

Form 5500

Annual Return/Report of Employee Benefit Plan

OMB Nos. 1210-0110 1210-0089

2023

This Form is Open to Public Inspection

Department of the Treasury Internal Revenue Service

Department of Labor Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6057(b) and 6058(a) of the Internal Revenue Code (the Code).

Complete all entries in accordance with the instructions to the Form 5500.

Part I Annual Report Identification Information

For calendar plan year 2023 or fiscal plan year beginning 01/01/2023 and ending 12/31/2023

- A This return/report is for: [ ] a multiemployer plan [ ] a multiple-employer plan... [X] a single-employer plan [ ] a DFE... B This return/report is: [ ] the first return/report [ ] the final return/report... C If the plan is a collectively-bargained plan... D Check box if filing under: [ ] Form 5558 [X] automatic extension... E If this is a retroactively adopted plan...

Part II Basic Plan Information—enter all requested information

1a Name of plan EMANCIPET 401 (K) PLAN 1b Three-digit plan number (PN) 001 1c Effective date of plan 07/01/2022 2a Plan sponsor's name (employer, if for a single-employer plan) Mailing address... 2b Employer Identification Number (EIN) 74-2913624 2c Plan Sponsor's telephone number 866-441-9248 2d Business code (see instructions) 541940

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

Table with 4 columns: SIGN HERE, Signature, Date, Name. Rows for plan administrator, employer/plan sponsor, and DFE.

For Paperwork Reduction Act Notice, see the Instructions for Form 5500.

Form 5500 (2023) v. 230707

<b>3a</b> Plan administrator's name and address <input checked="" type="checkbox"/> Same as Plan Sponsor	<b>3b</b> Administrator's EIN	
	<b>3c</b> Administrator's telephone number	
<b>4</b> If the name and/or EIN of the plan sponsor or the plan name has changed since the last return/report filed for this plan, enter the plan sponsor's name, EIN, the plan name and the plan number from the last return/report: <b>a</b> Sponsor's name <b>c</b> Plan Name	<b>4b</b> EIN	
	<b>4d</b> PN	
<b>5</b> Total number of participants at the beginning of the plan year	<b>5</b>	188
<b>6</b> Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines <b>6a(1)</b> , <b>6a(2)</b> , <b>6b</b> , <b>6c</b> , and <b>6d</b> ). <b>a(1)</b> Total number of active participants at the beginning of the plan year ..... <b>a(2)</b> Total number of active participants at the end of the plan year ..... <b>b</b> Retired or separated participants receiving benefits ..... <b>c</b> Other retired or separated participants entitled to future benefits ..... <b>d</b> Subtotal. Add lines <b>6a(2)</b> , <b>6b</b> , and <b>6c</b> . ..... <b>e</b> Deceased participants whose beneficiaries are receiving or are entitled to receive benefits ..... <b>f</b> Total. Add lines <b>6d</b> and <b>6e</b> . ..... <b>g(1)</b> Number of participants with account balances as of the beginning of the plan year (only defined contribution plans complete this item) ..... <b>g(2)</b> Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item) ..... <b>h</b> Number of participants who terminated employment during the plan year with accrued benefits that were less than 100% vested.....	<b>6a(1)</b>	188
	<b>6a(2)</b>	235
	<b>6b</b>	0
	<b>6c</b>	44
	<b>6d</b>	279
	<b>6e</b>	0
	<b>6f</b>	279
	<b>6g(1)</b>	0
<b>6g(2)</b>	265	
<b>6h</b>	6	
<b>7</b> Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item).....	<b>7</b>	

**8a** If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions:  
 2A 2E 2F 2G 2J 2K 2S 2T

**b** If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:

<b>9a</b> Plan funding arrangement (check all that apply)	<b>9b</b> Plan benefit arrangement (check all that apply)
(1) <input type="checkbox"/> Insurance	(1) <input type="checkbox"/> Insurance
(2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts	(2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts
(3) <input checked="" type="checkbox"/> Trust	(3) <input checked="" type="checkbox"/> Trust
(4) <input type="checkbox"/> General assets of the sponsor	(4) <input type="checkbox"/> General assets of the sponsor

**10** Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

**a Pension Schedules**

- (1)  **R** (Retirement Plan Information)
- (2)  **MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary
- (3)  **SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary
- (4)  **DCG** (Individual Plan Information) – Number Attached \_\_\_\_\_
- (5)  **MEP** (Multiple-Employer Retirement Plan Information)

**b General Schedules**

- (1)  **H** (Financial Information)
- (2)  **I** (Financial Information – Small Plan)
- (3)  **A** (Insurance Information) – Number Attached \_\_\_\_\_
- (4)  **C** (Service Provider Information)
- (5)  **D** (DFE/Participating Plan Information)
- (6)  **G** (Financial Transaction Schedules)

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**Part III Form M-1 Compliance Information (to be completed by welfare benefit plans)**

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**11a** If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) .....  Yes  No

If "Yes" is checked, complete lines 11b and 11c.

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**11b** Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) .....  Yes  No

**11c** Enter the Receipt Confirmation Code for the 2023 Form M-1 annual report. If the plan was not required to file the 2023 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code \_\_\_\_\_

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<b>SCHEDULE H</b> <b>(Form 5500)</b>  <small>Department of the Treasury Internal Revenue Service</small>  <small>Department of Labor Employee Benefits Security Administration</small>  <small>Pension Benefit Guaranty Corporation</small>	<b>Financial Information</b>  This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code).  <b>▶ File as an attachment to Form 5500.</b>	OMB No. 1210-0110  <b>2023</b>  <b>This Form is Open to Public Inspection</b>
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For calendar plan year 2023 or fiscal plan year beginning <b>01/01/2023</b> and ending <b>12/31/2023</b>	
<b>A</b> Name of plan <b>EMANCIPET 401 (K) PLAN</b>	<b>B</b> Three-digit plan number (PN) ▶ <b>001</b>
<b>C</b> Plan sponsor's name as shown on line 2a of Form 5500 <b>EMANCIPET, INC.</b>	<b>D</b> Employer Identification Number (EIN) <b>74-2913624</b>

