

HELPING PAWS, INC.
AUDITED FINANCIAL STATEMENTS
May 31, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Helping Paws, Inc.
Hopkins, Minnesota

Opinion

We have audited the accompanying financial statements of Helping Paws, Inc. (a nonprofit organization), which comprise the statement of financial position as of May 31, 2023, 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 Helping Paws, Inc. as of May 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 Helping Paws, 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.

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 Helping Paws, 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 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 Helping Paws, 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 Helping Paws, 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.

Hamington Langer & Associates

October 31, 2023

HELPING PAWS, INC.
STATEMENT OF FINANCIAL POSITION
May 31, 2023

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 177,645
Certificates of deposit	703,551
Pledges receivable	21,755
Prepaid expenses	<u>53,117</u>

TOTAL CURRENT ASSETS	<u>956,068</u>
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PROPERTY AND EQUIPMENT

Furniture and equipment	30,489
Lease improvements	16,240
Software	<u>27,225</u>

	73,954
Less: accumulated depreciation	<u>(45,875)</u>

PROPERTY AND EQUIPMENT, net	<u>28,079</u>
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OTHER ASSETS

Service dogs	92,500
Operating lease right-of-use asset	<u>66,839</u>

OTHER ASSETS	<u>159,339</u>
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TOTAL ASSETS	<u><u>\$ 1,143,486</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 24,435
Accrued expenses	73,057
Operating lease liability, current portion	<u>30,281</u>

TOTAL CURRENT LIABILITIES	127,773
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LONG-TERM LIABILITIES

Operating lease liability, net of current portion	<u>37,874</u>
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TOTAL LIABILITIES	<u>165,647</u>
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NET ASSETS

Without donor restrictions:

Undesignated	662,761
Designated by Board for future maintenance and operations	<u>262,466</u>

	925,227
With donor restrictions	<u>52,612</u>

TOTAL NET ASSETS	<u>977,839</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,143,486</u></u>
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HELPING PAWS, INC.
STATEMENT OF ACTIVITIES
For the Year Ended May 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Special events - contributions	\$ 183,721	\$ -	\$ 183,721
Less: direct costs	(70,854)	-	(70,854)
Net special event revenue	112,867	-	112,867
Contributions	686,650	44,326	730,976
Inkind contributions	20,000	-	20,000
Program services	7,982	-	7,982
Interest income	10,477	-	10,477
Net assets released from restrictions	20,772	(20,772)	-
TOTAL REVENUE	858,748	23,554	882,302
EXPENSES			
Program services	624,617	-	624,617
Management and general	150,840	-	150,840
Fundraising	268,779	-	268,779
TOTAL EXPENSES	1,044,236	-	1,044,236
CHANGE IN NET ASSETS	(185,488)	23,554	(161,934)
NET ASSETS, BEGINNING	1,110,715	29,058	1,139,773
NET ASSETS, ENDING	\$ 925,227	\$ 52,612	\$ 977,839

HELPING PAWS, INC.
STATEMENT OF CASH FLOWS
For the Year Ended May 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (161,934)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,101
Service dogs acquired, noncash	(42,000)
Service dogs placed or withdrawn, noncash	39,500
Interest reinvested	(116)
Change in:	
Pledges receivable	(7,755)
Accounts receivable	68,373
Prepaid expenses	(39,878)
Operating lease assets and liabilities	(1,316)
Accounts payable	14,337
Accrued expenses	22,764

NET CASH USED IN OPERATING ACTIVITIES (106,924)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of CDs	(700,000)
Redemption of CDs	500,000
Purchase of fixed assets	<u>(27,225)</u>

NET CASH USED IN INVESTING ACTIVITIES (227,225)

DECREASE IN CASH AND CASH EQUIVALENTS (334,149)

CASH AND CASH EQUIVALENTS, BEGINNING 511,794

CASH AND CASH EQUIVALENTS, ENDING \$ 177,645

HELPING PAWS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended May 31, 2023

