

**PETS ARE WONDERFUL
SUPPORT/LOS ANGELES**

FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

TOGETHER WITH
INDEPENDENT AUDITORS' REPORT

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SUPPORT/LOS ANGELES
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Pets are Wonderful Support/Los Angeles:

Opinion

We have audited the accompanying financial statements of Pets are Wonderful Support/Los Angeles ("PAWS-LA") (a California nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, 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 PAWS-LA as of December 31, 2022 and 2021, 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 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-LA 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.

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-LA'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 PAWS-LA'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-LA'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.



GGF, LLP
Encino, California
July 18, 2023

**PETS ARE WONDERFUL
SUPPORT/LOS ANGELES
STATEMENTS OF FINANCIAL POSITION
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
ASSETS:		
Cash	\$ 130,695	\$ 330,996
Short-term investments	839,563	931,484
Contributions receivable	10,693	13,383
Grants receivable	330,978	105,663
Unconditional promises to give	525,000	-
Pet food and supplies	64,502	174,335
Prepaid expenses	11,924	527
Property and equipment, net	27,936	27,272
Deposits	10,000	9,550
Operating lease right-of-use asset	283,388	-
TOTAL ASSETS	\$ 2,234,679	\$ 1,593,210
LIABILITIES:		
Accounts payable	\$ 52,571	\$ 14,636
Accrued expenses	28,930	21,733
Current portion of operating lease liability	49,429	-
TOTAL LIABILITIES	130,930	36,369
Long term operating lease liability, net of current portion	234,792	-
NET ASSETS WITHOUT DONOR RESTRICTIONS	1,868,957	1,556,841
TOTAL LIABILITIES AND NET ASSETS	\$ 2,234,679	\$ 1,593,210

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

**PETS ARE WONDERFUL
SUPPORT/LOS ANGELES
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Public support and revenue		
Public support:		
Contributions	\$ 886,647	\$ 298,017
Grants	161,876	322,526
Grants – HOPWA	642,749	578,777
Donated materials and services	213,524	313,869
Total public support	1,904,796	1,513,189
Revenue:		
Investment (loss) income, net	(143,674)	34,164
TOTAL PUBLIC SUPPORT AND REVENUE WITHOUT DONOR RESTRICTIONS	1,761,122	1,547,353
Expenses:		
Program services	1,216,190	993,676
Management and general	187,087	202,776
Fundraising	45,729	66,661
TOTAL EXPENSES	1,449,006	1,263,113
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	312,116	284,240
NET ASSETS AT BEGINNING OF YEAR	1,556,841	1,272,601
NET ASSETS AT END OF YEAR	\$ 1,868,957	\$ 1,556,841

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

**PETS ARE WONDERFUL SUPPORT/LOS ANGELES
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31,**

	2022				2021			
	Program services	Management and general	Fundraising	Total	Program services	Management and general	Fundraising	Total
Salaries	\$ 491,507	\$ 86,580	\$ 27,946	\$ 606,033	\$ 442,457	\$ 85,062	\$ 23,559	\$ 551,078
Payroll taxes	39,175	6,608	2,127	47,910	35,553	6,619	2,131	44,303
Benefits	29,450	42,106	1,765	73,321	3,692	72,904	221	76,817
Advertising	10,830	-	-	10,830	163	-	17,019	17,182
Bank charges	-	2,418	-	2,418	-	2,596	-	2,596
Community relations	263	-	-	263	-	-	-	-
Data processing	-	1,958	-	1,958	-	2,057	-	2,057
Depreciation	7,001	875	875	8,751	4,892	612	612	6,116
Dues and subscriptions	9,071	1,581	-	10,652	8,422	1,484	-	9,906
Equipment rental	-	2,381	-	2,381	3,170	-	-	3,170
Insurance	54,870	20,882	2,290	78,042	58,229	15,456	1,374	75,059
Interest	2,355	295	295	2,945	408	51	51	510
Maintenance	5,373	803	-	6,176	3,230	483	-	3,713
Office expense	18,485	2,849	-	21,334	5,094	1,036	-	6,130
Pet care and food	173,991	-	-	173,991	125,429	-	-	125,429
Pet food spoilage	36,000	-	-	36,000	-	-	-	-
In kind pet food donations	62,776	-	-	62,776	-	-	-	-
Postage	646	97	-	743	820	122	-	942
Printing	702	-	5,060	5,762	269	-	2,190	2,459
Professional fees and outside services	49,643	5,203	5,371	60,217	68,003	4,600	19,097	91,700
Rent	79,346	10,010	-	89,356	67,666	8,062	-	75,728
Supplies	-	-	-	-	-	-	407	407
Telephone	11,141	806	-	11,947	11,256	495	-	11,751
Transportation	1,914	72	-	1,986	2,335	46	-	2,381
Utilities	10,463	1,563	-	12,026	8,208	1,091	-	9,299
Veterinary costs	121,188	-	-	121,188	144,380	-	-	144,380
	<u>\$ 1,216,190</u>	<u>\$ 187,087</u>	<u>\$ 45,729</u>	<u>\$ 1,449,006</u>	<u>\$ 993,676</u>	<u>\$ 202,776</u>	<u>\$ 66,661</u>	<u>\$ 1,263,113</u>

