

# 4 Paws for Ability, Inc.

## Financial Statements

As of December 31, 2019 and 2018 and for the  
Years then Ended with Independent Auditor's Report



STRATEGIC ACCOUNTANTS  
& BUSINESS ADVISORS

4 Paws for Ability, Inc.

Financial Statements

*As of December 31, 2019 and 2018 and for the  
Years then Ended with Independent Auditor's Report*

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## **Independent Auditor's Report**

Board of Directors  
4 Paws for Ability, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of 4 Paws for Ability, Inc., a nonprofit organization, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 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 the 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 the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 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.



**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 4 Paws for Ability, Inc. as of December 31, 2019 and 2018, 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.

A handwritten signature in cursive script that reads "Brixey &amp; Meyer".

Brixey & Meyer, Inc.  
Miamisburg, Ohio  
June 19, 2020

**4 PAWS FOR ABILITY, INC.**

**STATEMENTS OF FINANCIAL POSITION**

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,308,860	\$ 3,158,332
Inventory	137,295	149,131
Investments	42,735	14,721
Other current assets	26,380	32,223
Total current assets	3,515,270	3,354,407
Land, building and equipment, net	3,371,158	3,538,104
Total assets	\$ 6,886,428	\$ 6,892,511
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 46,470	\$ 88,953
Mortgage payable, current portion	87,691	84,329
Total current liabilities	134,161	173,282
Mortgage payable, net of current portion	1,794,758	1,886,615
Total liabilities	1,928,919	2,059,897
<b>Net Assets</b>		
Without donor restrictions	4,745,418	4,808,282
With donor restrictions	212,091	24,332
Total net assets	4,957,509	4,832,614
Total liabilities and net assets	\$ 6,886,428	\$ 6,892,511

*See accompanying independent auditor's report and notes to audited financial statements.*

**4 PAWS FOR ABILITY, INC.**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED DECEMBER 31, 2019 (WITH COMPARITIVE TOTALS FOR 2018)**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total 2019</b>	<b>Total 2018</b>
<b>Revenue:</b>				
Program service fees	\$ 1,912,660	\$ -	\$ 1,912,660	\$ 1,751,138
Donations	1,828,822	187,759	2,016,581	2,474,382
Donations in-kind	61,482	-	61,482	66,452
Sales and fees	247,339	-	247,339	188,890
Other income	84,150	-	84,150	29,747
Total revenue	<u>4,134,453</u>	<u>187,759</u>	<u>4,322,212</u>	<u>4,510,609</u>
<b>Expenses:</b>				
Dog care	2,265,448	-	2,265,448	2,270,324
Dog training	1,228,947	-	1,228,947	1,186,845
Administrative	340,949	-	340,949	367,234
Fundraising and program development	361,973	-	361,973	348,857
Total expenses	<u>4,197,317</u>	<u>-</u>	<u>4,197,317</u>	<u>4,173,260</u>
<b>Change in net assets</b>	(62,864)	187,759	124,895	337,349
<b>Net assets, beginning of year</b>	<u>4,808,282</u>	<u>24,332</u>	<u>4,832,614</u>	<u>4,495,265</u>
<b>Net assets, end of year</b>	<u><u>\$ 4,745,418</u></u>	<u><u>\$ 212,091</u></u>	<u><u>\$ 4,957,509</u></u>	<u><u>\$ 4,832,614</u></u>

**4 PAWS FOR ABILITY, INC.**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total 2018</b>
Revenue:			
Program service fees	\$ 1,751,138	\$ -	\$ 1,751,138
Donations	2,450,050	24,332	2,474,382
Donations in-kind	66,452	-	66,452
Sales and fees	188,890	-	188,890
Other income	29,747	-	29,747
Total revenue	<u>4,486,277</u>	<u>24,332</u>	<u>4,510,609</u>
Expenses:			
Dog care	2,270,324	-	2,270,324
Dog training	1,186,845	-	1,186,845
Administrative	367,234	-	367,234
Fundraising and program development	348,857	-	348,857
Total expenses	<u>4,173,260</u>	<u>-</u>	<u>4,173,260</u>
<b>Change in net assets</b>	313,017	24,332	337,349
<b>Net assets, beginning of year</b>	<u>4,495,265</u>	<u>-</u>	<u>4,495,265</u>
<b>Net assets, end of year</b>	<u>\$ 4,808,282</u>	<u>\$ 24,332</u>	<u>\$ 4,832,614</u>