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 323,757	\$ 78,827	\$ 171,705	\$ 574,289
Benefits	45,597	11,102	24,182	80,881
Payroll taxes	26,453	6,441	14,029	46,923
Professional development	501	-	1,950	2,451
Professional fees	643	25,396	2,750	28,789
Office expenses	32,657	13,016	8,948	54,621
Postage and printing	1,076	2,763	340	4,179
Dues and subscriptions	4,407	1,315	649	6,371
Occupancy	51,967	1,815	2,541	56,323
Travel	10,815	-	1,904	12,719
Utilities	7,411	5,902	2,582	15,895
Facility repairs	5,132	216	302	5,650
Depreciation	1,050	21	30	1,101
Insurance	16,100	577	808	17,485
Bank and credit card fees	6,771	1,649	3,592	12,012
Service dog training expenses	68,051	-	-	68,051
Event expenses	-	-	70,854	70,854
Marketing	19,837	1,800	25,821	47,458
Recognition	2,392	-	6,646	9,038
Total expenses by function	624,617	150,840	339,633	1,115,090
Less expenses included with the revenues on the statement of activities				
Special events	-	-	(70,854)	(70,854)
Total expenses included in the expense section on the statement of activities	<u>\$ 624,617</u>	<u>\$ 150,840</u>	<u>\$ 268,779</u>	<u>\$ 1,044,236</u>

HELPING PAWS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Helping Paws, Inc. (the “Organization” or “Helping Paws”) furthers people’s independence and quality of life through the use of assistance dogs. The service dogs are specifically trained to provide for the needs of these individuals. The Organization views its service dog program as a whole-life approach, with follow-up from each dog’s birth to the end of service. The primary focus of the Organization is in the breeding and/or acquisition of dogs to be used in the program, development of skills with the service dogs-in-training, and placement and follow-up of the service dogs with qualified applicants. The Organization was awarded full accreditation from Assistance Dogs International (ADI). This indicates the Organization successfully meets all the professional standards and requirements in the training of service dogs. In accordance with ADI standards, the accreditation is in effect through July 2027.

In addition, Helping Paws was awarded the Charities Review Council “Meet All Standards” seal in May 2007, which will be in effect through October 2025.

Basis of Presentation

The financial statements of Helping Paws, Inc. have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”), which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

HELPING PAWS, INC.
NOTES TO FINANCIAL STATEMENTS

**NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Basis of Accounting

The accompanying financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Organization maintains its cash balances at financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. From time to time, the Organization's balances in its bank accounts exceed Federal Deposit Insurance Corporation limits. The Organization periodically evaluates the risk of exceeding insurance levels and may transfer funds as it seems appropriate. The Organization has not experienced any losses with regards to balances in excess of insured limits or as the result of other concentrations of credit risk.

Certificates of Deposit

Certificates of deposit are valued at cost plus accrued interest and are covered by FDIC insurance.

Property and Equipment

Purchased property and equipment are recorded at cost. Property and equipment purchases over \$3,500 are capitalized. Property and equipment acquired by donation, if material, are stated at their fair market value at the time of the donation. Property and equipment is depreciated on a straight-line basis with estimated useful lives of three to five years. Replacements, maintenance, and repairs, which do not improve or extend the lives of the assets, are expensed as incurred.

Service Dogs

Service dogs are generally valued at \$1,500 to \$2,500, largely based on a 2022 in-house study which is annually reviewed on the average costs of veterinarian and other initial associated care costs.

Marketing

Marketing expenses are expensed as incurred. These costs were \$47,458 for the year ended May 31, 2023.

HELPING PAWS, INC.
NOTES TO FINANCIAL STATEMENTS

**NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. The Organization provides an allowance for doubtful accounts based on historical experience and management's evaluation of outstanding amounts. At May 31, 2023, management considered all outstanding amounts to be fully collectible. Accordingly, there was no allowance for doubtful accounts.

Revenue Recognition

Program service revenues are recognized when the service dog is placed in service.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is 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 restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Functional Expenses

The costs of providing various programs have been summarized on a functional basis. Accordingly, certain costs have been allocated among programs and supporting services benefited. Salaries and related expenses are allocated based on hours spent and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or support services, are allocated based on the best estimates of management.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in these financial statements. Actual results could differ from those estimates.

HELPING PAWS, INC.
NOTES TO FINANCIAL STATEMENTS

**NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Income Taxes

The Organization is exempt from income taxes under Internal Revenue Code section 501(c)(3) and applicable Minnesota Statutes, except to any extent it has taxable income that is not related to its tax-exempt purpose.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) for uncertain position that more likely than not would not be sustained upon examination by the applicable tax authorities. Federal and state tax authorities generally have the right to examine the current and three previous years of income tax returns. The Organization is not currently under examination by any taxing jurisdiction.