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

**PETS ARE WONDERFUL
SUPPORT/LOS ANGELES
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 312,116	\$ 284,240
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,751	6,116
Right of use asset amortization	84,669	-
Unrealized (loss)/gain on investments	(104,813)	40,013
Forgiveness of payroll protection loan	-	(118,020)
(Increase) decrease in:		
Contributions receivable	2,690	(9,778)
Grants receivable	(225,315)	42,456
Unconditional promises to give without donor restrictions	(525,000)	-
Pet food and supplies	109,833	(126,519)
Prepaid expenses	(11,397)	-
Operating lease liability	(83,836)	-
Increase (decrease) in:		
Accounts payable	37,935	(9,395)
Accrued expenses	7,197	(10,705)
Security Deposit	(450)	-
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(387,620)	98,408
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	321,734	(74,177)
Proceeds from sale of investments	(125,000)	122,217
Purchases of property and equipment	(9,415)	(8,928)
NET CASH PROVIDED BY INVESTING ACTIVITIES	187,319	39,112
NET (DECREASE) INCREASE IN CASH	(200,301)	137,520
BEGINNING CASH	330,996	193,476
ENDING CASH	\$ 130,695	\$ 330,996

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

**PETS ARE WONDERFUL
SUPPORT/LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

Note 1 – Nature of activities and significant accounting policies

A summary of the Organization’s significant accounting policies consistently applied in the preparation of the accompanying financial statements is as follows:

- A. Description of the Organization – Pets are Wonderful Support/Los Angeles (“PAWS-LA” or “The Organization”), was organized in 1989 as a California Nonprofit Benefit Corporation, for the purpose of providing services to people in Southern California with HIV and AIDS to assist in the care of their pets. Such services include providing food, assistance in daily pet care, coordinating low-cost veterinary services and assisting clients in obtaining housing facilities and thereby enabling pets and clients to remain together. This housing assistance is partially funded through a city agency.
- B. Basis of accounting – The financial statements, presented on the accrual basis of accounting, have been prepared to focus on the Organization as a whole and to present net assets, revenues, and expenses based on the existence or absence of donor-impaired restrictions. This has been accomplished by the classification of assets, liabilities, and net assets into two groups – with donor restrictions and without donor restrictions:

These two groups are defined as follows:

- Net assets without donor restrictions – the portion of the Organization’s net assets that is not subject to donor-imposed restrictions
- Net assets with donor restrictions – the portion of the Organization’s net assets that is subject to donor-imposed restrictions

A donor-imposed restriction is a stipulation that specifies the use for a contributed asset that is more specific than broad limits resulting from the nature of the Organization, the environment in which it operates, or its mission. A donor-imposed restriction may be temporary or permanent. Temporary restrictions may be fulfilled by actions of the Organization to meet the stipulations or be fulfilled by the passage of time. Permanent restrictions stipulate that the resources must be maintained in perpetuity.

The Organization follows the provisions of the financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”).

