HEAVEN CAN WAIT ANIMAL SOCIETY

FINANCIAL STATEMENTS

DECEMBER 31, 2023

ELLSWORTH • STOUT

CPAs and Consultants

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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, 2023, 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, 2023, 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 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
July 17, 2024

HEAVEN CAN WAIT ANIMAL SOCIETY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

ASSETS

Current Assets:	
Cash and cash equivalents	$ 2,345,971
Accounts receivable and other	85,121
Investments	102,860
Prepaid expenses	6,777
Total current assets	2,540,729
Property and Equipment, net	52,571
Other Assets:	
Deposits	4,283
ROU asset for operating leases, net	65,763
Total other assets	70,046
Total Assets	$ 2,663,346

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	$ 25,624
Accrued expenses and other	121,644
Current operating leases liability	67,334
Total current liabilities	214,602
Total Liabilities	214,602
Net Assets:	
Without donor restrictions	2,448,744
Total Liabilities and Net Assets	$ 2,663,346

See accompanying notes to the financial statements

HEAVEN CAN WAIT ANIMAL SOCIETY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

Net Assets without Donor Restrictions	
Revenue and other support:	
Contributions and grants	$ 516,078
Program revenue	877,812
Investment income	76,700
Net assets released from donor restrictions	280,075
	1,750,665
Expenses:	
Program services	1,921,581
Supporting services:	
Management and general	255,858
Fundraising	24,827
	2,202,266
Other income (expense):	
Net realized and unrealized loss on investments	(2,385)
Loss on sale of property and equipment	(81,498)
Other income	26,785
	(57,098)
Decrease in net assets without donor restrictions	(508,699)
Net Assets with Donor Restrictions	
Contributions	280,075
Net assets released from donor restrictions	(280,075)
Decrease in net assets with donor restrictions	-
Decrease in Net Assets	(508,699)
Net Assets, Beginning of Year	2,957,443
Net Assets, End of Year	$ 2,448,744

See accompanying notes to the financial statements

HEAVEN CAN WAIT ANIMAL SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Program Services	Management and General	Fundraising	Total
Advertising	$ 29,116	$ 6,391	$ -	$ 35,507
Depreciation	15,025	-	-	15,025
Fundraising	-	-	24,827	24,827
Insurance	73,418	8,157	-	81,575
Office expense and other	36,372	36,372	-	72,744
Professional services	116,443	52,315	-	168,758
Program expenses	290,854	-	-	290,854
Rent	33,967	33,966	-	67,933
Repairs and maintenance	7,561	7,561	-	15,122
Salaries, wages and related	1,292,829	82,521	-	1,375,350
Taxes and licenses	-	2,580	-	2,580
Travel and meals	7,655	7,654	-	15,309
Utilities	18,341	18,341	-	36,682
	$ 1,921,581	$ 255,858	$ 24,827	$ 2,202,266

See accompanying notes to the financial statements

HEAVEN CAN WAIT ANIMAL SOCIETY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

Cash Flows from Operating Activities:		
Decrease in net assets	$	(508,699)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation		15,025
Loss on sale of property and equipment		81,498
Net realized and unrealized loss on investments		2,385
Lease accretion		(91)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable		16,753
(Increase) decrease in prepaid expenses		(6,777)
Increase (decrease) in accounts payable		6,307
Increase (decrease) in accrued expenses		34,900
Net cash used in operating activities		(358,699)
Cash Flows from Investing Activities:		
Proceeds from investments		550,000
Proceeds from sale of property and equipment		572,102
Purchase of investments		(300,000)
Net cash provided by investing activities		822,102
Net Change in Cash and Cash Equivalents		463,403
Cash and Cash Equivalents, Beginning of Year		1,882,568
Cash and Cash Equivalents, End of Year	$	2,345,971

See accompanying notes to the financial statements

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.

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. As of December 31, 2023, the Organization’s cash was below the FDIC limit.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2023, there is no estimated allowance for doubtful accounts and all receivables are deemed collectible in one year.

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 the 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

The Organization has elected to apply the portfolio approach to account for right-of-use (“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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

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, 2023, 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 receivable. Contract assets consist 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

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no income tax is reflected in the accompanying financial statements. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation within the meaning of Section 509(a)(2) of the Code.

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 consolidated 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

Advertising costs are expensed as incurred.

NOTE 2 – LIQUIDITY AND AVAILABILITY

As of December 31, 2023, the Organization had $2,533,952 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 $2,345,971, certificates of deposit of $100,029, accounts receivable of $85,121, and investments of $2,831. 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, 2023, 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	$ 100,029	$ 100,029	$ -	$ -
Stocks	2,831	2,831	-	-
	$ 102,860	$ 102,860	$ -	$ -

NOTE 4 – PROPERTY AND EQUIPMENT

As of December 31, 2023, property and equipment consisted of the following:

Leasehold improvements	$ 219,895
Vehicles	25,335
Furniture and fixtures	3,953
	249,183
Less: accumulated depreciation	(196,612)
	$ 52,571

Depreciation expense for the year ended December 31, 2023 was $15,025.

NOTE 5 – LEASE AGREEMENTS

As of December 31, 2023, the following summarizes the line items on the statement of financial position, which include amounts for operating leases:

ROU asset for operating leases	$ 65,763
Current operating lease liability	$ 67,334

As of December 31, 2023, the following summarizes the weighted average remaining lease term and discount rate:

Weighted Average Remaining Lease Term	1 Years
Weighted Average Discount Rate	0.97 %

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

2024	$ 67,634
Total lease payments	67,634
Less interest	(300)
Present value of lease liabilities	$ 67,334

For the year ended December 31, 2023, 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	$ 67,933

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, 2023, the Organization made matching contributions of $3,452. See the Plan for further details.

NOTE 7 – SUBSEQUENT EVENTS

Management of the Organization has evaluated subsequent events through July 17, 2024, which is the date the financial statements were available to be issued. No events were identified that would require disclosure.