PERFORMING ANIMAL WELFARE SOCIETY

Financial Statements

Years Ended
December 31, 2022 and 2021

McCurry & White LLP
Certified Public Accountants
The Fountains
3031 West March Lane, Suite 205 West
Stockton, California 95219

PERFORMING ANIMAL WELFARE SOCIETY
Financial Statements
Years Ended December 31, 2022 and 2021

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McCurry & White LLP
Certified Public Accountants

Richard L. McCurry
John H. White

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Performing Animal Welfare Society
Galt, California

Opinion

We have audited the accompanying financial statements of Performing Animal Welfare Society (PAWS) (a California nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits 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 PAWS and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 override of internal control. Misstatements, including omissions, 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.

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Board of Directors
Performing Animal Welfare Society
Galt, California

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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' 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' 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying information on page 21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounts and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McCurry & White LLP

Stockton, California
April 1, 2023

PERFORMING ANIMAL WELFARE SOCIETY

Statements of Financial Position

	December 31, 2022	December 31, 2021
ASSETS		
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 1,733,650	$ 2,172,903
Investment Income Receivable	13,043	10,602
Investments – Current (Note 9, Page 16)	3,984,000	2,100,000
Prepaid Expenses	172,458	145,117
Total Current Assets	5,903,151	4,428,622
OTHER ASSETS:		
Endowments –		
Donor-Restricted (Note 12, Page 19)	27,181	27,181
Board-Designated (Note 12, Pages 19 - 20)	485,155	592,424
Property and Equipment – Net (Note 3, Page 13)	5,402,201	5,804,120
Construction in Progress (Note 4, Page 12)	335,076	53,220
Investments – Long-Term (Note 9, Page 16)	12,579,591	15,799,800
Property Held for Sale (Note 5, Page 13)	10,660	10,660
Bequests Receivable (Note 6, Page 13)	470,500	799,000
Deposits	4,594	4,613
Total Other Assets	19,314,958	23,091,018
TOTAL ASSETS	$ 25,218,109	$ 27,519,640
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	$ 74,078	$ 66,284
Accrued Payroll	46,530	41,103
Total Current Liabilities	120,608	107,387
NET ASSETS (Note 10, Pages 17 - 18):		
Without Donor Restrictions -		
Undesignated	24,565,208	26,879,960
Board-Designated Quasi-Endowment (Note 12, Pages 19 – 20)	505,112	505,112
	25,070,320	27,385,072
With Donor Restrictions -		
Donor-Restricted Endowment (Note 12, Page 19)	27,181	27,181
Total Net Assets	25,097,501	27,412,253
TOTAL LIABILITIES AND NET ASSETS	$ 25,218,109	$ 27,519,640

SEE ACCOMPANYING NOTES.

PERFORMING ANIMAL WELFARE SOCIETY
Statements of Activities

	Year Ended December 31, 2022		
	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions	$ 1,982,697	$ 1,750	$ 1,984,447
Legacies and Bequests	2,459,508	-0-	2,459,508
Advocacy Campaign	-0-	-0-	-0-
Affiliate Program	23,809	-0-	23,809
Noncash Contributions	17,089	-0-	17,089
Events and Conferences	45,765	-0-	45,765
Pledge Program	110,051	-0-	110,051
Grants	609,584	45,000	654,584
Memorials	23,409	-0-	23,409
Adoptions	20,400	-0-	20,400
Educational Materials	4,241	-0-	4,241
eBay Sales	35,226	-0-	35,226
Miscellaneous	6,178	-0-	6,178
Total Revenue, Gains, and Other Support	5,337,957	46,750	5,384,707
OTHER REVENUES (LOSSES):			
Investment Gains (Losses) (Note 9, Page 15)	(3,298,743))	-0-	(3,298,743)
Stock Donations	21,496	-0-	21,496
Gain (Loss) on Asset Disposals	(74,572)	-0-	(74,572)
Reclassifications	46,750	(46,750)	-0-
Total Support, Revenue, and Reclassifications	2,032,888	-0-	2,032,888
EXPENSES:			
Direct Program Services	3,739,089	-0-	3,739,089
Supporting Services:			
Management	514,891	-0-	514,891
Fundraising	93,660	-0-	93,660
Total Supporting Services	608,551	-0-	608,551
Total Expenses	4,347,640	-0-	4,347,640
CHANGE IN NET ASSETS	(2,314,752)	-0-	(2,314,752)
NET ASSETS (Note 10, Page 17):			
Beginning of Year	27,385,072	27,181	27,412,253
End of Year	$ 25,070,320	$ 27,181	$ 25,097,501

SEE ACCOMPANYING NOTES.

