

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

AUDITED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2022**

Tull Forsberg & Olson

Professional Limited Liability Company



Certified Public Accountants

HALO - HELPING ANIMALS LIVE ON, INC.

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October 20, 2023

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, 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 HALO - Helping Animals Live On, Inc. 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 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 PC

HALO - HELPING ANIMALS LIVE ON, INC.

STATEMENT OF FINANCIAL POSITION

As of December 31, 2022

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 926,053
Investments	514,260
Pet food	23,705
Adoption supplies	6,206
Thrift store inventory	7,637
Contributions receivable	45,210
Other current assets	19,491
Prepaid expenses	<u>18,489</u>

Total Current Assets 1,561,051

PROPERTY AND EQUIPMENT

Office furniture and equipment	158,077
Vehicles	136,522
Software	11,418
Leasehold improvements	<u>354,787</u>
	660,804
Less: Accumulated depreciation	<u>(507,964)</u>

Total Property and Equipment, Net 152,840

NONCURRENT ASSETS

Security deposits - restricted cash	10,000
Lease asset, net	<u>389,842</u>

Total Noncurrent Assets 399,842

TOTAL ASSETS \$ 2,113,733

See Independent Auditors' Report.

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

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 7,862
Accrued payroll and taxes	68,549
Accrued vacation	56,433
Accrued other expenses	10,915
Credit card liabilities	35,238
Lease liabilities, current portion	<u>153,265</u>

Total Current Liabilities 332,262

NONCURRENT LIABILITIES

Lease liabilities, net of current portion	<u>240,249</u>
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NET ASSETS

Without donor restrictions	1,465,552
With donor restrictions	<u>75,670</u>

Total Net Assets 1,541,222

TOTAL LIABILITIES AND NET ASSETS \$ 2,113,733

HALO - HELPING ANIMALS LIVE ON, INC.STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022

	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Contributions and grants	\$ 1,906,647	\$ 75,670	\$ 1,982,317
Adoption fees	654,936	-	654,936
Store sales	174,325	-	174,325
In-kind donations	240,202	-	240,202
Other revenue	5,364	-	5,364
Investment income	19,328	-	19,328
Loss on investments	(59,007)	-	(59,007)
Net assets released from restrictions	<u>15,481</u>	<u>(15,481)</u>	<u>-</u>
Total Public Support and Revenue	<u>2,957,276</u>	<u>60,189</u>	<u>3,017,465</u>
EXPENSES			
Program services	2,720,911	-	2,720,911
Management and general	98,737	-	98,737
Fundraising	<u>435,422</u>	<u>-</u>	<u>435,422</u>
Total Expenses	<u>3,255,070</u>	<u>-</u>	<u>3,255,070</u>
(DECREASE)/INCREASE IN NET ASSETS	(297,794)	60,189	(237,605)
NET ASSETS - BEGINNING OF YEAR	<u>1,763,346</u>	<u>15,481</u>	<u>1,778,827</u>
NET ASSETS - END OF YEAR	<u>\$ 1,465,552</u>	<u>\$ 75,670</u>	<u>\$ 1,541,222</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, 2022

