

PAWS OF WAR, INC.
FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

PAWS OF WAR, INC.

TABLE OF CONTENTS

Page

Independent Auditors' Report..... 1 – 2

Financial Statements:

Statements of Financial Position.....3

Statements of Activities..... 4 – 5

Statements of Functional Expenses.....6

Statements of Cash Flows..... 7

Notes to Financial Statements.....8 – 13



Independent Auditors' Report

To the Board of Directors of
Paws of War, Inc.
Smithtown, NY

Opinion

We have audited the accompanying financial statements of Paws of War, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021 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 Paws of War, Inc. as of December 31, 2021, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Paws of War, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Paws of War, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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.

200 Parkway Drive South, Suite 302, Hauppauge, NY 11788

Phone (631) 360-1700 Fax (631) 963-7522

Fort Lauderdale | Long Island | Miami | Palm Beaches | Westchester

www.fuoco.com

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Paws of War, 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 Paws of War, 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 Paws of War, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 12, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Pwco Group". The script is cursive and fluid, with the "P" and "G" being particularly large and stylized.

Hauppauge, NY
October 24, 2022

PAWS OF WAR, INC.
STATEMENTS OF FINANCIAL POSITION

	As of December 31,	
	2021	2020
ASSETS		
Current assets:		
Cash, cash equivalents, and restricted cash	\$ 2,274,233	\$ 1,650,260
Contributions receivable	454,187	147,005
Prepaid expenses	6,918	4,988
Total current assets	2,735,338	1,802,253
Property and equipment, net	650,700	70,916
Total assets	\$ 3,386,038	\$ 1,873,169
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 75,142	\$ 16,153
Accrued expenses	16,370	3,939
Current maturities of long-term debt	5,588	2,033
Total current liabilities	97,100	22,125
Long-term debt, less current maturities	143,808	147,967
Total liabilities	240,908	170,092
Net assets:		
Without donor restrictions	1,515,718	1,384,384
With donor restrictions	1,629,412	318,693
Total net assets	3,145,130	1,703,077
Total liabilities and net assets	\$ 3,386,038	\$ 1,873,169

See independent auditors' report and notes to financial statements

PAWS OF WAR, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUES			
Contributions	\$ 2,116,159	\$ 1,359,219	\$ 3,475,378
In-kind contributions	35,000	-	35,000
Royalty and other income	35,204	-	35,204
Interest income	1,788	-	1,788
Total public support and revenues	2,188,151	1,359,219	3,547,370
Net assets released from restrictions	48,500	(48,500)	-
Total public support and revenues after release from restrictions	2,236,651	1,310,719	3,547,370
EXPENSES			
Program services	1,652,003	-	1,652,003
Support services:			
Management and general	285,382	-	285,382
Fundraising	167,932	-	167,932
Total support services	453,314	-	453,314
Total expenses	2,105,317	-	2,105,317
Change in net assets	131,334	1,310,719	1,442,053
Net assets, beginning of year	1,384,384	318,693	1,703,077
Net assets, end of year	\$ 1,515,718	\$ 1,629,412	\$ 3,145,130

See independent auditors' report and notes to financial statements

PAWS OF WAR, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUES			
Contributions	\$ 1,792,386	\$ 318,693	\$ 2,111,079
Government grant revenue	3,000	-	3,000
In-kind contributions	8,000	-	8,000
Royalty and other income	32,921	-	32,921
Interest income	3,542	-	3,542
Total public support and revenues	1,839,849	318,693	2,158,542
Net assets released from restrictions	118,393	(118,393)	-
Total public support and revenues after release from restrictions	1,958,242	200,300	2,158,542
EXPENSES			
Program services	867,398	-	867,398
Support services:			
Management and general	151,316	-	151,316
Fundraising	210,042	-	210,042
Total support services	361,358	-	361,358
Total expenses	1,228,756	-	1,228,756
Change in net assets	729,486	200,300	929,786
Net assets, beginning of year	654,898	118,393	773,291
Net assets, end of year	\$ 1,384,384	\$ 318,693	\$ 1,703,077

