

HEAVEN CAN WAIT ANIMAL SOCIETY

FINANCIAL STATEMENTS

DECEMBER 31, 2020

**HEAVEN CAN WAIT ANIMAL SOCIETY
FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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Independent Auditor's Report

To the Board of Directors of
Heaven Can Wait Animal Society

We have audited the accompanying financial statements of Heaven Can Wait Animal Society (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heaven Can Wait Animal Society as of December 31, 2020, 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.

Ellsworth & Stout, LLC

Las Vegas, Nevada
July 31, 2021



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HEAVEN CAN WAIT ANIMAL SOCIETY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS

Current Assets:

Cash and cash equivalents	\$	351,058
Certificates of deposit		300,665
Investments		<u>4,170</u>
Total current assets		655,893

Property and Equipment, net

92,950

Other Assets:

Deposits		<u>4,282</u>
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Total Assets

\$ 753,125

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$	38,672
Accrued expenses		17,039
Current maturities of long-term debt		<u>31,302</u>
Total current liabilities		87,013

Other Liabilities:

Long-term debt, net of current		<u>52,917</u>
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Total Liabilities

139,930

Net Assets:

Without donor restrictions		496,723
With donor restrictions		<u>116,472</u>
Total net assets		<u>613,195</u>

Total Liabilities and Net Assets

\$ 753,125

See accompanying notes to the financial statements

**HEAVEN CAN WAIT ANIMAL SOCIETY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

Net Assets without Donor Restrictions

Revenue and other support:

Contributions and grants	\$ 565,326
Program revenue	276,410
In-kind donations	11,928
Special events, net of expenses of \$10,919	53,810
Investment income	2,124
	<u>909,598</u>

Expenses:

Program services	853,333
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Supporting services:

Management and general	110,904
Fundraising	8,027
	<u>972,264</u>

Decrease in net assets without donor restrictions	(62,666)
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Net Assets with Donor Restrictions

Contributions and grants	<u>116,472</u>
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Increase in Net Assets	53,806
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Net Assets, Beginning of Year	<u>559,389</u>
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Net Assets, End of Year	<u><u>\$ 613,195</u></u>
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See accompanying notes to the financial statements

HEAVEN CAN WAIT ANIMAL SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program services	Management and general	Fundraising	Total
Auto	\$ 3,955	\$ 868	\$ -	\$ 4,823
Depreciation	18,180	-	-	18,180
Fundraising	-	-	8,027	8,027
Insurance	23,816	2,646	-	26,462
Office expense and other	18,032	18,031	-	36,063
Professional services	7,484	3,362	-	10,846
Program expenses	317,434	-	-	317,434
Rent	40,525	40,524	-	81,049
Repairs and maintenance	8,184	8,184	-	16,368
Salaries, wages and related	404,234	25,802	-	430,036
Travel and meals	1,583	1,582	-	3,165
Utilities	9,906	9,905	-	19,811
	<u>\$ 853,333</u>	<u>\$ 110,904</u>	<u>\$ 8,027</u>	<u>\$ 972,264</u>

See accompanying notes to the financial statements

**HEAVEN CAN WAIT ANIMAL SOCIETY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020**

Cash Flows from Operating Activities:

Increase in net assets	\$ 53,806
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	18,180
Net unrealized loss on investments	920
Changes in operating assets and liabilities:	
(Increase) decrease in contributions receivable	10,748
(Increase) decrease in deposits	3,509
Increase (decrease) in accounts payable	16,110
Increase (decrease) in accrued expenses	9,750
	<u>113,023</u>
Net cash provided by operating activities	<u>113,023</u>

Cash Flows from Investing Activities:

Purchase of property and equipment	(23,191)
Purchase of certificates of deposit	(150,000)
	<u>(173,191)</u>
Net cash used in investing activities	<u>(173,191)</u>

Cash Flows from Financing Activities:

Proceeds from debt borrowings	84,219
	<u>84,219</u>
Net cash provided by financing activities	<u>84,219</u>

Net Change in Cash and Cash Equivalents 24,051

Cash and Cash Equivalents, Beginning of Year 327,007

Cash and Cash Equivalents, End of Year \$ 351,058

See accompanying notes to the financial statements

**HEAVEN CAN WAIT ANIMAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Heaven Can Wait Animal Society (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

The Organization was incorporated in the state of Nevada on March 16, 2000 as a nonprofit organization that is dedicated to improving the welfare of animals. The Organization's mission is to eliminate companion animal suffering and pet overpopulation through aggressive spay/neuter, adoptions, community outreach programs, and education.

