

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020



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SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
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YEARS ENDED DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Santa Fe Animal Shelter and Humane Society (a New Mexico nonprofit corporation), which comprise the statement of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Santa Fe Animal Shelter and Humane Society as of December 31, 2021 and 2020, and the results of its operations 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Santa Fe Animal Shelter and Humane Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Santa Fe Animal Shelter and Humane Society's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' 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 auditors' 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 GAAS 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 GAAS, 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 Santa Fe Animal Shelter and Humane Society'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 Santa Fe Animal Shelter and Humane Society'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.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
June 30, 2022

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

| | 2021 | 2020 |
|---|---------------|---------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 932,413 | \$ 299,792 |
| Investments | 5,266,288 | 4,386,068 |
| Accounts Receivable, Net | 261,607 | 281,747 |
| Current Portion of Pledges Receivable | 32,500 | 35,000 |
| Prepaid Expenses | 38,808 | 29,503 |
| Donated Inventory | 134,215 | 134,330 |
| Total Current Assets | 6,665,831 | 5,166,440 |
| OTHER ASSETS | | |
| Property and Equipment, Net | 7,397,106 | 8,208,239 |
| Pledge Receivable | 32,500 | 65,000 |
| Long-Term Investments | - | 30,110 |
| Endowed Investments | 1,850,220 | 1,707,848 |
| Beneficial Interest in Perpetual Trusts | 911,990 | 859,754 |
| Total Other Assets | 10,191,816 | 10,870,951 |
| Total Assets | \$ 16,857,647 | \$ 16,037,391 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Line of Credit | \$ - | \$ 350,000 |
| Accounts Payable | 94,448 | 124,962 |
| Accrued Liabilities | 303,638 | 262,895 |
| Deferred Revenues | 6,920 | - |
| Total Current Liabilities | 405,006 | 737,857 |
| NET ASSETS | | |
| Without Donor Restrictions: | | |
| Undesignated | 13,385,887 | 12,467,068 |
| Board-Designated Endowment | 900,519 | 765,348 |
| Total Without Donor Restrictions | 14,286,406 | 13,232,416 |
| With Donor Restrictions | 2,166,235 | 2,067,118 |
| Total Net Assets | 16,452,641 | 15,299,534 |
| Total Liabilities and Net Assets | \$ 16,857,647 | \$ 16,037,391 |

See accompanying Notes to Financial Statements.

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

| | 2021 | | |
|--|-------------------------------|----------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| REVENUE, SUPPORT, AND GAINS | | | |
| Fees | \$ 2,232,197 | \$ - | \$ 2,232,197 |
| Public Contributions | 2,270,633 | - | 2,270,633 |
| Grants | 936,746 | 100,000 | 1,036,746 |
| Store Sales | 1,130,359 | - | 1,130,359 |
| Net Investment Income | 976,448 | 154,639 | 1,131,087 |
| Government Contracts | 421,765 | - | 421,765 |
| In-Kind Contributions | 64,459 | - | 64,459 |
| Net Gain on Beneficial Interest in Perpetual Trusts | - | 52,236 | 52,236 |
| Special Event Revenue | 197,022 | - | 197,022 |
| Estate Sales | 14,049 | - | 14,049 |
| Net Assets Released from Restrictions | 207,758 | (207,758) | - |
| Total Revenue, Support, and Gains | <u>8,451,436</u> | <u>99,117</u> | <u>8,550,553</u> |
| EXPENSES | | | |
| Program Services | 6,001,829 | - | 6,001,829 |
| Management | 767,344 | - | 767,344 |
| Fundraising | 628,273 | - | 628,273 |
| Total Expenses | <u>7,397,446</u> | <u>-</u> | <u>7,397,446</u> |
| CHANGE IN NET ASSETS | 1,053,990 | 99,117 | 1,153,107 |
| Net Assets - Beginning of Year | <u>13,232,416</u> | <u>2,067,118</u> | <u>15,299,534</u> |
| NET ASSETS - END OF YEAR | <u>\$ 14,286,406</u> | <u>\$ 2,166,235</u> | <u>\$ 16,452,641</u> |

See accompanying Notes to Financial Statements.

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

| | 2020 | | |
|--|-------------------------------|----------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| REVENUE, SUPPORT, AND GAINS | | | |
| Fees | \$ 2,238,221 | \$ - | \$ 2,238,221 |
| Public Contributions | 1,984,866 | 12,178 | 1,997,044 |
| Grants | 963,238 | 63,144 | 1,026,382 |
| Store Sales | 723,062 | - | 723,062 |
| Net Investment Income | 340,151 | 61,342 | 401,493 |
| Government Contracts | 398,050 | - | 398,050 |
| In-Kind Contributions | 146,913 | - | 146,913 |
| Net Gain on Beneficial Interest in Perpetual Trusts | - | 57,648 | 57,648 |
| Special Event Revenue | 30,592 | - | 30,592 |
| Estate Sales | 13,004 | - | 13,004 |
| Net Assets Released from Restrictions | 217,479 | (217,479) | - |
| Total Revenue, Support, and Gains | <u>7,055,576</u> | <u>(23,167)</u> | <u>7,032,409</u> |
| EXPENSES | | | |
| Program Services | 5,914,547 | - | 5,914,547 |
| Management | 655,350 | - | 655,350 |
| Fundraising | 583,574 | - | 583,574 |
| Total Expenses | <u>7,153,471</u> | <u>-</u> | <u>7,153,471</u> |
| CHANGE IN NET ASSETS | (97,895) | (23,167) | (121,062) |
| Net Assets - Beginning of Year | <u>13,330,311</u> | <u>2,090,285</u> | <u>15,420,596</u> |
| NET ASSETS - END OF YEAR | <u>\$ 13,232,416</u> | <u>\$ 2,067,118</u> | <u>\$ 15,299,534</u> |

