The Otaigbe Group

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Independent Auditor's Report

To the Board of Directors of

MCPAWS INC.

We have audited the accompanying financial statements of MCPAWS INC., which comprise the statement of financial position as of December 31, 2022, and the related statement of activities, functional expenses, cash flows and the related notes to the financial statements for the year then ended.

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.

Auditor's 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 misstatements. 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 judgment, 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the MCPAWS INC., as of December 31, 2022, the related statement of activities, functional expenses, cash flows and the related notes to the financial statements for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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9720 Capital Court Suite #100
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07/21/2023

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MCPAWS, INC
Statement of Financial Position
As of December 31, 2022

Assets

	2022
Current Assets	
Cash	1,216,847
Accounts Receivable	21,328
Grant Receivable	213,036
Inventory	87,737
Undeposited Funds	87,234
Prepaid Expenses	10,305
Total Current Assets	1,636,487
Fixed Assets	
Buildings	637,267
Building Improvements	311,385
Fencing	10,122
Equipment	218,085
Signage	2,678
Land	453,773
Accumulated Depreciation	(406,365)
Total Fixed Assets	1,226,945
Other Assets	
Intangible Assets	464,748
Accumulated Amortization	(133,269)
Total Other Assets	331,479
Total Assets	$ 3,194,911

Liabilities & Net Assets

Current Liabilities	
Accounts Payable	36,710
Credit Card Payable	25,324
Accrued Payroll	56,329
Sales Tax Payable	2,596
Deferred Revenue	682,197
Total Current Liabilities	803,156

Total Liabilities	$ 803,156
Net Assets	
Unrestricted Net Assets	1,796,620
Restricted Net Assets	85,263
Change in Net Assets	509,872
Total Net Assets	2,391,755
Total Liabilities and Net Assets	$ 3,194,911

MCPAWS, INC
Statement of Activity
For Year Ending December 31, 2022

	Without Donor Restrictions		With Donor Restrictions		Total All Funds	
Revenue and Public Support						
Revenue:						
Hospital Services	$	983,472	$	-	$	983,472
Thrift Store Sales		324,045		-		324,045
Legacies & Bequests		432,750		-		432,750
Endowment Income		13,876		-		13,876
Government Revenue		55,000		-		55,000
Adoption Fees & Services		37,131		-		37,131
Sponsorship		9,566		2,699		12,265
Gracie's Fund		-		9,399		9,399
Special Events		58,348		-		58,348
Investment Income		1,095		(60,598)		(59,503)
Public Support:						
Contributions		271,686		6,469		278,155
In-kind Contributions		14,665		-		14,665
Grants		189,090		30,300		219,390
Net Assets Released from Restrictions		51,311		(51,311)		-
Total Support and Revenues		2,442,035		(63,042)		2,378,993
Other Income:						
Disposal of Asset Loss		(850)		-		(850)
Operating Expenses						
Program Expenses:						
Hospital		883,866		-		883,866
Shelter		433,058		-		433,058
Thrift Store		256,500		-		256,500
Fundraising		150,090		-		150,090
Management & General		144,757		-		144,757
Total Operating Expenses		1,868,271		-		1,868,271
Change in Net Assets		572,914		(63,042)		509,872
Net Assets Beginning of Year		1,881,883		-		1,881,883
Net Assets End of Year	$	2,454,797	$	(63,042)	$	2,391,755

MCPAWS, INC.
Statement of Cash Flows
For Year Ending December 31, 2022

	2022
Cash flows from operating activities	
Change in Net Assets	$ 509,872
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation & Amortization	100,620
Receivables	(227,696)
Inventory	(28,024)
Prepaid Expenses	(1,287)
Undeposited Funds	(87,234)
Accounts Payable	(2,309)
Credit Card Payable	25,324
Accrued Expenses	9,270
Sales Tax Payable	2,596
Deferred Revenue	668,447
Net Cash Provided (Used) By Operating Activites	969,579
Cash flows from investing activities	
Investment	350,866
Fixed Assets	(67,126)
Net cash provided by Financing activities	283,740
Cash flows from financing activities	
Note Payable	(363,483)
Net cash provided by Financing activities	(363,483)
Net increase (decrease) in cash & cash equivalents	889,836
Cash & cash equivalents at beginning of period	327,011
Cash & cash equivalents at end of period	$ 1,216,847