**4 PAWS FOR ABILITY, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**For the Year Ended December 31, 2019**

	<u>Dog Care</u>	<u>Dog Training</u>	<u>Administrative</u>	<u>Fundraising and Program Development</u>	<u>Total</u>
Salaries and benefits	\$ 1,021,684	\$ 957,274	\$ 264,115	\$ 222,099	\$ 2,465,172
Education and awareness	-	-	5,960	53,923	59,883
Occupancy	129,975	65,012	10,877	10,877	216,741
Program support	940,324	75,543	13,459	-	1,029,326
Professional services	4,023	2,376	25,331	19,496	51,226
Information technologies	13,667	6,834	1,157	1,139	22,797
Travel	25,810	56,242	4,693	39,818	126,563
Depreciation	127,854	63,927	10,655	10,655	213,090
Other	2,111	1,738	4,703	3,967	12,519
	<u>\$ 2,265,448</u>	<u>\$ 1,228,947</u>	<u>\$ 340,949</u>	<u>\$ 361,973</u>	<u>\$ 4,197,317</u>

**For the Year Ended December 31, 2018**

	<u>Dog Care</u>	<u>Dog Training</u>	<u>Administrative</u>	<u>Fundraising and Program Development</u>	<u>Total</u>
Salaries and benefits	\$ 1,023,374	\$ 903,784	\$ 272,730	\$ 225,577	\$ 2,425,465
Education and awareness	-	-	-	59,855	59,855
Occupancy	138,732	69,666	11,935	11,725	232,058
Program support	940,567	106,803	32,531	-	1,079,901
Professional services	3,430	1,984	24,533	20,227	50,173
Information technologies	12,065	6,033	1,005	1,005	20,109
Travel	31,198	36,532	5,672	16,679	90,082
Depreciation	119,276	59,638	9,940	9,940	198,793
Other	1,682	2,405	8,888	3,850	16,825
	<u>\$ 2,270,324</u>	<u>\$ 1,186,845</u>	<u>\$ 367,234</u>	<u>\$ 348,857</u>	<u>\$ 4,173,260</u>

**4 PAWS FOR ABILITY, INC.**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ 124,895	\$ 337,349
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	213,090	198,793
Unrealized (gains) losses, net	(7,525)	2,819
Contributed investments	(20,489)	(15,072)
Changes in assets and liabilities:		
Inventory	11,836	(50,620)
Other current assets	5,843	(30,122)
Accounts payable and accrued expenses	(42,483)	(91,507)
Net cash provided by operating activities	285,167	351,640
<b>Cash flows from investing activities</b>		
Purchases of land, building and equipment	(46,144)	(112,138)
Net cash used in investing activities	(46,144)	(112,138)
<b>Cash flows from financing activities</b>		
Payments on long-term debt	(88,495)	(180,879)
Net cash used in financing activities	(88,495)	(180,879)
<b>Net increase in cash and cash equivalents</b>	150,528	58,623
Cash and cash equivalents, beginning of year	3,158,332	3,099,709
<b>Cash and cash equivalents, end of year</b>	\$ 3,308,860	\$ 3,158,332

**SUPPLEMENTAL CASH FLOW INFORMATION**

Cash paid for interest	\$ 75,930	\$ 88,914
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**SCHEDULE OF NON-CASH INVESTING ACTIVITIES**

Contributed investments	\$ 20,489	\$ 15,072
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## 4 PAWS FOR ABILITY, INC.

### NOTES TO AUDITED FINANCIAL STATEMENTS

December 31, 2019 and 2018

#### **NOTE 1 – NATURE OF OPERATIONS**

4 Paws for Ability, Inc. (4 Paws or the Organization) is a nonprofit 501(c)(3) organization, which is governed by an independent, uncompensated Board of Directors. The Organization provides specially trained service dogs for companionship and assistance with independent living to individuals with physical and hidden disabilities. All training is recipient-specific for Autism Assistance, Mobility Assistance, Signal/Hearing Ear, Seizure Assistance and Multi-purpose Service Dogs.