	Year Ended December 31, 2021		
	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions	$ 1,407,122	$ 1,850	$ 1,408,972
Legacies and Bequests	2,214,554	-0-	2,214,554
Advocacy Campaign	15,000	-0-	15,000
Affiliate Program	15,457	-0-	15,457
Noncash Contributions	18,278	-0-	18,278
Events and Conferences	(2,450)	-0-	(2,450)
Pledge Program	112,135	-0-	112,135
Grants	1,164,613	13,000	1,177,613
Memorials	53,465	-0-	53,465
Adoptions	47,910	-0-	47,910
Educational Materials	123	-0-	123
eBay Sales	-0-	-0-	-0-
Miscellaneous	6,204	-0-	6,204
Total Revenue, Gains, and Other Support	5,052,411	14,850	5,067,261
OTHER REVENUES (LOSSES):			
Investment Gains (Losses) (Note 9, Page 15)	1,884,477	-0-	1,884,477
Stock Donations	164,895	-0-	164,895
Gain (Loss) on Asset Disposals	(621)	-0-	(621)
Reclassifications	14,850	(14,850)	-0-
Total Support, Revenue, and Reclassifications	7,116,012	-0-	7,116,012
EXPENSES:			
Direct Program Services	3,504,178	-0-	3,504,178
Supporting Services:			
Management	456,000	-0-	456,000
Fundraising	80,755	-0-	80,755
Total Supporting Services	536,755	-0-	536,755
Total Expenses	4,040,933	-0-	4,040,933
CHANGE IN NET ASSETS	3,075,079	-0-	3,075,079
NET ASSETS (Note 10, Page 17):			
Beginning of Year	24,309,993	27,181	24,337,174
End of Year	$ 27,385,072	$ 27,181	$ 27,412,253

PERFORMING ANIMAL WELFARE SOCIETY

Statements of Functional Expenses

	Year Ended December 31, 2022				
	Program	Supporting Services			Total
	Services	Management	Fundraising	Subtotal	Expenses
Salaries and Wages	$ 1,381,831	$ 247,789	$ 18,138	$ 265,927	$ 1,647,758
Payroll Taxes	112,047	20,008	1,334	21,342	133,389
Workers' Compensation	87,257	15,582	1,039	16,621	103,878
Total Compensation	1,581,135	283,379	20,511	303,890	1,885,025
Animal Sanctuary Costs	630,733	-0-	-0-	-0-	630,733
Professional Services	-0-	112,728	-0-	112,728	112,728
Operating Supplies	130,689	21,281	4,632	25,913	156,602
Purchased and Rental Services	425,527	49,273	42,150	91,423	516,950
Occupancy and Utilities	425,082	18,236	817	19,053	444,135
Other Expenses	7,433	7,321	19,882	27,203	34,636
	3,200,598	492,218	87,992	580,210	3,780,808
Depreciation	538,491	22,673	5,668	28,341	566,832
Total Functional Expenses	$ 3,739,089	$ 514,891	$ 93,660	$ 608,551	$ 4,347,640

	Year Ended December 31, 2021				
	Program	Supporting Services			Total
	Services	Management	Fundraising	Subtotal	Expenses
Salaries and Wages	$ 1,371,516	$ 143,691	$ 8,373	$ 152,064	$ 1,523,580
Payroll Taxes	111,208	12,495	1,250	13,745	124,953
Workers' Compensation	68,359	5,493	2,441	7,934	76,293
Total Compensation	1,551,083	161,679	12,064	173,743	1,724,826
Animal Sanctuary Costs	588,896	-0-	-0-	-0-	588,896
Professional Services	-0-	180,129	-0-	180,129	180,129
Operating Supplies	65,369	18,458	3,330	21,788	87,157
Purchased and Rental Services	342,824	50,126	52,670	102,796	445,620
Occupancy and Utilities	397,966	14,878	777	15,655	413,621
Other Expenses	7,803	7,562	6,122	13,684	21,487
	2,953,941	432,832	74,963	507,795	3,461,736
Depreciation	550,237	23,168	5,792	28,960	579,197
Total Functional Expenses	$ 3,504,178	$ 456,000	$ 80,755	$ 536,755	$ 4,040,933

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Such expenses require allocation on a reasonable basis, consistently applied. Allocated expenses include depreciation, directly related to the varied usage of property and equipment within PAWS operations, occupancy and utilities, expensed directly to operations, and salaries and benefits, expensed to program and supporting services on the basis of estimates of personnel time and effort.

SEE ACCOMPANYING NOTES.

PERFORMING ANIMAL WELFARE SOCIETY

Statements of Cash Flows

	Years Ended December 31, 2022	2021
OPERATING ACTIVITIES:		
Change in Net Assets	$ (2,314,752)	$ 3,075,079
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by (Used in) Operating Activities –		
Depreciation and Amortization	566,832	579,197
Net Realized and Unrealized (Gains) Losses:		
Undesignated Investments	3,787,202	(1,118,677)
Board-Designated Quasi-Endowment Investments	19,208	(79,553)
Other Assets	74,572	-0-
Contributions in Kind	(17,089)	(28,278)
Receipt of Contributed Securities	(21,496)	(164,895)
Receipt of Bequested Securities	-0-	(2,109,663)
(Increase) Decrease in:		
Bequests Receivable	328,500	2,424,300
Investment Income Receivable	(2,441)	5,431
Prepaid Expenses	(27,323)	(10,206)
Increase (Decrease) in:		
Accounts Payable and Accrued Payroll	13,220	(22,119)
Net Cash Provided by Operating Activities	2,406,433	2,550,616
INVESTING ACTIVITIES:		
Proceeds from Sales of Undesignated Investments	3,736,254	4,494,312
Acquisitions of Undesignated Investments	(6,061,398)	(6,715,122)
Cash Expended for Construction in Progress	(281,856)	(30,214)
Cash Expended for Property and Equipment	(238,686)	(120,321))
Net Cash Used in Investing Activities	(2,845,686)	(2,371,345)
FINANCING ACTIVITIES:		
Net Cash Released from Restrictions	-0-	-0-
Net Cash Provided by (Used in) Financing Activities	-0-	-0-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(439,253)	179,271
CASH AND CASH EQUIVALENTS:		
Beginning of Year	2,172,903	1,993,632
End of Year	$ 1,733,650	$ 2,172,903

