

***HALO - HELPING ANIMALS
LIVE ON, INC.***

AUDITED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2023**

Tull Forsberg & Olson

Professional Limited Liability Company



Certified Public Accountants

HALO - HELPING ANIMALS LIVE ON, INC.

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 - 2
Statement of Financial Position As of December 31, 2023	3
Statement of Activities For the Year Ended December 31, 2023	4
Statement of Functional Expenses For the Year Ended December 31, 2023	5
Statement of Cash Flows For the Year Ended December 31, 2023	6
Notes to Financial Statements For the Year Ended December 31, 2023	7 - 17



July 31, 2024

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
HALO - Helping Animals Live On, Inc.
Phoenix, Arizona

Opinion

We have audited the accompanying financial statements of HALO - Helping Animals Live On, Inc. (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 HALO - Helping Animals Live On, Inc. 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HALO - Helping Animals Live On, Inc. 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.

Keith C. Forsberg
Timothy J. Fyan
Lynn C. Olson
Philip D. Miller
John D. Morse
Mitchell L. Robinaugh
Quynh L. Yubeta

Of Counsel

John J. Tull
Franklin C. Forsberg
Richard A. Kobasic

INDEPENDENT AUDITORS' REPORT - CONTINUED

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 HALO - Helping Animals Live On, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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.

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 HALO - Helping Animals Live On, Inc.'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 HALO - Helping Animals Live On, Inc.'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.

Julie Tomberg & Olson PLLC

HALO - HELPING ANIMALS LIVE ON, INC.

STATEMENT OF FINANCIAL POSITION As of December 31, 2023

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 765,130
Investments	565,922
Pet food	15,320
Adoption supplies	5,226
Thrift store inventory	11,705
Prepaid expenses	17,148

Total Current Assets 1,380,451

PROPERTY AND EQUIPMENT

Office furniture and equipment	171,377
Vehicles	136,522
Software	11,418
Leasehold improvements	360,337

Less: Accumulated depreciation (577,999)

Total Property and Equipment, Net 101,655

NONCURRENT ASSETS

Security deposits - restricted cash	10,000
Lease asset, net	444,018

Total Noncurrent Assets 454,018

TOTAL ASSETS \$ 1,936,124

See Independent Auditors' Report.
The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 10,121
Accrued payroll and taxes	63,274
Accrued vacation	66,740
Credit card liabilities	28,173
Lease liabilities, current portion	<u>158,328</u>

Total Current Liabilities 326,636

NONCURRENT LIABILITIES

Lease liabilities, net of current portion	<u>290,308</u>
---	----------------

NET ASSETS

Without donor restrictions	1,280,390
With donor restrictions	<u>38,790</u>

Total Net Assets 1,319,180

TOTAL LIABILITIES AND NET ASSETS \$ 1,936,124

HALO - HELPING ANIMALS LIVE ON, INC.STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2023

	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Contributions and grants	\$ 1,763,567	\$ 159,500	\$ 1,923,067
Adoption fees	609,255	-	609,255
Store sales	156,258	-	156,258
In-kind donations	249,602	-	249,602
Other revenue	8,625	-	8,625
Investment income	15,849	-	15,849
Gain on investments	48,940	-	48,940
Net assets released from restrictions	<u>196,380</u>	<u>(196,380)</u>	<u>-</u>
Total Public Support and Revenue	<u>3,048,476</u>	<u>(36,880)</u>	<u>3,011,596</u>
EXPENSES			
Program services	2,694,148	-	2,694,148
Management and general	95,174	-	95,174
Fundraising	<u>444,316</u>	<u>-</u>	<u>444,316</u>
Total Expenses	<u>3,233,638</u>	<u>-</u>	<u>3,233,638</u>
(DECREASE) IN NET ASSETS	(185,162)	(36,880)	(222,042)
NET ASSETS - BEGINNING OF YEAR	<u>1,465,552</u>	<u>75,670</u>	<u>1,541,222</u>
NET ASSETS - END OF YEAR	<u>\$ 1,280,390</u>	<u>\$ 38,790</u>	<u>\$ 1,319,180</u>

See Independent Auditors' Report.
The accompanying notes are an integral part of these financial statements.

