HEARTS ALIVE VILLAGE, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2023

ELLSWORTH • STOUT

CPAs and Consultants

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Independent Auditor's Report

To the Board of Directors of
Hearts Alive Village, Inc.

Opinion
We have audited the accompanying financial statements of Hearts Alive Village, 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 Hearts Alive Village, Inc. (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
November 19, 2024

HEARTS ALIVE VILLAGE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

ASSETS		
Current Assets:		
Cash	$	1,060,810
Accounts receivable, net		119,763
Inventory		65,430
Prepaid expenses		379
Total current assets		1,246,382
Property and Equipment, net		5,469,152
Other Assets:		
Refundable deposits		13,522
ROU asset for operating leases, net		251,735
Total other assets		265,257
Total Assets	$	6,980,791
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$	66,581
Accrued expenses		67,250
Current operating lease liability		93,502
Current maturities of long-term debt		35,065
Total current liabilities		262,398
Long-Term Liabilities:		
Liability for operating leases, net		161,076
Long-term debt, net of current maturities		514,185
Total long-term liabilities		675,261
Total Liabilities		937,659
Net Assets:		
Without donor restrictions		5,451,446
With donor restrictions		591,686
Total net assets		6,043,132
Total Liabilities and Net Assets	$	6,980,791

See accompanying notes to the financial statements.

HEARTS ALIVE VILLAGE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

Net Assets without Donor Restrictions	
Revenue and other support:	
Contributions	$ 1,610,985
Program revenue, net of discounts of $455,221	1,200,345
Special events income, net of expenses $7,939	133,286
In-kind donations	306,000
Net assets released from restrictions	1,518,995
	4,769,611
Expenses:	
Program services	3,990,892
Supporting services:	
Management and general	198,096
Fundraising	25,018
	4,214,006
Other income (expense):	
Other income	52,444
Increase in net assets without donor restrictions	608,049
Net Assets with Donor Restrictions	
Contributions	1,188,685
Net assets released from donor restrictions	(1,518,995)
Decrease in net assets with donor restrictions	(330,310)
Increase in Net Assets	277,739
Net Assets, Beginning of Year	5,765,393
Net Assets, End of Year	$ 6,043,132

See accompanying notes to the financial statements.

HEARTS ALIVE VILLAGE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Program Services	Management and General	Fundraising	Total
Advertising	$ -	$ 5,576	$ -	$ 5,576
Bad debt expense	-	1,566	-	1,566
Depreciation	143,142	7,534	-	150,676
Dues and subscriptions	15,479	10,320	-	25,799
Employee benefits	67,513	7,586	758	75,857
Insurance	51,798	13,769	-	65,567
Interest expense	1,481	11,986	-	13,467
Office and other expenses	153,495	1,550	-	155,045
Professional services	13,029	40,716	543	54,288
Program expenses	979,018	-	-	979,018
Rent	91,979	-	-	91,979
Repairs and maintenance	50,082	-	-	50,082
Salaries and related expenses	2,253,110	94,868	23,717	2,371,695
Taxes	21,110	-	-	21,110
Travel	21,435	-	-	21,435
Utilities	108,970	-	-	108,970
Vehicle expense	19,251	2,625	-	21,876
	$ 3,990,892	$ 198,096	$ 25,018	$ 4,214,006

See accompanying notes to the financial statements.

HEARTS ALIVE VILLAGE, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

Cash Flows from Operating Activities		
Increase in net assets	$	277,739
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Bad debt expense		1,566
Depreciation		150,676
Operating lease accretion		1,633
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable		(80,680)
(Increase) decrease in inventory		(16,223)
(Increase) decrease in prepaid expenses		(379)
Increase (decrease) in accounts payable		18,618
Increase (decrease) in accrued expenses		19,656
Net cash provided by operating activities		372,606
Cash Flows from Investing Activities		
Purchase of property and equipment		(350,210)
Net cash used in investing activities		(350,210)
Cash Flows from Financing Activities		
Principal debt payments		(24,721)
Net cash used in financing activities		(24,721)
Net Change in Cash		(2,325)
Cash, Beginning of Year		1,063,135
Cash, End of Year	$	1,060,810
Supplemental disclosure of cash flow information:		
Interest paid	$	3,571
Supplemental Disclosure of Non-Cash Investing and Financing Activities:		
Acquisition of equipment through increase in debt	$	11,000

See accompanying notes to the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Hearts Alive Village, Inc. (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 is a Nevada nonprofit entity founded in 2013 and provides three main areas of programs and services:

Small Animal Rescue and Adoption: The Organization's small animal rescue, rehabilitation and adoption program focuses on ensuring cats and dogs are able to find a home of their own. Hearts Alive Rescue will often accept animals from other rescues who may otherwise be put down, individuals who may no longer able to care for their animals, and other vulnerable populations of animals, to ensure they receive the medical care and rehabilitation needed to have the best chance at finding a forever home.

Veterinary Services: Access to veterinarian impacts millions of pets and families and the Organization has watched the community struggle because they are faced with hard decisions when it comes to their pets. To address this need, the Organization's veterinary services program provides options to help keep pets at home by providing affordable care in our community. This program also assists with providing medical care to rescued animals.

Horse Rescue: A sanctuary to rescue horses, donkeys, goats, pigs, and any other animals that need protection. It is a safe space for animals to heal, rehabilitate, and wait for their future home.

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 the 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 applicable to not-for-profit organizations, principally Accounting Standards 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 restriction by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other event specified by donors.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the purpose of the statement of 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 amounts and believes it is not exposed to any significant credit risk to cash.

