



A S S U R A N C E D I M E N S I O N S

Financial Statements and Independent
Auditor's Report

Luvin Arms, Inc.

December 31, 2022

Luvin Arms, Inc.

Table of Contents

Independent Auditor's Report	1-2
Financial Statement:	
Statement of Financial Position.....	3
Statement of Activities	4
Statement of Cash Flows.....	5
Statement of Functional Expenses	6
Notes to Financial Statements.....	7-12



INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
Luvin Arms, Inc.:

Opinion

We have audited the accompanying financial statements of **Luvin Arms, Inc.** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, cash flows, and functional expenses 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 **Luvin Arms, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Luvin Arms, 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.

Correction of December 31, 2021 Financial Statements

As described in Note B to the financial statements, the December 31, 2021 financial statements were corrected for restatement of net assets. Our opinion is not modified with respect to this matter.

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 **Luvin Arms, Inc.'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 **Luvin Arms, 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 **Luvin Arms, 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.

Assurance Dimensions

Jacksonville, Florida
July 21, 2023

Luvin Arms, Inc.
Statement of Financial Position
As of December 31, 2022

Assets

Current assets:

Cash and cash equivalents	\$ 404,401
Contributions receivable	47,370
Current portion of pledges receivable	379,000
Prepaid and other assets	45,062
Total current assets	875,833

Property and equipment, net	1,596,869
Restricted cash	500,138
Long-term pledges receivable, net	672,675
Total assets	\$ 3,645,515

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 17,082
Accrued expenses	49,214
Notes payable - current portion, net	8,011
Total current liabilities	74,307

Notes payable - long term portion, net	25,551
Total liabilities	99,858

Net assets:

With donor restrictions	1,201,322
Without donor restrictions	2,344,335
Total net assets	3,545,657
Total liabilities and net assets	\$ 3,645,515

The accompanying notes are an integral part of this financial statement.

Luvin Arms, Inc.
Statement of Activities
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
	<u> </u>	<u> </u>	<u> </u>
Support and revenues:			
Contributions	\$ 985,006	\$ 492,000	\$ 1,477,006
Program service revenues	62,561	-	62,561
In-kind contributions	91,839	-	91,839
Other	22,125	-	22,125
Net assets released from restrictions	555,711	(555,711)	-
Total support and revenue	<u>1,717,242</u>	<u>(63,711)</u>	<u>1,653,531</u>
Expenses:			
Program services	1,302,255	-	1,302,255
Fundraising	279,706	-	279,706
Management and general	73,086	-	73,086
Total expenses	<u>1,655,047</u>	<u>-</u>	<u>1,655,047</u>
Change in net assets	62,195	(63,711)	(1,516)
Net assets at beginning of the year, as restated	<u>2,282,140</u>	<u>1,265,033</u>	<u>3,547,173</u>
Net assets at end of year	<u><u>\$ 2,344,335</u></u>	<u><u>\$ 1,201,322</u></u>	<u><u>\$ 3,545,657</u></u>

The accompanying notes are an integral part of this financial statement.

Luvin Arms, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2022

Cash flows from operating activities:	
Change in net assets	\$ (1,516)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	42,721
Contributions receivable	4,258
Pledges receivable	39,649
Prepaid and other assets	(19,143)
Accounts payable	1,514
Accrued expenses	(13,232)
Net cash provided by operating activities	<u>54,251</u>
Cash flows from investing activities:	
Purchase of property and equipment	<u>(47,458)</u>
Net cash used by investing activities	<u>(47,458)</u>
Cash flows from financing activities:	
Principal payments on notes payable	<u>(3,850)</u>
Net cash used by financing activities	<u>(3,850)</u>
Net increase in cash, cash equivalents, and restricted cash	2,943
Cash, cash equivalents, and restricted cash, beginning of year	<u>901,596</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 904,539</u>
Supplemental disclosures of cash flow information	
Cash paid for interest expense	<u>\$ 481</u>

The accompanying notes are an integral part of this financial statement.

