

HELPING PAWS, INC.
AUDITED FINANCIAL STATEMENTS
May 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Helping Paws, Inc.
Hopkins, Minnesota

Opinion

We have audited the accompanying financial statements of Helping Paws, Inc. (a nonprofit organization), which comprise the statement of financial position as of May 31, 2022 and the related statements of activities, cash flows and functional expenses for the year 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 Helping Paws, Inc. as of May 31, 2022, and the changes in its net assets and its cash flows for the year 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 Helping Paws, Inc. 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 Helping Paws, Inc.'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 Helping Paws, Inc.'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 Helping Paws, Inc.'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.

Hamington Langer & Associates

October 17, 2022

HELPING PAWS, INC.
STATEMENT OF FINANCIAL POSITION
May 31, 2022

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 511,794
Certificates of deposit	500,803
Pledges receivable	14,000
Accounts receivable	68,373
Prepaid expenses	<u>13,239</u>

TOTAL CURRENT ASSETS	<u>1,108,209</u>
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PROPERTY AND EQUIPMENT

Furniture and equipment	30,489
Lease improvements	<u>16,240</u>

	46,729
Less: accumulated depreciation	<u>(44,774)</u>

PROPERTY AND EQUIPMENT, net	<u>1,955</u>
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SERVICE DOGS	<u>90,000</u>
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TOTAL ASSETS	<u><u>\$ 1,200,164</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 10,098
Accrued expenses	<u>50,293</u>

TOTAL CURRENT LIABILITIES	<u>60,391</u>
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NET ASSETS

Without donor restrictions:	
Undesignated	848,249
Designated by Board for future maintenance and operations	<u>262,466</u>

	1,110,715
With donor restrictions	<u>29,058</u>

TOTAL NET ASSETS	<u>1,139,773</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,200,164</u></u>
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HELPING PAWS, INC.
STATEMENT OF ACTIVITIES
For the Year Ended May 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Special events - contributions	\$ 111,703	\$ 13,900	\$ 125,603
Special events - inkind	5,000	-	5,000
Special events - other	17,163	-	17,163
Less: direct costs	(29,742)	-	(29,742)
Net special event revenue	104,124	13,900	118,024
Contributions	986,354	-	986,354
Program services	9,232	-	9,232
Interest income	248	-	248
Net assets released from restrictions	5,680	(5,680)	-
TOTAL REVENUE	1,105,638	8,220	1,113,858
EXPENSES			
Program services	644,589	-	644,589
Management and general	64,105	-	64,105
Fundraising	138,233	-	138,233
TOTAL EXPENSES	846,927	-	846,927
CHANGE IN NET ASSETS	258,711	8,220	266,931
NET ASSETS, BEGINNING	852,004	20,838	872,842
NET ASSETS, ENDING	\$ 1,110,715	\$ 29,058	\$ 1,139,773

HELPING PAWS, INC.
STATEMENT OF CASH FLOWS
For the Year Ended May 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 266,931
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	647
Service dogs acquired, noncash	(15,000)
Service dogs placed or withdrawn, noncash	19,345
Interest reinvested	(803)
Decrease (Increase) in:	
Pledges receivable	7,500
Accounts receivable	(68,373)
Prepaid expenses	(3,543)
Increase (Decrease) in:	
Accounts payable	3,222
Accrued expenses	(6,826)
Deferred revenue	(1,000)

NET CASH PROVIDED BY OPERATING ACTIVITIES 202,100

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of CD's	(100,000)
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INCREASE IN CASH AND CASH EQUIVALENTS 102,100

CASH AND CASH EQUIVALENTS, BEGINNING 409,694

CASH AND CASH EQUIVALENTS, ENDING \$ 511,794

HELPING PAWS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended May 31, 2022