See accompanying Notes to Financial Statements.

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

| | Program Services | Supporting Services | | Total |
|--|---------------------|---------------------------|-------------|--------------|
| | | Management and General | Fundraising | |
| EXPENSES | | | | |
| Salaries and Wages | \$ 3,131,986 | \$ 413,835 | \$ 332,901 | \$ 3,878,722 |
| Payroll Taxes and Employee Benefits | 574,909 | 83,748 | 47,340 | 705,997 |
| Total Salaries and Related Expenses | 3,706,895 | 497,583 | 380,241 | 4,584,719 |
| OPERATING EXPENSES | | | | |
| Veterinary & Animal Care Supplies | 704,871 | - | - | 704,871 |
| Rent and utilities | 355,064 | 17,571 | 21,247 | 393,882 |
| Professional Fees | 106,222 | 100,857 | 45,418 | 252,497 |
| Bank service Fees | 59,288 | 61,099 | 3,128 | 123,515 |
| Advertising | - | 75,897 | 1,590 | 77,487 |
| Insurance | 64,126 | 7,462 | 2,736 | 74,324 |
| Fundraising | - | - | 72,578 | 72,578 |
| Adoption Expense | 72,347 | - | - | 72,347 |
| Maintenance and Repairs | 64,537 | 1,151 | 134 | 65,822 |
| In-Kind Expense | 16,805 | 5,859 | 30,624 | 53,288 |
| Office Expense | 18,303 | 8,844 | 7,210 | 34,357 |
| Miscellaneous | 12,652 | 275 | 683 | 13,610 |
| Cost of Goods Sold | 10,385 | - | - | 10,385 |
| Travel Food and Lodging | 8,888 | 721 | - | 9,609 |
| Estate Sales | 9,136 | - | - | 9,136 |
| Trainings and Meetings | 5,152 | 1,128 | 69 | 6,349 |
| Total Operating Expenses | 5,214,671 | 778,447 | 565,658 | 6,558,776 |
| Depreciation Expense | 787,158 | 44,725 | 62,615 | 894,498 |
| Total Expenses | 6,001,829 | 823,172 | 628,273 | 7,453,274 |
| Less: Investment Expenses Netted with Income on Statement of Activities | - | (55,828) | - | (55,828) |
| Expenses to Statement of Activities | \$ 6,001,829 | \$ 767,344 | \$ 628,273 | \$ 7,397,446 |

See accompanying Notes to Financial Statements.

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

| | Program Services | Supporting Services | | Total |
|--|---------------------|---------------------------|-------------|--------------|
| | | Management and General | Fundraising | |
| EXPENSES | | | | |
| Salaries and Wages | \$ 3,041,440 | \$ 372,950 | \$ 334,760 | \$ 3,749,150 |
| Payroll Taxes and Employee Benefits | 716,800 | 55,944 | 45,175 | 817,919 |
| Total Salaries and Related Expenses | 3,758,240 | 428,894 | 379,935 | 4,567,069 |
| OPERATING EXPENSES | | | | |
| Veterinary & Animal Care Supplies | 661,364 | - | - | 661,364 |
| Rent and Utilities | 277,341 | 17,084 | 21,875 | 316,300 |
| Professional Fees | 100,467 | 114,122 | 31,526 | 246,115 |
| Bank Service Fees | 60,801 | 64,598 | 3,607 | 129,006 |
| Insurance | 61,490 | 6,800 | 3,363 | 71,653 |
| Animal Expense | 69,669 | - | - | 69,669 |
| Maintenance and Repairs | 61,110 | 108 | 485 | 61,703 |
| Fundraising | - | - | 52,059 | 52,059 |
| Office Expense | 20,147 | 5,998 | 11,051 | 37,196 |
| Advertising | - | 16,493 | 15,073 | 31,566 |
| Cost of Goods Sold | 18,439 | - | - | 18,439 |
| In-Kind Expense | 542 | 12,040 | - | 12,582 |
| Miscellaneous | 7,945 | 175 | 889 | 9,009 |
| Estate Sales | 8,561 | - | - | 8,561 |
| Travel Food and Lodging | 7,318 | - | 439 | 7,757 |
| Training and Meetings | 6,081 | 260 | 31 | 6,372 |
| Total Operating Expenses | 5,119,515 | 666,572 | 520,333 | 6,306,420 |
| Depreciation Expense | 795,032 | 45,172 | 63,241 | 903,445 |
| Total Expenses | 5,914,547 | 711,744 | 583,574 | 7,209,865 |
| Less: Investment Expenses Netted with Income on Statement of Activities | - | (56,394) | - | (56,394) |
| Expenses to Statement of Activities | \$ 5,914,547 | \$ 655,350 | \$ 583,574 | \$ 7,153,471 |

See accompanying Notes to Financial Statements.