MCPAWS, INC.
Statement of Functional Expenses
For the year December 31, 2022

Expenses	Management and General	Hospital	MCPAWS	Shelter	Thrift Store	Fundraising	Total
Salaries	$ 56,991	$ 318,697	$ -	$ 299,673	$ 194,385	$ 94,287	$ 964,033
Payroll Taxes	4,435	25,965	-	23,180	15,440	7,312	76,332
Employee Benefits	493	19,604	-	16,091	11,626	2,076	49,890
Advertising & Promotion	-	211	-	52	-	5,114	5,377
Events	-	-	-	-	-	7,096	7,096
Dues & Subscriptions	245	1,759	-	662	-	-	2,666
Insurance	13,604	4,541	-	3,550	1,682	-	23,377
Repairs & Maintenance	8	4,228	-	7,476	2,007	-	13,719
Occupancy	9,491	1,788	-	1,637	1,376	-	14,292
Training & Education	824	677	-	1,530	253	500	3,784
Cost of Goods Sold	-	209,889	-	-	-	-	209,889
General Supplies	1,902	8,579	-	38,773	2,367	11,459	63,080
License & Permits	-	300	-	923	-	100	1,323
Software	1,758	4,834	-	683	805	3,683	11,763
Professional Services	41,427	134,787	-	4,779	630	10,342	191,965
Equipment	695	2,967	-	2,203	2,257	567	8,689
Travel & Meetings	2,502	171	-	890	557	2,235	6,355
Depreciation and Amortization	-	77,422	-	14,726	6,129	-	100,620
Utilities	2,226	10,415	-	12,006	6,338	-	30,985
Taxes	-	2,568	-	880	550	-	3,998
Employee Appreciation	1,905	1,272	-	294	811	100	4,382
Interest	-	23,682	-	-	-	-	23,682
Fees	3,908	28,049	-	3,050	9,288	5,219	49,514
Miscellaneous	-	1,460	-	-	-	-	1,460
Total Expenses by Function	$ 142,414	$ 883,865	$ -	$ 433,058	$ 256,501	$ 150,090	$ 1,868,271

MCPAWS, INC.

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION

McPaws, Inc. (the Organization), is a nonprofit organization formed in 1998 to assist the City of McCall with the operation and maintenance of the McCall City Dog Pound. The Organization has grown from a small grass-roots, all-volunteer pound assistance group, to a regional animal shelter for dogs and cats. The Organization is committed to maintaining a high standard of care and pet adoption processes at the shelter, and to promoting responsible pet ownership. The Organization is operating in McCall, Idaho, and is supported primarily by donations, grants, local option tax allocations and adoption fees. In 2010 McPaws, Inc. opened a thrift store in McCall, Idaho where various donated items are received and sold. Proceeds from thrift store sales are used to provide financial support to animals at the Organization's. animal shelter. The Organization operates as a full-service veterinary hospital.

2. SUMMARY OF ACCOUNTING POLICIES:

The Organization maintains its accounts on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. Accounting principles followed by the Organization and the methods of applying those principles which materially affect the determination of financial position, changes in net assets and cash flows are summarized below:

Basis of presentation

The financial statements of McPaws, Inc. have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the entity to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of McPaws, Inc. management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of McPaws, Inc. or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Concentrations of Risk

Financial instruments that are potentially subject to concentrations of credit risk consist principally of cash and cash equivalents and investments. The entity maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The amount of uninsured cash as of December 31, 2022, was $0. The entity's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The entity has not experienced, nor does it anticipate, any losses with respect to such accounts.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions, Gifts, and Grants

As required by the FASB Accounting Standards Codification™, contributions are required to be recorded as receivables and revenues and the Organization is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, securities, collection items or promises to give.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give-that is, those with a measurable performance or other barrier and right of return-are not recognized until the conditions on which they depend have been met. Contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions until the restriction expires, at which time the assets are reclassified to net assets without donor restrictions. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

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. The Organization files Form 990 “Return of Organization Exempt from Income Tax.” The returns filed for years 2019 through 2021 are still open to examination by the Internal Revenue Service. Management believes that there are no significant tax positions that would be challenged by the taxing authorities.

Property, Equipment and Depreciation

Property and equipment purchased are recorded at cost. Donated assets are capitalized at fair market value. The PPE consists of buildings, building improvements, fencing, equipment, signage, and land. Depreciable assets are depreciated using the straight-line method. Equipment and signage are depreciated over 5 years, fencing 15 years, and buildings and building improvements 25 years.

Asset	Amount
Buildings	$637,267
Building Improvements	311,385
Fencing	10,122
Equipment	218,085
Signage	2,678
Land	453,773

Total	1,633,310
Accumulated Depreciation	(406,365)
Total PPE	1,226,945

Depreciation expense for 2022 was $100,620

Advertising

The Organization expenses the costs of general advertising, promotion, and marketing programs at the time the costs are incurred.

Functional Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Fair value measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Small Charity, Inc. groups assets at fair value in three levels, based on the markets in which the assets are traded, and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 Unadjusted quoted market prices for identical assets in active markets as of the measurement

date.

Level 2 Other observable inputs, either directly or indirectly, including:

• Quoted prices for similar assets in active markets.

• Quoted prices for identical or similar assets in non-active markets.

• Inputs other than quoted prices that are observable for the asset; and,

• Inputs that are derived principally from or corroborated by other observable market data.