SEE ACCOMPANYING NOTES.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -

This summary of significant accounting policies of Performing Animal Welfare Society (PAWS) is presented to assist in understanding PAWS' financial statements. The financial statements and notes are representations of PAWS' management, who is responsible for their integrity and objectivity.

Nature of Activities:

PAWS provides sanctuary to retired, abused, and abandoned wild animals and educates the public and media regarding problems associated with the trade in captive wildlife. PAWS is headquartered in Galt, California. Historically, PAWS has operated sanctuaries in Galt, Herald, and San Andreas, California. Subsequent to the date of these financial statements, the Galt and Herald sanctuaries were closed, with their resident wild animals being relocated to the San Andreas sanctuary.

Basis of Presentation:

Changes in Accounting Principle -

Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*:

Under the above standard, revenue is recognized when a customer or client obtains control of promised goods or services in an amount that reflects the consideration an entity expects to receive in exchange for those goods or services. The standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. In June 2020, FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, addressing an additional extension of the required effective date for ASU No. 2014-09, for private, not-for-profit entities to years beginning after 2021. Implementation of the above accounting standard for 2022 failed to produce any material effects on PAWS revenue recognition.

FASB Accounting Standards Update ASU No. 2016-02, *Leases (Topic 842)*:

The above standard relates to classifying and capitalizing long-term leases as either *financing* or *operating* in nature, mandating the prescribed mode of presentation of such leases to users of lessee- and lessor-issued financial statements. In June 2020, FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, addressing an additional extension of the required effective date for ASU No. 2016-2, for private, nonprofit entities, to defer implementation to years after 2021. For the year ended December 31, 2022, no material long-term PAWS leases fell within the parameters of the above ASU, pertaining to such leasing contracts.

AICPA Statement on Auditing Standards (SAS) No. 134, *Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements*:

Supersedes and replaces *Forming an Opinion and Reporting on Financial Statements*; *Modifications to the Opinion in the Independent Auditor's Report*; and *Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor's Report*. Adds *Communicating Key Audit Matters in the Independent Auditor's Reports.* Accompanied by a suite of related SAS's, all of these will be in effect in 2020, to the extent applicable to specific organizations. PAWS implemented the provisions of SAS No. 134 with respect to the auditor report for the year ended December 31, 2022.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued) -

Basis of Presentation (Continued):

Changes in Accounting Principle (Continued)-

AICPA Statement on Auditing Standards (SAS) No. 134, *Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements* (Continued):

The AICPA has encouraged financial statement auditors to implement provisions of all relevant SASs in one year, if practical and applicable to an organization under audit. Others in the Suite include –

SAS No. 135, *Omnibus Statement on Auditing Standards – 2019*:

Amends 13 sections of Statements on Auditing Standards, including – *Terms of Engagement; Consideration of Fraud in a Financial Statement Audit*; *The Auditor's Communication With Those Charged With Governance*; *Communicating Internal Control Deficiencies Identified in an Audit*; *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*; *Performing Audit Procedures in Response to Assessed Risk and Evaluating the Audit Evidence Obtained*; *Opening Balances – Initial Audit Engagements, Including Re-audit Engagements*; *Related Parties; Subsequent Events and Subsequently Discovered Facts*; *Written Representations*; *Special Considerations- Audits of Group Financial Statements (Including the Work of Component Auditors)*; *Interim Financial Information; and An Audit of Internal Control Over Financial Reporting That is Integrated With an Audit of Financial Statement*. To the extent applicable to PAWS, provisions of the above pronouncements have been implemented for 2022.

SAS No. 137, *The Auditor's Responsibilities Relating to Other Information Included in Annual Reports*:

Supersedes *Other Information in Documents Containing Audited Financial Statements*. This standard clarifies what other information is within the scope of the auditor's procedures. The provisions of SAS No. 137 are in full effect for applicable to PAWS reporting on supplementary information for the years ended December 31, 2022 and 2021.

No. 138, *Amendments to the Description of the Concept of Materiality*:

Eliminates inconsistencies between the description of materiality in the AICPA Professional Standards and the description of materiality used by the U.S. judicial system and other U.S. standard setters and regulators, such as FASB and PCAOB. Audit procedures adapted from the above SAS relating to assessing management estimates applied to the year ended December 31, 2022.

