Operation Kindness

Financial Statements

June 30, 2023 and 2022

armanino

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Operation Kindness
Carrollton, Texas

Opinion

We have audited the accompanying financial statements of Operation Kindness, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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 Operation Kindness as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Operation Kindness and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 2 to the financial statements, Operation Kindness has adopted Financial Accounting Standards Board ("FASB") Topic 842, *Leases*. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Operation Kindness's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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 Operation Kindness'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 Operation Kindness'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.

Armanino LLP

Armanino LLP
Dallas, Texas

March 11, 2024

Operation Kindness
Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents	$ 942,899	$ 1,949,373
Contributions receivable, net	19,618	-
Investments, at fair value	9,923,641	7,400,811
Prepaid expenses and other assets	226,336	141,168
Finance lease right-of-use asset, net	1,174,288	-
Cash restricted for acquisition of property and equipment	71,426	199,864
Property and equipment, net	11,291,075	11,439,591
Total assets	$ 23,649,283	$ 21,130,807
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 109,364	$ 115,606
Accrued expenses and other liabilities	251,611	163,468
Deferred revenue	27,852	-
Finance lease liability	1,201,347	-
Total liabilities	1,590,174	279,074
Net assets		
Without donor restrictions	21,667,698	20,067,712
With donor restrictions	391,411	784,021
Total net assets	22,059,109	20,851,733
Total liabilities and net assets	$ 23,649,283	$ 21,130,807

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

Operation Kindness
Statement of Activities
For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains (losses) and other support			
Contributions	$ 4,380,999	$ 1,104,313	$ 5,485,312
Contributions from estate settlements	4,025,682	-	4,025,682
Capital campaign contributions	-	4,000	4,000
In-kind donations	331,883	-	331,883
Adoption income	825,609	-	825,609
Event income	770,046	-	770,046
Less: direct benefit to donors	(262,086)	-	(262,086)
Interest and dividends, net	218,297	-	218,297
Net realized and unrealized gains on investments	756,680	-	756,680
Loss on sale of property and equipment	(11,846)	-	(11,846)
Other income	534,856	-	534,856
Net assets released from restriction	1,500,923	(1,500,923)	-
Total revenues, gains (losses) and other support	13,071,043	(392,610)	12,678,433
Functional expenses			
Program	9,112,762	-	9,112,762
Management and general	1,101,721	-	1,101,721
Fundraising	1,256,574	-	1,256,574
Total functional expenses	11,471,057	-	11,471,057
Change in net assets	1,599,986	(392,610)	1,207,376
Net assets, beginning of year	20,067,712	784,021	20,851,733
Net assets, end of year	$ 21,667,698	$ 391,411	$ 22,059,109

Operation Kindness
Statement of Activities
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains (losses) and other support			
Contributions	$ 3,524,185	$ 1,472,136	$ 4,996,321
Contributions from estate settlements	3,583,082	-	3,583,082
Capital campaign contributions	-	81,500	81,500
In-kind donations	103,130	-	103,130
Adoption income	733,096	-	733,096
Event income	768,884	-	768,884
Less: direct benefit to donors	(235,180)	-	(235,180)
Interest and dividends, net	22,464	-	22,464
Net realized and unrealized losses on investments	(92,361)	-	(92,361)
Loss on uncollectible contributions receivable	-	(24,975)	(24,975)
Loss on sale of property and equipment	(6,338)	-	(6,338)
Other income	251,247	-	251,247
Net assets released from restriction	873,683	(873,683)	-
Total revenues, gains (losses) and other support	9,525,892	654,978	10,180,870
Functional expenses			
Program	6,099,209	-	6,099,209
Management and general	1,005,196	-	1,005,196
Fundraising	1,264,546	-	1,264,546
Total functional expenses	8,368,951	-	8,368,951
Change in net assets	1,156,941	654,978	1,811,919
Net assets, beginning of year	18,910,771	129,043	19,039,814
Net assets, end of year	$ 20,067,712	$ 784,021	$ 20,851,733

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

Operation Kindness
Statement of Functional Expenses
For the Year Ended June 30, 2023