Recently Adopted Accounting Pronouncements

In September 2020, the FASB issued ASU No. 2020-07 Not-for-Profit Entities (Topic 958), *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which is intended to improve the transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. This ASU requires not-for-profit organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. In addition, this amendment requires enhanced disclosures around each category of contributed nonfinancial assets for donor-imposed restrictions, valuation techniques, descriptions of programs or activities in which the assets were used, and if monetized, a policy about monetizing rather than utilizing the asset(s). The Organization has implemented Topic 958 and have adjusted the presentation in these financial statements accordingly.

In February 2016, FASB issued ASU No. 2016-02, *Leases* (Topic 842). FASB ASC 842 supersedes the lease requirements in FASB ASC 840. Under FASB ASC 842, lessees are required to recognize assets and liabilities on the statement of financial position for most leases and provide enhanced disclosures. The Organization adopted FASB ASC 842, with a date of initial application of June 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, *Leases* (Topic 842): Targeted Improvements. The Organization did not restate prior comparative periods as presented under FASB ASC 840 and instead evaluated whether a cumulative effect adjustment to net assets as of June 1, 2022, was necessary for the impact of adoption of FASB ASC 842. The most significant effects of adopting FASB ASC 842 was the recognition of \$96,334 of operating lease right-of-use (ROU) assets and \$94,203 of total current and long-term lease liabilities on the statement of financial position as of June 1, 2022. No cumulative effect adjustment to net assets as of June 1, 2022, was necessary. FASB ASC 842 did not have a significant effect on the results of operations or cash flows for the year ended May 31, 2023.

HELPING PAWS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

As part of the transition, the Organization implemented new internal controls and key system functionality to enable the preparation of financial information on adoption and elected to apply the following practical expedients.

Package of practical expedients:

- Election not to reassess whether any expired or existing contracts are or contain leases.
- Election not to reassess the lease classification for any expired or existing leases.
- Election not to reassess initial direct costs on any existing leases.

Other practical expedients:

- Election whereby the lease and nonlease components will not be separated for leases of equipment.
- Election not to record ROU assets and corresponding lease liabilities for short-term leases with a lease term of 12 months or less, but greater than one month. Leases of one month or less are not included in short-term lease costs.

Accounting Policy Election for Short-term Leases

The Organization has elected for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less, but greater than 1 month at lease commencement, and do not include an option to purchase the underlying asset the Organization is reasonably certain to exercise. The Organization recognizes lease cost associated with its short-term leases on a straight-line basis over the lease term.

Leases

The Organization accounts for leases in accordance with FASB ASC 842. The Organization is a lessee in a noncancellable operating lease for office and warehouse space. Leases for other equipment are evaluated using the criteria outlined in FASB ASC 842 to determine whether they will be classified as operating or finance leases. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when terms of an existing contract are changed. The Organization determines if an arrangement conveys the right to use an identified asset and whether the Organization obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. The Organization recognizes a lease liability and ROU asset at the commencement date of the lease.

HELPING PAWS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Beginning June 1, 2022, operating lease ROU assets and related current and long-term portions of operating lease liabilities have been presented in the statement of financial position.

Lease Liabilities

A lease liability is measured on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or rate and are measured using the index or rate at the commencement date. Lease payments, including variable payments made based on an index rate, are remeasured when any of the following occur: (1) the lease is modified (and the modification is not accounted for as a separate contract), (2) certain contingencies related to variable lease payments are resolved, or (3) there is a reassessment of any of the following: the lease term, purchase options, or amounts that are probable of being owed under a residual value guarantee. The discount rate is the rate implicit in the lease if it is readily determinable. The implicit rates of the Organization's leases are not readily determinable; accordingly, the Organization has made the election to use a risk-free rate in lieu of its incremental borrowing rate using a period comparable with that of the individual lease term based on the information available at the commencement date for each lease. For existing leases at implementation date of FASB ASC 842, the risk-free rate used is the rate comparable with the remaining lease term as of the implementation date.

ROU Assets

A ROU asset is measured at the commencement date at the amount of the initially measured liability plus any lease payments made to the lessor before or after commencement date, minus any lease incentives received, plus any initial direct costs. Unless impaired, the ROU asset is subsequently measured throughout the lease term at the amount of the lease liability (that is the present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease cost for lease payments is recognized on a straight-line basis over the term of the lease. Finance lease ROU assets are amortized on a straight-line basis over the shorter of the lease term or the remaining useful life of the asset.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 31, 2023, the date the financial statements were available to be issued.