See independent auditors' report and notes to financial statements

PAWS OF WAR, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

	Year ended December 31, 2021									2020 Summarized Total
	Program Services				Support Services					
	Dog Training and Medical	War Torn Pups	Vets to Vets	Total Program Expenses	Management and General	Fundraising	Total Support Services	Total Expenses		
Salaries and wages	\$ 61,634	\$ 102,724	\$ 41,089	\$ 205,447	\$ 25,509	\$ 18,285	\$ 43,794	\$ 249,241	\$ 148,085	
Payroll taxes	5,656	9,427	3,771	18,854	2,341	1,681	4,022	22,876	12,415	
Employee benefits	310	518	207	1,035	443	-	443	1,478	1,976	
Postage and delivery	55,624	92,706	37,082	185,412	23,041	16,516	39,557	224,969	201,124	
Training and supplies	234,602	391,004	156,401	782,007	-	-	-	782,007	249,947	
Printing	37,933	63,223	25,289	126,445	15,713	11,263	26,976	153,421	138,082	
Agency fee	-	-	-	-	-	77,285	77,285	77,285	83,794	
Rent and occupancy	10,473	17,457	6,983	34,913	9,823	3,110	12,933	47,846	43,761	
Contract services	16,111	26,852	10,741	53,704	13,193	2,015	15,208	68,912	78,595	
Processing fees	11,492	19,153	7,661	38,306	9,219	3,551	12,770	51,076	23,201	
Mechadise costs	2,682	4,470	1,788	8,940	-	-	-	8,940	2,032	
Advertising and promotion	3,119	5,199	2,079	10,397	112,729	9,623	122,352	132,749	17,893	
Accounting and auditing	-	-	-	-	53,744	-	53,744	53,744	41,974	
Auto expense	1,489	2,481	992	4,962	2,592	-	2,592	7,554	11,226	
Insurance expense	3,979	6,632	2,653	13,264	1,648	1,182	2,830	16,094	12,335	
Office and general expenses	1,676	2,794	1,117	5,587	1,153	730	1,883	7,470	10,442	
Dues and subscriptions	-	-	-	-	500	-	500	500	1,180	
Depreciation	6,997	11,661	4,664	23,322	2,898	2,077	4,975	28,297	16,643	
Repairs and maintenance	9,187	15,313	6,125	30,625	1,598	1,145	2,743	33,368	33,159	
Grants and assistance to others	8,396	13,995	5,598	27,989	-	-	-	27,989	22,033	
Travel	5,794	9,656	3,862	19,312	100	-	100	19,412	4,519	
Interest expense	-	-	-	-	4,229	-	4,229	4,229	2,077	
Meetings and conferences	5,267	8,778	3,511	17,556	1,185	849	2,034	19,590	3,643	
Computer expensse	6,361	10,601	4,240	21,202	2,635	1,889	4,524	25,726	24,231	
Business registration fee	2,916	4,862	1,945	9,723	569	5,327	5,896	15,619	19,912	
List rental expense	3,302	5,504	2,201	11,007	520	6,031	6,551	17,558	17,473	
Event expense	598	997	399	1,994	-	5,373	5,373	7,367	7,004	
Total expenses	\$ 495,598	\$ 826,007	\$ 330,398	\$ 1,652,003	\$ 285,382	\$ 167,932	\$ 453,314	\$ 2,105,317	\$ 1,228,756	