	Program	Management and General	Fundraising	Cost of Direct Benefit to Donors	Total
Personnel expenses					
Salaries & wages	$ 4,931,446	$ 684,320	$ 568,469	$ -	$ 6,184,235
Employee benefits	848,027	70,568	115,399	-	1,033,994
Payroll taxes	405,970	49,256	44,696	-	499,922
Total personnel expenses	6,185,443	804,144	728,564	-	7,718,151
Non-personnel expenses					
Professional fees	24,320	205,279	2,491	-	232,090
Office expenses	44,699	4,474	36,156	-	85,329
Occupancy	268,827	14,150	22,106	-	305,083
Technology	118,872	12,232	30,883	-	161,987
Direct animal care	1,541,096	-	-	-	1,541,096
Bank & credit card fees	17,216	1,499	39,173	-	57,888
Advertising & recruiting	23,365	1,073	59,288	-	83,726
Insurance	78,755	7,507	4,808	-	91,070
Travel and vehicle expense	129,144	2,301	3,738	-	135,183
Direct event expenses	-	-	-	262,086	262,086
Capital campaign	10,677	-	-	-	10,677
Letter postage & production	-	-	277,256	-	277,256
Other expenses	31,883	16,162	18,972	-	67,017
Depreciation & amortization	638,465	32,900	33,139	-	704,504
Total non-personnel expenses	2,927,319	297,577	528,010	262,086	4,014,992
Less expenses included with revenues on the statement of activities					
Direct event expenses	-	-	-	(262,086)	(262,086)
Total expenses included in the expense section on the statement of activities	$ 9,112,762	$ 1,101,721	$ 1,256,574	$ -	$ 11,471,057

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

Operation Kindness
Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program	Management and General	Fundraising	Cost of Direct Benefit to Donors	Total
Personnel expenses					
Salaries & wages	$ 3,177,327	$ 521,041	$ 572,577	$ -	$ 4,270,945
Employee benefits	472,862	58,230	120,933	-	652,025
Payroll taxes	274,853	41,605	45,587	-	362,045
Total personnel expenses	3,925,042	620,876	739,097	-	5,285,015
Non-personnel expenses					
Professional fees	17,826	255,782	2,646	-	276,254
Office expenses	27,071	3,923	39,775	-	70,769
Occupancy	214,948	14,313	16,014	-	245,275
Technology	75,115	31,903	89,989	-	197,007
Direct animal care	988,062	-	-	-	988,062
Bank & credit card fees	16,006	5,452	38,259	-	59,717
Advertising & recruiting	16,132	1,466	43,057	-	60,655
Insurance	64,303	7,337	2,560	-	74,200
Travel and vehicle expense	51,895	5,270	1,848	-	59,013
Direct event expenses	-	-	-	235,180	235,180
Capital campaign	72,465	9,181	9,981	-	91,627
Letter postage & production	-	-	245,733	-	245,733
Other expenses	20,853	10,807	15,442	-	47,102
Depreciation & amortization	609,491	38,886	20,145	-	668,522
Total non-personnel expenses	2,174,167	384,320	525,449	235,180	3,319,116
Less expenses included with revenues on the statement of activities:					
Direct event expenses	-	-	-	(235,180)	(235,180)
Total expenses included in the expense section on the statement of activities	$ 6,099,209	$ 1,005,196	$ 1,264,546	$ -	$ 8,368,951

Operation Kindness
Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	$ 1,207,376	$ 1,811,919
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	684,601	668,522
Amortization of finance lease right-of-use asset	19,903	-
Imputed interest on finance lease liability	7,156	-
Net realized and unrealized (gains) losses on investments	(756,680)	92,361
Loss on sale of property and equipment	11,846	6,338
Loss on uncollectible contributions receivable	-	24,975
Contributions revenue restricted for property and equipment	(194,500)	(176,970)
Changes in operating assets and liabilities		
Contributions receivable, net	(19,618)	(68,818)
Prepaid expenses and other assets	(85,168)	(1,923)
Accounts payable	(6,242)	(82,782)
Accrued expenses and other liabilities	88,143	(10,000)
Deferred revenue	27,852	-
Net cash provided by operating activities	984,669	2,263,622
Cash flows from investing activities		
Purchases of investments	(20,214,915)	(8,843,893)
Proceeds from sales of investments	18,448,765	7,677,966
Purchases of property and equipment	(547,931)	(95,804)
Net cash used in investing activities	(2,314,081)	(1,261,731)
Cash flows from financing activities		
Cash collected on contributions restricted for property and equipment	194,500	176,970
Net cash provided by financing activities	194,500	176,970
Net increase (decrease) in cash, cash equivalents and restricted cash	(1,134,912)	1,178,861
Cash, cash equivalents and restricted cash, beginning of year	2,149,237	970,376
Cash, cash equivalents and restricted cash, end of year	$ 1,014,325	$ 2,149,237
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	$ 942,899	$ 1,949,373
Cash restricted for acquisition of property and equipment	71,426	199,864
	$ 1,014,325	$ 2,149,237

Supplemental schedule of noncash investing and financing activities

Finance lease right-of-use asset obtained in exchange for finance lease liability	$ 1,194,191	$ -

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

1. NATURE OF OPERATIONS

Operation Kindness (the "Organization"), located in Carrollton, Texas, was incorporated in June 1977 in the state of Texas, for the purpose of providing quality care for homeless or unwanted cats and dogs in a compassionate, no-kill environment until they are adopted into responsible, loving homes, and to be a leader in the community in promoting humane values through education and awareness.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP").