<b>Part I</b>	<b>Asset and Liability Statement</b>
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**1** Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

		(a) Beginning of Year	(b) End of Year
<b>Assets</b>			
<b>a</b> Total noninterest-bearing cash .....	<b>1a</b>	0	54301
<b>b</b> Receivables (less allowance for doubtful accounts):			
<b>(1)</b> Employer contributions .....	<b>1b(1)</b>	26118	0
<b>(2)</b> Participant contributions .....	<b>1b(2)</b>	17151	0
<b>(3)</b> Other .....	<b>1b(3)</b>	0	0
<b>c</b> General investments:			
<b>(1)</b> Interest-bearing cash (include money market accounts & certificates of deposit) .....	<b>1c(1)</b>	15765	0
<b>(2)</b> U.S. Government securities .....	<b>1c(2)</b>		
<b>(3)</b> Corporate debt instruments (other than employer securities):			
<b>(A)</b> Preferred .....	<b>1c(3)(A)</b>		
<b>(B)</b> All other .....	<b>1c(3)(B)</b>		
<b>(4)</b> Corporate stocks (other than employer securities):			
<b>(A)</b> Preferred .....	<b>1c(4)(A)</b>		
<b>(B)</b> Common .....	<b>1c(4)(B)</b>		
<b>(5)</b> Partnership/joint venture interests .....	<b>1c(5)</b>		
<b>(6)</b> Real estate (other than employer real property) .....	<b>1c(6)</b>		
<b>(7)</b> Loans (other than to participants) .....	<b>1c(7)</b>		
<b>(8)</b> Participant loans .....	<b>1c(8)</b>	1237	1273
<b>(9)</b> Value of interest in common/collective trusts .....	<b>1c(9)</b>		
<b>(10)</b> Value of interest in pooled separate accounts .....	<b>1c(10)</b>	0	0
<b>(11)</b> Value of interest in master trust investment accounts .....	<b>1c(11)</b>		
<b>(12)</b> Value of interest in 103-12 investment entities .....	<b>1c(12)</b>		
<b>(13)</b> Value of interest in registered investment companies (e.g., mutual funds) .....	<b>1c(13)</b>	293179	1050620
<b>(14)</b> Value of funds held in insurance company general account (unallocated contracts) .....	<b>1c(14)</b>		
<b>(15)</b> Other .....	<b>1c(15)</b>		

<b>1d</b> Employer-related investments:		<b>(a)</b> Beginning of Year	<b>(b)</b> End of Year
(1) Employer securities .....	<b>1d(1)</b>		
(2) Employer real property .....	<b>1d(2)</b>		
<b>e</b> Buildings and other property used in plan operation .....	<b>1e</b>		
<b>f</b> Total assets (add all amounts in lines 1a through 1e) .....	<b>1f</b>	353450	1106194
<b>Liabilities</b>			
<b>g</b> Benefit claims payable .....	<b>1g</b>		
<b>h</b> Operating payables .....	<b>1h</b>		
<b>i</b> Acquisition indebtedness .....	<b>1i</b>		
<b>j</b> Other liabilities .....	<b>1j</b>		
<b>k</b> Total liabilities (add all amounts in lines 1g through 1j) .....	<b>1k</b>	0	0
<b>Net Assets</b>			
<b>l</b> Net assets (subtract line 1k from line 1f) .....	<b>1l</b>	353450	1106194

**Part II Income and Expense Statement**

**2** Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

<b>Income</b>		<b>(a)</b> Amount	<b>(b)</b> Total
<b>a Contributions:</b>			
(1) Received or receivable in cash from: <b>(A)</b> Employers .....	<b>2a(1)(A)</b>	166280	
<b>(B)</b> Participants .....	<b>2a(1)(B)</b>	518179	
<b>(C)</b> Others (including rollovers) .....	<b>2a(1)(C)</b>	27864	
(2) Noncash contributions .....	<b>2a(2)</b>		
(3) Total contributions. Add lines <b>2a(1)(A)</b> , <b>(B)</b> , <b>(C)</b> , and line <b>2a(2)</b> .....	<b>2a(3)</b>		712323
<b>b Earnings on investments:</b>			
<b>(1) Interest:</b>			
<b>(A)</b> Interest-bearing cash (including money market accounts and certificates of deposit) .....	<b>2b(1)(A)</b>		
<b>(B)</b> U.S. Government securities .....	<b>2b(1)(B)</b>		
<b>(C)</b> Corporate debt instruments .....	<b>2b(1)(C)</b>		
<b>(D)</b> Loans (other than to participants) .....	<b>2b(1)(D)</b>		
<b>(E)</b> Participant loans .....	<b>2b(1)(E)</b>	208	
<b>(F)</b> Other .....	<b>2b(1)(F)</b>		
<b>(G)</b> Total interest. Add lines <b>2b(1)(A)</b> through <b>(F)</b> .....	<b>2b(1)(G)</b>		208
<b>(2) Dividends:</b>			
<b>(A)</b> Preferred stock .....	<b>2b(2)(A)</b>		
<b>(B)</b> Common stock .....	<b>2b(2)(B)</b>		
<b>(C)</b> Registered investment company shares (e.g. mutual funds) .....	<b>2b(2)(C)</b>	6400	
<b>(D)</b> Total dividends. Add lines <b>2b(2)(A)</b> , <b>(B)</b> , and <b>(C)</b> .....	<b>2b(2)(D)</b>		6400
(3) Rents .....	<b>2b(3)</b>		
<b>(4) Net gain (loss) on sale of assets:</b>			
<b>(A)</b> Aggregate proceeds .....	<b>2b(4)(A)</b>		
<b>(B)</b> Aggregate carrying amount (see instructions) .....	<b>2b(4)(B)</b>		
<b>(C)</b> Subtract line <b>2b(4)(B)</b> from line <b>2b(4)(A)</b> and enter result .....	<b>2b(4)(C)</b>		
<b>(5) Unrealized appreciation (depreciation) of assets:</b>			
<b>(A)</b> Real estate .....	<b>2b(5)(A)</b>		
<b>(B)</b> Other .....	<b>2b(5)(B)</b>		
<b>(C)</b> Total unrealized appreciation of assets. Add lines <b>2b(5)(A)</b> and <b>(B)</b> .....	<b>2b(5)(C)</b>		