#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Basis of Presentation**

The accompanying financial statements are prepared on the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) which require the Organization 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 the Organization's 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 the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

##### **Cash and Cash Equivalents**

Cash and cash equivalents include deposits on demand with financial institutions and money market funds. These balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per depositor at each financial institution. As of December 31, 2019 and 2018, the Organization's uninsured cash balance was \$3,059,131 and \$2,905,493, respectively. The carrying value of cash approximates fair value.

## 4 PAWS FOR ABILITY, INC.

### NOTES TO AUDITED FINANCIAL STATEMENTS

December 31, 2019 and 2018

#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Land, Building and Equipment**

Land, building and equipment are stated at historical cost, net of accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 39 years.

Maintenance and repairs are charged to expense as incurred. Major improvements that substantially extend the useful life of the property are capitalized.

##### **Inventories**

Inventories are carried at the lower of cost or net realizable value and consist of dog food and miscellaneous dog care supplies. As there is no active market for partially-trained service dogs, and fully-trained service dogs are placed within days of the completion of their training, no asset for service dogs inventory has been recorded in the accompanying statements of financial position.

##### **Program Service Fees**

The Organization provides service dogs to families in exchange for a predetermined, non-refundable fee. The fee charged to families is significantly less than the expenses incurred to identify, shelter, care for, train, and supply the service dog. Due to the non-refundable nature of the transaction, program service fees are recorded when received from recipients on the Organization's statements of activities.

##### **Donations**

Donations are recorded when received as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. Donations that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the donation is recognized. All other donor restricted donations are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.

##### **Donations in-kind**

Donated materials are recorded as donations at their estimated fair values at the date of donation. Donations of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as donated services. The Organization received donated dog care items of \$61,482 and \$66,452 for the years ended December 31, 2019 and 2018, respectively, which are reported as donations in-kind on the accompanying statements of activities.

4 PAWS FOR ABILITY, INC.

NOTES TO AUDITED FINANCIAL STATEMENTS

December 31, 2019 and 2018

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Sales and Fees**

Sales and fees are recorded when received. Sales reflect sales of companion dogs that do not graduate from 4 Paws’ rigorous training programs, as well as sales of t-shirts and other promotional items. Fees reflect nominal amounts charged to applicants for service dogs. Fees may be waived at the discretion of 4 Paws in certain circumstances.

**Dog Care Expenses**

Dog care expenses reflect all costs directly related to caring for dogs, including food, veterinary care, cleaning supplies and salaries and benefits for 4 Paws’ dog care staff.

**Dog Training Expenses**

Dog training expenses reflect all costs directly related to training service dogs, including salaries and benefits for 4 Paws’ expert dog trainers, training supplies and expenses incurred training clients to use their new service dogs.

**Administrative Expenses**

Administrative expenses reflect all costs directly related to managing 4 Paws.

**Fundraising and Program Development Expenses**

Fundraising expenses include all costs expended on fundraising events and initiatives. Program development expenses include all costs directly related to reaching potential applicants and making them aware of the benefits service dogs can provide to individuals with certain disabilities.

**Functional expenses**

The costs of providing program and other activities have been summarized on a functional basis in the statements of function expenses. Accordingly, certain costs have been allocated among dog care, dog training and supporting services benefited. Such allocations are determined by management on an equitable basis and include the following:

Expense	Method of Allocation
Salaries and benefits	Time and effort
Education and awareness	Time and effort
Occupancy	Square footage
Program support	Time and effort
Professional services	Time and effort
Information technologies	Square footage
Travel	Time and effort
Depreciation	Square footage
Other	Time and effort

## 4 PAWS FOR ABILITY, INC.

### NOTES TO AUDITED FINANCIAL STATEMENTS

December 31, 2019 and 2018

#### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

##### **Fair Value**

ASC 820 – *Fair Value Measurements* defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. It also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value. Level 1 inputs are defined as quoted prices in active markets for identical assets or liabilities; Level 2 inputs are observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and Level 3 inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Generally, any non-recurring assets and liabilities measured and disclosed at fair value will be Level 3 due to the nature of the unobservable inputs in the calculation of fair value.

