

**SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR THE  
YEAR ENDED DECEMBER 31, 2018)**



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**SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.**  
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**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Santa Fe Animal Shelter and Humane Society, Inc.  
Santa Fe, New Mexico

We have audited the accompanying financial statements of Santa Fe Animal Shelter and Humane Society, Inc. (the Shelter), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Shelter's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shelter's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
Santa Fe Animal Shelter and Humane Society, Inc.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Santa Fe Animal Shelter and Humane Society, Inc. as of December 31, 2019, and 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.

***Summarized Comparative Information***

The financial statements of Santa Fe Animal Shelter and Humane Society, Inc. as of December 31, 2018 were audited by other auditors whose report, dated June 19, 2019, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
July 31, 2020

**SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2019 AND 2018**

<b>ASSETS</b>	2019	2018
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 193,602	\$ 448,990
Investments	4,139,376	4,295,144
Accounts Receivable, Net	156,516	62,040
Current Portion of Pledges Receivable	32,500	-
Current Portion of Notes Receivable	-	27,373
Prepaid Expenses	17,881	26,714
Total Current Assets	4,539,875	4,860,261
<b>OTHER ASSETS</b>		
Property and Equipment, Net	9,040,095	9,944,049
Notes Receivable	-	53,805
Pledge Receivable	97,500	-
Long-term Investments	30,110	30,110
Endowed Investments	1,390,300	794,514
Beneficial Interest in Perpetual Trusts	802,106	713,855
Total Other Assets	11,360,111	11,536,333
Total Assets	\$ 15,899,986	\$ 16,396,594
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Line of Credit	\$ 128,195	\$ 1,155,509
Accounts Payable	112,784	76,653
Accrued Liabilities	238,411	235,923
Deferred Revenue	-	2,750
Total Current Liabilities	479,390	1,470,835
<b>NET ASSETS</b>		
Without Donor Restrictions		
Undesignated	12,821,170	13,137,710
Board-Designated Endowment	509,141	-
Total Without Donor Restrictions	13,330,311	13,137,710
With Donor Restrictions	2,090,285	1,788,049
Total Net Assets	15,420,596	14,925,759
Total Liabilities and Net Assets	\$ 15,899,986	\$ 16,396,594

See accompanying Notes to Financial Statements.

**SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2019**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)**

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>REVENUE, SUPPORT, AND GAINS</b>				
Public Contributions	\$ 2,235,983	\$ 213,772	\$ 2,449,755	\$ 1,627,814
Store Sales	1,143,039	-	1,143,039	1,241,216
Government Contracts	414,332	-	414,332	413,951
Fees	2,214,634	-	2,214,634	2,104,732
Special Event Revenue	251,196	-	251,196	266,482
Grants	141,205	70,782	211,987	217,272
Net Investment Income	730,643	98,133	828,776	(80,112)
Net Gain (Loss) on Beneficial Interest in Perpetual Trusts	-	88,251	88,251	(104,362)
In-kind Contributions	13,060	-	13,060	
Net Assets Released from Restrictions	178,260	(178,260)	-	-
Total Revenue, Support, and Gains	<u>7,322,352</u>	<u>292,678</u>	<u>7,615,030</u>	<u>5,686,993</u>
<b>EXPENSES</b>				
Program Services	5,779,655	-	5,779,655	5,695,995
Management	683,528	-	683,528	608,507
Fundraising	657,009	-	657,009	711,967
Total Expenses	<u>7,120,193</u>	<u>-</u>	<u>7,120,193</u>	<u>7,016,469</u>
<b>CHANGE IN NET ASSETS</b>	202,159	292,678	494,837	(1,329,476)
Net Assets - Beginning of Year	<u>13,128,152</u>	<u>1,797,607</u>	<u>14,925,759</u>	<u>16,255,235</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 13,330,311</u>	<u>\$ 2,090,285</u>	<u>\$ 15,420,596</u>	<u>\$ 14,925,759</u>

See accompanying Notes to Financial Statements.

**SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2019**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
<b>EXPENSES</b>				
Salaries and Wages	\$ 2,993,896	\$ 367,171	\$ 340,545	\$ 3,701,612
Payroll Taxes and Employee Benefits	535,839	58,026	47,125	640,990
Total Salaries and Related Expenses	3,529,735	425,197	387,670	4,342,602
<b>OPERATING EXPENSES</b>				
Veterinarian Supplies	617,367	-	-	617,367
Rent and Utilities	287,987	17,494	21,938	327,419
Fundraising	81,485	-	138,818	220,303
Animal Expense	72,970	-	-	72,970
Bank Service Fees	95,568	57,219	6,545	159,331
Professional Fees	57,671	123,117	15,337	196,125
Maintenance and Repairs	68,118	808	5,389	74,315
Insurance	60,630	6,161	3,246	70,037
Miscellaneous	11,257	297	287	11,841
Office Expense	28,599	7,384	7,024	43,007
Advertising	14,220	-	4,873	19,093
Travel Food and Lodging	18,438	327	529	19,294
Training and Meetings	20,802	1,265	539	22,606
Loss on Disposal of Property and Equipment	-	52,172	-	52,172
Total Operating Expenses	4,964,847	691,441	592,195	6,248,482
Depreciation Expense	814,809	46,296	64,814	925,919
Total Expenses	5,779,655	737,736	657,009	7,174,401
Less: Investment Expenses Netted with Income on Statement of Activities	-	(54,208)	-	(54,208)
Expenses to Statement of Activities	<u>\$ 5,779,655</u>	<u>\$ 683,528</u>	<u>\$ 657,009</u>	<u>\$ 7,120,193</u>

See accompanying Notes to Financial Statements.

**SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2018**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
<b>EXPENSES</b>				
Salaries and Wages	\$ 2,938,648	\$ 351,129	\$ 347,889	\$ 3,637,666
Payroll Taxes and Employee Benefits	541,734	49,980	54,142	645,856
Total Salaries and Related Expenses	3,480,382	401,109	402,031	4,283,522
<b>OPERATING EXPENSES</b>				
Veterinarian Supplies	553,928	-	-	553,928
Rent and Utilities	281,987	16,181	19,420	317,588
Fundraising	7,116	-	186,420	193,536
Animal Expense	98,658	-	-	98,658
Bank Service Fees	106,121	59,439	3,943	169,503
Professional Fees	44,368	114,001	-	158,369
Maintenance and Repairs	102,090	9,017	9,195	120,302
Insurance	59,332	6,285	2,505	68,122
Miscellaneous	31,273	5,491	6,811	43,575
Office Expense	30,827	5,318	6,520	42,665
Advertising	19,117	-	3,979	23,096
Travel Food and Lodging	11,171	45	2,814	14,030
Training and Meetings	11,814	1,114	94	13,022
Total Expenses Before Depreciation	4,838,184	618,000	643,732	6,099,916
Depreciation Expense	857,811	48,739	68,235	974,785
Total Expenses	5,695,995	666,739	711,967	7,074,701
Less: Investment Expenses Netted with Income on Statement of Activities	-	(58,232)	-	(58,232)
Expenses to Statement of Activities	\$ 5,695,995	\$ 608,507	\$ 711,967	\$ 7,016,469

See accompanying Notes to Financial Statements.



**SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 494,837	\$ (1,329,476)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	925,919	974,785
Contributions Restricted to Endowment	(72,984)	-
Gain on Sale of Property	-	(1,200)
Loss on Disposal of Property	52,172	-
Net (Gain) Loss on Beneficial Interest in Perpetual Trust	(88,990)	104,362
Net Changes in Operating Assets and Liabilities:		
Accounts Receivable	(94,476)	41,241
Pledge Receivable	(130,000)	15,000
Prepaid Expenses	8,833	9,996
Accounts Payable	36,131	(51,306)
Accrued Liabilities	2,488	16,951
Deferred Revenue	(2,750)	(570)
Net Cash Provided (Used) by Operating Activities	1,131,181	(220,217)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Investments	2,186,359	4,193,841
Purchases of Investments	(2,029,849)	(3,713,766)
Net Payments (Borrowings) on Notes Receivable	81,178	(31,178)
Proceeds from Sale of Property	-	1,200
Purchases of Property and Equipment	(74,137)	(70,928)
Net Cash Provided by Investing Activities	163,551	379,169
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Payments on Line of Credit	(1,027,314)	(73,509)
Endowment Deposits	(582,128)	-
Reinvested Net Investment Income	(98,133)	-
Collections of Contributions Restricted to Endowment	72,984	-
Endowment Distribution	84,472	73,508
Net Cash Used by Financing Activities	(1,550,119)	(1)
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(255,388)	158,951
Cash and Cash Equivalents - Beginning of Year	448,990	290,039
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 193,602	\$ 448,990
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid During the Year for Interest	\$ 32,410	\$ 46,682

