

HELPING PAWS, INC.
AUDITED FINANCIAL STATEMENTS
May 31, 2025



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Helping Paws, Inc.
Eden Prairie, 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, 2025, and the related statements of activities, functional expenses and cash flows 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, 2025, 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.

Report on Summarized Comparative Information

We have previously audited Helping Paws, Inc.'s 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 5, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hamington Langer & Associates

October 13, 2025

HELPING PAWS, INC.
STATEMENT OF FINANCIAL POSITION
May 31, 2025
(With Comparative Totals for 2024)

	<u>2025</u>	<u>2024</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 199,704	\$ 573,377
Certificates of deposit	201,104	338,720
Contributions receivable, current portion	141,875	253,339
Prepaid expenses	<u>60,216</u>	<u>60,743</u>
 TOTAL CURRENT ASSETS	 <u>602,899</u>	 <u>1,226,179</u>
 PROPERTY AND EQUIPMENT, at cost		
Furniture and equipment	80,499	45,460
Lease improvements	377,606	235,102
Software	<u>28,950</u>	<u>28,950</u>
	487,055	309,512
Accumulated depreciation	<u>(81,474)</u>	<u>(17,635)</u>
 TOTAL PROPERTY AND EQUIPMENT, net	 <u>405,581</u>	 <u>291,877</u>
 OTHER ASSETS		
Contributions receivable, net of current portion	50,000	-
Investment - endowment	514,375	-
Operating lease right-of-use assets	<u>346,315</u>	<u>342,439</u>
 TOTAL OTHER ASSETS	 <u>910,690</u>	 <u>342,439</u>
 TOTAL ASSETS	 <u><u>\$ 1,919,170</u></u>	 <u><u>\$ 1,860,495</u></u>

HELPING PAWS, INC.
STATEMENT OF FINANCIAL POSITION (continued)
May 31, 2025
(With Comparative Totals for 2024)

	<u>2025</u>	<u>2024</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 48,284	\$ 35,270
Accrued expenses	85,063	50,718
Deferred revenue	2,500	-
Current portion of operating lease liabilities	<u>61,852</u>	<u>39,778</u>
 TOTAL CURRENT LIABILITIES	 197,699	 125,766
 LONG-TERM LIABILITIES		
Operating lease liabilities, net of current portion	<u>298,464</u>	<u>312,622</u>
 TOTAL LIABILITIES	 <u>496,163</u>	 <u>438,388</u>
 NET ASSETS		
Without donor restrictions		
Undesignated	448,681	614,209
Designated-future maintenance and operations	<u>262,466</u>	<u>262,466</u>
 Total without donor restrictions	 711,147	 876,675
With donor restrictions	<u>711,860</u>	<u>545,432</u>
 TOTAL NET ASSETS	 <u>1,423,007</u>	 <u>1,422,107</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,919,170</u>	 <u>\$ 1,860,495</u>

HELPING PAWS, INC.
STATEMENT OF ACTIVITIES
For the Year Ended May 31, 2025
(With Comparative Totals for 2024)

	Without Donor Restrictions	With Donor Restrictions	Total 2025	Total 2024
SUPPORT AND REVENUE				
Special events - contributions	\$ 249,550	\$ -	\$ 249,550	221,701
Special events - other	39,512	-	39,512	41,862
Less: direct costs	(97,238)	-	(97,238)	(97,196)
Net special event revenue	191,824	-	191,824	166,367
Contributions	1,270,581	173,569	1,444,150	1,596,529
Program services	11,505	-	11,505	13,919
Investment income, net	25,263	15,411	40,674	34,052
Net assets released from restrictions	22,552	(22,552)	-	-
TOTAL SUPPORT AND REVENUE	<u>1,521,725</u>	<u>166,428</u>	<u>1,688,153</u>	<u>1,810,867</u>
EXPENSES				
Program services	1,214,611	-	1,214,611	844,949
Management and general	122,336	-	122,336	112,625
Fundraising	350,306	-	350,306	316,525
TOTAL EXPENSES	<u>1,687,253</u>	<u>-</u>	<u>1,687,253</u>	<u>1,274,099</u>
CHANGE IN NET ASSETS	(165,528)	166,428	900	536,768
NET ASSETS, BEGINNING	<u>876,675</u>	<u>545,432</u>	<u>1,422,107</u>	<u>885,339</u>
NET ASSETS, ENDING	<u>\$ 711,147</u>	<u>\$ 711,860</u>	<u>\$ 1,423,007</u>	<u>\$ 1,422,107</u>

HELPING PAWS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended May 31, 2025
(With Comparative Totals for 2024)