HALO - HELPING ANIMALS LIVE ON, INC.

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2023

	Program Services	Management and General	Fundraising	Total
PERSONNEL COSTS				
Salaries, wages, and payroll taxes	\$ 1,538,660	\$ 66,179	\$ 49,634	\$ 1,654,473
Employee benefits	91,691	3,944	2,958	98,593
Workers' compensation	14,793	636	477	15,906
Total Personnel Costs	1,645,144	70,759	53,069	1,768,972
OTHER EXPENSES				
Accounting and professional	16,318	10,088	3,560	29,966
Animal adoption fees	5,849	-	-	5,849
Animal care and supplies	131,277	-	-	131,277
Company insurance	36,467	1,792	1,414	39,673
Depreciation	67,733	2,913	2,185	72,831
Direct mail	-	-	341,646	341,646
Donor development	-	-	22,987	22,987
Merchant fees	11,508	-	-	11,508
Miscellaneous supplies	19,693	-	-	19,693
Shelter cost of sales	6,461	-	-	6,461
Office supplies and periodicals	25,399	1,065	830	27,294
Other veterinarian care	94,141	-	-	94,141
Printing	500	-	-	500
Processing fees	-	-	11,486	11,486
Promotions	628	-	1,057	1,685
Sterilization	109,551	-	-	109,551
Telephone and internet	19,209	908	345	20,462
Rent	165,247	6,251	4,689	176,187
Utilities	41,013	1,398	1,048	43,459
Vehicle and travel	43,088	-	-	43,088
Volunteer foster services	5,320	-	-	5,320
Total Other Expenses	799,402	24,415	391,247	1,215,064
IN-KIND EXPENSES				
Pet food and supplies	65,466	-	-	65,466
Thrift store cost of sales	149,559	-	-	149,559
Rent	34,577	-	-	34,577
Total In-Kind Expenses	249,602	-	-	249,602
TOTAL EXPENSES	\$ 2,694,148	\$ 95,174	\$ 444,316	\$ 3,233,638

See Independent Auditors' Report.

The accompanying notes are an integral part of these financial statements.

HALO - HELPING ANIMALS LIVE ON, INC.

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in net assets	\$ (222,042)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities	
Depreciation	72,831
Loss on disposition of fixed assets	3,554
Net unrealized gain on investments	(48,940)
Net reinvested investment income	(15,849)
Net lease asset and liability amortization	946
(Increase) Decrease in Assets	
Pet food	8,385
Adoption supplies	980
Thrift store inventory	(4,068)
Prepaid expenses	1,341
Other current assets	19,491
Contributions receivable	45,210
Increase (Decrease) in Liabilities	
Accounts payable	2,259
Accrued payroll and taxes	(5,275)
Accrued vacation	10,307
Accrued other expenses	(10,915)
Credit card liabilities	<u>(7,065)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(148,850)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Net proceeds/(purchases) of marketable securities	13,127
Property and equipment purchases	<u>(25,200)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(12,073)</u>
NET DECREASE IN CASH, RESTRICTED CASH AND CASH EQUIVALENTS	(160,923)
CASH, RESTRICTED CASH AND CASH EQUIVALENTS	
Beginning of Year	<u>936,053</u>
End of Year	<u>\$ 775,130</u>

SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITY

Lease assets obtained in exchange for new lease liabilities for the year ended December 31, 2023 was \$208,387.

See Independent Auditors' Report.
The accompanying notes are an integral part of these financial statements.