HELPING PAWS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at May 31, 2023:

Financial assets at year-end:	
Cash and cash equivalents	\$ 177,645
Certificates of deposit	703,551
Pledges receivable	<u>21,755</u>
Total financial assets	<u>902,951</u>
Less amounts not available to be used within one year	
Net assets with donor restrictions	52,612
Less net assets with restrictions to be met in less than one year	<u>(52,612)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 902,951</u>

The Organization's goal is generally to maintain financial assets to meet 6 months of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments including money market accounts and certificates of deposit.

NOTE 3. EMPLOYEE BENEFIT PLAN

The Organization maintains a SIMPLE IRA defined contribution plan covering all eligible employees. Participants may contribute up to the maximum allowable by law and are fully vested immediately. The Organization provides a matching contribution of 100% of the first 3% of salary contributions by employees. During the year ended May 31, 2023, the Organization contributed \$12,300 to the plan.

NOTE 4. NET ASSETS WITH DONOR RESTRICTIONS

As of May 31, 2023, net assets with donor restrictions consisted of the following:

Specific Purpose	
Assistance Dog Conference	\$ 8,286
Labrador Breeding Program	<u>44,326</u>
	<u>\$ 52,612</u>

HELPING PAWS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets were released from restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors. During the year ended May 31, 2023, net assets were released for the following:

Specific Purpose	
Assistance Dog Conference	\$ 5,025
Tail Wagging Event	13,900
Spay and Neuter Program	<u>1,847</u>
	<u>\$ 20,772</u>

NOTE 5. BORROWING ARRANGEMENTS

The Organization maintains credit card accounts of which they can borrow up to \$25,000. Advances on these credit card accounts accrue interest at a rate of 18.99% for the year ended May 31, 2023. There were outstanding advances on these accounts of \$7,399, which were included in the accounts payable balance as of May 31, 2023. There was no interest incurred on these credit card accounts for the year ended May 31, 2023.

NOTE 6. INKIND CONTRIBUTIONS

During the year ended May 31, 2023, the Organization received inkind contributions of for marketing services. Donated services are recorded when there is an objective basis to measure the value of such services and the service involves specialized skills that would be purchased, if not provided by donation. Based on the current market rates for these services, the Organization would have paid \$20,000 for the marketing services.

Helping Paws receives significant services from unpaid volunteers who support the Organization's primary program activities and fundraising services. No amounts have been recognized in the accompanying statements of activities for these services because the services did not meet the requirements of generally accepted accounting principles; however, volunteers have been integral in enhancing the programs provided by the Organization. These volunteers provided a total of 95,809 hours, which is the equivalent of 45 full time employees.

All gifts-in-kind received by the Organization for the year ended May 31, 2023 were considered without donor restrictions and able to be used by the Organization as determined by the Board of Directors and management.

HELPING PAWS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7. LEASE OBLIGATIONS

Beginning in 2022, the Organization has elected not to separate nonlease components from lease components in leases for office and warehouse space.

The components of lease cost and income statement caption allocation for the year ended May 31, 2023 consisted of operating lease costs of \$31,799 recorded in occupancy expenses.

Supplemental cash flow information for the year ended May 31, 2023:

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 30,483
ROU assets obtained in exchange for new operating lease liabilities	\$ 96,334

Weighted average lease term and discount rate as of May 31, 2023 were as follows:

Weighted-average remaining lease term in years for operating leases	2.17
Weighted-average discount rate for operating leases	2.84%

The maturities of operating lease liabilities as of May 31, 2023 were as follows:

Year Ending May 31,	Amount
2024	\$ 31,751
2025	32,938
2026	<u>5,524</u>
Total lease payments	70,213
Less: interest	<u>(2,058)</u>
Present value of lease liabilities	<u><u>\$ 68,155</u></u>

NOTE 8. SUBSEQUENT EVENTS

Subsequent to year end, a lease agreement for new office space has been signed and construction has begun. The lease will tentatively begin in March 2024. As a part of the lease agreement, the Organization has made a \$75,000 down payment on leasehold improvements and is anticipating expending approximately \$200,000 on the improvements.