No. 139, *Amendments to AU-C Sections 800, 805, and 810 to Incorporate Auditor Reporting Changes from SAS No. 134*:

See above SAS No. 134. The provisions of SAS No. 139, above, are generally not applicable to financial statements using generally accepted accounting principles, but instead to special reporting situations, not applicable to PAWS.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued) -

Basis of Presentation (Continued):

Changes in Accounting Principle (Continued)-

No. 140, *Amendments to AU-C Sections 725, 730, 930, 935, and 940 to Incorporate Auditor Reporting Changes from SAS Nos. 134 and 137:*

See above SAS Nos. 134 and 137.

Nos. 141, 142, 143 *Amendments to Effective Dates of SAS Nos. 134-140, Audit Evidence, and Auditing Accounting Estimates and Related Disclosures,* respectively:

The above comprises a portion of the new suite of SAS's. SAS No. 141, *Amendment to the effective Dates of SAS Nos. 134 – 140*, served to defer the effective dates of SAS No. 134 to 140 for one year.

SAS No. 142 relates to the mandate for auditors to adopt new and improved audit procedures regarding audit evidence. The provisions of this SAS will be mandatory for years beginning after December 14, 2022.

SAS No. 143 pertains to increasing the auditor's responsibility for accounting estimates, including fair value estimates, and related disclosures in the financial statements. The provisions of this SAS will be mandatory for years ending after December 15, 2023.

Reclassifications:

Certain amounts presented in the financial statements for the year ended December 31, 2021, have been reclassified so as to better conform to the presentation adopted for the year ended December 31, 2022.

Estimates:

PAWS management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstance; however, actual results could differ from those estimates.

Income Taxes:

Incorporated in California on March 7, 1986, PAWS is a not-for-profit organization exempt from federal income taxes under Internal Revenue Code section 501 (c) (3), and exempt from California income taxes under R & TC section 23701d. PAWS qualifies as a California public benefit corporation and does not operate as a private foundation.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued) -

Income Taxes:

PAWS recognizes tax benefits from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the that position's technical merits.

Tax positions include the tax-exempt status of PAWS and various positions related to the potential sources of unrelated business taxable income. PAWS' management has analyzed its tax positions taken for filings with the Internal Revenue Service and the state of California. PAWS' management believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on PAWS' financial condition, results of operations, or cash flows. Accordingly, PAWS has not recorded any tax assets or liabilities, or related accruals for interest and penalties, for uncertain income tax positions at December 31, 2022 or 2021. PAWS' federal exempt information Forms 990 for the years ended December 31, 2019, 2020, 2021, and 2022 remain subject to Internal Revenue Service examination. The California Franchise Tax Board has a four-year statute of limitations, back to the year ended December 31, 2018.

Cash and Cash Equivalents:

For purposes of the statements of cash flows, PAWS management considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents, unless such investments are held in order to meet restrictions concerning purchases of property and equipment, payments of long-term debt, or endowment purposes.

Expense Allocation:

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

Investments:

PAWS carries investments in equity securities with readily determinable fair values and all investments in debt securities at fair value in the statements of financial position. Unrealized gains and losses are included in changes in net assets in the accompanying statements of activities.

Investment Income and Gains:

Investment income and gains restricted by donors are reported as increases in net assets with donor restrictions if the restrictions are met, whereby a stipulated time period has ended or a purpose restriction is accomplished, in the reporting period in which the income and gains are recognized.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued) -

Promises to Give:

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of 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.

Donated Assets:

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

Donated Services:

No amounts have been reflected in the financial statements for donated services. PAWS generally pays for services requiring specific expertise. However, individuals may, from time to time, volunteer their time and talents to PAWS, committing unquantifiable resources to its ongoing and periodic programs, animal campaign solicitations, and various committee assignments.

Property and Equipment:

Property and equipment are stated at cost or fair value at date of donation. Depreciation is provided using the straight-line method over the useful lives of the assets as follows:

Office Equipment	5 to 7 years
Vehicles and Transportation Equipment	5 years
Buildings and Improvements	15 to 31.5 years
Furniture and Fixtures	5 to 10 years
Machinery and Equipment	5 to 20 years

Additions and betterments of $1,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Donations of property and equipment to PAWS are recorded as contributions at their estimated fair value at the date of the donation. Assets donated with donor stipulations regarding their use, as well as contributions of cash that must be used to acquire property and equipment, are reported as increases in net assets with donor restrictions.

Property and equipment are reviewed for impairment if the use of these assets significantly changes or another indicator of possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued) -

Inventories and Operating Supplies:

Consumable operating supplies, as well as retail and non-retail promotional items, are stated at the lower of cost or market, determined by the first-in, first-out method.

NOTE 2: FINANCIAL INSTRUMENTS -

Concentrations arising from Cash Deposits in Excess of Insured Limits:

Banks –

Among bank demand deposits held at a number of different financial institutions, PAWS maintains accounts with one regional bank operating in the San Joaquin Valley and local foothill area. Collectively, balances held by this bank are insured by the Federal Deposit Insurance Corporation (FDIC) for up to $250,000. At December 31, 2022 and 2021, PAWS held no such uninsured account balances. Bank balances held with the primary custodial brokerage are managed so as to keep the various savings accounts below the above-noted $250,000 threshold.

