

HEAVEN CAN WAIT ANIMAL SOCIETY

FINANCIAL STATEMENTS

DECEMBER 31, 2021

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Independent Auditor's Report

To the Board of Directors of
Heaven Can Wait Animal Society

Opinion

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, 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 Heaven Can Wait Animal Society (the "Organization") 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, 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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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 the Organization'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 the Organization'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

Ellsworth & Stout, LLC

Las Vegas, Nevada
September 6, 2022

**HEAVEN CAN WAIT ANIMAL SOCIETY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021**

ASSETS

Current Assets:

Cash and cash equivalents	\$	853,341
Certificates of deposit		201,640
Accounts receivable		21,328
Investments		<u>3,567</u>
Total current assets		1,079,876

Property and Equipment, net

78,433

Other Assets:

Deposits		<u>4,282</u>
Total Assets	\$	<u><u>1,162,591</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$	48,981
Accrued expenses		<u>24,104</u>
Total current liabilities		73,085

Net Assets:

Without donor restrictions		<u>1,089,506</u>
Total Liabilities and Net Assets	\$	<u><u>1,162,591</u></u>

See accompanying notes to the financial statements

**HEAVEN CAN WAIT ANIMAL SOCIETY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

Net Assets without Donor Restrictions

Revenue and other support:	
Contributions and grants	\$ 983,192
Program revenue	707,036
In-kind donations	48,009
Special events, net of expenses of \$2,915	12,199
Investment income	9,387
Net assets released from donor restrictions	116,472
	<u>1,876,295</u>
Expenses:	
Program services	1,263,972
Supporting services:	
Management and general	157,426
Fundraising	27,440
	<u>1,448,838</u>
Other income (expense):	
Loss on disposal of assets	(7,249)
Gain on extinguishment of debt	172,575
	<u>165,326</u>
Increase in net assets without donor restrictions	<u>592,783</u>

Net Assets with Donor Restrictions

Net assets released from donor restrictions	<u>(116,472)</u>
Increase in Net Assets	476,311
Net Assets, Beginning of Year	<u>613,195</u>
Net Assets, End of Year	<u><u>\$ 1,089,506</u></u>

See accompanying notes to the financial statements

HEAVEN CAN WAIT ANIMAL SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program services	Management and general	Fundraising	Total
Advertising	\$ 10,128	\$ 2,223	\$ -	\$ 12,351
Depreciation	14,517	-	-	14,517
Fundraising	-	-	27,440	27,440
Insurance	11,691	1,299	-	12,990
Interest expense	-	725	-	725
Office expense and other	39,622	39,622	-	79,244
Professional services	19,261	8,654	-	27,915
Program expenses	522,378	-	-	522,378
Rent	47,758	47,758	-	95,516
Repairs and maintenance	4,919	4,919	-	9,838
Salaries, wages and related	578,389	36,918	-	615,307
Travel and meals	4,631	4,630	-	9,261
Utilities	10,678	10,678	-	21,356
	<u>\$ 1,263,972</u>	<u>\$ 157,426</u>	<u>\$ 27,440</u>	<u>\$ 1,448,838</u>

See accompanying notes to the financial statements

**HEAVEN CAN WAIT ANIMAL SOCIETY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021**

Cash Flows from Operating Activities:

Increase in net assets	\$ 476,311
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	14,517
Loss on sale of assets	7,249
Gain on extinguishment of debt	(172,575)
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(21,328)
Increase (decrease) in accounts payable	10,309
Increase (decrease) in accrued expenses	7,065
Net cash provided by operating activities	<u>321,548</u>

Cash Flows from Investing Activities:

Proceeds from certificates of deposits	390,000
Purchase of certificates of deposit	(297,621)
Net cash provided by investing activities	<u>92,379</u>

Cash Flows from Financing Activities:

Proceeds from debt borrowings	<u>88,356</u>
Net cash provided by financing activities	<u>88,356</u>

Net Change in Cash and Cash Equivalents 502,283

Cash and Cash Equivalents, Beginning of Year 351,058

Cash and Cash Equivalents, End of Year \$ 853,341

See accompanying notes to the financial statements

**HEAVEN CAN WAIT ANIMAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

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.

Nature of the Organization

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, 2021**

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, 2021:

Supplies	\$	18,758
Facilities		16,500
Services		<u>12,751</u>
	\$	<u>48,009</u>

Contributed services consisted of advertising and veterinary services and were allocated 50% to programs and 50% to general and administration on the statement of functional expenses. 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.