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts.....	<b>2b(6)</b>		
(7) Net investment gain (loss) from pooled separate accounts.....	<b>2b(7)</b>		
(8) Net investment gain (loss) from master trust investment accounts.....	<b>2b(8)</b>		
(9) Net investment gain (loss) from 103-12 investment entities.....	<b>2b(9)</b>		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds) .....	<b>2b(10)</b>		85971
<b>c</b> Other income .....	<b>2c</b>		
<b>d</b> Total income. Add all <b>income</b> amounts in column (b) and enter total .....	<b>2d</b>		804902

**Expenses**

<b>e</b> Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers .....	<b>2e(1)</b>	48522	
(2) To insurance carriers for the provision of benefits.....	<b>2e(2)</b>		
(3) Other.....	<b>2e(3)</b>		
(4) Total benefit payments. Add lines <b>2e(1)</b> through <b>(3)</b> .....	<b>2e(4)</b>		48522
<b>f</b> Corrective distributions (see instructions).....	<b>2f</b>		
<b>g</b> Certain deemed distributions of participant loans (see instructions) .....	<b>2g</b>		
<b>h</b> Interest expense .....	<b>2h</b>		
<b>i</b> Administrative expenses:			
(1) Salaries and allowances.....	<b>2i(1)</b>		
(2) Contract administrator fees.....	<b>2i(2)</b>		
(3) Recordkeeping fees.....	<b>2i(3)</b>		
(4) IQPA audit fees.....	<b>2i(4)</b>		
(5) Investment advisory and investment management fees .....	<b>2i(5)</b>	3636	
(6) Bank or trust company trustee/custodial fees .....	<b>2i(6)</b>		
(7) Actuarial fees .....	<b>2i(7)</b>		
(8) Legal fees .....	<b>2i(8)</b>		
(9) Valuation/appraisal fees .....	<b>2i(9)</b>		
(10) Other trustee fees and expenses .....	<b>2i(10)</b>		
(11) Other expenses .....	<b>2i(11)</b>		
(12) Total administrative expenses. Add lines <b>2i(1)</b> through <b>(11)</b> .....	<b>2i(12)</b>		3636
<b>j</b> Total expenses. Add all <b>expense</b> amounts in column (b) and enter total .....	<b>2j</b>		52158

**Net Income and Reconciliation**

<b>k</b> Net income (loss). Subtract line <b>2j</b> from line <b>2d</b> .....	<b>2k</b>		752744
<b>l</b> Transfers of assets:			
(1) To this plan .....	<b>2l(1)</b>		
(2) From this plan .....	<b>2l(2)</b>		

**Part III Accountant's Opinion**

**3** Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

**a** The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1)  Unmodified (2)  Qualified (3)  Disclaimer (4)  Adverse

**b** Check the appropriate box(es) to indicate whether the IQPA performed an ERISA section 103(a)(3)(C) audit. Check both boxes (1) and (2) if the audit was performed pursuant to both 29 CFR 2520.103-8 and 29 CFR 2520.103-12(d). Check box (3) if pursuant to neither.

(1)  DOL Regulation 2520.103-8 (2)  DOL Regulation 2520.103-12(d) (3)  neither DOL Regulation 2520.103-8 nor DOL Regulation 2520.103-12(d).

**c** Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: GCM

(2) EIN: 74-0000000

**d** The opinion of an independent qualified public accountant is **not attached** as part of Schedule H because:

(1)  This form is filed for a CCT, PSA, DCG or MTIA. (2)  It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

**Part IV Compliance Questions**

**4** CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l. DCGs do not complete lines 4e, 4f, 4k, 4l, and 5, and DCGs generally complete the rest of Part IV collectively for all plans in the DCG, except as otherwise provided (see instructions).

During the plan year:

	Yes	No	Amount
<b>a</b> Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.)		X	
<b>b</b> Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)		X	
<b>c</b> Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)		X	
<b>d</b> Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)		X	
<b>e</b> Was this plan covered by a fidelity bond?	X		2000000
<b>f</b> Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
<b>g</b> Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
<b>h</b> Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
<b>i</b> Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	X		
<b>j</b> Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked and see instructions for format requirements.)		X	
<b>k</b> Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?		X	
<b>l</b> Has the plan failed to provide any benefit when due under the plan?		X	
<b>m</b> If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)		X	
<b>n</b> If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.			

**5a** Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?  Yes  No  
If "Yes," enter the amount of any plan assets that reverted to the employer this year \_\_\_\_\_.

**5b** If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)

**5c** Was the plan a defined benefit plan covered under the PBGC insurance program at any time during this plan year? (See ERISA section 4021 and instructions.) .....  Yes  No  Not determined

If "Yes" is checked, enter the My PAA confirmation number from the PBGC premium filing for this plan year \_\_\_\_\_.

EMANCIPET, INC.  
FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT  
  
YEAR ENDED DECEMBER 31, 2023

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Emancipet, Inc.  
Austin, Texas

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Emancipet, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 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 present fairly, in all material respects, the financial position of Emancipet, Inc. as of December 31, 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 Emancipet, 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 opinions.

#### ***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 Emancipet, 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 Emancipet, 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 Emancipet, 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.