See accompanying Notes to Financial Statements.

**SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Santa Fe Animal Shelter and Humane Society, Inc. (the Shelter) is a nonprofit organization advocating the reduction of animal suffering by curbing overpopulation, teaching compassion, and supporting healthy relationships between people and animals. As part of its adoption program, the Shelter operates a spay-neuter clinic and all animals undergo neutering prior to finalization of adoption.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Shelter considers all liquid investments purchased with a maturity date of three months or less as cash equivalents.

**Accounts Receivable**

Management reviews the collectability of its receivables and, if necessary, records an allowance for its estimate of uncollectible accounts. Bad debt history and current facts and circumstances are the primary bases for this estimate. When an account is deemed uncollectible, it is charged off against the allowance. Allowance for doubtful accounts was \$-0- at December 31, 2019 and 2018.

**Investments**

Investments consist primarily of money market funds, mutual funds, equities, and fixed income securities, and are stated at quoted fair market value (FMV). Net investment income is considered income without donor restriction unless otherwise specified by donor stipulations.

**Property and Equipment**

Property and equipment is recorded at cost or estimated fair value at date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. The Shelter capitalizes items over \$1,000 with an estimated useful life greater than three years.

**Advertising**

The Shelter expenses advertising costs as they are incurred.

**SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation**

The financial statements of the Shelter have been prepared in accordance with GAAP, which require the Shelter to report information regarding its financial position and activities according to the following net asset classifications:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) 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.

We report grants and contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted grants and contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as Net Assets Released from Restrictions.

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

**Grants and Contributions**

The Shelter reports nonexchange grants and contributions received as either with donor restriction or without donor restriction support, depending on the existence or nature of any donor restrictions. Unconditional promises to give are recognized as revenue and pledges receivable when the promise to give is made. Conditional promises to give are recognized as conditions are satisfied. There were no conditional promises to give at December 31, 2019 and 2018.

**Donated Goods and Services**

The Shelter receives donated noncash assets that are sold in its retail stores. The value of these assets is recorded at the time of sale. Contributions of donated professional services that create or enhance nonfinancial assets or that require specialized skills, are recorded at their fair values in the period received. The Shelter receives donations of various items used in operations, primarily related to the welfare of animals housed at the Shelter's facility.

**SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial Instruments**

The carrying amounts of cash, receivables, payables, accrued expenses, and other liabilities approximate fair value due to short maturity periods of these instruments.

**Income Taxes**

The Shelter is a nonprofit charitable corporation and has been recognized as tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The Shelter has adopted GAAP, as they relate to uncertain tax positions, and has evaluated its tax positions taken for open tax years. Management believes that the activities of the Shelter are within its tax-exempt purpose, and that there are no uncertain tax positions.

**Fair Value Measurements**

GAAP establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

*Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Shelter has the ability to access.

*Level 2* – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; Quoted prices for identical or similar assets or liabilities in inactive markets; Inputs other than quoted prices that are observable for the asset or liability; Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

*Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**Functional Expenses**

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the functions benefited. Any expenditures not directly chargeable to a single function are allocated. Significant allocated expenses include: salaries and benefits based on time spent and utilities and depreciation based on number of employees operating in each function.

**SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition**

Store Sales – The Shelter operates a retail store (Adoptions) and two resale stores (Cat North and Cat South). Sales of commensurate value (exchange) are made to consumers, and revenue is recognized at the point of sale (point in time).