	Program Services	Management and General	Fundraising	Total
PERSONNEL COSTS				
Salaries, wages, and payroll taxes	\$ 1,547,695	\$ 66,568	\$ 49,925	\$ 1,664,188
Employee benefits	80,766	3,747	2,596	87,109
Worker's compensation	13,768	592	444	14,804
Total Personnel Costs	1,642,229	70,907	52,965	1,766,101
OTHER EXPENSES				
Accounting and professional	15,833	13,888	3,415	33,136
Animal adoption fees	12,251	-	-	12,251
Animal care and supplies	169,800	-	-	169,800
Company insurance	33,067	1,644	1,302	36,013
Depreciation	72,245	3,107	2,330	77,682
Direct mail	-	-	337,073	337,073
Donor development	-	-	17,689	17,689
Merchant fees	12,294	-	-	12,294
Miscellaneous supplies	18,701	-	-	18,701
Shelter cost of sales	6,907	-	-	6,907
Office supplies and periodicals	29,463	1,452	879	31,794
Other veterinarian care	109,274	-	-	109,274
Printing	694	-	-	694
Processing fees	-	-	13,320	13,320
Promotions	330	-	983	1,313
Sterilization	94,008	-	-	94,008
Telephone and internet	19,059	902	338	20,299
Rent	149,484	5,532	4,149	159,165
Utilities	38,974	1,305	979	41,258
Vehicle and travel	52,358	-	-	52,358
Volunteer foster services	3,738	-	-	3,738
Total Other Expenses	838,480	27,830	382,457	1,248,767
IN-KIND EXPENSES				
Pet food and supplies	44,659	-	-	44,659
Thrift store cost of sales	160,998	-	-	160,998
Rent	34,545	-	-	34,545
Total In-Kind Expenses	240,202	-	-	240,202
TOTAL EXPENSES	\$ 2,720,911	\$ 98,737	\$ 435,422	\$ 3,255,070

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 Years Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	\$ (237,605)
Decrease in net assets	\$ (237,605)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities	
Depreciation	77,682
Gain on disposition of fixed assets	(3,694)
Net unrealized loss on investments	59,007
Net reinvested investment income	(15,536)
Net lease asset amortization	3,672
(Increase) Decrease in Assets	
Pet food	(10,461)
Adoption supplies	(29)
Thrift store inventory	15,250
Prepaid expenses	(1,322)
Other current assets	(19,491)
Contributions receivable	(45,210)
Increase (Decrease) in Liabilities	
Accounts payable	864
Accrued payroll and taxes	8,619
Accrued vacation	3,235
Accrued other expenses	10,915
Credit card liabilities	3,710
	<u> </u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(150,394)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Net purchases of marketable securities	(41,429)
Proceeds from sale of property and equipment	9,500
Property and equipment purchases	<u>(33,755)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(65,684)</u>
NET DECREASE IN CASH, RESTRICTED CASH AND CASH EQUIVALENTS	(216,078)
CASH, RESTRICTED CASH AND CASH EQUIVALENTS	
Beginning of Year	<u>1,152,131</u>
End of Year	<u><u>\$ 936,053</u></u>

SUPPLEMENTAL DISCLOSURE ON NONCASH ACTIVITIES

Lease assets obtained in exchange for new operating lease liabilities for the year ended December 31, 2022 was \$541,794 with the implementation of ASC 842 in 2022.

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, 2022

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, 2022

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, 2022 amounted to \$77,682. Expenditures for repairs and maintenance are charged to expense as incurred.

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 \$1,313 for the year ended December 31, 2022.

Leases

Operating leases are included in operating lease assets and current and long-term liabilities in our consolidated balance sheet. 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.

HALO - HELPING ANIMALS LIVE ON, INC.NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2022**NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases* (Topic 842). The purpose of this ASU is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and to disclose key information about leasing transactions. The Company adopted this ASU using the modified retrospective method, utilizing the effective method option, in which the standard is applied as of January 1, 2022. As a result, the Organization recognized lease assets and lease liabilities starting January 1, 2022. This ASU allowed for certain practical expedients to be employed at adoption. These practical expedients include 1) the need to not reassess whether existing contracts contain a lease, 2) the need not to reassess lease classifications and 3) the Organization need not reassess initial direct costs for existing leases at the time of adoption. The Organization has elected to adopt these practical expedients.

The Organization adopted ASU 2020-07, *Not-for-Profit Entities* (Topic 230), *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, during the year ended December 31, 2022, which affects the presentation and disclosure of contributed nonfinancial assets (“in-kind”). The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregation by type.

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.

In-Kind Donations

Donated assets 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.

HALO - HELPING ANIMALS LIVE ON, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2022

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

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 statements 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 are \$45,210 in 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, 2022, 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 2019 and 2018, 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.