	Program Services	Management and General	Fundraising	Total 2025	Total 2024
Salaries	\$ 564,969	\$ 77,773	\$ 147,685	\$ 790,427	\$ 655,018
Benefits	89,571	12,330	23,414	125,315	110,691
Payroll taxes	42,913	5,907	11,217	60,037	46,786
Professional development	2,739	-	-	2,739	3,065
Professional fees	38,353	17,349	81,043	136,745	60,254
Office expenses	41,752	2,442	10,367	54,561	60,531
Postage and printing	3,213	188	798	4,199	15,311
Dues and subscriptions	1,595	545	1,220	3,360	2,850
Occupancy	110,486	2,002	10,767	123,255	69,802
Travel	18,999	-	2,111	21,110	16,228
Utilities	19,256	349	1,876	21,481	14,382
Facility repairs	9,682	175	944	10,801	9,435
Depreciation	52,036	943	10,861	63,840	18,490
Insurance	14,888	270	1,451	16,609	14,403
Bank and credit card fees	1,493	-	8,462	9,955	10,211
Service dog training expenses	167,399	-	-	167,399	111,500
Event expenses	-	-	97,238	97,238	97,196
Marketing	-	-	29,332	29,332	16,506
Other expenses	4,717	276	1,172	6,165	3,134
Software	30,550	1,787	7,586	39,923	35,502
Total expenses by function	1,214,611	122,336	447,544	1,784,491	1,371,295
Less expenses included in the expense section on the statement of activities					
Special events	-	-	(97,238)	(97,238)	(97,196)
Total expenses included in the expense section on the statement of activities	<u>\$ 1,214,611</u>	<u>\$ 122,336</u>	<u>\$ 350,306</u>	<u>\$ 1,687,253</u>	<u>\$ 1,274,099</u>

HELPING PAWS, INC.
STATEMENT OF CASH FLOWS
For the Year Ended May 31, 2025
(With Comparative Totals for 2024)

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 900	\$ 536,768
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	63,840	18,490
Interest and dividends reinvested	(1,104)	(13,798)
Realized and unrealized loss (gain) on investments, net of fees	(12,656)	-
(Increase) decrease in:		
Contributions receivable	61,464	(231,584)
Prepaid expenses	527	(7,626)
Operating lease assets and liabilities	4,040	8,645
Accounts payable	13,014	10,835
Accrued expenses	34,345	(22,339)
Deferred revenue	<u>2,500</u>	<u>-</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>166,870</u>	 <u>299,391</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposits	(280,000)	(131,371)
Redemption of certificates of deposits	417,000	510,000
Purchase of investments	(500,000)	-
Purchase of property and equipment	<u>(177,543)</u>	<u>(282,288)</u>
 NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	 <u>(540,543)</u>	 <u>96,341</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 (373,673)	 395,732
 CASH AND CASH EQUIVALENTS, BEGINNING	 <u>573,377</u>	 <u>177,645</u>
 CASH AND CASH EQUIVALENTS, ENDING	 <u>\$ 199,704</u>	 <u>\$ 573,377</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 will be in effect through October 2025.

Donated Services

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 because the services did not meet the requirements of generally accepted accounting principles; 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.

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.

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.

HELPING PAWS, INC.
NOTES TO FINANCIAL STATEMENTS

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

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 statement of activities.

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. These certificates of deposit mature in various dates through May 2026 and earn interest at rates up to 4.40%.

HELPING PAWS, INC.
NOTES TO FINANCIAL STATEMENTS

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

Contributions Receivable

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. At May 31, 2025, management considered all contributions receivable to be fully collectible and, accordingly, no allowance has been established.

Service Dogs

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 statement of financial position.

Property and Equipment

Purchased property and equipment are recorded at cost. Property and equipment purchases over \$1,000 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 five to seven years. Replacements, maintenance, and repairs, which do not improve or extend the lives of the assets, are expensed as incurred. Depreciation expense for the year ended May 31, 2025 was \$63,840.

Impairment of Long-Lived Assets

The Organization periodically reviews its long-lived assets for impairment and assesses whether significant events or changes in business circumstances indicate the carrying value of the assets may not be recoverable. An impairment loss is recognized when the carrying amount of an asset exceeds the anticipated future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. The amount of the impairment loss to be recorded, if any, is calculated by the excess of the asset's carrying value over its fair value. Management does not believe impairment indicators are present for the year ended May 31, 2025.

Investments

Investments are stated at fair value in the statement of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the increase (decrease) in unrestricted net assets unless the income or loss is restricted by donor or law. Included in investments are cash, certificates of deposit, and money market funds, which are stated at cost.