FASB ASC 905-205 establishes standards for general purpose external financial statements of not-for-profit organizations that require a statement of financial position, a statement of activities and changes in net assets, and a statement of cash flows.

FASB ASC 905-605 requires the Organization to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. It also requires recognition of contributed services meeting certain criteria at fair values.

As of December 31, 2022 and 2021, the Organization had no net assets with donor restrictions.

**PETS ARE WONDERFUL
SUPPORT/LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

Note 1 – Nature of activities and significant accounting policies (continued)

- C. Cash and cash equivalents – PAWS-LA considers all highly liquid instruments, with a maturity of three months or less, to be cash equivalents. As of December 31, 2022 and 2021, PAWS-LA had no cash equivalents.
- D. Investments – Investments held by the Organization include certificates of deposits, various mutual funds, exchange traded funds, closed ended mutual funds and equity securities. The investments are reported at their fair values in the statements of financial position. Investment income or loss (including realized and unrealized gains and or losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.
- E. Promises to give - We record unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. We determine the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.
- F. Property and equipment - The Organization capitalizes property and equipment over \$2,500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are capitalized at their estimated fair value at the date contributed. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions.

Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from three to five years for furniture, computers, software and vehicles. Leasehold improvements are amortized on a straight-line basis over the lease life of 5 years.

- G. Donated materials and services – PAWS-LA records the value of donated material or services when an objective basis is available. For the years ended December 31, 2022 and 2021 donated materials and services reflected as in-kind revenue in the amounts of \$213,524 and \$313,869, respectively, are recorded in the accompanying statements at their estimated values at the date of receipt and consist of pet food, vehicles, veterinary services, grooming and postage. These amounts are offset by the recording of a commensurate expense in the statement of activities for donations in-kind.

These notes are an integral part of the financial statements.

**PETS ARE WONDERFUL
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

Note 1 – Nature of activities and significant accounting policies (continued)

- H. Pet food and supplies – PAWS-LA values pet food and supplies at an estimated lower of cost or market. In 2022 and 2021, the cost for pet food and supplies were determined by using various wholesale catalogues. For the years ended December 31, 2022 and 2021 PAWS-LA provided \$209,991 and \$125,429, respectively, of pet food and supplies to its clients. As of December 31, 2022 and 2021 PAWS-LA pet food and supplies inventory was \$64,502 and \$174,335, respectively.
- I. Contributions – PAWS-LA accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in ASC No. 958. In accordance with ASC No. 958-225, contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.
- J. Income taxes - The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.
- K. Estimates – The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.
- L. Statements of cash flows – For the year ended December 31, 2022 and 2021 PAWS-LA paid interest of \$510 and \$808, respectively. No income taxes were paid in 2022 and 2021.
- M. Functional expenses – Functional expenses have been allocated between program services and management and general services based on analysis of personnel time, expenditures incurred and facility space utilized for the related activities.

Note 2 – Liquidity and availability of financial assets

The following reflects the Organization's financial assets as of the statement of financial position date:

	<u>2022</u>	<u>2021</u>
Cash	\$ 130,695	\$ 330,996
Short-term investments	839,563	931,484
Contribution receivable	10,693	13,383
Grants receivable	<u>330,978</u>	<u>105,663</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,311,929</u>	<u>\$ 1,381,526</u>

As part of the Organization's liquidity management, it invests cash in excess of daily requirements in short-term investments. For the year ended December 31, 2022 and 2021, there were no board designations or restrictions on the use or availability of the Organization's financial assets within one year.

**PETS ARE WONDERFUL
SUPPORT/LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

Note 3 – Property and equipment

Property and equipment consist of the following as of:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 6,721	\$ 6,721
Computers	51,210	41,795
Website development	27,188	27,188
Leasehold improvements	5,242	5,242
Vehicles	17,522	17,522
	<u>107,883</u>	<u>98,468</u>
Less: accumulated depreciation and amortization	<u>(79,947)</u>	<u>(71,196)</u>
	<u>\$ 27,936</u>	<u>\$ 27,272</u>

Note 4 – Investments

Investments are carried at fair value as of:

	<u>2022</u>	<u>2021</u>
Cash	\$ 48,880	\$ 154,975
Mutual Funds	587,596	690,022
Exchange traded and closed ended funds	203,087	86,487
Investments at fair value	<u>\$ 839,563</u>	<u>\$ 931,484</u>

PAWS-LA invests cash in excess of daily requirements in short-term investments. For the year ended December 31, 2022 and 2021, brokerage fees amounted to \$6,499 and \$7,984, respectively, which are included net of investment income or loss recorded in the Statement of Activities.