*Dindia, Chappell, Morrison & Co., P.C.*

Austin, Texas

June 6, 2024

FINANCIAL STATEMENTS

## EMANCIPET, INC.

## STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 4,453,622	\$ 5,070,749
Receivables:		
Accounts receivable, net	154,725	381,494
Grants and contracts receivable	1,135,155	899,108
Pledges and other receivables	250,284	294,316
Prepaid expenses	108,643	96,993
Inventory	884,998	853,992
Total current assets	<u>6,987,427</u>	<u>7,596,652</u>
Fixed assets, net	1,434,901	733,013
Right-of-use assets	2,385,300	1,940,737
Investments	2,446,975	3,451,516
Other assets		
Security deposits	29,819	29,819
<b>Total assets</b>	<u><u>\$ 13,284,422</u></u>	<u><u>\$ 13,751,737</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 1,012,474	\$ 488,788
Accrued payroll	367,531	280,481
Accrued vacation payable	164,069	162,491
Funds received in advance	-	-
Deferred rent	-	-
Line of credit	226,682	397,091
Current portion of lease liabilities	413,134	421,132
Total current liabilities	<u>2,183,890</u>	<u>1,749,983</u>
Long-term liabilities		
Lease liabilities	2,079,848	1,639,257
Total long-term liabilities	<u>2,079,848</u>	<u>1,639,257</u>
Total liabilities	<u>4,263,738</u>	<u>3,389,240</u>
Net assets		
Without donor restrictions	4,731,050	5,324,807
With donor restrictions	4,289,634	5,037,690
Total net assets	<u>9,020,684</u>	<u>10,362,497</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 13,284,422</u></u>	<u><u>\$ 13,751,737</u></u>

See accompanying Notes to Financial Statements.

## EMANCIPET, INC.

## STATEMENTS OF ACTIVITIES

Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Grants and contracts	\$ 1,394,349	\$ 2,822,230	\$ 4,216,579
Contributions	1,991,514	210,742	2,202,256
Program services	18,168,040	-	18,168,040
Fund raising events	291,003	-	291,003
Less direct benefit to donors	(27,208)	-	(27,208)
Net fund raising activities	263,795	-	263,795
Contributed goods and services	63,279	-	63,279
Investment income (loss)	277,982	-	277,982
Gain (loss) on sale of assets	(32,404)	-	(32,404)
Other income	428	-	428
Net assets released from donor imposed restrictions	3,781,028	(3,781,028)	-
<b>Total revenues and other support</b>	<u>25,908,011</u>	<u>(748,056)</u>	<u>25,159,955</u>
<b>EXPENSES</b>			
Program services	22,230,565	-	22,230,565
Supporting services			
Management and general	2,802,264	-	2,802,264
Fund raising	1,468,939	-	1,468,939
<b>Total expenses</b>	<u>26,501,768</u>	<u>-</u>	<u>26,501,768</u>
<b>CHANGE IN NET ASSETS (deficit)</b>	(593,757)	(748,056)	(1,341,813)
<b>NET ASSETS</b>			
Beginning of year	<u>5,324,807</u>	<u>5,037,690</u>	<u>10,362,497</u>
<b>End of year</b>	<u>\$ 4,731,050</u>	<u>\$ 4,289,634</u>	<u>\$ 9,020,684</u>

See accompanying Notes to Financial Statements.

## EMANCIPET, INC.

## STATEMENTS OF ACTIVITIES - Continued

Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES AND OTHER SUPPORT</b>			
Grants and contracts	\$ 80,000	\$ 4,820,074	\$ 4,900,074
Contributions	1,864,271	30,129	1,894,400
Program services	14,925,647	-	14,925,647
Fund raising events	381,532	-	381,532
Less direct benefit to donors	<u>(42,307)</u>	<u>-</u>	<u>(42,307)</u>
Net fund raising activities	339,225	-	339,225
Contributed goods and services	149,308	-	149,308
Investment income (loss)	2,254	-	2,254
Gain (loss) on sale of assets	(18,184)	-	(18,184)
Other income	10,456	-	10,456
Net assets released from donor imposed restrictions	<u>3,049,469</u>	<u>(3,049,469)</u>	<u>-</u>
<b>Total revenues and other support</b>	<u>20,402,446</u>	<u>1,800,734</u>	<u>22,203,180</u>
<b>EXPENSES</b>			
Program services	15,010,410	-	15,010,410
Supporting services			
Management and general	3,736,589	-	3,736,589
Fund raising	<u>1,588,472</u>	<u>-</u>	<u>1,588,472</u>
<b>Total expenses</b>	<u>20,335,471</u>	<u>-</u>	<u>20,335,471</u>
<b>CHANGE IN NET ASSETS (deficit)</b>	66,975	1,800,734	1,867,709
<b>NET ASSETS</b>			
Beginning of year	<u>5,257,832</u>	<u>3,236,956</u>	<u>8,494,788</u>
<b>End of year</b>	<u>\$ 5,324,807</u>	<u>\$ 5,037,690</u>	<u>\$ 10,362,497</u>

See accompanying Notes to Financial Statements.