Brokerages –

The U.S. Department of the Treasury created a money market fund insurance program in 2008. Participating funds paid premiums to the Treasury Department, and investors were then assured of insurance payouts on losses occurring when such pooled funds broke below the level of $1.00 net asset value per share. However, in 2009, the Treasury Department discontinued this insurance program. Consequently, neither the federal government nor any other agency offers principal protection or insurance on money market funds.

In compensation, United States brokerage firms invariably belong to the Securities Investor Protection Corporation (SIPC). SIPC insures assets held by member firms for up to $500,000 per investor, per firm, relating to a brokerage firm becoming insolvent. Created under federal law, SIPC is not, in itself a governmental agency, instead constituting a nonprofit organization funded by its broker-dealer members. SIPC does not insure losses caused by money market cash equivalents falling below $1.00 per share, arising, for example, from an incidence of severe and major declines in the values of the underlying mutual fund investment pool. At December 31, 2022 and 2021, consistent with its policy, PAWS holds minimal amounts of money market funds.

NOTE 3: PROPERTY AND EQUIPMENT - NET -

Property and equipment consist of the following:

	December 31, 2022	December 31, 2021
Land	$ 1,777,169	$ 1,777,169
Buildings and Structural Components	9,874,045	10,055,997
Equipment	1,283,615	1,141,845
Furnishings	32,328	32,328
Vehicles	155,966	162,467
	13,123,123	13,169,806
Less: Accumulated Depreciation	(7,720,922)	(7,365,686)
Book Value	$ 5,402,201	$ 5,804,120

NOTE 4: CONSTRUCTION IN PROGRESS -

In the Year 2000, PAWS began planning construction of ARK 2000, a free-roam animal sanctuary for hundreds of animals on a 2,300-acre facility, located near San Andreas in Calaveras County. Construction in progress includes continued and ongoing expansion costs of the facilities. Such capitalized costs were $335,076 and $53,220 at December 31, 2022 and 2021, respectively.

NOTE 5: PROPERTY HELD FOR SALE -

The above is comprised of unappraised, donated jewelry and other noncash property, available for sale at auction.

NOTE 6: BEQUESTS RECEIVABLE -

Bequests receivable are promises to give as of December 31, 2022 and 2021. Such receivables reside in trusts and estates not yet distributed, or in wills contested by alternate beneficiaries. PAWS has not recorded any impairment of these receivables, as all accounts have been determined to be collectible.

NOTE 7: LEASES -

Sale-Leaseback:

In February 2004, PAWS sold its 30-acre sanctuary property located in Galt. Simultaneously, PAWS entered into a 10-year lease with the new owner, so as to continue operating a sanctuary on the property. In March 2014, the original 10-year lease expired and, subsequently, PAWS continued to rent the property on a month-to-month basis, at the rate of $3,000 per month, plus utilities. PAWS' lease includes the underlying land, building, animal enclosures, and other equipment housed on the property. Subsequent to December 31, 2022, PAWS is in process of vacating these premises.

NOTE 7: LEASES (Continued) -

Non-Cancelable Operating Leases:

PAWS has several noncancelable operating leases of equipment, as set forth below, expiring at various future dates.

Copiers -

Galt Office:

PAWS began a noncancelable 60-month financing lease of a Xerox 7845i High-Capacity copier in June 2017, calling for base payments of $335.94, expiring May 2022. PAWS declined to purchase the copier from the lessor at the end of the lease term. Copier lease expense was $1,343.76 and $4,031.28 for 2022 and 2021, respectively. PAWS began a new, noncancelable 60-month financing lease of a Xerox Altalink C8145H2 copier in April 14, 2022, calling for base monthly payments of $447.05, expiring April 2027. Copier annual rent is scheduled at $5,364.60. PAWS must pay all copier executory costs, including taxes, maintenance, and insurance. PAWS agreed that periodic meter reading submittals will be integral to the maintenance agreement. Starting 12 months after lease commencement, and for successive 12-month periods, based on meter readings, the lessor may increase the then-current base payment by a maximum of 15%. Copier rental expense was $3,576.40 for 2022. At the end of the lease term, PAWS may purchase the copier at its then fair market value or return it to the lessor in good condition.

San Andreas Sanctuary Office:

PAWS began a noncancelable 60-month operating lease of a Xerox Altalink C8045 copier in October 2019, calling for monthly payments of $292.00, expiring in September 2024. Monthly payments encompass the right to transact up to 1,000 black-and-white and 500 color copies per month. Monthly copies exceeding those thresholds are assessed an additional per-copy charge of $.012 and $.075 for black-and-white and color prints, respectively. PAWS must pay all copier executory costs, including taxes, maintenance, and insurance. Copier rental expense was $3,504 for each of the years ended December 31, 2022 and 2021. At the end of the lease term, PAWS may purchase the copier at its then fair market value or return it to the lessor in good condition.