##### **New Accounting Pronouncements**

In August 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities (Topic 958)*. The standard improved the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. The core principal of the new standard requires that not-for-profit entities present on the face of the statement of financial position amounts for two classes of net assets rather than the currently required three classes. The new standard also provides for enhanced disclosures about amounts and purposes for designations, appropriations and other self-imposed restrictions, liquidity and the ability of a not-for-profit entity's financial assets to meet short-term cash needs and underwater endowment funds. During 2018, the Organization adopted this standard and applied the new guidance retrospectively to all periods presented.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard clarified the guidance for evaluating whether a transaction is reciprocal (i.e. an exchange transaction) or nonreciprocal (i.e. a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarified the guidance used by entities other than not-for-profits recipients and resource providers. As the Organization is a resource recipient, the ASU is applicable to contributions received for annual periods beginning after June 15, 2018. Where the Organization is the

4 PAWS FOR ABILITY, INC.

NOTES TO AUDITED FINANCIAL STATEMENTS

December 31, 2019 and 2018

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**New Accounting Pronouncements (continued)**

resource provider, the ASU is applicable to contributions made for annual periods beginning after December 15, 2018. During 2019, the Organization adopted this standard and applied the new guidance retrospectively to all periods presented. The adoption of this standard did not have a material impact on the financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective January 1, 2019, the first day of the Organization's fiscal year, using the modified retrospective method, as it relates to the Organization's sales and fees on the statements of activities. The adoption did not have any impact on the beginning retained earnings as of January 1, 2019. There has been no impact for the year ended December 31, 2019 from the application of this ASU, except for expanded disclosures. Sales and fee revenue is from performance obligations satisfied at a point in time, which is recognized at the point in time the sale is made and the customer takes possession of the companion dogs or promotional items.

**Reclassifications**

Certain prior year amounts have been reclassified to conform to current year presentation, including \$286,716 reclassified from program service fees to donations for the year ended December 31, 2018, that represent contributions restricted for placing service dogs with veterans.

**NOTE 3 – INVESTMENTS**

Investments are comprised of the following as of December 31:

	2019	2018
Cash and cash equivalents	\$ 10,389	\$ 33
Common stocks	14,675	2,819
Exchange traded mutual funds	17,671	11,869
Total	<u>\$ 42,735</u>	<u>\$ 14,721</u>

The Organization records its investments at their current fair values based on quoted market prices in active markets for identical assets, which represents Level 1 criteria as defined in ASC 820.

Investment income (loss), which is primarily unrealized gains (losses) on investments held, was \$7,525 and \$(2,819) for the years ended December 31, 2019 and 2018 and is recorded in other income in the statements of activities.

4 PAWS FOR ABILITY, INC.

NOTES TO AUDITED FINANCIAL STATEMENTS

December 31, 2019 and 2018

**NOTE 4 – LAND, BUILDING AND EQUIPMENT**

Land, building and equipment consist of the following at December 31:

	2019	2018
Land	\$ 121,376	\$ 121,376
Buildings	3,616,368	3,616,368
Automobiles	271,685	277,086
Equipment	509,924	463,780
Total	4,519,353	4,478,610
Accumulated depreciation	(1,148,195)	(940,506)
Land, building and equipment, net	<u>\$ 3,371,158</u>	<u>\$ 3,538,104</u>

**NOTE 5 – MORTGAGE PAYABLE**

In August 2014, 4 Paws entered into a construction loan agreement with Huntington National Bank (the 2014 Mortgage Note). 4 Paws is required to make monthly principal and interest payments in the amount of \$14,110, with interest fixed at a rate of 4.125% per annum through December 2020, at which time it will reset to the five year U.S. Treasury rate plus 2.42% per annum, through maturity, with a balloon payment due in December 2024. The 2014 Mortgage Note matures on December 10, 2024, and the loan is secured by the Organization’s buildings and land. Interest expense on the mortgage payable was \$80,383 and \$93,703 for the years ended December 31, 2019 and 2018, respectively, and is allocated among program service expenses as an occupancy expense on the statements of activities.