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.

HALO - HELPING ANIMALS LIVE ON, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED For the Year Ended December 31, 2022

NOTE 2. REVENUE - Continued

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.

There are no contract assets or liabilities as of December 31, 2022.

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	\$926,053
Security deposit	<u>10,000</u>
Total Cash, Restricted Cash and Cash Equivalents	<u>\$936,053</u>

HALO - HELPING ANIMALS LIVE ON, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED For the Year Ended December 31, 2022

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 2022 are as follows.

	Cost	Fair Value	Cumulative Unrealized Change
Exchange traded funds	\$123,250	\$122,783	\$ (467)
Mutual funds	374,599	341,477	(33,122)
	497,849	464,260	(33,589)
Other investments measured at NAV as a practical expedient	40,000	50,000	10,000
Total investments	\$537,849	\$514,260	\$(23,589)

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, 2022.

Mutual Funds, Equities & 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.

HALO - HELPING ANIMALS LIVE ON, INC.NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2022**NOTE 5. FAIR VALUE MEASUREMENTS - Continued**

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

	Fair Value	Fair Value Measurements Using:
		Quoted Prices In Active Markets for Identical Assets (Level 1)
Exchange traded funds	\$122,783	\$122,783
Mutual funds	341,477	341,477
Total	<u>\$464,260</u>	<u>\$464,260</u>

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, 2022:

<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, 2022

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 \$6,068 on lease hold improvements during 2022 associated with the foster shelter.

Members of the Organization's board of directors provide various services to the Organization. The Organization paid approximately \$570 for these services during 2022.

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, 2022 include the following:

	<u>Assets</u>	<u>Liabilities</u>
Facility leases	\$ 541,794	\$ 393,514
Less: Accumulated amortization	(151,952)	-
Less: Current portion	-	(153,265)
	<u>\$ 389,842</u>	<u>\$ 240,249</u>

The following table outlines maturities of our lease liabilities as of December 31, 2022:

<u>During the Years Ending December 31,</u>	<u>Operating Leases</u>
2023	\$158,120
2024	160,850
2025	44,656
2026	21,841
2027	16,735
	402,202
Less imputed interest	(8,688)
Total	<u>\$393,514</u>

For the year ended December 31, 2022, rent expense under all leases included in the above calculation, not including in-kind rent, totaled

HALO - HELPING ANIMALS LIVE ON, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED For the Year Ended December 31, 2022

NOTE 8. OPERATING LEASES - Continued

approximately \$159,000. Cash paid for amounts included in the measurement of the associated lease liabilities was \$155,393 for the year ended December 31, 2022.

The weighted-average remaining lease term for operating leases, as of December 31, 2022, was 2.80 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, 2022.

The Organization also receives in-kind rent for one of its facilities. Total rent expense for in-kind rent during 2022 was \$34,545.

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, 2022, included in the financial statements, were as follows:

Thrift store	\$160,998
Rent	34,545
Pet food and supplies	44,659
Total In-Kind Donations	<u>\$240,202</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.

HALO - HELPING ANIMALS LIVE ON, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED For the Year Ended December 31, 2022

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 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, 2022, 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	\$ 936,053
Investments	514,260
Prepaid expenses	<u>18,489</u>
	1,468,802
Less: Financial assets unavailable for general expenditure within one year	<u>(75,670)</u>
Financial Assets Available To Meet Cash Needs for General Expenditures Within One Year	<u><u>\$1,393,132</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.

HALO - HELPING ANIMALS LIVE ON, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2022

NOTE 12. NET ASSETS WITH DONOR RESTRICTIONS

For the year ended December 31, 2022, net assets with donor restriction were available for the following programs:

Medical care	<u>\$75,670</u>
	<u>\$75,670</u>

For the year ended December 31, 2022, no net assets were 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 as follows:

NOTE 13. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 20, 2023, which is the date the financial statements were available to be issued.