Net assets and changes therein are classified as follows:

- *Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor-imposed restrictions. The Organization's governing Board of Directors (the "Board") may designate net assets without restrictions for specific purposes.
- *Net assets with donor restrictions* - Net assets subject to stipulations imposed by donors and grantors that may be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as transfers between the applicable classes of net assets.

Cash and cash equivalents

The Organization considers all monies in banks and highly liquid investments with maturities of three months or less from the date of purchase to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short term maturities of those financial instruments.

Cash and cash equivalents restricted for acquisition of property and equipment represent board-designated and donor-restricted cash within the accompanying statements of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. U.S. GAAP requires the Organization to disclose the fair value of each of its assets and liabilities based on the level of observable inputs. The three levels of the fair value hierarchy are as follows:

- *Level 1* - Quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- *Level 2* - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.
- *Level 3* - Unobservable inputs that are supported by little or no market activity, are significant to the fair value of the assets or liabilities and reflect management's assumptions and best estimates on available data.

The Organization holds U.S. treasury bills reported using Level 2 inputs that are valued at the discounted cost of the investment plus accumulated fixed interest received at maturity.

The Organization holds an investment in a partnership within Level 3. The fair value of the investment in the partnership is based on the Organization's ownership percentage of the partnership's net assets at the close of the last business day of the statement period.

Valuation techniques used in fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes the valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date.

Investments, at fair value

Investments are recorded at fair value. Investments received by donation are recorded at fair value at the date of donation. Net realized and unrealized gains or losses and interest and dividends are classified as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor restriction or by law. Interest and dividends are reported net of investment management fees on the accompanying statements of activities. Cash and cash equivalents designated for purchases of investments are included within the investment balance as presented in the accompanying statements of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment, net

The Organization capitalizes all property and equipment with a cost greater than $3,000 per unit and an estimated useful life in excess of one year. Property and equipment are recorded at cost or, if donated, at the estimated fair value on the date of donation. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire or maintain property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. Maintenance and repairs are charged to expense when incurred. Major improvements are capitalized.

Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	3 - 39 years
Furniture and equipment	3 - 10 years
Vehicles	3 - 5 years
Software	3 - 5 years

Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered, the Organization, using its best estimates and projections, reviews the carrying value of long-lived identifiable assets to be held and used in the future for impairment. No long-lived assets were deemed to be impaired existed as of June 30, 2023 or 2022.

Contributions and contributions receivable, net

Contributions received are reported as net assets with or without donor restrictions, depending upon the presence or absence of donor restrictions.

Contributions, including unconditional promises to give, are recognized as revenue in the period the promise is received. Contributions that are promised in one year but are not expected to be collected until after the end of that year, are discounted at an appropriate discount rate commensurate with the risks involved. An allowance for doubtful contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and current aging of contributions receivable. Management has deemed that no allowance for doubtful contributions receivable was considered necessary at June 30, 2023 or 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and contributions receivable, net (continued)

Contributions from estate settlements represent contributions received from bequests made through wills that have been settled through probate and are considered unconditionally payable to the Organization. The Organization has received indications of gifts in the form of bequests and other planned giving instruments which are revocable during the donors' lifetime and through the settlement of the estate. Due to the uncertain nature of these intentions, the Organization has not recognized an asset or contribution revenue from these gifts.

Capital campaign contributions represent contributions made by donors in order to help fund the Organization's capital campaign to expand and improve the Organization's facilities.

Conditional promises to give are not recognized until they become unconditional; that is, when the barriers on which they depend are substantially overcome, and there is no longer a right of return of the asset or right of release from the obligation. As of June 30, 2023, the Organization had $787,777 in conditional promises to give, conditioned upon meeting defined donor objectives related to peer mentor programs. There were no conditional promises to give as of June 30, 2022.

Contributed goods and services

During the years ended June 30, 2023 and 2022, the Organization received $245,477 and $176,715, respectively, from items contributed and monetized through an auction. These amounts are reflected within event income in the accompanying statements of activities.