See independent auditors' report and notes to financial statements

PAWS OF WAR, INC.
STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 1,442,053	\$ 929,786
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	28,297	16,643
Changes in assets and liabilities:		
(Increase) in contributions receivable	(307,182)	(122,432)
Decrease in due to professional fundraiser	-	37,019
(Increase) decrease in prepaid expenses	(1,930)	1,441
Increase in accounts payable	58,989	14,292
Increase in accrued expenses	12,431	2,222
Net cash provided by operating activities	1,232,658	878,971
Cash flows from investing activities		
Purchase of property and equipment	(608,081)	-
Net cash used in investing activities	(608,081)	-
Cash flows financing activities		
Proceeds from SBA loan	-	150,000
Payments on SBA loan	(604)	-
Net cash (used in) provided by financing activities	(604)	150,000
Net increase in cash, cash equivalents, and restricted cash	623,973	1,028,971
Cash, cash equivalents, and restricted cash at beginning of year	1,650,260	621,289
Cash, cash equivalents, and restricted cash at end of year	\$ 2,274,233	\$ 1,650,260
Supplemental disclosures of cash flow information		
Cash paid for unrelated business income taxes	\$ -	\$ -
Cash paid for interest	\$ -	\$ -

See independent auditors' report and notes to financial statements

PAWS OF WAR, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF OPERATIONS

Paws of War, Inc. ("the Organization") believes it is their moral responsibility to train and place shelter dogs with our United States military veterans. These dogs will serve and protect our veterans who suffer from the emotional effects of war such as post-traumatic stress disorder. In turn, each veteran can experience the therapeutic and unconditional love only a companion animal can bring.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), 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, where by the donor has stipulated the funds be maintained in perpetuity.

Cash, Cash Equivalents, and Restricted Cash

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition. There was no restricted cash as of December 31, 2021 and 2020.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Organization 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, 2021 and 2020, was \$1,870,250 and \$1,342,344, respectively. The Organization's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue.

As of December 31, 2021 and 2020, the Organization's contributions receivable consisted of unconditional promises to give, all of which are expected to be collected within one year. Based upon historical collection experience, management has determined that no allowance for doubtful accounts is necessary.

PAWS OF WAR, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment is stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets or the lease term. The useful lives range from three to fifteen years. The Organization's policy is to capitalize renewals and betterments acquired for greater than \$1,000 and expense normal repairs and maintenance as incurred. The Organization's management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". The ASU applies to revenue not recorded under the lease standard and requires entities to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization adopted the new standard effective January 1, 2021, the first day of the Organization's fiscal year using the modified retrospective approach. The adoption did not result in any change to the beginning net assets as of January 1, 2021. The adoption of this standard did not have a material impact on the 2021 revenue.

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising activities; however, the financial statements do not reflect the value of these donated services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Donated goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received. At December 31, 2021 and 2020, donations in-kind were \$35,000 and \$8,000, respectively. During 2021, the Organization received and utilized donations of animal food and supplies valued at \$35,000. During 2020, the Organization received rent forgiveness valued at \$8,000.

Advertising Costs

Advertising costs are expensed as incurred and amounted to \$132,749 and \$17,893 during the years ended December 31, 2021 and 2020, respectively.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a natural basis in the statements of activities. Accordingly, certain costs have been allocated among program and supporting services benefited.

Income Taxes

Paws of War, Inc. is organized as a New York State nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for charitable contribution deductions under IRC Sections 170(b)(1)(A)(vi), and has not been determined to be a private foundation under IRC Section 509(a)(1). The Organization is required to file an annual Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. Management has determined that the Organization is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

PAWS OF WAR, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Fair Value of Financial Instruments

The Organization's financial instruments are cash, cash equivalents, and restricted cash, contributions receivable, accounts payable and long-term debt. The recorded values of cash, cash equivalents, and restricted cash, contributions receivable and accounts payable approximate their fair values based on their short-term nature. The recorded value of long-term debt approximates the fair value, as interest approximates market rates.

NOTE 3 – LIQUIDITY

The Organization primarily generates financial assets from contributions received from Foundations and individuals. The financial assets are acquired throughout the year to help meet the Organization's cash needs for general expenditures.