Government Contracts - The Shelter contracts with the City of Santa Fe and Santa Fe County to lease space and provide Shelter services on a perpetual basis. Revenue is recognized monthly based on occupancy of leased space and operation of the Shelter for the benefit of the residents of Santa Fe.

Fees - The Shelter provides services for fees. The most significant fees generated are related to: Veterinary Services, Public Spay and Neuter, Licensing, Adoptions and Vaccinations. None of these fees are associated with formal contracts. Sales of commensurate value (exchange) are made to customers, and revenue is recognized at the point of sale (point in time).

Special Event Revenue - The Shelter holds various fundraising events on an annual basis. Tickets and sponsorships (non-exchange) are sold to customers, and revenue is deferred until events are held, at which point the revenue is recognized (point in time).

**Change in Accounting Principle**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Shelter's financial statements reflect the application of ASC 606 guidance beginning in 2018. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the organization's reported historical revenue.

Additionally in June 2018, FASB issued Accounting Standards (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transaction subject to other guidance, and (2) determining whether a contribution is conditional. These financial statements reflect the adoption of ASU 2018-08 beginning January 1, 2018. The implementation of this standard had no impact on net assets as previously reported.

**SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Subsequent Events**

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Shelter, COVID-19 may impact various parts of its 2020 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Management believes the Shelter is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

**NOTE 2 PROPERTY AND EQUIPMENT**

	2019	2018
Buildings and Improvements	\$ 13,000,659	\$ 13,080,589
Hospital Facility	4,213,755	4,207,000
Furniture and Equipment	734,211	773,269
Leasehold Improvements	470,644	470,650
Vehicles	257,811	254,643
Subtotal	<u>18,677,080</u>	<u>18,786,151</u>
Less: Accumulated Depreciation	(9,636,985)	(8,842,102)
Property and Equipment, Net	<u>\$ 9,040,095</u>	<u>\$ 9,944,049</u>

**NOTE 3 LINE OF CREDIT**

The Shelter has a line of credit agreement with a financial institution for working capital needs with a total borrowing capacity of approximately \$3,000,000. The line of credit bears variable interest at London Interbank Offered Rate (LIBOR) (1.82% and 2.52% at December 31, 2019 and 2018, respectively) plus 2.00%, and requires monthly payments of interest only. The line is secured by the Shelter's investments held with the lender. The balance was \$128,195 and \$1,155,509 at December 31, 2019 and 2018, respectively.

**SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 4 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Shelter's financial assets as of December 31:

	<u>2019</u>	<u>2018</u>
Cash	\$ 193,602	\$ 448,990
Short-Term Investments	4,139,376	4,295,144
Accounts and Pledges Receivable	<u>189,016</u>	<u>62,040</u>
Total Current Financial Assets	4,521,994	4,806,174
Less: Restricted Amounts Not Available to be Spent on General Operating Expenses	<u>246,910</u>	<u>259,128</u>
Financial Assets Available to Meet Cash Needs for General Expenditure Within One Year	<u><u>\$ 4,275,084</u></u>	<u><u>\$ 4,547,046</u></u>

The Shelter manages its cash flow and liquidity on an on-going basis to ensure that sufficient funds are available to cover current operational needs. The Shelter's goal is generally to maintain a level of liquid financial assets sufficient to cover 45 days of operating expenses (approximately \$775,000). As part of its liquidity plan, the Shelter is continuously evaluating the amount of cash on hand and expected to be collected within 30 days, against current financial obligations. Furthermore, the Shelter has a line of credit available to be drawn on for working capital needs (described in Note 3).

**NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2019</u>	<u>2018</u>
Subject to Expenditure for Specified Purpose:		
Low Income Financial Assistance for Services	\$ 126,678	\$ 137,753
Specific Program Services	<u>120,232</u>	<u>121,375</u>
Total	246,910	259,128
Subject to the Passage of Time:		
Pledge Receivable	130,000	-
Oil and Gas Rights	<u>30,110</u>	<u>30,110</u>
Total	160,110	30,110
Endowments:		
Subject to Spending Policy and Appropriation	881,159	794,514
Not Subject to Spending Policy or Appropriation:		
Beneficial Interest in Perpetual Trusts	<u>802,106</u>	<u>713,855</u>
Total	1,683,265	1,508,369
Total Net Assets with Donor Restrictions	<u><u>\$ 2,090,285</u></u>	<u><u>\$ 1,797,607</u></u>

**SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31:

	2019	2018
Satisfaction of Purpose Restrictions:		
Low Income Financial Assistance for Services	\$ 21,075	\$ 27,381
Specific Program Services	72,713	119,780
Total	93,788	147,161
Expiration of Time Restrictions:		
Endowment Distributions	84,472	73,508
Pledges Receivable	-	15,000
Total	84,472	88,508
Total Net Assets Released from Donor Restrictions	\$ 178,260	\$ 235,669

**Beneficial Interest in Perpetual Trusts**

Included in net assets with donor restriction are the beneficial interests of trusts held by third-parties that are subject to restrictions in that the principal be invested in perpetuity. Annual trust distributions may be used for the operations of the Shelter and are recorded as investment income without donor restriction. The assets are recognized at fair market value. Adjustments to the fair market value of the assets are recognized as unrealized gains or losses with donor restrictions. The fair market values of these trusts was \$802,106 and \$713,855 at December 31, 2019 and 2018, respectively.

**NOTE 6 INVESTMENTS**

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Without Donor Restrictions	\$ 3,788,422	\$ 4,648,517	\$ 3,971,828	\$ 4,295,144
With Donor Restrictions	803,950	911,269	773,464	824,624
Total Investments	\$ 4,592,372	\$ 5,559,786	\$ 4,745,292	\$ 5,119,768

**NOTE 7 FAIR VALUE MEASUREMENTS**

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019.

*Money Market, Fixed Income Securities, Mutual Funds, Equities, Alternative Investments and Beneficial Interests in Perpetual Trusts:* Valued at the closing price reported on the active market on which the individual securities are traded.



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**NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)**

*Oil and Gas Rights:* Valued at the fair value at the time of donation, with annual evaluation for impairment or other valuation changes.

*Pledges Receivable:* Present value of future cash flows.

The following tables sets forth by level, within the fair value hierarchy, the Shelter's assets at fair value as of December 31, 2019 and 2018:

Assets at Fair Value as of December 31, 2019				
	Level 1	Level 2	Level 3	Total
Money Market	\$ 71,297	\$ -	\$ -	\$ 71,297
Fixed Income	1,803,965	-	-	1,803,965
Equities	3,411,784	-	-	3,411,784
Alternative Investments:				-
Exchange Traded Funds	242,630	-	-	242,630
Oil and Gas Rights	-	30,110	-	30,110
Beneficial Interest in Perpetual Trusts	793,287	-	8,819	802,106
Total	\$ 6,322,963	\$ 30,110	\$ 8,819	\$ 6,361,892

Assets at Fair Value as of December 31, 2018				
	Level 1	Level 2	Level 3	Total
Money Market	\$ 496,015	\$ -	\$ -	\$ 496,015
Fixed Income	1,626,180	-	-	1,626,180
Equities	2,955,260	-	-	2,955,260
Alternative Investments:				
Exchange Traded Funds	12,203	-	-	12,203
Oil and Gas Rights	-	30,110	-	30,110
Beneficial Interest in Perpetual Trusts	704,297	-	9,558	713,855
Total	\$ 5,793,955	\$ 30,110	\$ 9,558	\$ 5,833,623

**Level 3 Investments**

The following tables present the Shelter's activities for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31:

	2019	2018
Beginning Balance	\$ 9,558	\$ 14,591
Gains/Losses	(739)	(5,033)
Ending Balance	\$ 8,819	\$ 9,558

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**NOTE 8 ENDOWMENTS**

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) provides industry guidance to organizations similar to the Shelter. The State of New Mexico adopted UPMIFA effective July 1, 2009. The Shelter has determined that certain net assets with donor restriction meet the definition of endowment funds under UPMIFA. The Shelter has determined that its beneficial interests in perpetual trusts, which are held in trust, do not meet the definition of endowment funds under UPMIFA, as the Shelter is not the trustee.