Luvin Arms, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2022

	Program	Service Support		Total
		Fundraising	Management and general	
Salaries and related costs	\$ 767,684	\$ 124,508	\$ 16,135	\$ 908,327
Facility maintenance	88,385	-	-	88,385
Veterinary and wellness	87,977	-	-	87,977
Professional fees	15,126	3,412	33,044	51,582
Animal food and supplies	110,085	-	-	110,085
Education and outreach	122,249	-	-	122,249
Information technology	5,914	33,152	9,379	48,445
Other expenses	-	45,150	3,236	48,386
Printing, postage and mailing	-	11,364	-	11,364
Utilities	30,932	703	3,515	35,150
Sanctuary equipment	20,752	-	-	20,752
Insurance	6,060	641	1,128	7,829
Registration and fees	-	10,106	6,159	16,265
Volunteer programs	2,837	-	-	2,837
Rescue	1,533	-	-	1,533
Advertising	-	2,202	-	2,202
Interest	-	-	490	490
Events	-	48,468	-	48,468
Total expenses before depreciation	1,259,534	279,706	73,086	1,612,326
Depreciation expense	42,721	-	-	42,721
Total expenses	<u>\$ 1,302,255</u>	<u>\$ 279,706</u>	<u>\$ 73,086</u>	<u>\$ 1,655,047</u>

The accompanying notes are an integral part of this financial statement.

Luvin Arms, Inc.
Notes to Financial Statements
December 31, 2022

Note A – Organization and Description of Business

Luvin Arms, Inc. (the “Organization”) is a Colorado not-for-profit corporation that was founded to operate a sanctuary for abused or neglected farm animals. The Organization opened its sanctuary in August 2015. These animals were rescued from horrific situations including abuse and neglect cases, factory farms, religious rituals, slaughterhouse, bankrupt farms, and more. The Organization is working to provide exceptional lifelong social, emotional, and cognitive care to rescued farmed animals. The Organization advocates for those who have not been rescued by sharing our residents’ stories to inspire, educate, and empower others to embrace a more compassionate and sustainable lifestyle. The Organization’s vision is to create a sanctuary of inspiration and connection where people are empowered to create change that leads to more compassionate choices for themselves, for the planet, and justice for all beings.

Note B – Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (“GAAP”). Net assets, revenues, expenses, and gains and losses are classified based on the existence or absence of donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported according to two classes of net assets:

- *Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Trustees (the “Board”) has designated, from net assets without donor restrictions, net assets for various reasons.
- *Net assets with donor restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

Recently Issued Accounting Standards Adopted

In February 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-02, *Leases* (Topic 842), intended to improve financial reporting about leasing transactions. The ASU affects all companies and other organizations that lease assets such as real estate, airplanes, and manufacturing equipment. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP—which requires only capital leases to be recognized on the balance sheet—the new ASU will require both types of leases to be recognized on the balance sheet. The ASU on leases will take effect for all non-public companies for fiscal years beginning after December 15, 2021. Adoption of this standard did not have a significant impact on the financial statements.

In September 2020, the FASB issued Accounting Standards Update (“ASU”) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity’s policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The new standard, as amended, is to be applied retrospectively, to annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

Luvin Arms, Inc.
Notes to Financial Statements
December 31, 2022

Note B – Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization places its cash with high quality financial institutions. At times, cash may be in excess of FDIC insurance limits. The Organization does not believe it is exposed to any significant credit risk on cash. At December 31, 2022, the Organization had approximately \$364,000 in excess of FDIC-insured limits. The Organization has not experienced any losses in such accounts.

Restricted Cash

The Organization has recorded \$500,138 as restricted cash that has been put aside by the Board as a general operating fund.

Contributions Receivable

The Organization recognizes contributions received before the year end but not yet deposited as contributions receivable. The Organization has done an assessment of the collectability of contributions receivables and determined that an allowance for doubtful accounts was not considered necessary.