HELPING PAWS, INC.
NOTES TO FINANCIAL STATEMENTS

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

Revenue Recognition

The Organization recognizes revenue from exchange transactions, primarily placement programs, public education, and general programs when the services are provided. The Organization periodically hosts fundraising events. The funds raised from these events are used for the Organization's primary activities and general operations.

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.

Marketing

Marketing expenses are expensed as incurred. These costs were \$29,332 for the year ended May 31, 2025.

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)

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.

Accounting Policy Election for Short-Term Leases

The Organization has elected for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less, but greater than 1 month at lease commencement, and do not include an option to purchase the underlying asset the Organization is reasonably certain to exercise. The Organization recognizes lease cost associated with its short-term leases on a straight-line basis over the lease term.

Leases

The Organization accounts for leases in accordance with FASB ASC 842. The Organization is a lessee in a noncancellable operating lease for office and training space. Leases for other equipment are evaluated using the criteria outlined in FASB ASC 842 to determine whether they will be classified as operating or finance leases. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when terms of an existing contract are changed. The Organization determines if an arrangement conveys the right to use an identified asset and whether the Organization obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. The Organization recognizes a lease liability and ROU asset at the commencement date of the lease.

HELPING PAWS, INC.
NOTES TO FINANCIAL STATEMENTS

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

ROU Assets

A ROU asset is measured at the commencement date at the amount of the initially measured liability plus any lease payments made to the lessor before or after commencement date, minus any lease incentives received, plus any initial direct costs. Unless impaired, the ROU asset is subsequently measured throughout the lease term at the amount of the lease liability (that is the present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease cost for lease payments is recognized on a straight-line basis over the term of the lease. Finance lease ROU assets are amortized on a straight-line basis over the shorter of the lease term or the remaining useful life of the asset.

Lease Liabilities

A lease liability is measured on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or rate and are measured using the index or rate at the commencement date. Lease payments, including variable payments made based on an index rate, are remeasured when any of the following occur: (1) the lease is modified (and the modification is not accounted for as a separate contract), (2) certain contingencies related to variable lease payments are resolved, or (3) there is a reassessment of any of the following: the lease term, purchase options, or amounts that are probable of being owed under a residual value guarantee. The discount rate is the rate implicit in the lease if it is readily determinable. The implicit rates of the Organization's leases are not readily determinable; accordingly, the Organization has made the election to use a risk-free rate in lieu of its incremental borrowing rate using a period comparable with that of the individual lease term based on the information available at the commencement date for each lease. For existing leases at implementation date of FASB ASC 842, the risk-free rate used is the rate comparable with the remaining lease term as of the implementation date.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year financial statement presentation. There were no changes to previously reported net assets.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 13, 2025, 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, 2025:

Financial Assets at Year-End	
Cash and cash equivalents	\$ 199,704
Certificates of deposit	201,104
Contributions receivable	191,875
Investment - endowment	<u>514,375</u>
Total financial assets	1,107,058
Less amounts not available to be used within one year	
Net assets with donor restrictions	<u>(489,375)</u>
Financial assets available to meet general expenditures within one year	
	<u>\$ 617,683</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. FAIR VALUE MEASUREMENTS

Certain assets or liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
- Level 3 – Unobservable inputs for the asset or liability.

HELPING PAWS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3. FAIR VALUE MEASUREMENTS (continued)

A significant portion of investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values. U.S. government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions and are classified within Level 2.

The following table presents assets measured at fair value on a recurring basis at May 31, 2025:

	Level 1	Level 2	Level 3	Total
U.S. Government obligations	\$ -	\$ 1,930	\$ -	\$ 1,930
Mutual funds	512,445	-	-	512,445
	<u>\$ 512,445</u>	<u>\$ 1,930</u>	<u>\$ -</u>	<u>\$ 514,375</u>

NOTE 4. ENDOWMENT

The Organization's endowment includes donor-restricted endowment funds. As required by US GAAP, net assets associated with the endowment funds, including funds designated by the Board, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment with donor restrictions to be held in perpetuity, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

HELPING PAWS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4. ENDOWMENT (continued)

The Organization has adopted investment and spending policies for investment assets to support the mission by providing earnings and capital appreciation to support agency programs, capital expenditures, and board-directed initiatives through a strategic plan that strives to maintain and grow the investment corpus and provide annual operating earnings to support the Organization's mission. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Directors, the objectives of the endowment assets are to acknowledge the need for both current cash flow and a total return that will preserve or enhance the purchasing power of the assets, to achieve total returns, over time, comparable to those experienced by other portfolios of similar size and with similar objectives, to maintain a reasonable balance between the quest for growth and the need to protect principal, and to maintain an overall posture that could be described as "reasonable total return with modest risk."