Minimum lease payments for leases with terms in excess of one year at December 31, 2022, are:

Years Ending December 31:	
2023	8,869
2024	7,993
2025	5,365
2026	5,365
2027	1,789
	$ 29,381

NOTE 8: OTHER DONATIONS -

Contributed assets are recorded at fair market value when PAWS obtains possession of the asset or an unconditional promise to give is made. During the years ended December 31, 2022 and 2021, PAWS received the following noncash assets:

	December 31, 2022	December 31, 2021
Marketable Securities	$ 21,496	$ 164,895
Food and Medicine for Animals	13,418	8,386
Vehicles	-0-	4,735
Machinery and Equipment	1,200	-0-
Animal Shelter Supplies and Maintenance	1,141	3,997
Educational Materials	580	1,160
Office Supplies and Maintenance	750	-0-
	17,089	18,278
	$ 38,585	$ 183,173

NOTE 9: INVESTMENTS –

Investment gains and (losses) are as follows:

	Years Ended December 31, 2022	Years Ended December 31, 2021
Investment Income	$ 488,459	$ 765,800
Net Realized Gains (Losses)	(375,932)	(23,947)
Net Unrealized Gains (Losses)	(3,411,270)	1,142,624
Total Investment Gain (Loss)	($ 3,298,743)	$ 1,884,477
Net Assets without Donor Restrictions	($ 3,298,743)	$ 1,884,477
Net Assets with Donor Restrictions	-0-	-0-
Total Investment Gain (Loss)	($ 3,298,743)	$ 1,884,477

NOTE 9: INVESTMENTS (Continued) –

Investments are stated at fair value, comprised of the following:

	December 31, 2022	December 31, 2021
Current -		
Equity Securities	$ -0-	$ -0-
Mutual Funds	-0-	-0-
Certificates of Deposit	3,984,000	2,100,000
Exchange-Traded Investments	-0-	-0-
Alternative Investments	-0-	-0-
Total Short-Term Investments	3,984,000	2,100,000
Long-Term -		
Equity Securities	1,344,403	1,722,207
Mutual Funds	7,299,852	9,957,999
Certificates of Deposit	1,700,000	1,200,000
Exchange-Traded Investments	2,231,217	2,915,706
Alternative Investments	4,119	3,978
Total Long-Term Investments	12,579,591	15,799,800
Total -		
Equity Securities	1,344,043	1,722,207
Mutual Funds	7,299,852	9,957,909
Certificates of Deposit	5,684,000	3,300,000
Exchange-Traded Investments	2,231,217	2,915,706
Alternative Investments	4,119	3,978
Total Investments	$16,563,591	$ 17,899,800

Investment classifications are characterized by: Level 1 - Quoted prices in active markets for identical assets or liabilities; Level 2 - Significant other observable inputs; or Level 3 - Significant unobservable inputs. Portfolio investments under Management's control are available for sale at Management's discretion, and included entirely as Level 1 investments for purposes of these financial statements.

NOTE 9: INVESTMENTS (Continued) –

Carrying values of investments are:

	December 31, 2022	December 31, 2021
Equity Securities	$ 924,945	$ 904,264
Mutual Funds	8,273,594	8,739,207
Certificates of Deposit	5,684,000	3,300,000
Exchange-Traded Investments	2,702,452	2,673,728
Alternative Investments	5,114	5,114
Total Carrying Value	$ 17,590,105	$ 15,622,313

NOTE 10: NET ASSETS -

The following summarizes activity as net asset components:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Ending Balance – 12/31/2020	$ 24,309,993	$ 27,181	$ 24,337,174
Support and Revenue	5,052,411	-0-	5,052,411
Donations with Donor Restrictions	-0-	14,850	14,850
Investment Income (Loss)	1,884,477	-0-	1,884,477
Stock Donations	164,895	-0-	164,895
Reclassifications	14,850	(14,850)	-0-
Expenses	(4,041,554)	-0-	(4,041,554)
Change in Net Assets	3,075,079	-0-	3,075,079
Ending Balance – 12/31/2021	$ 27,385,072	$ 27,181	$ 27,412,253
Support and Revenue	5,337,957	-0-	5,337,957
Donations with Donor Restrictions	-0-	46,750	46,750
Investment Income (Loss)	(3,298,743)	-0-	(3,298,743)
Stock Donations	21,496	-0-	21,496
Gain/(Loss) on Asset Disposals	(74,572)	-0-	(74,572)
Reclassifications	46,750	(46,750)	-0-
Expenses	(4,347,640)	-0-	(4,347,640)
Change in Net Assets	(2,314,752)	-0-	(2,314,752)
Ending Balance – 12/31/2022	$ 25,070,320	$ 27,181	$ 25,097,501

NOTE 10: NET ASSETS (Continued) -

For the years ended December 31, 2022 and 2021, contributions in the amounts of $1,750 and $1,850, respectively, were temporarily restricted for specific purposes. For the years ended December 31, 2022 and 2021, grants in the amounts of $45,000 and $13,000, respectively, were temporarily restricted for specific purposes. It is Management's policy to not carry over immaterial, temporary restrictions of its net assets, from year to year.

NOTE 11: LIQUIDITY –

The following reflects PAWS' financial assets as of the dates of the statements of position, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the dates of the statements of position.

