HEAVEN CAN WAIT ANIMAL SOCIETY

FINANCIAL STATEMENTS

DECEMBER 31, 2022

ELLSWORTH • STOUT

CPAs and Consultants

HEAVEN CAN WAIT ANIMAL SOCIETY
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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, 2022, 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, 2022, 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 15, 2023

HEAVEN CAN WAIT ANIMAL SOCIETY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS

Current Assets:	
Cash and cash equivalents	$ 1,882,568
Accounts receivable and other	101,873
Investments	355,246
Total current assets	2,339,687
Property and Equipment, net	67,596
Other Assets:	
Deposits	4,283
Property held for sale	653,600
ROU asset for operating leases, net	130,883
Total other assets	788,766
Total Assets	$ 3,196,049

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	19,317
Accrued expenses and other	86,744
Current operating leases liability	65,211
Total current liabilities	171,272
Long-Term Liabilities:	
Liability for operating leases, net	67,334
Total Liabilities	238,606
Net Assets:	
Without donor restrictions	2,957,443
Total Liabilities and Net Assets	$ 3,196,049

See accompanying notes to the financial statements

HEAVEN CAN WAIT ANIMAL SOCIETY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

Net Assets without Donor Restrictions	
Revenue and other support:	
Contributions and grants	$ 2,026,870
Program revenue	984,597
In-kind donations	668,505
Special events, net of expenses of $2,915	14,998
Investment income	15,510
Net assets released from donor restrictions	150
	3,710,630
Expenses:	
Program services	1,698,296
Supporting services:	
Management and general	196,488
Fundraising	13,809
	1,908,593
Other income (expense):	
Net realized and unrealized loss on investments	(2,235)
Other income	68,285
	66,050
Increase in net assets without donor restrictions	1,868,087
Net Assets with Donor Restrictions	
Net assets released from donor restrictions	(150)
Decrease in net assets with donor restrictions	(150)
Increase in Net Assets	1,867,937
Net Assets, Beginning of Year	1,089,506
Net Assets, End of Year	$ 2,957,443

See accompanying notes to the financial statements

HEAVEN CAN WAIT ANIMAL SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program Services	Management and General	Fundraising	Total
Advertising	$ 38,602	$ 8,473	$ -	$ 47,075
Depreciation	14,790	-	-	14,790
Fundraising	-	-	13,809	13,809
Insurance	62,345	6,927	-	69,272
Office expense and other	33,429	33,429	-	66,858
Professional services	42,098	18,913	-	61,011
Program expenses	443,504	-	-	443,504
Rent	41,419	41,419	-	82,838
Repairs and maintenance	5,066	5,066	-	10,132
Salaries, wages and related	999,503	63,798	-	1,063,301
Taxes and licenses	-	923	-	924
Travel and meals	7,277	7,277	-	14,554
Utilities	10,263	10,263	-	20,526
	$ 1,698,296	$ 196,488	$ 13,809	$ 1,908,594

See accompanying notes to the financial statements

HEAVEN CAN WAIT ANIMAL SOCIETY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

Cash Flows from Operating Activities:	
Increase in net assets	$ 1,867,937
Adjustments to reconcile increase in net assets	
to net cash provided by operating activities:	
Depreciation	14,790
Net realized and unrealized loss on investments	2,235
Donated property held for sale	(653,600)
Lease accretion	1,662
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(80,545)
Increase (decrease) in accounts payable	(29,664)
Increase (decrease) in accrued expenses	62,640
Net cash provided by operating activities	1,185,454
Cash Flows from Investing Activities:	
Proceeds from investments	297,726
Purchase of investments	(450,000)
Purchase of property and equipment	(3,953)
Net cash used in investing activities	(156,227)
Net Change in Cash and Cash Equivalents	1,029,227
Cash and Cash Equivalents, Beginning of Year	853,341
Cash and Cash Equivalents, End of Year	$ 1,882,568

See accompanying notes to the financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of 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.

The Organization has concentrated its credit risk for cash by maintaining deposits in financial institutions, which at times may exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation ("FDIC"). The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

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, 2022, there is no estimated allowance for doubtful accounts and all receivables are deemed collectible in one year.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Leases

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, Leases. The FASB also subsequently issued additional ASU's, which amend and clarify Topic 842. The most significant change in the new leasing guidance is the requirement to recognize right-of-use ("ROU") assets and lease liabilities for finance and operating leases on the statement of financial position.

The Organization elected to adopt Topic 842 effective January 1, 2022 using transition method B. The adoption had a material impact on the Organization's statement of financial position but did not have a material impact on the statement of activities. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

The Organization has elected to apply the portfolio approach to account for ROU assets and liabilities, where applicable.

The Organization has elected the practical expedient that does not require the Organization to separate lease and non-lease components for its leases.

