

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THE PAWS CLINIC, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2017

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Independent Auditors' Report

To the Board of Directors
The PAWS Clinic, Inc.
Taylor, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of The PAWS Clinic, Inc., which comprise the statement of financial position as of December 31, 2017 and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

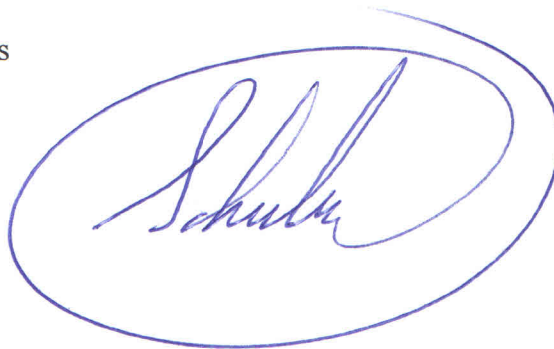
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The PAWS Clinic, Inc. as of December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 6 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with accounting principles generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Schultz & Associates, PLC
Certified Public Accountants

Plymouth, Michigan
October 1, 2018



THE PAWS CLINIC, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

	<u>ASSETS</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Current Assets			
Cash & cash equivalents	\$ 55,651	\$ 15,253	\$ 70,904
Accounts Receivable	4,653	0	4,653
Prepaid Payroll	4,000	0	4,000
Inventory	18,370	0	18,370
Total Current Assets	<u>82,674</u>	<u>15,253</u>	<u>97,927</u>
Fixed Assets			
Equipment	38,514	0	38,514
Furniture	88,498	0	88,498
Leasehold Improvements	181,782	0	181,782
Accumulated Depreciation	<u>(71,067)</u>	<u>0</u>	<u>(71,067)</u>
Total Fixed Assets	<u>237,727</u>	<u>0</u>	<u>237,727</u>
Total Assets	<u>\$ 320,401</u>	<u>\$ 15,253</u>	<u>\$ 335,654</u>

LIABILITIES AND NET ASSETS

Current Liabilities			
Accounts Payable	\$ 11,741	\$ 0	\$ 11,741
Accrued Expenses	4,834	0	4,834
Unearned Grant	0	15,253	15,253
Current Portion - Long Term Debt	<u>8,473</u>	<u>0</u>	<u>8,473</u>
Total Current Liabilities	<u>25,048</u>	<u>15,253</u>	<u>40,301</u>
Long Term Liabilities			
Long Term Debt	<u>27,586</u>	<u>0</u>	<u>27,586</u>
Net Assets			
Unrestricted	267,767	0	267,767
Temporarily Restricted	<u>0</u>	<u>0</u>	<u>0</u>
Total Net Assets	<u>267,767</u>	<u>0</u>	<u>267,767</u>
Total Liabilities and Net Assets	<u>\$ 320,401</u>	<u>\$ 15,253</u>	<u>\$ 335,654</u>

See Accompanying Notes and Independent Auditors' Report

THE PAWS CLINIC, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support			
Service Revenue	\$ 620,336	\$ 0	\$ 620,336
Grants	0	20,115	20,115
Donations	27,863	0	27,863
Interest	33	0	33
	<u>648,232</u>	<u>20,115</u>	<u>668,347</u>
Net assets released from restrictions	<u>20,115</u>	<u>(20,115)</u>	<u>0</u>
Total Revenue and Support	<u>668,347</u>	<u>0</u>	<u>668,347</u>
Expenses			
Program services	534,187	0	534,187
Support services	<u>126,939</u>	<u>0</u>	<u>126,939</u>
Total Expenses	<u>661,125</u>	<u>0</u>	<u>661,125</u>
Change in Net Assets	7,222	0	7,222
Net Assets, beginning of year	<u>260,545</u>	<u>0</u>	<u>260,545</u>
Net Assets, end of year	<u><u>\$ 267,767</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 267,767</u></u>

See Accompanying Notes and Independent Auditors' Report

THE PAWS CLINIC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>
Advertising	\$ 603	\$ 0	\$ 603
Bank Service Charges	6,642	0	6,642
Computers and Internet	2,081	110	2,191
Depreciation	23,488	1,236	24,724
Health Insurance	11,310	5,081	16,391
Insurance	2,724	143	2,867
Interest Expenses	4,119	217	4,336
Maintenance	5,213	274	5,487
Medical Supplies and Drugs	129,344	1,461	130,805
Occupancy	53,557	2,819	56,376
Office expense	7,355	1,988	9,342
Payroll Taxes	20,777	9,334	30,111
Professional fees	22,064	1,161	23,225
Salaries	227,598	102,280	329,878
Staff Incentives	4,437	234	4,671
Telephone	4,960	261	5,221
Training	1,463	0	1,463
Utilities	6,452	340	6,792
	<u>534,187</u>	<u>126,939</u>	<u>661,125</u>
Total Functional Expenses	<u>\$ 534,187</u>	<u>\$ 126,939</u>	<u>\$ 661,125</u>