Future maturities of the 2014 Mortgage Note are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 87,691
2021	91,662
2022	95,570
2023	99,645
2024	1,507,881
Total	<u>\$ 1,882,449</u>

The 2014 Mortgage Note contains certain non-financial and financial covenants that require, among other things, maintenance of a debt service coverage ratio, certain liquidity requirements and submission of the Organization’s audited financial statements within 180 days of the fiscal year-end, as defined within the agreement. The Organization is in compliance with all covenants at December 31, 2019.

4 PAWS FOR ABILITY, INC.

NOTES TO AUDITED FINANCIAL STATEMENTS

December 31, 2019 and 2018

**NOTE 6 – AVAILABILITY AND LIQUIDITY**

The following represents 4 Paws financial assets at December 31:

Financial assets at year-end:	2019	2018
Cash and cash equivalents	\$ 3,308,860	\$ 3,158,332
Investments	42,735	14,721
Total financial assets	<u>3,351,595</u>	<u>3,173,053</u>
Less amounts not available to be used for general expenditures within one year:		
Net assets with donor restrictions	212,091	24,322
Board designated net assets	115,000	115,000
Subtotal	<u>327,091</u>	<u>139,322</u>
Financial assets available to meet cash needs within one year	<u>\$ 3,024,504</u>	<u>\$ 3,033,731</u>

The Organization’s goal is generally to maintain financial assets to meet near-term operating expenses. As part of its liquidity plan, excess cash is swept into money market accounts.

**NOTE 7 – NET ASSETS**

Net assets with donor restrictions are as follows for the years ended December 31:

	2019	2018
Specific purpose capital improvements	\$ 212,091	\$ 24,332
Total	<u>\$ 212,091</u>	<u>\$ 24,332</u>

Net assets without donor restrictions are as follows for the years ended December 31:

	2019	2018
Undesignated	\$ 4,630,418	\$ 4,693,282
Board designated – future capital improvements	115,000	115,000
Total	<u>\$ 4,745,418</u>	<u>\$ 4,808,282</u>

These board designated net assets are included in cash and cash equivalents on the statements of financial position.

4 PAWS FOR ABILITY, INC.

NOTES TO AUDITED FINANCIAL STATEMENTS

December 31, 2019 and 2018

**NOTE 8 – TAX STATUS**

The Internal Revenue Service has confirmed that 4 Paws qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. 4 Paws is not subject to income taxes given it operates exclusively for charitable purposes.

4 Paws has determined that there are no uncertain tax positions as of December 31, 2019 or 2018. As such, there has been no interest or penalties recognized in 4 Paws' statements of activities or accrued for on 4 Paws' statements of financial position as of and for the years ended December 31, 2019 or 2018.

The federal informational returns for 4 Paws for years ended 2016 to the present are subject to examination by taxing authorities.

**NOTE 9 – SUBSEQUENT EVENTS**

In connection with the audit of 4 Paws' financial statements as of and for the year ended December 31, 2019, events and transactions subsequent to December 31, 2019, and through June 19, 2020, which is the date on which the financial statements are available to be issued, have been evaluated by 4 Paws for possible adjustment and/or disclosure. Subsequent to December 31, 2019, the outbreak of the coronavirus (COVID-19) has been recognized as a pandemic by the World Health Organization. COVID-19 is having notable impacts on general economic conditions in the United States and internationally. The impacts of COVID-19 on the Company's operations and financial results subsequent to December 31, 2019 are not able to be determined as of the date of this report. In May 2020, the Company applied for and received from The Huntington National Bank a \$452,850 term note under the U.S. Small Business Administration's Paycheck Protection Program (PPP). The PPP note accrues interest at a rate of 1.00%, with monthly principal and interest payments initially deferred for six months and the full amount of the note due on its second anniversary date. All, or a portion, of this note may be forgiven in 2020 if the Company meets certain terms and conditions as established by the PPP.

No other subsequent events requiring financial statement adjustment and/or disclosure have been identified.



Brixey  
& Meyer

STRATEGIC ACCOUNTANTS  
& BUSINESS ADVISORS