HALO - HELPING ANIMALS LIVE ON, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2023

NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

HALO - Helping Animals Live On, Inc. (the "Organization") is an Arizona non-profit organization whose primary mission is to help end pet overpopulation by rescuing animals, such as dogs and cats, and providing temporary shelter to abandoned animals until a permanent home can be found. The Organization helps control pet overpopulation by spaying or neutering all their adopted animals.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles, whereby revenue and expenses are recorded as earned and incurred, respectively, without regard to the date of receipt or payment of cash.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash, Restricted Cash and Cash Equivalents

The Organization considers certain highly liquid investments with an original maturity of three months or less to be cash equivalents. Restricted cash is composed of a \$10,000 security deposit for the Organization's main shelter facility. The deposit will be released upon termination of the lease term.

Investments

The Organization's investments consist of exchange traded funds, mutual funds and real estate investment funds. The Organization accounts for its investments in accordance with *Not-for-Profit Entities - Investments - Debt and Equity Securities* and *Not-for-Profit Entities - Investments - Other* topics of the FASB Accounting Standards Codification. Under *Not-for-Profit Entities - Investments - Debt and Equity Securities* the Organization is required to report marketable securities in equity securities, mutual funds, and exchange traded funds that have readily determinable fair values at fair value. The fair value is based on quoted market prices. Changes in value are shown as investment income or losses on the statements of activities. Investments in real estate investment funds are valued using net asset value as a practical expedient.

Thrift Store Inventory

Thrift store inventory, which consists of donated clothing, household goods and various other items, is held for sale at the thrift store. Since there is no cost to the Organization, inventory is recorded at fair value determined by the price at which the item can be sold. Revenue is recognized when the donated item is sold and in-kind donations are recorded at an amount equal to the sales revenue from the thrift store. Changes in year-end inventory amounts are recorded as additional sales revenue or costs of goods sold, as appropriate.

HALO - HELPING ANIMALS LIVE ON, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED For the Year Ended December 31, 2023

NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment

Property and equipment are recorded at cost or estimated fair market value for donated assets at the date of acquisition or donation, respectively. It is the Organization's policy to capitalize expenditures for these items in excess of \$2,500.

Depreciation is recorded over the estimated useful lives of depreciable assets using the straight-line method. The estimated useful lives range from three to thirty years. Depreciation expense for the year ended December 31, 2023 amounted to \$72,831. Expenditures for repairs and maintenance are charged to expense as incurred.

Impairment of Long-Lived Assets

The Organization accounts for long-lived assets in accordance with the provisions of FASB ASC 360, *Property, Plant, and Equipment*. FASB ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairment charges were recorded for 2023.

Presentation of Net Assets

The accompanying financial statements are prepared in accordance with the requirements of the *Not-for-Profits* Topic of the FASB Accounting Standards Codification. Under those provisions, not-for-profit organizations are required to present net assets in two classes: with donor restrictions and without donor restrictions. Net assets of the restricted class are created by donor-imposed restrictions on their use. When a donor restriction expires, namely, when a stipulated time restriction ends or purpose restriction has been accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Additionally, if a restriction is fulfilled in the same year in which contribution is received, the Organization reports the contribution as net assets without donor restriction. All other net assets are legally unrestricted and are reported as part of the unrestricted class.

Advertising Costs

Advertising costs are expensed as incurred. Advertising and promotion expense was \$1,685 for the year ended December 31, 2023.

HALO - HELPING ANIMALS LIVE ON, INC.NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2023**NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**Leases

Operating leases are included in operating lease assets and current and long-term liabilities in our statement of financial position. Finance leases are included in property and equipment and current and long-term liabilities in our consolidated balance sheet. Lease assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Most of the Organization's leases do not provide an implicit rate. The Organization has elected to use the risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) by class of underlying asset for the initial and subsequent measurement of lease liabilities. The risk-free rate is determined using a period comparable with the lease term. Lease expense for lease payments is recognized on a straight-line basis over the shorter of the lease term or the useful life of asset. The Organization also elected an accounting policy to not recognize lease assets and lease liabilities for short-term leases, those leases with original maturities of 12 months or less.