	December 31, 2022	December 31, 2021
Financial Assets at Year-End:		
Cash and Cash Equivalents	$ 1,733,650	$ 2,172,903
Investment Income Receivable	13,043	10,602
Undesignated Investments	16,563,591	17,899,800
Board-Designated Quasi-Endowment Investments	485,155	592,424
Donor-Restricted Endowment Investments	27,181	27,181
Bequests Receivable	470,500	799,000
	19,293,120	21,501,910
Less: Permanently Restricted Endowment Cash and Investments	(27,181)	(27,181)
Financial Assets available to meet Cash Needs for General Expenditures within One Year	$ 19,265,939	$ 21,474,729

A *financial asset* is a non-physical asset whose value is derived from a contractual claim, such as bank deposits, bonds, and stocks. *Financial assets* are convertible to cash on a fairly easy basis, like cash, receivables, and investments, but do not include assets like prepaid expenses, inventories, and fixed assets. *General expenditures* commit financial assets to core, day-to-day operating costs of PAWS. Sufficient *financial assets* were available within one year of the statements of financial position as of December 31, 2022 and 2021, to meet *general expenditures*. PAWS' policy is to structure its *financial assets* so as to make them available as *general expenditures,* liabilities, and other obligations come due.

As part of PAWS liquidity management, cash exceeding short- or long-term requirements may be invested in publicly-traded mutual funds, equity and debt securities, financial institutions' layered certificates of deposit, and U.S. Treasuries, in accordance with PAWS investment policies, as applicable.

NOTE 12: ENDOWMENT FUNDS -

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the PAWS Board of Directors to function as quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

PAWS Endowment Funds are comprised of the following:

Donor-Restricted Endowment -

A donor-restricted gift was established in the name of the Patricia A. Tabor Endowment Fund. Income earned on the gift principal is to be used exclusively in support of the elephant sanctuary, with the original gift to be retained as endowment principal in perpetuity.

Activity relating to this permanently restricted Endowment Fund was as follows -

	December 31,	
	2022	2021
Cash and Cash Equivalents	$ 3,095	$ 1,204
Investments	30,184	27,365
Donor-Restricted Net Assets – Beginning of Year	33,279	28,569
Investment Income	1,537	1,784
Valuation Increase (Decrease)	(3,054)	2,819
Amounts Appropriated for Expenditure	(4,581)	(5,991)
Donor-Restricted Net Assets – End of Year	$ 27,181	$ 27,181

Board-Designated Quasi-Endowment -

During the year beginning January 1, 2020, the Board of Directors designated and characterized a total of $505,112 of net assets without donor restrictions as a general endowment to support PAWS enterprises on a long-term basis. This internal designation is not donor-restricted, instead being classified and reported as net assets without donor restrictions.

The intent of the Board of Directors as of the issuance date of these financial statements is to maintain the original designation as if it were permanently restricted, and to use investment earnings on this amount as available for operations. Management's investment policies with respect to the underlying securities and mutual funds associated with the designation will be incorporated into ongoing investment policies, already operative and effective.

NOTE 12: ENDOWMENT FUNDS (Continued)-

PAWS Endowment Funds are comprised of the following (Continued):

Board-Designated Quasi-Endowment (Continued) -

Activity relating to the Board-Designated Quasi-Endowment Fund was as follows -

	December 31, 2022	December 31, 2021
Cash and Cash Equivalents	$ 44,613	$ 19,782
Investments	540,842	489,994
Board-Designated Net Assets – Beginning of Year	585,455	509,776
Investment Income	21,316	24,041
Valuation Increase (Decrease)	(19,806)	58,607
Amounts Appropriated for Expenditure	(81,753)	(87,312)
Board-Designated Net Assets – End of Year	$ 505,112	$ 505,112

NOTE 13: SUBSEQUENT EVENTS -

Management has evaluated subsequent events through the date the financial statements were available to be issued, which was April 1, 2023.