See Accompanying Notes and Independent Auditors' Report

THE PAWS CLINIC, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

Cash Flows From Operating Activities

Change in Net Assets	\$ 7,222	
Adjustments to reconcile change in net assets to net cash & cash equivalents provided by operating activities:		
Depreciation	24,724	
Change in Assets and Liabilities		
Accounts Receivable	(412)	
Inventory	(1,233)	
Accrued Expenses	104	
Unearned Grant	12,995	
Accounts Payable	<u>5,911</u>	
Net Cash & Cash Equivalents Provided by Operating Activities		\$ 49,311

Cash Flows From Investing Activities

Equipment and Furniture	<u>(12,886)</u>	
Net Cash & Cash Equivalents Used by Investing Activities		(12,886)

Cash Flows From Financing Activities

Proceeds from Loan	0	
Repayment of Loan	<u>(7,611)</u>	
Net Cash & Cash Equivalents Used by Financing Activities		<u>(7,611)</u>

Net Increase in Cash & Cash Equivalents

28,814

Cash & Cash Equivalents, Beginning

42,090

Cash & Cash Equivalents, Ending

\$ 70,904

Supplementary Disclosures:

Cash & Cash Equivalents paid for interest	<u><u>\$ 4,336</u></u>
Cash & Cash Equivalents paid for income tax	<u><u>\$ -0-</u></u>

See Accompanying Notes and Independent Auditors' Report

THE PAWS CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 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 three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Revenue and expenses are reported on the accrual basis of accounting.

Basis of Reporting

The Organization classifies resources for reporting purposes in the following three net asset categories according to the existence or absence of donor-imposed restrictions:

- *Unrestricted Net Assets*- Net assets that are not subject to donor-imposed restrictions or restricted gifts whose restrictions were met during the year.
- *Temporarily Restricted Net Assets*- Net assets subject to donor-imposed restrictions expected to be met either by Organization actions or passage of time.
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- *Permanently Restricted Net Assets*- Net assets subject to donor-imposed restrictions stipulating that the corpus be held in perpetuity. The Organization had no permanently restricted net assets at December 31, 2017.

See Accompanying Independent Auditors' Report

THE PAWS CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets 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 temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Noncash 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.

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.

Cash and Cash Equivalents

Cash and cash equivalents includes all monies in the bank and any funds yet to be deposited.

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.

See Accompanying Independent Auditors' Report

THE PAWS CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

Advertising and promotion costs are expensed as incurred. Advertising expenses for the year ended December 31, 2017 were \$603.

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 October 1, 2018, 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. No liability has been recognized by the Organization for uncertain tax positions as of December 31, 2017. The Organization's tax returns are subject to review and examination by federal and state authorities. The tax returns for fiscal years 2012 and thereafter are open to examination by federal and state authorities.

See Accompanying Independent Auditors' Report

THE PAWS CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3 – LONG TERM DEBT

Long-term debt includes a note payable in monthly installments of \$996 with interest at 10.77%, maturing August, 2021.

Maturities of long-term obligations at December 31, 2017 are as follows:

Year Ending December 31,

2018	\$	8,473
2019		9,432
2020		10,500
2021		7,654
Thereafter		-0-
	\$	<u>36,059</u>

NOTE 4 – FAIR VALUE MEASUREMENTS

The Financial Accounting Standards Board (FASB) issued the Statement on Financial Accounting Standards No. 157, "Fair Value Measurements" (FAS 157). This standard establishes a framework for measuring fair value and expands disclosures regarding the use of fair value measurements. Under this standard, fair value is a market-based measurement that should be determined based on the assumptions that market participants would use in pricing an asset or liability. Various inputs are used in determining the value of the Organization's investments. These inputs are summarized into three levels:

- Level (1): Inputs to the valuation methodology are quoted prices for identical assets in active markets.
- Level (2): Inputs to the valuation methodology include quoted prices for similar assets in active markets, and inputs that are observable for the set, either directly or indirectly.
- Level (3): Inputs to the valuation methodology are unobservable and significant to the fair value measurement (including the Organization's own assumptions in determining the fair value of investments).

See Accompanying Independent Auditors' Report

THE PAWS CLINIC, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 4 – FAIR VALUE MEASUREMENTS (Continued)

Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following table summarizes the Organization's investments, based on the inputs used to determine their values on December 31, 2017:

<u>Valuation Inputs</u>	<u>Investments in Securities</u>
Level 1 - quoted prices	\$ 0
Level 2 - significant other observable inputs	0
Level 3 - significant unobservable inputs	<u>0</u>
Total	<u><u>\$ 0</u></u>

NOTE 5 – 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, 2017, totaled \$56,376. As of the financial statement date, the Organization is still negotiating a long term lease with its landlord.

See Accompanying Independent Auditors' Report