Accounts Receivable

Accounts receivable consist primarily of fees due from program services. The Organization closely monitors outstanding balances and determines whether certain accounts should be written off. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. As of December 31, accounts receivable consisted of the following:

	2023	2022
Accounts receivable	$ 124,510	$ 43,830
Allowance for doubtful accounts	(4,747)	(3,181)
	$ 119,763	$ 40,649

Property and Equipment

The Organization capitalizes significant expenditures for property and equipment at cost, generally those that exceed $2,500. Property and equipment contributed to the Organization are recorded at approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range between three to thirty-nine years.

Inventory

Inventories, which consist primarily of medical supplies and equipment, are measured at the lower of cost or market value.

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 as net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Program revenues consist of adoption, clinic, and other fees from contracts with customers. 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. These revenues are recognized net of discounts. For the year ended December 31, 2023, program revenues were recorded net of discounts of $455,221. Program revenue is recognized at a point-in-time when services were performed, which is when the performance obligation is satisfied.

Contributed Materials and Services

Generally, donated materials, if significant in amount, are recorded at their fair market value, provided the Organization has a clearly measurable and objective basis for determining the fair value. In the case of materials where such values cannot reasonably be determined, the donation is not recorded.

Donated professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In addition, unpaid volunteers have donated their time to the Organization's programs. The value of such services has not been reflected in the accompanying statements since the volunteers' time does note meet the criteria for recognition as contributed services.

The Organization recognized $306,000 of in-kind supplies during the year ended December 31, 2023.

Income Taxes

In August 2013, the Organization received notification from the Internal Revenue Service that the Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as a public charity under Section 170(b)(1)(A)(vi). Therefore, no provision for income taxes is made in the accompanying financial statements.

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 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

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 risk-free rate as the discount rate for its operating leases.

The Organization leases office space. 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.

ROU assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term using the applicable rate. Operating lease ROU assets also includes any lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option. For the year ended December 31, 2023, lease commencements resulted in an increase in operating lease ROU assets of $232,808 and an increase in operating liabilities of $232,808.

None of the Organization's leases contain provisions for variable rent payments, material residual value agreements, or ratios that must be maintained.

Advertising

Advertising costs are expensed as incurred.

Allocation Methodology

The statement of functional expenses presents expenditures by both their nature and their function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses are allocated based on management's estimates of time and effort, except for expenses that are considered direct expenses.

NOTE 2 – LIQUIDITY AND AVAILABILITY

As of December 31, 2023, the Organization had $588,887 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 $469,124, accounts receivable of $119,763. 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 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2023:

Non depreciable:	
Land	$ 1,841,478
Construction in progress	1,005,864
Depreciable:	
Buildings	2,213,421
Furniture and equipment	267,347
Improvements	494,757
Vehicles	87,577
	5,910,444
Less: accumulated depreciation	(441,292)
	$ 5,469,152

Depreciation expense for the year ended December 31, 2023 was $150,676.

NOTE 4 – LEASING ACTIVITIES

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

ROU asset for operating lease	$ 251,735
Current operating lease liability	$ 93,502
Long-term liability for operating leases	161,076
	$ 254,578

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

Weighted Average Remaining Lease Term	3.54 years
Weighted Average Discount Rate	1.17%

NOTE 4 – LEASING ACTIVITIES (Continued)

As of December 31, 2023, the maturities of lease liabilities were as follows:

2024	$ 95,885
2025	68,387
2026	38,687
2027	26,960
2028	27,769
Thereafter	2,320
Total lease payments	260,008
Less interest	(5,430)
Present value of lease liabilities	$ 254,578

For the year ended December 31, 2023, the following summarizes the line items in the statement of activities which include the components of lease expense:

Lease Costs (included in rent expense):	
Operating lease cost	$ 91,979

NOTE 5 – LONG-TERM DEBT

As of December 31, 2023, long-term debt consisted of the following:

The Organization was granted Economic Injury Disaster Loans (EIDL) from a financial institution in the aggregate amount of $500,000 pursuant to Section 7(b) of the Small Business Act, as amended. The loan matures in May 2050 and bears interest at a fixed rate of 2.75% per annum. The loans may be prepaid by the borrower at any time prior to maturity with no prepayment penalties. Funds from the loans may only be used as working capital to alleviate economic injury caused by the pandemic. The loans are collateralized by assets of the Organization.	$ 493,393
Note payable, due in monthly installments ranging from $323 to $716, with interest rates ranging from 0% to 3.945%, and maturing in 2026, collateralized by equipment.	55,857
Total long-term debt	549,250
Less: current maturities	(35,065)
	$ 514,185

NOTE 5 – LONG-TERM DEBT (Continued)

As of December 31, long-term debt matures as follows:

2024	$	35,065
2025		36,299
2026		28,109
2027		15,455
2028		15,886
Thereafter		418,436
	$	549,250

NOTE 6 – RELATED PARTY TRANSACTIONS AND CONCENTRATIONS OF REVENUE

The Organization received contributions from board members in the amount of $1,136,000 for the year ended December 31, 2023. This is also considered a concentration of revenues equaling 41% of total revenues.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. Net assets with donor restrictions are restricted for the purpose of the horse rescue program in the amount of $591,686 as of December 31, 2023, and consists of cash.

NOTE 8 – SUBSEQUENT EVENTS

Management of the Organization has evaluated subsequent events through November 19, 2024, which is the date the financial statements were available to be issued. No events were identified that would require disclosure.