Pledges Receivable

Pledges receivable are recorded when the Organization receives a signed pledge from a donor. Long term pledges are discounted at the time the receivable is initially recognized at an effective interest rate of 1.37%. The discount is amortized to contribution revenue over the life of the receivable. Unamortized discounts recorded at December 31, 2022 are \$57,325.

Property and Equipment, Net

Property and equipment are recorded at cost, if purchased, or at estimated market value at date of receipt if acquired by gift. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets, which range from 5 to 39 years. Significant expenditures of \$5,000 or more with an estimated useful life in excess of one year are capitalized.

Support and Revenues

All support and revenues are recorded in accordance with either ASC 958, *Not-for-Profit Entities* as contributions or in accordance with ASC 606, *Revenue from Contracts with Customers*, which is recognized when: (i) a pledge with a customer has been identified, (ii) the performance obligation(s) in the pledges have been identified, (iii) the transaction price has been determined, (iv) the transaction price has been allocated to each performance obligation in the pledge, and (v) the Organization has satisfied the applicable performance obligation over time or at a point in time.

Contributions

Contributions, including unconditional promises to give due in future periods, are recognized as revenues in the period made or received. Conditional promises to give, which depend upon specified future and uncertain events, are recognized as revenue when the conditions upon which they depend are substantially met. Contributions received with donor-imposed restrictions, are reclassified to net assets without donor restrictions once the donor-imposed restriction has expired. Contributions of assets other than cash are recorded at their estimated fair value at the date received.

Program Service Revenues

Program service revenues include income earned by the Organization for providing in person and virtual tours of the sanctuary. Revenue is recognized at a point in time when tour of the sanctuary is given.

Luvin Arms, Inc.
Notes to Financial Statements
December 31, 2022

Note B – Significant Accounting Policies (continued)

Support and Revenues (continued)

In-kind Contributions

In-kind contributions of donated services are recorded at their estimated fair value if the services received create or enhance non-financial assets or the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Fundraising and Special Events

Fundraising and special events are activities undertaken by the Organization are to induce potential donors to contribute money, services, material, and other assets. Activities include publicizing and conducting fundraising campaigns; maintaining donor mailing lists; and conducting special fundraising events. The Organization organizes a “Gala” with the purpose of fundraising funds to support the Organization. The Organization also recognizes revenues derived from fundraising, visitor center shop sales, and ticket sales at a point in time when cash is received, or the event takes place. There was no special event during the year ending December 31, 2022.

Concentrations

Donations from three donors represent 92% of the total outstanding pledges receivable at December 31, 2022, and 27% of total revenues during the year ended December 31, 2022.

Functional Allocation of Expenses

The costs of programs and other activities have been summarized on a functional basis as follows:

Program – Program expenses include all direct and allocated expenses directly attributable to providing animal care and public education.

Management and general – Management and general expenses include all expenses not directly attributable to providing animal care or fundraising.

Fundraising – Activities include publicizing and conducting fundraising campaigns, maintaining donor lists, conducting fundraising events, and any other activities that solicit contributions from corporations, foundations, individuals and others. Fundraising costs are expensed as incurred, even though they may result in contributions received in future years.

Expenses that can be identified with a specific function are charged directly to that function, whereas costs common to multiple functions have been allocated. Salaries and wages, benefits and payroll taxes are allocated based on employee estimates of the percentage of time spent in each function. Facilities, telecommunications, office, printing, supplies and insurance expenses are allocated based on the team members of each department spending time at the physical location.

Federal Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization periodically assesses whether it has incurred income tax expense or related interest or penalties in accordance with accounting for uncertain tax positions. No such amounts were recognized for the year ending December 31, 2022.

The Organization follows the income tax standard for uncertain tax positions. The Organization has evaluated their tax positions and determined they have no uncertain tax positions as of December 31, 2022. Should the Organization’s tax-exempt status be challenged in the future, the Organization’s 2020, 2021, 2022 tax years are open for examination by the IRS.