Contributed materials and equipment are reflected as contributions in the accompanying statements of activities at their estimated fair values at the date of receipt. See Note 10 for detail of contributed materials and equipment.

Contributed services are reflected in the financial statements at the fair value of the services received. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Organization receives donated services from volunteers in carrying out the Organization's mission. No amounts have been recognized in the accompanying financial statements because the criteria for recognition of such volunteer efforts as contributed services have not been satisfied.

Revenue recognition

The Organization recognizes revenue from exchange transactions, primarily adoption income, as the goods or services are provided to the customer. Revenues from special events are recognized when the events are held. Investment income is recognized when earned.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional allocation of expenses

The costs of providing programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Depreciation and amortization and occupancy expenses have been allocated based on a square footage study of the Organization. Salaries and related benefit costs are allocated based on the underlying department of the employees' position.

Income taxes

The Organization is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Organization has evaluated its current tax positions and has concluded that as of June 30, 2023 and 2022, the Organization does not have any significant uncertain tax positions for which a reserve would be considered necessary.

Use of estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Uses of estimates include, but are not limited to, the estimated values of in-kind contributions, the estimated useful lives of property and equipment and the allocation of expenses by function. Actual results could differ from those estimates.

Change in accounting principle

In February 2016, the FASB issued Accounting Standards Codification ("ASC") 842, *Leases* to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective July 1, 2022 and recognized and measured leases existing at, or entered into after, July 1, 2022. The adoption of ASC 842 on July 1, 2022 did not have an effect on net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. Total net assets and change in net assets are unchanged due to these reclassifications.

3. LIQUIDITY AND FUNDS AVAILABLE

The following disclosure describes assets that are available or expected to be available within one year of June 30, 2023 to fund general expenditures and obligations as they become due:

Financial assets:	
Cash and cash equivalents	$ 942,899
Contributions receivable, net	19,618
Investments, at fair value	9,923,641
Cash restricted for acquisition of property and equipment	71,426
	10,957,584
Less amounts unavailable for general expenditure within one year due to:	
Contributions receivable, net not due within one year	(9,618)
Cash restricted by donors for acquisition of property and equipment	(25,632)
Cash designated by the Board for acquisition of property and equipment	(45,794)
Other purpose restricted net assets	(346,161)
	(427,205)
	$ 10,530,379

4. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net consisted of the following:

	2023	2022
Receivables due in less than one year	$ 10,000	$ -
Receivables due in one to five years	10,000	-
	20,000	-
Less: discounts to net present value at 3%	(382)	-
	$ 19,618	$ -

5. INVESTMENTS, AT FAIR VALUE

Investments consisted of the following:

	2023	2022
Cash and cash equivalents	$ 1,011,887	$ 1,474,400
Equity funds and securities	7,930,393	5,920,925
U.S. treasury bills	975,875	-
Investment in partnership	5,486	5,486
	$ 9,923,641	$ 7,400,811

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2023:

	Level 1	Level 2	Level 3	Fair Value
Equity funds and securities	$ 7,930,393	$ -	$ -	$ 7,930,393
U.S. treasury bills	-	975,875	-	975,875
Investment in partnership	-	-	5,486	5,486
	$ 7,930,393	$ 975,875	$ 5,486	8,911,754
Cash and cash equivalents				1,011,887
				$ 9,923,641

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2022:

	Level 1	Level 2	Level 3	Fair Value
Equity funds and securities	$ 5,920,925	$ -	$ -	$ 5,920,925
Investment in partnership	-	-	5,486	5,486
	$ 5,920,925	$ -	$ 5,486	5,926,411
Cash and cash equivalents				1,474,400
				$ 7,400,811

6. FINANCE LEASE

The Organization entered into a finance lease agreement for a facility to carry out its community initiatives program. The lease commencement date was May 1, 2023 with an initial lease term through April 2028 and a five-year option to renew the lease through April 2033. The five-year option is recognized as part of the Organization's ROU asset and finance lease liability because the Organization is reasonably certain that it will exercise its option to renew the lease. The Organization recognized an initial ROU asset and finance lease liability of $1,194,191. As of June 30, 2023, the finance lease ROU asset and finance lease liability was $1,174,288 and $1,201,347, respectively.