As defined in ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, PAWS-LA uses various methods including market, income and cost approaches. Based on these approaches, PAWS-LA often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. PAWS-LA utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, PAWS-LA is required to provide the following information according to the fair value hierarchy.

**PETS ARE WONDERFUL
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

Note 5 – Fair value measurements

The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 Valuation for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.
- Level 3 Valuations for assets and liabilities that are derived from other valuation methodologies, including options pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are subject to ASC 820. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The fair value for these investments at December 31, 2022 and 2021 are as follows:

	<i>Assets at Fair Value as of December 31, 2022</i>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 48,880	-	-	\$ 48,880
Mutual Funds	587,596	-	-	587,596
Exchange traded and closed ended funds	<u>203,087</u>	<u>-</u>	<u>-</u>	<u>203,087</u>
Total assets in the fair value hierarchy	<u>839,563</u>	<u>-</u>	<u>-</u>	<u>839,563</u>
Investments at fair value	<u>\$ 839,563</u>	<u>-</u>	<u>-</u>	<u>\$ 839,563</u>

These notes are an integral part of the financial statements.

**PETS ARE WONDERFUL
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

Note 5 – Fair value measurements (continued)

	<i>Assets at Fair Value as of December 31, 2021</i>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 154,975	-	-	\$ 154,975
Mutual Funds	690,022	-	-	690,022
Exchange traded and closed ended funds	<u>86,487</u>	<u>-</u>	<u>-</u>	<u>86,487</u>
Total assets in the fair value hierarchy	<u>931,484</u>	<u>-</u>	<u>-</u>	<u>931,484</u>
Investments at fair value	<u>\$ 931,484</u>	<u>-</u>	<u>-</u>	<u>\$ 931,484</u>

Under ASC No. 820 “Fair Value Measurements and Disclosures”, all investments are considered Level 1 for fair value measurement. Fair value measurement on Level 1 assets are based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. An active market is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

As of December 31, 2022 and 2021, the Organizations investments represent 58% and 70%, respectively, of total net assets. These investments, with the exception of cash, are subject to risk due to market fluctuations. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, within twelve months, and that such changes could materially affect the amounts reported in the statements of activities.

Note 6 – Promises to give

Unconditional promises to give of \$525,000 are estimated to be collected within one year as of December 31, 2022, and appear as such on the statements of financial position. There were no promises to give as of December 31, 2021.

At December 31, 2022, one donor accounted for 100 percent of total promises to give. The contributor accounted for approximately 59 percent of total contribution revenue for the year ended December 31, 2022.

Promises to give totaling \$525,000 received during the year ended December 31, 2022, were restricted by donors for current-year operations and were reported as contributions without donor restrictions.

Note 7 – Certain risk factors and concentrations

Competition among nonprofit organizations has intensified in recent years due to increasing numbers of agencies seeking support, shifting government funding, and the presence of for-profit organizations. The operations of PAWS-LA are primarily dependent upon third-party support and private funding.

These notes are an integral part of the financial statements.

**PETS ARE WONDERFUL
SUPPORT/LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

Note 7 – Certain risk factors and concentrations (continued)

The Organization maintains cash balances at one bank. Cash accounts at the bank are insured by the Federal Deposit Insurance Corporation (“FDIC”) for up to \$250,000. The Organization’s cash balances did not exceed the FDIC insurance limits at December 31, 2022. As of December 31, 2021, cash held in excess of FDIC insurance limit was \$80,996.

See Note 7 for discussion on concentrations of support and grant funding. In addition, PAWS-LA receives its support primarily from the donations of individuals and from grantors.