Luvin Arms, Inc.
Notes to Financial Statements
December 31, 2022

Note B – Significant Accounting Policies (continued)

Restatement of Prior Year Financial Statements

During the current fiscal year ended December 31, 2022, \$1,105,155 was identified as net assets with donor restrictions that had previously been included with net assets without donor restrictions. The financial statements as of January 1, 2022 have been updated to reflect this reclassification between net assets.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities and net assets and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains and other support and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Note C – Property and Equipment, Net

Property and equipment, net consisted of the following as of December 31, 2022:

		Useful Life
Land	\$ 974,053	N/A
Building and improvements	660,082	15-39
Vehicles and equipment	133,391	5-7
	<u>1,767,526</u>	
Less: accumulated depreciation	(170,657)	
Property and equipment, net	<u>\$ 1,596,869</u>	

The Organization had depreciation expense of approximately \$43,000 for the year ended December 31, 2022.

Note D – Liquidity and Availability

The Organization’s management monitors its liquidity so that it is able to cover operating expenses. The Organization budgets for such costs based on the prior year actual expenses and anticipated future expenses. Budgets are approved by the Board. Management has budgeted approximately \$1,723,000 of operating expenses to be paid within one year of the balance sheet date, and anticipates sufficient donations and fundraising to cover them. The Organization has the following financial assets available within one year of the balance sheet date for general expenditures:

Financial Assets	
Cash and cash equivalents	\$ 404,401
Contributions receivable	54,370
Pledges receivable, net of discount	<u>1,044,675</u>
Total financial assets	1,503,446
Less: financial assets not available within one year	<u>(1,199,971)</u>
	<u>\$ 303,475</u>

The Organization has structured its financial assets to be available as its general expenditures and liabilities come due.

Luvin Arms, Inc.
Notes to Financial Statements
December 31, 2022

Note E – Pledges Receivable

Future maturities of pledges receivable are as follows as of December 31:

One Year	\$ 379,000
Two to Five Years	530,000
Thereafter	200,000
Total Pledges Receivable	<u>1,107,000</u>
Less: Current	(379,000)
Less: Discount	(57,325)
Long-term pledges receivable, net	<u><u>\$ 672,675</u></u>

Note F – Notes Payable

The notes payable at December 31, 2022 consists of the following:

Notes payable to a donor in monthly installments of \$583, non-interest bearing, due on December 2025.	\$ 35,000
Notes payable to a financial institution in monthly installments of \$336, including interest at 3.99%, due in July 2023	2,318
Less: unamortized discount	(3,756)
Total notes payable, net	<u>33,562</u>
Less: current portion	(8,011)
Long term portion of loan	<u><u>\$ 25,551</u></u>

Future maturities of long-term debt are as follows as of December 31:

2023	\$ 8,011
2024	5,958
2025	19,593
	<u>\$ 33,562</u>

Effective January 1, 2023, the Organization signed a loan assignment and assumption agreement to replace the note payable of \$35,000 noted above. No amendments have been made on the payment terms as part of this assumption.

Luvin Arms, Inc.
Notes to Financial Statements
December 31, 2022

Note G – Net Assets With Donor Restrictions

As of December 31, 2022, the Organization had the following net assets with donor restrictions:

Printing, postage and mailings for fundraising	\$	74,332
Facility		49,583
Gate security project		20,620
Memorial garden fund		3,356
Discount on note payable		3,756
Time restricted: pledges receivable		1,049,675
Total financial assets	\$	<u>1,201,322</u>

Net assets with donor restrictions released were utilized for the following during year ended December 31, 2022:

Change in pledges receivable	\$	353,649
Printing, postage and mailings for fundraising		11,987
Payroll		190,000
Memorial garden fund		75
Total financial assets	\$	<u>555,711</u>

Note H – Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Organization but which will only be resolved when one or more future events occur or fail to occur. The Organization's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Organization or unasserted claims that may result in such proceedings, the Organization's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Organizations's financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Note I – Related Party Transaction

As of December 31, 2022, the Organization had a pledge receivable balance of \$262,000 due from a donor advised fund that shares a board member with the Organization.

Note J – Subsequent Events

Subsequent events have been evaluated through July 21, 2023, which is the date the financial statements were available to be issued.