New Accounting Pronouncements

On January 1, 2023, the Organization adopted Accounting Standards Codification ("ASU") 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The purpose of this ASU is to provide financial statement users more decision useful information about expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The Organization elected to adopt this ASU effective January 1, 2023 using the modified-retrospective approach and record the cumulative effect adjustment to opening retained earnings, however, the impact of the adoption was not considered material to the financial statements and primarily resulted in new and enhanced disclosures only.

Revenue Recognition

The Organization accounts for contributions and grants, and in-kind donations under the provisions of the *Revenue Recognition* subtopic of the *Not-for-Profit Entities* topic of the FASB Accounting Standards Codification. Contributions received are recorded as donor restricted, or without donor restrictions depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

HALO - HELPING ANIMALS LIVE ON, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2023

NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In-Kind Donations

Donated nonfinancial assets (“in-kind”) and services are considered to be available for unrestricted use unless specifically restricted by the donor. Donated assets consist of supplies, services, and facilities. The donations are recorded at their estimated fair value at the date of donation and are included in revenues and expenses or capitalized if appropriate. Volunteers also provide services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Unconditional Promises to Give

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Allowance for uncollectable promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. There were no such promises to give outstanding at year end.

Income Taxes

The Organization has been granted tax-exempt status under Section 501 (c)(3) of the Internal Revenue Code of 1954 and similar state provisions, and accordingly, there is no provision for income taxes. Income determined to be unrelated business taxable income would be taxable.

The Organization follows the provisions of ASC 740, *Income Taxes* of the FASB Accounting Standards Codification when accounting for uncertainty in income taxes. The Organization believes it has no uncertain tax positions that qualify for either recognition or disclosure. As of December 31, 2023, due to statutes of limitations, the Organization is no longer subject to examination of its income tax returns by the federal and state authorities for years prior to 2020 and 2019, respectively.

NOTE 2. REVENUE

Sources of Revenue

Based upon similar operational and economic characteristics, the Organization’s revenues are disaggregated by its strategic categories: contributions and grants, adoption fees, store sales, in-kind donations and other revenue. The Organization believes these revenue categories depict how the nature, amount, timing, and uncertainty of its revenue and cash flows are affected by economic factors. Revenue is recognized in the period contributions are received, or when the adoption or sale occurs.

HALO - HELPING ANIMALS LIVE ON, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED For the Year Ended December 31, 2023

NOTE 2. REVENUE - Continued

Sources of Revenue - Continued

Contributions and grants are provided by corporate and individual donors for the purposes of advancing the Organization's mission.

In-kind donations consist of supplies, services and facilities provided by corporate and individual donors for the purpose of advancing the Organization's mission.

Adoptions - adoption fees are generated by the adoptions of dogs and cats through the Organization's animal shelter at a point in time when the services are provided. The adoption is considered the performance obligation, the amount of refunds are, in practice, immaterial.

Retail sales - store sales, which are made from the sale of donated goods and inventory, are re-invested to cover the needs of the Organization's animal shelters such as maintenance, pet food, and medical supplies. These are recognized at the point in time the goods are delivered to the buyer. Returns are immaterial and are recognized at the time of the refund.

Other revenue consists of miscellaneous other income items.

Revenue by Geographic Area

The Organization's revenues are generated in Arizona.

Variable Consideration

The amount of revenue ultimately received from the customer can vary due to variable consideration which includes returns, discounts, rebates, refunds, credits, price concessions, or other similar items. Under ASC 606, the Organization is required to select the "expected value method" or the "most likely method" in order to estimate variable consideration. The Organization uses both methods in practice depending on the type of variable consideration. The Organization's experience is that the effects of variable consideration are immaterial to the financial statements.

NOTE 3. CASH, RESTRICTED CASH AND CASH EQUIVALENTS

The balance in cash, restricted cash and cash equivalents as reported in the statement of cash flows consist of the following:

Cash and cash equivalents	\$765,130
Security deposits - restricted cash	<u>10,000</u>
Total Cash, Restricted Cash and Cash Equivalents	<u>\$775,130</u>

HALO - HELPING ANIMALS LIVE ON, INC.NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2023**NOTE 4. INVESTMENTS**

The cost and estimated fair value, adjusted on a recurring basis based on quoted market prices in active markets for identical assets, of marketable equity and debt securities classified as trading securities for 2023 are as follows.