## EMANCIPET, INC.

## STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31, 2023

	Program Services	Supporting Services		Total
		Management & General	Fund Raising	
<b>EXPENSES</b>				
Salaries	\$ 11,525,359	\$ 1,506,587	\$ 951,287	\$ 13,983,233
Payroll taxes	911,940	115,214	73,211	1,100,365
Employee benefits	1,038,201	170,357	48,912	1,257,470
Total personnel costs	<u>13,475,500</u>	<u>1,792,158</u>	<u>1,073,410</u>	<u>16,341,068</u>
Medical supplies	5,753,524	-	-	5,753,524
Professional fees	559,502	340,978	135,326	1,035,806
Rent	546,780	173,393	-	720,173
Technology	198,365	90,472	1,474	290,311
Bank charges	257,895	3,157	14,816	275,868
Depreciation	236,066	-	-	236,066
Supplies	154,101	65,521	5,998	225,620
Equipment	168,823	35,812	1,645	206,280
Travel and meetings	154,277	27,130	17,733	199,140
Telephone	128,683	60,338	354	189,375
Marketing	6,657	853	173,200	180,710
Emergency vet care	140,551	-	-	140,551
Maintenance and repairs	119,225	6,774	-	125,999
Utilities	111,193	6,420	133	117,746
Insurance	5,232	74,361	21,387	100,980
Continuing education	63,551	28,985	472	93,008
Dues and subscriptions	20,507	36,183	21,870	78,560
Interest expense	50,253	27,421	-	77,674
Postage and printing	42,448	19,360	315	62,123
Automobile expense	26,951	12,492	-	39,443
Miscellaneous	9,057	456	806	10,319
Bad debts	1,424	-	-	1,424
<b>Total expenses</b>	<u><u>\$ 22,230,565</u></u>	<u><u>\$ 2,802,264</u></u>	<u><u>\$ 1,468,939</u></u>	<u><u>\$ 26,501,768</u></u>

See accompanying Notes to Financial Statements.

## EMANCIPET, INC.

## STATEMENTS OF FUNCTIONAL EXPENSES - Continued

Year Ended December 31, 2022

	Program Services	Supporting Services		Total
		Management & General	Fund Raising	
<b>EXPENSES</b>				
Salaries	\$ 7,198,221	\$ 2,242,836	\$ 995,598	\$ 10,436,655
Payroll taxes	521,858	171,839	77,097	770,794
Employee benefits	834,080	234,601	70,811	1,139,492
Total personnel costs	8,554,159	2,649,276	1,143,506	12,346,941
Medical supplies	4,022,707	-	-	4,022,707
Professional fees	383,880	311,907	121,193	816,980
Rent	566,997	182,918	-	749,915
Technology	39,670	140,468	69,136	249,274
Bank charges	182,442	21,206	28,120	231,768
Depreciation	231,227	379	-	231,606
Supplies	275,590	13,874	8,919	298,383
Equipment	188,323	95,927	4,947	289,197
Travel and meetings	70,092	97,105	23,629	190,826
Telephone	83,447	71,257	4,904	159,608
Marketing	4,241	1,936	119,639	125,816
Emergency vet care	106,240	-	-	106,240
Maintenance and repairs	70,005	10,674	587	81,266
Utilities	157,354	16,331	742	174,427
Insurance	3,108	70,513	1,934	75,555
Continuing education	5,599	1,645	910	8,154
Dues and subscriptions	14,044	33,456	30,560	78,060
Interest expense	132	1,645	-	1,777
Postage and printing	3,499	7,798	24,278	35,575
Automobile expense	11,652	649	-	12,301
Miscellaneous	5,333	7,146	5,468	17,947
Bad debts	30,669	479	-	31,148
<b>Total expenses</b>	<b>\$ 15,010,410</b>	<b>\$ 3,736,589</b>	<b>\$ 1,588,472</b>	<b>\$ 20,335,471</b>

See accompanying Notes to Financial Statements.

## EMANCIPET, INC.

## STATEMENTS OF CASH FLOW

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS PROVIDED BY (USED BY) OPERATING ACTIVITIES</b>		
Change in net assets (decrease)	\$ (1,341,813)	\$ 1,867,709
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	236,066	231,606
Bad debts	1,424	31,148
(Gain)/loss on asset theft	32,404	18,184
Unrealized and realized (gain) loss on investments	(114,346)	40,113
(Increase) decrease in operating assets		
Receivables		
Accounts receivable	225,345	(196,257)
Grants and contracts receivable	(236,047)	40,000
Pledges and other receivables	44,032	2,720
Prepaid expense	(11,650)	(28,571)
Inventory	(31,006)	(21,045)
Increase (decrease) in operating liabilities		
Accounts payable	523,686	(539,259)
Accrued payroll	87,050	79,433
Accrued vacation payable	1,578	5,593
Leases - operating	(11,970)	(1,646)
Net cash provided by (used by) operating activities	<u>(595,247)</u>	<u>1,529,728</u>
<b>CASH FLOWS PROVIDED BY (USED BY) INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(937,954)	(87,132)
Purchase of investments	(1,765,735)	(8,141,883)
Proceeds from sale of investments	<u>2,852,218</u>	<u>4,632,070</u>
Net cash provided by (used by) investing activities	<u>148,529</u>	<u>(3,596,945)</u>
<b>CASH FLOWS PROVIDED BY (USED BY) FINANCING ACTIVITIES</b>		
Proceeds from line of credit	600,000	400,000
Payments on line of credit	<u>(770,409)</u>	<u>(2,909)</u>
Net cash provided by (used by) financing activities	<u>(170,409)</u>	<u>397,091</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(617,127)	(1,670,126)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>5,070,749</u>	<u>6,740,875</u>
<b>End of year</b>	<u>\$ 4,453,622</u>	<u>\$ 5,070,749</u>

See accompanying Notes to Financial Statements.

EMANCIPET, INC.  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2023 and 2022

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**NOTE 1: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Description of Organization

Emancipet, Inc. (the Organization) is a not-for-profit community service agency founded in June 1999. The Organization provides free and low-cost spay/neuter services and wellness clinics to various private, not-for-profit, and governmental entities in Central Texas, Houston and Philadelphia.

The Organization's major programs include free and low-cost spay/neuter services and wellness clinics. The Organization's spay/neuter program is designed to address the issue of pet homelessness and overpopulation in Central Texas, Houston, and Philadelphia. The wellness clinics provide low cost, walk-in services for pets including vaccines and preventative medicine.