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 judgments that affect the reported amounts of assets, liabilities, revenues, and expenses. Accordingly, actual results could differ from those estimates.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. The Organization presents a classified statement of financial position with additional qualitative information about availability of resources and liquidity in Note 2.

The accompanying financial statements have been presented in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to not-for-profit organizations, principally Accounting Standard Codification (ASC) 958, *Not-for-Profit Entities*. Under ASC 958 (as amended by Accounting Standards Update (ASU) 2016-14), the Organization is required to report information regarding its financial position and changes in financial position according to two classes of net assets; net assets without donor restrictions and net assets with donor restrictions. The classification of net assets is based on the existence or absence of donor-imposed restrictions. Net assets are released by donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors.

Cash and Cash Equivalents

For the purpose of the statement cash flows, the Organization considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

At various times throughout the year, the Organization maintained deposits in financial institutions which exceeded federally insured amounts. The Organization has not experienced any losses in these accounts.

Investments

Investments in marketable securities are reported at their fair value in the statement of financial position based on quoted prices in active markets. Unrealized gains and losses are included in change in net assets in the reporting period earned.

**HEAVEN CAN WAIT ANIMAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

The Organization capitalizes significant expenditures for property and equipment at cost, generally those that exceed \$500. Property and equipment that are contributed to the Organization are recorded at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Contributed Materials and Services

Generally, donated materials, if significant in amount, are recorded at their fair market value, provided the Organization has a clearly measurable and objective basis for determining the value. In the case of materials where such values cannot reasonably be determined, the donation is not recorded. Donated professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization recognized the following in-kind donations for the year ended December 31, 2020:

Veterinarian services	\$ 11,128
Donated materials	<u>800</u>
	<u>\$ 11,928</u>

Unpaid volunteers have donated their time to the Organization's programs. The value of such services has not been reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for recognition as contributed services.

Revenue Recognition

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or the purpose of a restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions.

Income Taxes

In August 2000, the Organization received notification from the Internal Revenue Service that the Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as a public charity under Sections 509(a)(1) and 170(b)(1)(A)(vi). As such, the Organization is exempt from Federal income tax. Therefore, no provision for income taxes is made in the accompanying financial statements.

As defined by ASC Topic 740, *Income Taxes*, no provision or liability for materially uncertain tax positions was deemed necessary by management. Therefore, no provision or liability for uncertain tax positions has been included in these financial statements.

As of December 31, 2020, the tax years that remain subject to potential examination by taxing authorities begin with 2017.

**HEAVEN CAN WAIT ANIMAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

Advertising costs are expensed as incurred. No significant advertising costs were incurred during the year ended December 31, 2020.

Allocation Methodology

The statement of functional expenses presents expenditures by both their nature and their function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses are allocated directly for fundraising and program expenses. All other expenses are allocated based on management's estimate of time and effort.

New Accounting Pronouncement

From 2014 through 2018, the Financial Accounting Standards Board ("FASB") issued standards to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries ("Topic 606"). The Organization adopted Topic 606 at the beginning of the year ended December 31, 2020 using the modified retrospective method. The Organization's financial statements were not impacted by the adoption of Topic 606.

In February 2016, the FASB issued ASU 2016-02 (Topic 842) pertaining to leases. This pronouncement is effective for nonprofit organizations for fiscal years beginning after December 15, 2021, with early adoption permitted. Management has not yet evaluated the effects of this standard on the Organization's financial statements.