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 380,489	\$ 28,608	\$ 90,860	\$ 499,957
Benefits	47,172	4,324	13,732	65,228
Payroll taxes	29,512	2,705	8,592	40,809
Professional development	1,224	-	99	1,323
Professional fees	-	21,482	-	21,482
Office expenses	23,321	2,784	3,149	29,254
Postage and printing	4,732	1,038	2,712	8,482
Dues and subscriptions	3,668	77	-	3,745
Occupancy	45,513	1,631	2,284	49,428
Travel	3,001	-	1,066	4,067
Utilities	9,671	347	485	10,503
Facility repairs	3,674	132	184	3,990
Depreciation	596	21	30	647
Insurance	11,676	418	586	12,680
Bank and credit card fees	5,868	538	1,708	8,114
Service dog training expenses	71,122	-	-	71,122
Event expenses	-	-	29,742	29,742
Marketing	1,426	-	12,746	14,172
Recognition	1,924	-	-	1,924
Total expenses by function	644,589	64,105	167,975	876,669
Less expenses included with the revenues on the statement of activities				
Special events	-	-	(29,742)	(29,742)
Total expenses included in the expense section on the statement of activities	<u>\$ 644,589</u>	<u>\$ 64,105</u>	<u>\$ 138,233</u>	<u>\$ 846,927</u>

HELPING PAWS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Helping Paws, Inc. (the “Organization” or “Helping Paws”) furthers people’s independence and quality of life through the use of assistance dogs. The service dogs are specifically trained to provide for the needs of these individuals. The Organization views its service dog program as a whole-life approach, with follow-up from each dog’s birth to the end of service. The primary focus of the Organization is in the breeding and/or acquisition of dogs to be used in the program, development of skills with the service dogs-in-training, and placement and follow-up of the service dogs with qualified applicants. The Organization was awarded full accreditation from Assistance Dogs International (ADI). This indicates the Organization successfully meets all the professional standards and requirements in the training of service dogs. In accordance with ADI standards, the accreditation is in effect through July 2027.

In addition, Helping Paws was awarded the Charities Review Council “Meet All Standards” seal in May 2007, which was in effect through October 2020. At the time of the audit, Helping Paws had begun the renewal process with the Charities Review Council and expects accreditation by the end of 2022.

Basis of Presentation

The financial statements of Helping Paws, Inc. have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), which requires 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.

HELPING PAWS, INC.
NOTES TO FINANCIAL STATEMENTS

**NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Basis of Accounting

The accompanying financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Organization maintains its cash balances at financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. From time to time, the Organization's balances in its bank accounts exceed Federal Deposit Insurance Corporation Limits. The Organization periodically evaluates the risk of exceeding insurance levels and may transfer funds as it seems appropriate. The Organization has not experienced any losses with regards to balances in excess of insured limits or as the result of other concentrations of credit risk.

Certificates of Deposit

Certificates of deposit are valued at cost plus accrued interest and are covered by FDIC insurance.

Property and Equipment

Purchased property and equipment are recorded at cost. Property and equipment purchases over \$3,500 are capitalized. Property and equipment acquired by donation, if material, are stated at their fair market value at the time of the donation. Property and equipment is depreciated on a straight-line basis with estimated useful lives of three to five years. Replacements, maintenance, and repairs, which do not improve or extend the lives of the assets, are expensed as incurred.

Service Dogs

Service dogs are generally valued at \$1,100 to \$1,745, largely based on a 2003 in-house study which is annually reviewed on the average costs of veterinarian and other initial associated care costs.

Marketing

Marketing expenses are expensed as incurred. These costs were \$14,172 for the year ended May 31, 2022.

HELPING PAWS, INC.
NOTES TO FINANCIAL STATEMENTS

**NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. The Organization provides an allowance for doubtful accounts based on historical experience and management's evaluation of outstanding amounts. At May 31, 2022, management considered all outstanding amounts to be fully collectible. Accordingly, there was no allowance for doubtful accounts.