Accounts Receivable

Accounts receivable represent clinic services that have been performed but cash has not yet been received for those services. As of December 31, 2021, there is no estimated allowance for doubtful accounts and all receivables are deemed collectible in one year.

Revenue Recognition

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires 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 (when a stipulated time restriction ends or the purpose of the restriction is accomplished), 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.

Contributions may be considered conditional or non-conditional. A conditional contribution exists if a) one or more barrier exists and b) the right to receive or retain payment or delivery of the promised asset depends on meeting those barriers. In cases of ambiguous donor stipulations or stipulations that are not clearly unconditional are presumed to be conditional. Conditional contributions are recognized when conditions have been substantially met or waived by the donor. Non-conditional contributions are recognized when received or right to receive is obtained through documentation.

**HEAVEN CAN WAIT ANIMAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Grant revenue may be considered a contribution, entirely an exchange transaction, or a combination of the two. If a grant is considered a contribution, it is recognized as described in the above paragraph. If a grant is considered an exchange transaction, it falls under the guidance of Topic 606 and additional steps are taken to ensure correct recording of revenue. The performance obligation is satisfied when the services outlined in the grant contract are rendered. For the year ending December 31, 2021, all exchange grant revenue was recognized at a point in time when services were performed.

Program revenues consist of contracts with customers related to clinic services, adoptions, and other fees. Revenues are recognized when control of the promised goods or services is transferred to customers, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those goods or services. Program revenue is recognized at a point in time when services are performed, which is when the performance obligation is satisfied. The timing of billings and cash collections result in contract assets reported in the statement of financial position and included in accounts receivables. Contract assets consists of contract receivables which are recognized only to the extent that it is probable that the Organization will collect substantially all of the consideration to which it is entitled in exchange for the services performed.

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.

Management has evaluated tax positions taken within their tax returns and does not believe there are any significant uncertain tax provisions taken on the returns. Therefore, no provision or liability for uncertain tax positions has been included in these financial statements.

As of December 31, 2021, the tax years that remain subject to potential examination by taxing authorities begin with 2018.

Advertising

Advertising costs are expensed as incurred. No significant advertising costs were incurred during the year ended December 31, 2021. In-kind services related to advertising in the amount of \$12,351 were recognized.

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.

**HEAVEN CAN WAIT ANIMAL SOCIETY
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 YEAR ENDED DECEMBER 31, 2021**

New Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02 (Topic 842) pertaining to Leases. Due to the pandemic, ASU 2020-05 was issued that gives an extension of implementation of ASU 2016-02 for certain entities that have not yet issued their financial statements reflecting the adoption of Leases by June 2020. Therefore, under the amendment, Leases is effective for non-public entities for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early application continues to be 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, 2021, the Organization had \$1,079,876 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 \$853,341, certificates of deposit of \$201,640, accounts receivable of \$21,328 and investments of \$3,567. 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.

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, 2021, 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	<u>\$ 3,567</u>	<u>\$ 3,567</u>	<u>\$ -</u>	<u>\$ -</u>

**HEAVEN CAN WAIT ANIMAL SOCIETY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 2021**

NOTE 4 – PROPERTY AND EQUIPMENT

As of December 31, 2021, property and equipment consisted of the following:

Leasehold improvements	\$ 219,895
Vehicles	<u>58,920</u>
	278,815
Less: accumulated depreciation	<u>(200,382)</u>
	<u>\$ 78,433</u>

Depreciation expense for the year ended December 31, 2021 was \$14,517.

NOTE 5 – OPERATING LEASE AGREEMENTS

The Organization entered into a noncancelable lease for office space. The monthly rent ranges from \$5,087 to \$5,636. The lease expires in December 2024. Rent expense for the year ended December 31, 2021, was \$95,516 of which \$16,500 was in-kind rent and unrelated to the lease agreement.

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

2022	\$ 64,041
2023	66,153
2024	<u>67,634</u>
	<u>\$ 197,829</u>

NOTE 6 – CONTINGENCIES

Management is currently responding to the existing effects of the global pandemic and planning for the potential future effects that the 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 7 – SUBSEQUENT EVENTS

Management of the Organization has evaluated subsequent events through September 6, 2022, which is the date the financial statements were available to be issued. No events were identified that would require disclosure.