	<u>Cost</u>	<u>Fair Value</u>	<u>Cumulative Unrealized Change</u>
Exchange traded funds	\$488,918	\$515,922	\$27,004
Other investments measured at NAV as a practical expedient	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total investments	<u>\$538,918</u>	<u>\$565,922</u>	<u>\$27,004</u>

Investments are subject to ongoing changes in market value. The amount ultimately realized may be more or less than amounts reported in these financial statements.

NOTE 5. FAIR VALUE MEASUREMENTS

The Organization's investments are reported at fair value in the accompanying statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of inputs other than quoted market prices included in Level 1 that are observable to valuing the asset either directly or indirectly. Observable inputs include quoted prices for similar assets in active or non-active markets. Level 3 inputs are unobservable and have the lowest priority. There are no Level 2 or 3 investments for the year ended December 31, 2023.

HALO - HELPING ANIMALS LIVE ON, INC.NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2023**NOTE 5. FAIR VALUE MEASUREMENTS - Continued**

The following tables summarize the valuation of the Organization's investments at fair value by the above standard:

	<u>Fair Value</u>	<u>Fair Value Measurements Using: Quoted Prices In Active Markets for Identical Assets (Level 1)</u>
Exchange traded funds	\$515,922	\$515,922

Exchange Traded Funds

These instruments are carried at fair value and are measured at fair value on a recurring basis. The fair value of these investments is determined by the price list on a national exchange as of the close of the reporting period. The pricing can be derived from quoted prices in active markets for identical securities.

Investments Measured Using NAV as Practical Expedient

The Organization also holds investments in funds that do not have readily determinable fair values based on quoted market prices. These investments are measured at fair value using the net asset value (NAV) as a Practical Expedient, as allowed under applicable accounting standards.

The fair value of these investments is based on the reported NAV provided by the investment manager as of year-end. The NAV is determined by using various valuation techniques, including the fair value of the underlying assets and liabilities, as well as other factors.

During 2022, the Organization acquired the "SEALY Industrial Partners IV" real estate investment fund. This investment is not listed in any of the major market indices and does not have a readily determinable market value. Instead, the investment is revalued annually. The Organization received a distribution from this investment, as listed on its annual K-1 tax form.

The following table summarizes investments measured at fair value using NAV as practical expedient at December 31, 2023:

<u>Investment Name</u>	<u>Quantity</u>	<u>NAV per Share</u>	<u>Fair Value</u>
Real Estate Investment Fund, SEALY Industrial Partners IV	554.016	90.250	\$50,000

HALO - HELPING ANIMALS LIVE ON, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED For the Year Ended December 31, 2023

NOTE 6. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash in bank accounts, which, at times, may exceed the federally insured limits. The Organization has not experienced any losses in such accounts.

NOTE 7. RELATED PARTY TRANSACTIONS

The Organization's chief executive officer (CEO) maintains a foster animal shelter on the property of her personal residence. The Organization pays the cost of insurance for the shelter and any occasional incidental costs which may arise. The CEO personally absorbs all other costs associated with the shelter. The Organization paid approximately \$1,051 in costs during 2023 associated with the foster shelter.

Members of the Organization's board of directors provide various services to the Organization. The Organization paid approximately \$1,980 for these services during 2023.

NOTE 8. OPERATING LEASES

The Company has various facility leases. These leases are classified as operating leases and expire at various dates through 2027. Operating lease assets and operating lease liabilities at December 31, 2023 include the following:

	<u>Assets</u>	<u>Liabilities</u>
Facility leases	\$ 750,181	\$ 448,636
Less: Accumulated amortization	(306,163)	-
Less: Current portion	-	(158,328)
	<u>\$ 444,018</u>	<u>\$ 290,308</u>

The following table outlines maturities of our lease liabilities as of December 31, 2023:

<u>During the Years Ending December 31,</u>	<u>Operating Leases</u>
2024	\$158,328
2025	164,328
2026	115,561
2027	16,735
	454,952
Less imputed interest	(6,316)
Total	<u>\$448,636</u>

For the year ended December 31, 2023, rent expense under all leases included in the above calculation, not including in-kind rent, totaled approximately \$176,187. Cash paid for amounts included in the measurement of the associated lease liabilities was \$158,120 for the year ended December 31, 2023.