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Organization is required to hold the endowment for a period of seven years. The Organization will start to take annual draws on June 1, 2025, that are equal to the greater of 5% of the prior fiscal year's ending balance or \$25,000, and continue until the last one on June 1, 2030. After April 1, 2031, the endowment restriction ends, and the Organization may withdraw any amount it deems necessary.

Endowment net asset composition by type of fund at May 31, 2025 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted amount and amounts required to be maintained for a period of seven years by donor	\$ -	\$ 500,000	\$ 500,000
Accumulated investment gains	-	14,375	14,375
	<u>\$ -</u>	<u>\$ 514,375</u>	<u>\$ 514,375</u>

HELPING PAWS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4. ENDOWMENT (continued)

Changes in endowment net assets for the year ended May 31, 2025 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 500,000	\$ 500,000
Investment return:			
Interest and dividends	-	14,869	14,869
Realized and unrealized losses	-	(394)	(394)
Management fees	-	(100)	(100)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 514,375</u>	<u>\$ 514,375</u>

NOTE 5. BORROWING ARRANGEMENTS

The Organization maintains credit card accounts of which they can borrow up to \$25,000. Purchases on these credit card accounts accrue interest at a rate of 18.24% for the year ended May 31, 2025. There were outstanding purchases on these accounts of \$12,638, which were included in the accounts payable balance as of May 31, 2025. There was no interest incurred on these credit card accounts for the year ended May 31, 2025.

NOTE 6. LEASE OBLIGATIONS

The Organization has obligations as a lessee for office and training spaces with initial noncancelable terms in excess of one year. Generally, the office and training spaces leases have an initial term of 5 years. The Organization classifies these leases as operating leases. Because the Organization is not reasonably certain to exercise these renewal options, the optional periods are not included in determining the lease term, and associated payments under these renewal options are excluded from lease payments used to determine the lease liabilities. The Organization's leases do not include guaranteed residual values or restrictive financial or other covenants. Payments due under lease contract includes fixed payments. The Organization's office and training spaces leases require it to make variable payments for the Organization's proportionate share of the buildings' property taxes and insurance. These variable lease payments are not included in lease payments used to determine lease liabilities and are recognized as variable lease costs when incurred. The Organization has elected to separate nonlease components from lease components in leases for the office and training spaces.

HELPING PAWS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6. LEASE OBLIGATIONS (continued)

The components of lease cost and income statement caption allocation for the year ended May 31, 2025 consisted of operating lease costs of \$69,738 recorded in occupancy expenses.

Supplemental cash flow information for the year ended May 31, 2025:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$ 64,061
ROU assets obtained in exchange for new operating leases	\$ 56,319

Weighted average lease term and discount rate as of May 31, 2025 were as follows:

Weighted-average remaining lease term in years for operating leases	5.45
Weighted-average discount rate for operating leases	4.33%

The maturities of operating lease liabilities as of May 31, 2025 were as follows:

Year Ending May 31,	Operating Leases Amount
2026	\$ 75,985
2027	78,509
2028	68,112
2029	61,036
2030	62,867
Thereafter	<u>58,917</u>
Total undiscounted cash flows	405,426
Less: present value discount	<u>(45,110)</u>
Total lease liabilities	<u>\$ 360,316</u>

HELPING PAWS, INC.
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NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS

As of May 31, 2025, net assets with donor restrictions consisted of the following:

Subject to expenditure for specific purpose:	
Labrador Breeding Program	\$ 22,879
Puppy Enrichment Center	124,606
Veterinary Fund	50,000
Endowments:	
Subject to endowment spending policy and appropriation:	
Available for general operations	<u>514,375</u>
	<u>\$ 711,860</u>

Net assets were release from donor restrictions by incurring expenses that satisfy the restricted purpose or by the occurrence of the passage of time or other events specified by the donors as follows for the year ended May 31, 2025:

Satisfaction of purpose restrictions:	
Spay and Neuter Program	\$ 3,717
Labrador Breeding Program	<u>18,835</u>
	<u>\$ 22,552</u>

NOTE 8. DESIGNATED NET ASSETS WITHOUT DONOR RESTRICTIONS

Designations of net assets are used to show amounts within net assets without donor restrictions that are intended to be used for board specific purposes, but are not legally or donor restricted. At May 31, 2025, board designated net assets of \$262,466 were intended for future repairs and maintenance.

NOTE 9. 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, 2025, the Organization contributed \$14,981 to the plan.