The following table presents the Organization's financial assets for general expenditures within one year of the financial position date:

	As of December 31,	
	2021	2020
Current assets as of December 31, excluding non-financial assets:		
Cash and cash equivalents	\$ 2,274,233	\$ 1,650,260
Contributions receivable	454,187	147,005
Total current assets, excluding non-financial assets	2,728,420	1,797,265
Less those unavailable for general expenditures due to:		
Donor restrictions	(1,629,412)	(318,693)
Financial assets available to meet cash needs		
for general expenditures within one year	\$ 1,099,008	\$ 1,478,572

PAWS OF WAR, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2021 and 2020 are as follows:

	As of December 31,		Useful Lives (Years)
	2021	2020	
Computers and equipment	\$ 35,694	\$ 34,594	5
Transportation equipment	2,300	2,300	5
Vehicles	129,995	36,000	5
Signage	3,600	3,600	7
Leasehold improvements	28,474	24,974	15
Buildings	509,486	-	30
Total property and equipment	709,549	101,468	
Less: accumulated depreciation	(58,849)	(30,552)	
Property and equipment, net	\$ 650,700	\$ 70,916	

Depreciation expense for the years ended December 31, 2021 and 2020 was \$28,297 and \$16,643 respectively.

NOTE 5 – LONG-TERM DEBT

The Organization's long-term debt consists of the following as of December 31:

	2021	2020
Economic Injury Disaster Loan through the U.S. Small Business Administration, due in 349 monthly payments, including interest at a rate of 2.75%, in the amount of \$641, beginning June 2021 through June 2051.	\$ 149,396	\$ 150,000
Less current maturities of long-term debt	5,588	2,033
Long-term debt	\$ 143,808	\$ 147,967

Future minimum payments of long-term debt are as follows:

Years ended December 31,	Amount
2022	\$ 5,588
2023	3,657
2024	3,759
2025	3,864
2026	3,971
Thereafter	128,557
	\$ 149,396

PAWS OF WAR, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2021 and 2020, net assets with donor restrictions were available for the following purposes:

	2021	2020
War Torn Pups	\$ 1,622,137	\$ 271,141
Dog Training	4,435	2,500
Florida Chapter Graduation	-	25,000
Helping Heroes	2,840	20,052
Net assets with donor restrictions	\$ 1,629,412	\$ 318,693

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2021 and 2020:

	2021	2020
War Torn Pups	\$ 21,000	\$ 53,766
Dog Training	2,500	52,875
Vet2Vet Mobile Animal Clinic	-	11,752
Florida Chapter Graduation	25,000	-
Net assets released from restrictions	\$ 48,500	\$ 118,393

NOTE 7 – RELATED PARTY TRANSACTIONS

The Organization leases office space in Nesconset on a month to month basis. This space is shared with Guardians of Rescue, Inc., a related party due to common affiliation. The rent and occupancy costs are shared based on the proportionate use of the office space by each organization. The rates in effect for the years ended December 31, 2021 and 2020 are 70% to Paws of War and 30% to Guardians of Rescue, Inc. Rent and occupancy costs allocated to Paws of War amounted to \$47,846 and \$43,761 for the years ended December 31, 2021 and 2020, respectively.

NOTE 8 - JOINT COSTS OF ACTIVITIES THAT INCLUDE A FUND-RAISING APPEAL

The Organization produces a monthly newsletter that includes programmatic and administrative information, together with a request for contributions in support of its mission. During the years ended December 31, 2021 and 2020, the costs of producing the newsletter included joint costs not directly attributable to any single function. Those costs were allocated among the following functional expense categories as follows:

	2021	2020
Program	\$ 315,888	\$ 182,786
Management and general	20,993	12,502
Fundraising	173,085	202,865
Total joint costs	\$ 509,966	\$ 398,153

PAWS OF WAR, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – COVID-19

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a “Public Health Emergency of International Concern.” The COVID-19 outbreak is disrupting and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 24, 2022, the date the financial statements were available to be issued.