HALO - HELPING ANIMALS LIVE ON, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED For the Year Ended December 31, 2023

NOTE 8. OPERATING LEASES - Continued

The weighted-average remaining lease term for operating leases, as of December 31, 2023, was 1.80 years. The weighted-average discount rate used to record the operating lease assets and operating lease liabilities was 1.5% for the year ended December 31, 2023.

The Organization also receives in-kind rent for one of its facilities. Total rent expense for in-kind rent during 2023 was \$34,577.

NOTE 9. IN-KIND DONATIONS

The Organization receives various contributions of non-financial assets (“in-kind”) during the year. In-kind contributions for the year ended December 31, 2023, included in the financial statements, were as follows:

Thrift store	\$149,559
Rent	34,577
Pet food and supplies	65,466
Total In-Kind Donations	<u>\$249,602</u>

Thrift store

During the year, the Organization receives various donations to the Organization’s thrift store and sells those items to the general public. The donated items are recorded in the statement of activities at their fair value. Revenue is recognized when the donated item is sold and in-kind donations are recorded at an amount equal to the associated sales revenue, which is based on the selling price of the item.

Rent

The Organization receives discounted rent at one of its locations. The Organization records an in-kind contribution to the estimated value of this benefit. The total amount of this discount is approximately \$34,545, which is calculated as the market price per square foot for the Organization’s occupancy square footage.

Pet food and supplies

The Organization receives various non-financial donations of pet food and supplies. The Organization records the fair value of donations of food and supplies when those gifts are received as contributions on the statements of activities. Fair value is determined based upon the estimate value that would be received for selling the goods in the principal market, considering condition and utility.

NOTE 10. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses

HALO - HELPING ANIMALS LIVE ON, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED For the Year Ended December 31, 2023

NOTE 10. FUNCTIONAL ALLOCATION OF EXPENSES - Continued

by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include rent, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, worker's compensation, payroll taxes, professional services, accounting, utilities, supplies, and other, which are allocated on the basis of estimates of time and effort.

NOTE 11. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization's financial assets as of December 31, 2023, reduced by amounts not available for general expenditures within one year. Financial assets are unavailable when illiquid or not convertible to cash within one year. Other considerations of non-liquid assets are perpetual endowments and accumulated earnings net of appropriations within one year, amounts restricted by donors for non-operating activities, and amounts limited by the Board of Directors.

Financial Assets	
Cash, restricted cash, and cash equivalents	\$ 775,130
Investments	565,922
Prepaid expenses	<u>17,148</u>
	1,358,200
Less: Financial assets unavailable for general expenditure within one year	<u>(38,790)</u>
Financial Assets Available To Meet Cash Needs for General Expenditures Within One Year	<u><u>\$1,319,410</u></u>

The Organization considers all expenditures related to its operating activities that are incurred in the course of the normal business operations of the Organization to be general expenditures.

NOTE 12. NET ASSETS WITH DONOR RESTRICTIONS

For the year ended December 31, 2023, net assets with donor restriction were available for the following programs:

Medical care	<u>\$38,790</u>
	<u>\$38,790</u>

For the year ended December 31, 2023, \$196,380 was released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors.

HALO - HELPING ANIMALS LIVE ON, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2023

NOTE 14. BENEFIT PLAN

In 2023, the Organization implemented a SIMPLE IRA plan covering employees who meet certain defined eligibility requirements. The Organization matches one percent of employee contributions. The Organization's contributions to the plan were \$3,910 during 2023.

NOTE 13. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through July 31, 2024, which is the date the financial statements were available to be issued.