Revenue Recognition

Program service revenues are recognized when the service dog is placed in service.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions 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 contribution is recognized. All other donor restricted contributions 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 statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Functional Expenses

The costs of providing various programs have been summarized on a functional basis. Accordingly, certain costs have been allocated among programs and supporting services benefited. Salaries and related expenses are allocated based on hours spent and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or support services, are allocated based on the best estimates of management.

HELPING PAWS, INC.
NOTES TO FINANCIAL STATEMENTS

**NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in these financial statements. Actual results could differ from those estimates.

Income Taxes

The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and applicable Minnesota Statutes, except to any extent it has taxable income that is not related to its tax-exempt purpose.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) for uncertain position that more likely than not would not be sustained upon examination by the applicable tax authorities. Federal and state tax authorities generally have the right to examine the current and three previous years of income tax returns. The Organization is not currently under examination by any taxing jurisdiction.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 17, 2022, the date the financial statements were available to be issued.

HELPING PAWS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at May 31, 2022:

Financial assets at year-end:	
Cash and cash equivalents	\$ 511,794
Certificates of deposit	<u>500,803</u>
 Total financial assets	 <u>1,012,597</u>
 Less amounts not available to be used within one year	
Net assets with donor restrictions	29,058
Less net assets with restrictions to be met in less than one year	<u>(29,058)</u>
 Financial assets available to meet general expenditures over the next twelve months	 <u>\$ 1,012,597</u>

The Organization's goal is generally to maintain financial assets to meet 6 months of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments including money market accounts and certificates of deposit.

NOTE 3. EMPLOYEE BENEFIT PLAN

The Organization maintains a SIMPLE IRA defined contribution plan covering all eligible employees. Participants may contribute up to the maximum allowable by law and are fully vested immediately. The Organization provides a matching contribution of 100% of the first 3% of salary contributions by employees. During the year ended May 31, 2022, the Organization contributed \$12,999 to the plan.

NOTE 4. LINE OF CREDIT

The Organization maintains a \$50,000 line of credit expiring March 8, 2023. Advances on the line bear variable interest at 4.00%. The line of credit is secured by substantially all business assets of the Organization. At May 31, 2022, there were no outstanding advances on this line of credit. There was no interest incurred on this line of credit for the year ended May 31, 2022.

HELPING PAWS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 5. NET ASSETS WITH DONOR RESTRICTIONS

As of May 31, 2022, net assets with donor restrictions consisted of the following:

Specific Purpose	
Assistance Dog Conference	\$ 5,025
Tail Wagging Event	13,900
Spay and Neuter Program	<u>10,133</u>
	<u>\$ 29,058</u>

Net assets were released from restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors. During the year ended May 31, 2022, net assets of \$5,680 were released for the Spay and Neuter Program.

NOTE 6. BORROWING ARRANGEMENTS

The Organization maintains credit card accounts of which they can borrow up to \$25,000. Advances on these credit card accounts accrue interest at a rate of 13.99% for the year ended May 31, 2022. There were outstanding advances on these accounts of \$8,258, which were included in the accounts payable balance as of May 31, 2022. There was no interest incurred on these credit card accounts for the year ended May 31, 2022.

NOTE 7. INKIND CONTRIBUTIONS

During the year ended May 31, 2022, the Organization received inkind contributions of \$5,000 for professional services related to the special event.

Helping Paws receives significant services from unpaid volunteers who support the Organization's primary program activities and fundraising services. No amounts have been recognized in the accompanying statements of activities for these services; however, volunteers have been integral in enhancing the programs provided by the Organization. These volunteers provided a total of 95,809 hours, which is the equivalent of 45 full time employees.

HELPING PAWS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8. OPERATING LEASES

The Organization's office and training facility lease expired July 31, 2022. Total rent expense was \$49,428 for the year ended May 31, 2022. This lease was extended to July 2026 subsequent to year end. At May 31, 2022, future minimum payments under lease agreements are as follows:

Year Ending May 31,	Amount
2023	\$ 30,483
2024	31,751
2025	32,938
2026	<u>5,524</u>
	<u>\$ 100,696</u>