Note 8 – City of Los Angeles HOPWA Program

For the year ended December 31, 2022 and 2021, PAWS-LA received a grant from the City of Los Angeles Housing Opportunities for People With AIDS (“HOPWA”) program. For the year ended December 31, 2022 and 2021, PAWS-LA recorded support of \$642,749 and \$578,777, respectively, related to this grant. The HOPWA grant accounted for 47% and 38% of the total support for the years ended December 31, 2022 and 2021, respectively. The HOPWA grant is a material supporting factor for PAWS-LA. As of April 4, 2023, PAWS-LA has received verbal assurance that their annual renewal funding contract that guarantees grant support will be renewed through June 30, 2024. Should the grant be modified significantly or eliminated in its entirety, it may have a material adverse impact on the Organization.

Note 9 – Grants receivable

Grants receivables are due from the HOPWA program. As of December 31, 2022 and 2021, the receivable from these activities was \$330,978 and \$105,663, respectively.

Note 10 – Grant support

For the years ended December 31, 2022 and 2021, PAWS-LA received grants of \$161,876 and \$322,526, respectively, from various sources including foundations.

Note 11 – Leases

The Organization has an operating lease for its facility. All contracts that implicitly or explicitly involve property, plant and equipment are evaluated to determine whether they are or contain a lease.

**PETS ARE WONDERFUL
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

Note 11 – Leases (continued)

At commencement date, the Organization recognizes a lease liability, which is measured at the present value of future lease payments, and a corresponding right-of-use asset equal to the lease liability, adjusted for any prepaid lease costs, initial direct costs and lease incentives. The Organization has elected and applies the practical expedient to combine non-lease components with their related lease components and account for them as a single combined lease component for all its leases. The Organization remeasures lease liabilities and related right-of-use assets whenever there is a change to the lease term and/or there is a change in the amount of future lease payments, but only when such changes do not qualify to be accounted for as a separate contract. Rent expense is recognized on a straight-line basis over the term of the lease. As long-lived assets, the Organization evaluates its right-of-use assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable.

The Organization determines an appropriate discount rate to apply when determining the present value of the remaining lease payments for purposes of measuring or remeasuring lease liabilities. As the rate implicit in the lease is generally not readily determinable, the Organization uses the risk-free-rate practical expedient as the discount rate, which is determined at either lease commencement or when a lease liability is remeasured. The Organization uses rates on US government securities for periods comparable with lease terms as risk-free rates.

For accounting purposes, the Organization's leases commence on the earlier of (i) the date upon which the Organization obtains control of the underlying asset and (ii) the contractual effective date of a lease. Lease commencement for most of the Organization's leases coincides with the contractual effective date. The Organization's leases generally have minimum base terms with renewal options or fixed terms with early termination options. Such renewal and early termination options are exercisable at the option of the Organization and, when exercised, usually provide for rental payments during the extension period at then current market rates or at pre-determined rental amounts. Unless the Organization determines that it is reasonably certain that the term of a lease will be extended, such as through the exercise of a renewal option or non-exercise of an early termination option, the term of a lease begins at lease commencement and spans for the duration of the minimum non-cancellable contractual term. When the exercise of a renewal option or non-exercise of early termination option is reasonably certain, the lease term is measured as ending at the end of the renewal period or on the date an early termination may be exercised.

The Organization includes variable rental payments based on a rate or an index such as the Consumer Price index (CPI) in its measurement of lease payments based on the rate or index in effect at lease commencement. Other types of variable lease payments are expensed as incurred.

Other than short-term leases, the Organization is a party to two operating leases that are for its office lease and storage lease.

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Note 11 – Leases (continued)

As disclosed in Note 1, the Organization adopted FASB ASC 842. As a result, adopting FASB ASC 842 had no impact to prior year balance sheet information, and because these leases are operating leases, the adoption of this standard has no impact on our results of operations.

The Organization has elected to apply the short-term lease exception to all leases with a term of one year or less. The short-term lease costs do not reflect the ongoing short-term lease commitments.

As of December 31, 2022, the right-of-use (ROU) assets had a balance of \$283,388, as shown in noncurrent assets on the balance sheet; the lease liability is included in other current liabilities (\$49,429) and other long-term liabilities (\$234,792). The lease asset and liability were calculated utilizing the risk-free discount rate (4.27%), according to the Organization’s elected policy. There is a two-year option to renew the office lease, which was considered when assessing the value of the ROU asset because the Organization is reasonably certain that it will exercise its option to renew the lease.