The Organization has elected to use the risk-free rate as the discount rate for its operating leases.

The Organization has elected the short-term lease recognition exemption for all applicable classes of underlying assets. Short-term disclosures include only those leases with a term greater than one month and 12 months or less, and expense is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less that do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise, are not recorded on the statement of financial position.

The Organization has elected to use the package of transition practical expedients.

The Organization leases operating spaces. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

ROU assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term using the applicable rate. Operating lease ROU assets also includes any lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option. For the year ended December 31, 2022, lease commencements resulted in an increase in operating lease ROU assets of $195,382 and an increase in operating lease liabilities of $195,382.

Revenue Recognition

All 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.

Contributions may be considered conditional or unconditional. A conditional contribution exists if both a) one or more barriers exist and b) the right of return to the contributor for assets transferred (or a right of release of the promisor from its obligation) depends on overcoming the stated barriers before a recipient is entitled to the assets transferred or promised. In cases of ambiguous donor stipulations or stipulations that are not clearly unconditional, contributions are presumed to be conditional. Conditional contributions are recognized when conditions have been substantially met or waived by the donor. Unconditional contributions are recognized when received or when the right to receive is obtained through documentation.

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 ended December 31, 2022, 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.

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 fair value. In the case of materials where such values cannot reasonably be determined, the donations 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Materials and Services (Continued)

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.

The fair values of in-kind donations are summarized as follows:

Donated property held for sale	$ 653,600
Supplies	14,875
Services	30
	$ 668,505

Donated property held for sale consisted of two (2) homes donated to the Organization, located at: 1415 Francis Avenue, Las Vegas, Nevada and 1232 S. 8th Place, Las Vegas, Nevada. Donated property held for sale is stated at fair value and is valued based on comparable properties in the relative area. The combined fair value of the properties is $653,600.

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

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

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

The Organization is no longer subject to potential income tax examinations by tax authorities for years for which the statute of limitations has expired.

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. All expenses are allocated based on management's estimate of time and effort, except for those expenditures that are considered direct expenses.

Advertising

Advertising costs are expensed as incurred. Total advertising costs for the year ended December 31, 2022 was $47,075.

NOTE 2 – LIQUIDITY AND AVAILABILITY

As of December 31, 2022, the Organization had $2,339,686 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 $1,882,568, certificates of deposit of $352,244, accounts receivable of $101,873, and investments of $3,001. 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, 2022, fair values of assets and liabilities measured on a recurring basis consisted of the following:

	Total	Level 1	Level 2	Level 3
Recurring fair value measurements:				
Fixed income	$ 352,245	$ 352,245	$ -	$ -
Stocks	3,001	3,001	-	-
Non-recurring fair value measurements:				
Property held for sale	653,600	-	653,600	-
	$ 1,008,846	$ 355,246	$ 653,600	$ -

NOTE 4 – PROPERTY AND EQUIPMENT

As of December 31, 2022, property and equipment consisted of the following:

Leasehold improvements	$	219,895
Vehicles		58,920
Furniture and fixtures		3,953
		282,768
Less: accumulated depreciation		(215,172)
	$	67,596

Depreciation expense for the year ended December 31, 2022 was $14,790.

NOTE 5 – OPERATING LEASE AGREEMENTS

As of December 31, 2022, the following summarizes the line items on the statement of financial position, which include amounts for operating leases:

ROU asset for operating leases	$	130,883
Current operating lease liability	$	65,211
Liability for operating leases		67,334
	$	132,545

As of December 31, 2022, the following summarizes the weighted average remaining lease term and discount rate:

Weighted Average Remaining Lease Term	2 Years
Weighted Average Discount Rate	0.97 %

As of December 31, operating lease liabilities mature as follows:

2023	$	66,153
2024		67,634
Total lease payments		133,787
Less interest		(1,242)
Present value of lease liabilities	$	132,545

NOTE 5 – OPERATING LEASE AGREEMENTS (Continued)

For the year ended December 31, 2022, the following summarizes the line items in the statement of functional expenses, which include the components of lease expense:

Lease Costs (included in rent expense):		
Operating lease cost	$	64,401
Short-term lease cost		18,437
	$	82,838

NOTE 6 – RETIREMENT PLAN

The Organization has a defined-contribution 401(k) retirement plan (the "Plan") which is available to all eligible employees. Employees become eligible to participate in the Plan the first day of employment. Through payroll deductions, plan participants contribute elective deferrals up to the maximum amount allowed by law and the Plan. For the year ended December 31, 2022, the Organization made matching contributions of $1,423.

NOTE 7 – SUBSEQUENT EVENTS

Management of the Organization has evaluated subsequent events through September 15, 2023, which is the date the financial statements were available to be issued. No additional events were identified that would require disclosure.