Level 3 Unobservable inputs that cannot be corroborated by observable market data.

Equity funds, stock index funds, bond funds, and bond index funds are valued at the closing quoted price in an active market. Cash and cash equivalents held within the investment portfolio are carried at cost.

Grants Receivable

Unconditional promises to give are recognized as revenue and as assets in the period the promise is received. Those intended to support the current period are reported as net assets without donor restrictions if they do not contain donor restrictions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. Intentions to give are not recognized as revenue unless they are legally enforceable. Management has determined that allowance for doubtful accounts is not necessary.

New Accounting Pronouncements

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14(Topic 958), Presentation of Financial Statements of Not-for-Profit Entities. ASU No. 2016-14 reduces the number of net asset classes from three to two, those with donor restrictions and those without, requires all nonprofits to report expenses by nature and function and improves information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance, and cash flows. The amendments in ASU No. 2016-14 are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application of the amendments in ASU No. 2016-14 is permitted. The Organization has implemented these amendments in the financial statements as required.

On June 20, 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in ASU No. 2018-08 will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in ASU No. 2018-08 are effective for annual financial statements issued for fiscal years beginning after December 15, 2018, and for interim periods within fiscal years beginning after December 15, 2018, for transactions in which the entity serves as the resource recipient. The Organization has implemented these amendments in the financial statements as required.

3. CASH:

Cash of the Organization consisted of the following on December 31, 2022

Checking & Savings $427,688
CD $550,000
Endowment $239,160
Deposits held in two commercial banks are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 in each bank for a total of $500,000 as of December 31, 2022.

A summary of the total insured and uninsured cash balances as of December 31, 2022, are as follows:

Total cash in two banks $427,688
Portion insured by FDIC-2 banks $500,000
Uninsured cash balance $0

4. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2022:

Subject to expenditure for Specified purpose:

Donor Restricted $34,252
Restricted assets received in 2022 amounted to $51,011 respectively.

Community Outreach Fund $19,313
Gracie's Fund - $1,462
Katherine Reid Plaque $100
Emergency Preparedness $500
Rehoming Grant $5,497
Dog behavior seminars $5,340
Friends Fur Life and Waggin Trail Sponsorships $1,040
Ice sculpture reimbursement $1,000

ENDOWMENT FUND:

The endowment December 31, 2022 fund balance of $239,160 is restricted.

Our endowment (the Endowment) consists of one individual fund established by a donor to provide annual funding for specific activities and general operations. Our board of directors has interpreted the Idaho Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2022, there were no such donor stipulations. As a result of this interpretation, we retain in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give at fair value) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. We consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

· The duration and preservation of the fund
· The purposes of the organization and the donor-restricted endowment fund
· General economic conditions
· The possible effect of inflation and deflation
· The expected total return from income and the appreciation of investments
· Other resources of the organization
· The investment policies of the organization

Investment and Spending Policies Endowment assets include those assets of donor-restricted endowment funds the Organization must hold in perpetuity or for donor-specified periods. Under the investment policy, endowment assets are invested in a manner that is intended to provide long-term income through capital appreciation, interest and dividends. All income is intended to support the needs of the Organization.

5. DONATED SERVICES AND IN-KIND CONTRIBUTIONS:

Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by accounting principles generally accepted in the United States of America. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recognized at the respective fair values of the services received. During 2022, the organization recognized donated goods with an estimated fair value of $14,665, respectively as revenue. This merchandise requires program-related expenses/processes before it reaches its point of sale. Revenue is recognized at the time of the transaction.

6. INTANGIBLE ASSETS:

The intangible asset balance of $464,748 is comprised of $449,748 of goodwill for the previous purchase of the Donnelly and Long Valley Vet clinics. The goodwill is amortized over a 10-year period using the straight-line depreciation method. Goodwill is reviewed annually for potential impairment if a triggering event occurs that indicates fair value may be below its carrying value. When impairment is likely, the Organization calculates goodwill impairment as the amount the Organization's carrying value including goodwill exceeds its fair value.

The covenant not to compete is comprised of $15,000. Covenants not to compete are amortized over the life of the agreement, generally five years.

7. DEBT:

The Company has short term debt of Accounts Payable $36,710 and Credit Card $25,324 as of December 31, 2022.

8. **DEFERRED REVENUE:**

The increase of Deferred Revenue by $666,302 from the previous year is based on funds that have been received for specific projects but the expenses have not yet been incurred.

9. OPERATING LEASE:

The Organization leases a copy machine and office space under operating leases. Rental expense relating to these leases totaled $9,903 for the year ended December 31, 2022, respectively.

Future minimum rental payments for the leases are as follows:

Year Ending December 31,	Amount
2023	$9,924
2024	10,212
2025	1,710
Total	$21,846

10. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through July 21, 2023, the date on which the financial statements were issued.