Summary of Significant Accounting Policies

**Accounting Estimates:** The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Basis of Accounting:** The financial statements of the Organization have been prepared using the accrual basis method of accounting, which includes recognition of revenues and related accounts receivable as funds are earned and recognition of expenses and related accounts payable as obligations are incurred, regardless of when cash is received or disbursed. Revenues received in advance of being earned are reported as deferred revenue. Expenses paid in advance are reported as prepaid items.

**Adopted Accounting Pronouncements:** On January 1, 2022, the Organization adopted the requirements of the Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842). The objective of this ASU, along with several related ASUs issued subsequently, is to increase transparency and comparability between organizations that enter into lease agreements. For leases, the key difference of the new standard from the previous guidance (Topic 840) is the recognition of a right-of-use (ROU) asset and lease liability on the balance sheet. The most significant change is the requirement to recognize ROU assets and lease liabilities for leases classified as operating leases. The standard requires disclosures to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

**Net Assets Classes:** The Organization reports the following net assets classes:

***Net Assets without Donor Restrictions:*** These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions. While these resources are reported as unrestricted, an organization manages them in compliance with its exempt purposes, governing board designations, legal requirements, and contractual obligations.

***Net Assets with Donor Restrictions:*** These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

EMANCIPET, INC.  
NOTES TO FINANCIAL STATEMENTS – continued  
Years Ended December 31, 2023 and 2022

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**NOTE 1: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – continued

**Inventories:** Inventories consist of medical supplies and animal health products. Inventories are stated at the lower of cost (first-in, first-out method) or market.

**Cash and Cash Equivalents:** For purposes of the statement of cash flows, highly liquid investments with an initial maturity of three months or less are considered to be cash equivalents.

**Receivables:** Receivables are considered past due based on how recently payments have been received. At year end, no significant balances were considered past due. The Organization does not require collateral on any of its receivable and does not charge interest on account balances. The Organization uses the allowance method of accounting to value the receivables. The allowance for uncollectible accounts is determined by a review of account balances at year-end. Accounts considered a problem to collect are reflected as an allowance for uncollectible accounts. At such time as a receivable is determined to be uncollectible, the account is written off against the allowance. During 2023 and 2022, the Organization had bad debts of \$1,424 and \$31,148, respectively. As of December 31, 2023 and 2022, the Organization had allowance for doubtful accounts of \$40,000 and \$20,000, respectively. The allowance for uncollectible accounts is considered an accounting estimate. The estimate may be adjusted as more current information becomes available and any adjustment could be significant.

**Fixed Assets:** Fixed assets are capitalized at cost, if the estimated useful service life of the item is more than one year and the cost of the item is over \$5,000. Donations of fixed assets are recorded as support at their estimated fair value at the date of donation. If donors stipulated how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation of fixed assets is computed over the estimated useful service life of the asset (generally 3-15 years) using the straight line method of computation. Depreciation expense and accumulated depreciation reported in the financial statements are considered accounting estimates. The estimates may be adjusted as more current information becomes available and any adjustment could be significant.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. During 2023 and 2022, the Organization did not adjust the carrying amount of any fixed assets.

**Revenue Recognition:** The Organization receives revenue and other support from various sources. The significant sources are as follows:

**Grants and Contributions:** The Organization receives grants from funding sources that are considered conditional promises to give as they are third party reimbursements. Such funding is reported as revenues when the conditions are met. Generally, the conditions to be met are compliance with the delivery of specific program services within budgetary requirements. Unconditional promises to give to the Organization are reported when the funding is awarded.

**Contributed Goods and Services:** During the year ended December 31, 2023 and 2022, volunteers donated 80.5 hours to the Organization's program services and fund-raising campaigns. No amounts have been recognized in the statement of activities because the criteria for recognition of such volunteer efforts have not been satisfied.

EMANCIPET, INC.  
NOTES TO FINANCIAL STATEMENTS – continued  
Years Ended December 31, 2023 and 2022

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**NOTE 1: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – continued

Donated professional services are reflected in the statement of activities at their fair value. Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt. The valuation of contributed goods and services reported in the financial statements is considered a significant accounting estimate. The estimate may be adjusted as more current information becomes available and any adjustment could be significant.

**Program Service Fees and Fundraising Events:** Program service fees and fundraising events are recorded when funds are considered earned, regardless of when cash is received. Program service fees, which includes fees to participate in various programs, sales of trainings and merchandise, are earned when the services are performed, or in accordance with the service agreement. Fundraising event revenue, which includes sponsorships, tickets, and funds raised during the events, is recorded when the event takes place. Amounts received in advance from program service fees or fundraising events are recorded as deferred revenue.

**Allocation of Costs:** The Organization allocates common costs between program services, management and general, and fund raising based on estimates of the Organization 's activities benefiting from the cost. The estimates are reviewed periodically and the allocations revised, if necessary, to reflect changes in the activities of the Organization.

**Federal Income Taxes:** The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization believes it is no longer subject to examination by the IRS for years prior to 2020.

**Advertising Costs:** The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. The Organization incurred \$180,710 and \$125,816 in advertising costs during 2023 and 2022, respectively.

**Reclassifications:** Certain reclassifications have been made to the prior year amounts in order to conform to the current year presentation. Net assets are unchanged due to these reclassifications.

**Subsequent Events:** Management has evaluated subsequent events through the date of the *Independent Auditor's Report*, which is the date the financial statements were available for issuance. There are no significant subsequent events requiring disclosure as of that date.

**NOTE 2: RISKS AND CONCENTRATIONS**

Cash balances with a financial institution in excess of Federal Deposit Insurance Corporation insurance coverage are considered an off balance sheet credit risk. Throughout the year, cash balances exceeded the institutions' FDIC coverage. The Organization does not require collateral for any of its deposits. The Organization considers its funds to be in high quality financial institutions and constantly monitors its financial positions with the institutions and does not anticipate any nonperformance by the institutions. At year-end 2023 and 2022, cash balances exceeded the insurance coverage by \$3,622,128 and \$3,989,700, respectively.