Additional information about the Organization’s leases is as follows:

Lease Costs (included in operating expenses):

Operating Leases Cost (resulting from lease payments)	\$	84,669
Short-term lease cost		6,823
Total lease cost		\$ 91,492

Other information:

Cash paid for amounts included in measuring operating lease liabilities:

Operating cash flows from operating leases	\$	83,836
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Lease assets obtained in exchange for lease obligations:

Operating leases	\$	365,920
Weighted-average remaining lease term (years) – Operating Leases		4.84
Weighted average discount rate – Operating Leases		4.20%

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Note 11 – Leases (continued)

Maturities of operating lease liabilities as of December 31, 2022:

Year ending December 31			
2023	\$	60,400	
2024		62,816	
2025		65,329	
2026		67,942	
2027		58,493	
Total lease payments		314,979	
Less interest:		(30,759)	
Total lease liability		284,221	
Less: current portion of total lease liability		(49,429)	
Noncurrent portion of total lease liability	\$	234,792	

Note 12 – Special events

For the year ended December 31, 2022 and 2021, there were no contributions generated from fundraising activities.

Volunteers contributed significant time to organizing and planning for these events. PAWS-LA is unable to provide basis for this contribution, and as such it is not recorded on the statements of activities for the years ended December 31, 2022 and 2021.

Note 13 – 403(b) tax sheltered annuity arrangement

Certain employees are contributors to a 403(b) tax sheltered annuity administered through PAWS-LA. A 403(b) tax sheltered annuity is considered an arrangement between the employee and the trustee and is not considered a pension plan. Contributions are made through salary reduction agreements and are passed through PAWS-LA directly to a trustee. This arrangement is made available to all employees. As of January 1, 2020, PAWS-LA restated the 403(b) to, at its sole discretion, include discretionary employer nonelective contributions (NEC). In 2022 and 2021, the Organization made employer NEC contributions up to the lesser of the annual maximum contribution limit of \$63,500, or percentage of participant’s annual salary depending on the participants years of service as follows:

Years of Service	NEC Percentage
1 – 10	0.50% of annual salary
11 - 20	1% of annual salary
> 20	100% of annual salary, or maximum contribution limit

For the year ended December 31, 2022 and 2021, contribution expense was \$36,623 and \$72,217, respectively.

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Note 14 – Income taxes

The Organization has received a determination of tax-exempt status under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

Management is not aware of any activities that would jeopardize the Organization's tax-exempt status. The Organization is not aware of any tax positions it has taken that are subject to a significant degree of uncertainty. Tax years after December 31, 2020 remain subject to examination by taxing authorities.

Note 15 – Subsequent events

Subsequent events are events or transactions that occur after the Statement of Financial Position date but before financial statements are issued. PAWS-LA recognizes in the financial statements the effect of all subsequent events that provide additional evidence about conditions that existed at the date of the Statement of Financial Position, including the estimates inherent in the process of preparing the financial statements. PAWS-LA's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the Statement of Financial Position but arose after the said date and before financial statements are available to be issued.

PAWS-LA had evaluated subsequent events through July 18, 2023, which is the date the financial statements are available to be issued.

Note 16 – Payroll Protection Program

In April 2020, the Organization received loan proceeds totaling \$118,020 from a promissory note issued by a bank under the Paycheck Protection Program ("PPP") which was established under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") and is administered by the U.S. Small Business Administration. The term on the PPP loan was two years and the annual interest rate was 1.00%. Payments of principal and interest were deferred for the first ten months of the loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations. The Organization accounted for the PPP loan in accordance with the FASB ASC 470-Debt. In May 2021, the Organization's loan forgiveness application for the \$118,020 of loan proceeds received in April 2020 was fully approved by the SBA.

During the year ended December 31 2021, the Organization recognized \$118,020 of loan forgiveness which has been included within "Public Support and Revenue – Grants" in the accompanying statements of activities.