**Endowment Investment and Spending Policies**

The Shelter has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for initiatives supported by its endowments while seeking to maintain the purchasing power of the endowments.

In determining the prudent amount to distribute in a given year, the Shelter considers the donor's intent, the purpose of the fund as stated in the fund agreement, and relevant economic factors. The Shelter's current spending policy with regards to its endowments is determined annually by the board of directors.

The investment policies establish a return objective through diversification of asset classes. The current long-term return objective is the rate of inflation plus spending, net of any investment fees. To satisfy its long-term rate of return objectives, the Shelter relies on a total return strategy in which investment returns may be achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Shelter targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The Shelter's endowment funds include donor-restricted assets. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Shelter's endowment funds consist of endowments restricted by the donor for time and purpose. A reconciliation of endowment activities for the years ending December 31, is as follows:

	<u>With Donor Restrictions</u>
Endowment Net Assets - December 31, 2017	\$ 892,108
Net Investment Return:	(24,086)
Distributions	<u>(73,508)</u>
Endowment Net Assets - December 31, 2018	794,514
Net Investment Return:	98,133
Contributions	72,984
Distributions	<u>(84,472)</u>
Endowment Net Assets - December 31, 2019	<u><u>\$ 881,159</u></u>

Furthermore, the board has designated \$509,141 of investments for endowment.

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**NOTE 9 COMMITMENTS AND CONTINGENCIES**

**Retirement Plan**

The Shelter has a simple IRA plan for employees who have worked for the Shelter for at least two years. The Shelter makes an annual contribution to the plan for eligible employees equal to the amount of the employee's salary reduction contributions up to a limit of 3% of the employee's compensation for the calendar year. Employer contributions are 100% vested. In 2019 and 2018, the Shelter incurred expenses relating to the plan of \$14,924 and \$16,713, respectively.

**Major Donors**

The Shelter had contributions of \$1,332,397 from five major donors in 2019 and contributions of \$485,725 from three major donors in 2018.

**Operating Leases**

The Shelter leases certain property and equipment under operating lease agreements expiring through December 2023. Monthly lease expense under the various agreements range from \$102 to \$5,103. The following is a schedule by year of future minimum lease payments under operating leases as of December 31, 2019, that have initial or remaining lease terms in excess of one year.

Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 32,760
2021	9,349
2022	3,208
2023	1,122

Rental expense was \$85,164 and \$81,433 in 2019 and 2018, respectively.

The Shelter also leases land from the City of Santa Fe for a one-time fee of \$1,000. The original lease was entered into on May 31, 2000 for a term of 99 years, with the option to extend for an additional 49 years.

**Lease Income**

The Shelter leases a portion of its facilities to the City of Santa Fe and Santa Fe County under separate operating lease agreements that expire in June 2023 and June 2021, respectively. Monthly lease income under these agreements is \$3,105.

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**NOTE 10 RELATED PARTY TRANSACTIONS**

**Residence for Executive Director**

Payment on this note was received in full in August 2019.

In January 2012, the Shelter purchased residential real estate to be occupied by the Shelter's then executive director as a part of the executive director's compensation package. The Shelter's executive director resigned in 2016 and a new executive director was hired, at which point in time the real estate was no longer needed by the Shelter.

The residence was sold to the former executive director in 2017 for approximately \$498,000, which was determined to be the fair market value of the real estate at the time of the sale. As part of the sale, the former executive director issued an unsecured promissory note to the Shelter in the amount of \$50,000. The outstanding balance accrued interest at an annual rate of 4.75% and was due in full as a single balloon payment as outlined in the note.

**Note Receivable from Prior Chair of Board of Directors**

Payment on this note was received in full in January 2019.

In 2018, the prior chair of the board of directors of the Shelter issued a note receivable to the Shelter for \$27,247. The amount of the note represents an adjustment to the value of a piece of property that was transferred in January 2012 to the prior chair by the Shelter in return for full satisfaction of a note payable owed to the prior chair from the Shelter. The note receivable accrued interest at an annual rate of 2.51%.

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