**EMANCIPET, INC.**  
**NOTES TO FINANCIAL STATEMENTS – continued**  
**Years Ended December 31, 2023 and 2022**

**NOTE 2: RISKS AND CONCENTRATIONS – continued**

At December 31, 2023 and 2022, approximately 64% and 88%, respectively, of the Organization’s total receivables were from two funding sources and three funding sources, respectively.

During 2022, approximately 20% of the Organization’s total revenues were from one funding source.

**NOTE 3: INVESTMENTS AND INVESTMENT INCOME**

Starting in 2022, excess operating funds are placed in an investment account until the funds are needed for operations. Investment income is available for operations and reported as unrestricted revenue. Investment expenses are reported as a reduction of investment income.

Detail of investment at fair value using the designated level inputs are the following at year-end:

<b>December 31, 2023</b>	Total	Fair Value Measurement		
		Level 1	Level 2	Level 3
Investments				
Stocks, options and ETFs	\$ 157,340	\$ 157,340	\$ -	\$ -
Fixed income securities	2,289,635	2,289,635	-	-
	<u>\$ 2,446,975</u>	<u>\$ 2,446,975</u>	<u>\$ -</u>	<u>\$ -</u>

<b>December 31, 2022</b>	Total	Fair Value Measurement		
		Level 1	Level 2	Level 3
Investments				
Stocks, options and ETFs	\$ 260,951	\$ 260,951	\$ -	\$ -
Fixed income securities	3,190,565	3,190,565	-	-
	<u>\$ 3,451,516</u>	<u>\$ 3,451,516</u>	<u>\$ -</u>	<u>\$ -</u>

Components of investment income consist of the following for the year ended December 31, 2023 and 2022:

	2023	2022
Interest and dividends	\$ 163,636	\$ 42,367
Realized gain (loss) on investments	13,063	7,415
Unrealized gain (loss) on investments	101,283	(47,528)
Investment expenses	-	-
Investment income	<u>\$ 277,982</u>	<u>\$ 2,254</u>

**NOTE 4: LINE OF CREDIT**

The Organization maintains a revolving line of credit for business use, collateralized by various assets of the Organization. The maximum available credit on this line is \$400,000 and the interest rate is 4.75%. The outstanding balance at December 31, 2023 and 2022 is \$226,682 and \$397,091, respectively.

**EMANCIPET, INC.**  
**NOTES TO FINANCIAL STATEMENTS – continued**  
**Years Ended December 31, 2023 and 2022**

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**NOTE 5: FIXED ASSETS**

At year-end 2023 and 2022, fixed assets consisted of the following:

	<u>2023</u>	<u>2022</u>
Buildings	\$ 169,933	\$ 169,933
Leasehold improvements	1,208,512	1,187,019
Surgical and wellness equipment	504,162	504,162
Office equipment and other	241,977	226,540
Automotive equipment	955,969	898,876
Construction in progress	843,931	-
Artwork	18,000	18,000
	<u>3,942,484</u>	<u>3,004,530</u>
Less accumulation depreciation	<u>2,507,583</u>	<u>2,271,517</u>
	<u>\$ 1,434,901</u>	<u>\$ 733,013</u>

**NOTE 6: LEASING ARRANGEMENTS**

At lease inception, the Organization determines whether an arrangement is or contains a lease. Operating and financing leases are included in right-of-use ("ROU") assets, current portion of lease liabilities, and lease liabilities in the financial statements. ROU assets represent the Organization's right to use leased assets over the term of the lease. Lease liabilities represent the Organization's contractual obligation to make lease payments over the lease term.

For operating and financing leases, ROU assets and lease liabilities are recognized at the commencement date. The lease liability is measured as the present value of the lease payments over the lease term. The Organization uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Organization uses its incremental borrowing rate at the commencement date of the lease to determine the present value of the lease payments. ROU assets are calculated as the present value of the remaining lease payments plus unamortized initial direct costs plus any prepayments less any unamortized lease incentives received. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. The assessment of whether renewal or extension options are reasonably certain to be exercised is made at lease commencement. Factors considered in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of any leasehold improvements, the value of renewal rates compared to market rates, and the presence of factors that would cause a significant economic penalty to the Organization if the option were not exercised. Lease expense is recognized on a straight-line basis over the lease term.

The Organization has elected not to recognize a ROU asset and obligation for leases with an initial term of twelve months or less. The expense associated with short term leases is included in lease expenses in the statement of activities.

To the extent a lease arrangement includes both lease and non-lease components, the Organization has elected to account for the components as separate lease components.

The Organization leases office equipment under operating leases. These leases includes non-lease components that were not included in ROU assets. These leases do not include renewal options. During 2023 and 2022, rent expense for the office equipment totaled \$43,041 and \$49,656, respectively.

**EMANCIPET, INC.**  
**NOTES TO FINANCIAL STATEMENTS – continued**  
**Years Ended December 31, 2023 and 2022**

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**NOTE 6: LEASING ARRANGEMENTS – continued**

The Organization has a non-cancelable lease for office space in Austin, TX under an operating lease which expires in September 2027. The lease does not include a renewal option.

The Organization also has non-cancelable, operating leases for the following clinics;

<u>Location</u>	<u>Expiration</u>
Austin, TX	July 2024
Austin, TX	October 2033
Pflugerville, TX	March 2032
Killeen, TX	March 2024
Philadelphia, PA	April 2027
Philadelphia, PA (PetSmart)	January 2027
Houston, TX	November 2023
Houston, TX	March 2030
Houston, TX (PetSmart)	September 2027

During 2023 and 2022 rent expense for the office and clinic spaces totaled \$720,173 and \$749,915, respectively.