SUPPLEMENTARY INFORMATION

PERFORMING ANIMAL WELFARE SOCIETY

Detailed Schedules of Functional Expenses

	Year Ended December 31, 2022				
	Program Services	Supporting Services Management	Supporting Services Fundraising	Subtotal	Total Expenses
Salaries and Wages	$ 1,320,081	$ 245,839	$ 16,838	$ 262,677	$ 1,582,758
Compensation – Directors	61,750	1,950	1,300	3,250	65,000
Total Salaries and Wages	1,381,831	247,789	18,138	265,927	1,647,758
Payroll Taxes	112,047	20,008	1,334	21,342	133,389
Worker's Compensation	87,257	15,582	1,039	16,621	103,878
Total Compensation	1,581,135	283,379	20,511	303,890	1,885,025
Animal Feed and Supplies	218,718	-0-	-0-	-0-	218,718
Animal Shelter Supplies	57,101	-0-	-0-	-0-	57,101
Audit and Accounting Fees	-0-	63,125	-0-	63,125	63,125
Bank and Credit Card Costs	10,261	3,665	733	4,398	14,659
Behavioral Analysis	3,389	-0-	-0-	-0-	3,389
Crane Services	-0-	-0-	-0-	-0-	-0-
Consultants	102,106	20,405	14,441	34,846	136,952
Donor Relations	-0-	-0-	3,162	3,162	3,162
Educational Promotion	67,407	-0-	-0-	-0-	67,407
Equipment Rental	4,828	10,579	-0-	10,579	15,407
Fire Suppression	53,424	-0-	-0-	-0-	53,424
Clerical Assistance	773	-0-	-0-	-0-	773
Fuel and Oil	47,437	5,271	-0-	5,271	52,708
Human Resources	-0-	6,500	-0-	6,500	6,500
Insurance	204,322	8,603	2,151	10,754	215,076
Legal Fees	-0-	43,103	-0-	43,103	43,103
Licenses and Permits	7,433	7,320	5,054	12,374	19,807
Mailing List and Services	5,002	-0-	2,144	2,144	7,146
Media Services	3,216		1,731	1,731	4,947
Meeting Expenses	6,039	-0-	-0-	-0-	6,039
Office Supplies	2,874	15,084	-0-	15,084	17,958
Postage and Shipping	12,970	926	4,632	5,558	18,528
Printing and Publications	21,494	-0-	11,573	11,573	33,067
Property Taxes	22,910	-0-	-0-	-0-	22,910
Rent	29,455	7,364	-0-	7,364	36,819
Repairs and Maintenance	124,190	1,198	-0-	1,198	125,388
Security	78,075	-0-	-0-	-0-	78,075
Special Events	-0-	-0-	11,275	11,275	11,275
Telephone	13,067	2,450	817	3,267	16,334
Travel Program	971	-0-	-0-	-0-	971
Utilities	157,385	7,224	-0-	7,224	164,609
Veterinary Care and Medicine	351,525	-0-	-0-	-0-	351,525
Volunteer Expenses	-0-	-0-	391	391	391
Website and Computers	13,091	6,022	9,377	15,399	28,490
Expenses before Depreciation	3,200,598	492,218	87,992	580,210	3,780,808
Depreciation	538,491	22,673	5,668	28,341	566,832
Total Functional Expenses	$ 3,739,089	$ 514,891	$ 93,660	$ 608,551	$ 4,347,640

SEE INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION.

	Year Ended December 31, 2021				
	Program Services	Supporting Services: Management	Supporting Services: Fundraising	Subtotal	Total Expenses
Salaries and Wages	$ 1,312,722	$ 140,425	$ 5,106	$ 145,531	$ 1,458,253
Compensation – Directors	58,794	3,266	3,267	6,533	65,327
Total Salaries and Wages	1,371,516	143,691	8,373	152,064	1,523,580
Payroll Taxes	111,208	12,495	1,250	13,745	124,953
Worker's Compensation	68,359	5,493	2,441	7,934	76,293
Total Compensation	1,551,083	161,679	12,064	173,743	1,724,826
Animal Feed and Supplies	195,347	-0-	-0-	-0-	195,347
Animal Shelter Supplies	40,325	-0-	-0-	-0-	40,325
Audit and Accounting Fees	-0-	122,500	-0-	122,500	122,500
Bank and Credit Card Costs	9,392	4,695	1,565	6,260	15,652
Behavioral Analysis	1,414	-0-	-0-	-0-	1,414
Crane Services	3,420	-0-	-0-	-0-	3,420
Consultants	74,383	24,544	23,792	48,336	122,719
Donor Relations	-0-	-0-	-0-	-0-	-0-
Educational Promotion	25,865	-0-	-0-	-0-	25,865
Equipment Rental	412	10,283	-0-	10,283	10,695
Fire Suppression	28,108	3,123	-0-	3,123	31,231
Clerical Assistance	-0-	-0-	-0-	-0-	-0-
Fuel and Oil	23,643	2,627	-0-	2,627	26,270
Human Resources	-0-	6,620	-0-	6,620	6,620
Insurance	187,544	2,589	2,946	5,535	193,079
Legal Fees	-0-	51,008	-0-	51,008	51,008
Licenses and Permits	7,803	7,562	5,298	12,860	20,663
Mailing List and Services	4,061	-0-	2,186	2,186	6,247
Media Services	-0-	-0-	-0-	-0-	-0-
Meeting Expenses	848	-0-	-0-	-0-	848
Office Supplies	3,372	14,998	-0-	14,998	18,370
Postage and Shipping	12,489	833	3,330	4,163	16,652
Printing and Publications	24,768	-0-	13,337	13,337	38,105
Property Taxes	20,745	-0-	-0-	-0-	20,745
Rent	29,455	7,364	-0-	7,364	36,819
Repairs and Maintenance	140,455	3,938	-0-	3,938	144,393
Security	75,625	-0-	-0-	-0-	75,625
Special Events	-0-	-0-	485	485	485
Telephone	13,215	1,555	777	2,332	15,547
Travel Program	6	-0-	-0-	-0-	6
Utilities	118,471	2,021	-0-	2,021	120,492
Veterinary Care and Medicine	348,391	-0-	-0-	-0-	348,391
Volunteer Expenses	-0-	-0-	339	339	339
Website and Computers	13,301	4,893	8,844	13,737	27,038
Expenses before Depreciation	2,953,941	432,832	74,963	507,795	3,461,736
Depreciation	550,237	23,168	5,792	28,960	579,197
Total Functional Expenses	$ 3,504,178	$ 456,000	$ 80,755	$ 536,755	$ 4,040,933