NOTE 2 – LIQUIDITY AND AVAILABILITY

As of December 31, 2020, the Organization had \$539,421 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash and cash equivalents of \$234,586, certificates of deposit of \$300,665, and investments of \$4,170. Contractual or donor-imposed restrictions are not available for general expenditure. As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 3 – FAIR VALUE MEASUREMENTS

The Organization measures certain financial assets and liabilities at fair value on a recurring basis, and certain non-financial assets and liabilities on a nonrecurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. Fair value disclosures are reflected in a three-level hierarchy, maximizing the use of observable inputs and minimizing the use of unobservable inputs.

HEAVEN CAN WAIT ANIMAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 2020

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels are defined as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for an identical asset or liability in an active market.

Level 2 – inputs to the valuation methodology include quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement of the asset or liability.

As of December 31, 2020, fair values of assets and liabilities measured on a recurring basis consisted of the following:

	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
<u>Recurring fair value measurements:</u>				
Stocks	\$ 4,170	\$ 4,170	\$ -	\$ -
	<u>\$ 4,170</u>	<u>\$ 4,170</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 4 – PROPERTY AND EQUIPMENT

As of December 31, 2020, property and equipment consisted of the following:

Leasehold improvements	\$ 219,895
Vehicles	81,920
	<u>301,815</u>
Less: accumulated depreciation	<u>(208,865)</u>
	<u>\$ 92,950</u>

Depreciation expense for the year ended December 31, 2020 was \$18,180.

HEAVEN CAN WAIT ANIMAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 2020

NOTE 5 – LONG-TERM DEBT

On May 13, 2020, the Organization was granted a loan from a financial institution in the aggregate amount of \$84,219, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The loan matures in May 2022 and bears interest at a fixed rate of 1% per annum, payable monthly commencing in October 2021. The loan may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

	\$ 84,219
Less: current maturities	<u>(31,302)</u>
Total long-term debt	<u><u>\$ 52,917</u></u>

As of December 31, long-term debt matures as follows:

2021	\$	31,302	
2022		<u>52,917</u>	
		<u><u>\$ 84,219</u></u>	

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets are released from donor restrictions by incurring expenses, satisfying the restricted purposes, or by occurrence of the passage of time or other events specified by donors. Net assets with donor restrictions were restricted for the purpose of the specific operations in the amount of \$116,472 as of December 31, 2020. Net assets with donor restrictions consisted of cash of \$116,472.

NOTE 7 – OPERATING LEASE AGREEMENTS

The Organization entered into a noncancelable lease for building space. The monthly rent ranges from \$5,087 to \$5,636. The lease expires in December 2024. Rent expense under this agreement was \$81,049 for the year ended December 31, 2020.

**HEAVEN CAN WAIT ANIMAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 2020**

NOTE 7 – OPERATING LEASE AGREEMENTS

Future minimum rental payments are due as follows as of December 31:

2021	\$	62,700
2022		64,041
2023		66,153
2024		67,634
		<u>67,634</u>
	\$	<u>260,529</u>

NOTE 8 – CONTINGENCIES

In March 2020, the World Health Organization officially characterized a novel strain of the coronavirus (COVID-19) as a global pandemic. Management is currently responding to the existing effects and planning for the potential future effects that the COVID-19 pandemic may have on the Organization's operations, including the overall health of the economy and consumer spending. At the current time, management is unable to quantify the potential effects of this pandemic on the Organization's future financial statements.

NOTE 9 – SUBSEQUENT EVENTS

On March 23, 2021, the Organization received notification that the PPP loan (See Note 5) was fully forgiven.

Subsequent to year end, the Organization applied for and received a second PPP loan in the amount of \$87,631. Management believes they are following all guidelines established by the SBA and Treasury to ensure funds are spent on allowable costs for the loan to be forgiven.

Subsequent events have been evaluated through July 31, 2021, which is the date the financial statements were available to be issued. No additional events were identified that would require disclosure.