The following summarizes the line items in the statements of financial position which include amounts for operating leases as of December 31:

	<u>2023</u>	<u>2022</u>
<b>Operating Leases</b>		
Right-of-use assets	\$ 2,385,300	\$ 1,940,737
Total operating lease assets	<u>\$ 2,385,300</u>	<u>\$ 1,940,737</u>
Current portion of lease liabilities	\$ 413,134	\$ 421,132
Lease liabilities	<u>2,079,848</u>	<u>1,639,257</u>
Total operating lease liabilities	<u>\$ 2,492,982</u>	<u>\$ 2,060,389</u>

The components of lease expenses were as follows:

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 723,562	\$ 704,613
Total lease cost	<u>\$ 723,562</u>	<u>\$ 704,613</u>

**EMANCIPET, INC.**  
**NOTES TO FINANCIAL STATEMENTS – continued**  
**Years Ended December 31, 2023 and 2022**

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**NOTE 6: LEASING ARRANGEMENTS – continued**

**Lease Liability Maturities:**

2023	\$	542,865
2024		492,730
2025		511,827
2026		420,840
2027		274,430
Thereafter		<u>821,449</u>
Total		3,064,141
Less: Interest		<u>(571,159)</u>
Total lease cost	\$	<u><u>2,492,982</u></u>

**NOTE 7: RELATED PARTY TRANSACTIONS**

During 2023 and 2022, the Organization had related party contributions in the amount of \$79,107 and \$73,296, respectively, from key employees and members of the board of directors.

**NOTE 8: CONTRIBUTED GOODS AND SERVICES**

The City of Austin donates the use of real estate for the placement of the Organization’s physical operations at one location. During 2023 and 2022, the value for the use of this real estate is \$18,567 each year. The City of Austin also donates the monthly utilities used in the Organization’s operations. During 2023 and 2022, the value of these utilities is \$8,712 each year. The agreement with the City of Austin is verbal and is cancellable upon notice.

Starting in 2022, PetSmart donates the use of clinic space for the placement of the Organization’s physical operations at two locations. During 2023 and 2022, the value for the use of this real estate is \$36,000 each year. There is a written lease agreement with PetSmart for these locations.

Non-cash donations of goods and services reported in the financial statements for the years ended December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Contributed goods:		
Supplies	\$ -	\$ 83,629
Contributed services:		
IT and other services	-	2,400
Rent and utilities	<u>63,279</u>	<u>63,279</u>
Total contributed goods and services	<u><u>\$ 63,279</u></u>	<u><u>\$ 149,308</u></u>

**EMANCIPET, INC.**  
**NOTES TO FINANCIAL STATEMENTS – continued**  
**Years Ended December 31, 2023 and 2022**

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**NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS**

During 2023 and 2022, \$3,781,028 and \$3,049,469, respectively, in net assets with donor restrictions were released from accompanying stipulations due to the Organization’s action or due to the passage of time and are reported as transfers from net assets with donor restrictions to net assets without donor restrictions in the financial statements.

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Increased services	\$ 2,312,590	\$ 4,500,000
Dentals	1,092,025	-
Capital Campaign	450,000	-
Community Pet Health	176,470	-
Helping Paws	151,963	-
Rio Grande Valley Research	83,086	-
Julie Scholarship	13,500	13,500
ASPCA Scholarships	10,000	10,000
PCI COQA	-	277,286
PCI Roosevelt	-	124,524
Skin Conditions	-	50,000
Pets for Life	-	24,380
KILN Cats	-	20,000
Houston	-	10,000
Friedman NPB	-	8,000
	<u>\$ 4,289,634</u>	<u>\$ 5,037,690</u>

**NOTE 10: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise of the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,299,143	\$ 434,869
Investments	2,446,975	3,451,516
Receivables, program and other cost reimbursements	154,725	878,792
Receivables, other	250,284	294,316
Available without restriction within one year	<u>\$ 4,151,127</u>	<u>\$ 5,059,493</u>

As part of the liquidity management plan, the Organization invest cash in excess of daily requirements in savings and money market funds.

## ***Emancipet 401(k) Plan***

2023-01-01 to 2023-12-31

<b>Beginning</b>	\$0.00
<b>Contribution Set</b>	\$150,494.62
<b>Correction Credit</b>	\$4.18
<b>Dividend</b>	\$8,834.10
<b>Earnings</b>	\$52,047.62
<b>Forfeiture</b>	\$0.00
<b>Transfer</b>	\$841,125.72
<b>Distribution</b>	-\$3,194.33
<b>External Advisor Fee</b>	-\$68.61
<b>Human Interest Service Fee</b>	-\$17.33
<b>Aum Fee Overbilling</b>	\$0.00
<b>Loan Disbursement</b>	\$2,724.15
<b>Loan Principal Paid</b>	-\$1,455.64
<b>Loan Interest Assessed</b>	\$19.41
<b>Loan Interest Paid</b>	-\$15.04
<b>Operational Error Credit</b>	\$0.00
<b>Ending</b>	\$1,051,596.17

Participant asset value at the beginning of the period.

Employee and employer contributions traded within the period.

Balances added to participant accounts due to late contribution deposits and investment errors within the period.

Dividends earned and allocated within the period.

Gains or losses due to the change in value of assets within the period.

If the Plan has vesting, the amount that went into the forfeiture account within the period.

Funds directed into participant accounts from another 401(k) provider, such as conversions and deconversions, within the period.

Distributions traded within the period.

Asset fees traded for the Plan's external advisors within the period.

Asset fees traded for Human Interest Advisory and Human Interest Inc. Recordkeeping & Custodial fees within the period.

Balances added to participant accounts due to errors in the calculation of fees that caused a participant to be overcharged within the period.

Loan value disbursed within the period.

Loan principal paid within the period.

Loan interest accrued within the period.

Loan interest paid within the period.

Balances added to participant accounts due to errors corrected on contributions, rollovers, or distributions within the period.

Participant asset value at the end of the period.

## ***Emancipet 401(k) Plan***

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