Additional information related to the lease is as follows:

Lease costs:	
Amortization of finance lease ROU asset included in depreciation and amortization expenses	19,903
Imputed interest on finance lease liability included in occupancy expenses	7,156
Total lease costs	27,059
Other information:	
Weighted average remaining lease term	9.83 years
Weighted average discount rate	3.59%

The future maturities of the finance lease liability are as follows:

Year ending June 30,		
2024	$	123,866
2025		127,582
2026		131,410
2027		135,352
2028		141,031
Thereafter		784,693
		1,443,934
Less: imputed interest		(242,587)
	$	1,201,347

7. PROPERTY AND EQUIPMENT

Property and equipment, net consisted of the following:

	2023	2022
Land	$ 213,596	$ 213,596
Buildings and improvements	12,858,447	12,695,426
Furniture and equipment	1,252,772	1,029,166
Vehicles	351,465	235,011
Software	8,075	8,075
Construction in progress	10,620	64,732
	14,694,975	14,246,006
Less: accumulated depreciation	(3,403,900)	(2,806,415)
	$ 11,291,075	$ 11,439,591

Depreciation and amortization expense for property and equipment for the years ended June 30, 2023 and 2022, was $684,601 and $668,522, respectively.

8. NET ASSETS WITHOUT DONOR RESTRICTIONS

The Board has designated a capital reserve of $45,794 and $107,692 from net assets without donor restrictions as of June 30, 2023 and 2022, respectively.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	2023	2022
Subject to the passage of time:		
Contributions receivable, net	$ 19,618	$ -
Subject to expenditure for specified purpose:		
Technology and capital improvements	25,632	92,172
Other program purpose restrictions	346,161	691,849
	371,793	784,021
	$ 391,411	$ 784,021

9. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets released from restriction during the year were as follows:

	2023	2022
Technology and capital improvements	$ 261,040	$ -
Other purpose and time restrictions achieved	1,239,883	873,683
	$ 1,500,923	$ 873,683

10. IN-KIND DONATIONS

The Organization received in-kind donations used to provide direct benefits to donors attending the Organization's annual fundraising events.

In addition to in-kind donations received and monetized during the events, the Organization received and recognized the following in-kind donations:

	2023	2022
Pet food	$ 257,999	$ 56,218
Animal supplies	72,791	42,288
Other supplies	1,093	4,624
	$ 331,883	$ 103,130

All in-kind donations to the Organization for the years ended June 30, 2023 and 2022 were considered without donor restrictions and able to be used by the Organization as determined by management.

The Organization's policy related to in-kind donations is to utilize the assets given to carry out the mission of the Organization. In-kind donations that are utilized by the Organization are reported at fair value at the date of donation. Fair value is determined by the Organization based on the lowest online price for the same item in similar quantities or at the value determined by appraisal or specialist depending on the asset type.

11. RETIREMENT PLAN

The Organization sponsors a defined contribution 403(b) retirement plan (the "Plan") covering part-time and full-time employees. Employees are eligible to participate in the Plan immediately upon employment. The Organization makes a matching contribution of up to 3 percent for participating employees who have been with the Organization for one year. The total contributions to the Plan by the Organization were $71,412 and $44,290 for the years ended June 30, 2023 and 2022, respectively.

12. RISKS AND CONCENTRATIONS

Cash and cash equivalents potentially subject the Organization to concentrations of credit risk. The Organization maintains its cash and cash equivalents at institutions with demonstrated financial strength which, at times, exceeds federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

The Organization invests in various investment securities. Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Contributions represent concentrations of credit risk to the extent they are received from concentrated sources. One donor provided support to the Organization which equaled approximately 11% and 19% of total contributions revenue during the years ended June 30, 2023 and 2022, respectively.

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 11, 2024, the date the financial statements were available to be issued.

Effective September 8, 2023, the Organization acquired North Central Texas Animal Shelter Coalition dba Texas Unites, a Texas non-profit corporation that serves over 500 animal welfare professionals through the Texas Unites for Animals Conference, an annual conference for professional development and networking opportunities. The Organization believes the acquisition will increase their opportunities for new partnerships and expand brand recognition. The Organization estimated that the value of Texas Unites assets as of September 8, 2023 is approximately $39,000 with no estimated liabilities. Estimated annual revenues and expenses are both approximately $278,000.

In January 2024, the Organization recognized approximately $748,000 in employee retention credits ("ERC") upon submission of amended Form 941 tax returns. ERCs were authorized under the Coronavirus Aid, Relief, and Economic Security Act and Consolidated Appropriations Act and represent a refundable credit that businesses can claim on qualified wages paid to employees during the calendar years 2020 and 2021, as eligible. The Organization determined eligibility for ERCs for calendar year 2021 based on declines in gross receipts.