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021 AND 2020

| | 2021 | 2020 |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ 1,153,107 | \$ (121,062) |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation | 894,498 | 903,445 |
| Contributions Restricted to Endowment | (1,000) | (1,000) |
| Net Gain on Beneficial Interest in Perpetual Trust | (52,236) | (57,648) |
| Reinvested Net Investment Income | (674,373) | (304,348) |
| Donated Inventory | 115 | (134,330) |
| Net Changes in Operating Assets and Liabilities: | | |
| Accounts Receivable | 20,140 | (125,231) |
| Pledge Receivable | 35,000 | 30,000 |
| Prepaid Expenses | (9,305) | (11,622) |
| Accounts Payable | (30,514) | 12,178 |
| Accrued Liabilities | 40,743 | 24,484 |
| Deferred Revenue | 6,920 | - |
| Net Cash Provided by Operating Activities | 1,383,095 | 214,866 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from Sale of Investments | 2,284,180 | 2,657,820 |
| Purchases of Investments | (2,299,214) | (2,856,371) |
| Purchases of Property and Equipment | (83,365) | (71,589) |
| Net Cash Used by Investing Activities | (98,399) | (270,140) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net Borrowings (Repayments) Under Line of Credit | (350,000) | 221,805 |
| Endowment Deposits | 1,000 | (1,000) |
| Reinvested Net Investment Income | (154,638) | (60,341) |
| Collections of Contributions Restricted to Endowment | (1,000) | 1,000 |
| Endowment Distribution | (147,437) | - |
| Net Cash Provided (Used) by Financing Activities | (652,075) | 161,464 |
| CHANGE IN CASH AND CASH EQUIVALENTS | 632,621 | 106,190 |
| Cash and Cash Equivalents - Beginning of Year | 299,792 | 193,602 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 932,413 | \$ 299,792 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash Paid During the Year for Interest | \$ 3,507 | \$ 6,484 |

See accompanying Notes to Financial Statements.

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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, 2021 and 2020.

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, 2021 AND 2020

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.

The Shelter reports 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.

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, 2021 and 2020.

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 and the ending donated inventory balance is estimated. 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.

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.

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Revenue Recognition

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

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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).

Subsequent Events

Management evaluated subsequent events through June 30, 2022, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2021, but prior to June 30, 2022, that provided additional evidence about conditions that existed at December 31, 2021 have been recognized in the financial statements for the year ended December 31, 2021. Events or transactions that provided evidence about conditions that did not exist at December 31, 2021, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended December 31, 2021.

NOTE 2 PROPERTY AND EQUIPMENT

| | 2021 | 2020 |
|--------------------------------|---------------------|---------------------|
| Buildings and Improvements | \$ 13,038,370 | \$ 13,027,992 |
| Hospital Facility | 4,214,732 | 4,214,732 |
| Furniture and Equipment | 768,681 | 713,849 |
| Leasehold Improvements | 470,644 | 470,644 |
| Vehicles | 241,636 | 261,661 |
| Subtotal | <u>18,734,063</u> | <u>18,688,878</u> |
| Less: Accumulated Depreciation | <u>(11,336,957)</u> | <u>(10,480,639)</u> |
| Property and Equipment, Net | <u>\$ 7,397,106</u> | <u>\$ 8,208,239</u> |

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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) plus 2.00%, and requires monthly payments of interest only. After December 31, 2021, LIBOR will no longer be issued, and will be replaced by Secured Overnight Financing Rate (SOFR). The line is secured by the Shelter's investments held with the lender. The balance was \$-0- and \$350,000 at December 31, 2021 and 2020, respectively.

NOTE 4 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

| | <u>2021</u> | <u>2020</u> |
|--|----------------------------|----------------------------|
| Cash | \$ 932,413 | \$ 299,792 |
| Short-Term Investments | 5,266,288 | 4,386,068 |
| Accounts and Pledges Receivable | <u>294,107</u> | <u>316,747</u> |
| Total Current Financial Assets | 6,492,808 | 5,002,607 |
| Less: Restricted Amounts Not Available to be Spent on General Operating Expenses | <u>239,544</u> | <u>212,125</u> |
| Financial Assets Available to Meet Cash Needs for General Expenditure Within One Year | <u><u>\$ 6,253,264</u></u> | <u><u>\$ 4,790,482</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 \$800,000). 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).

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

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

| | 2021 | 2020 |
|--|--------------|--------------|
| Subject to Expenditure for Specified Purpose: | | |
| Low Income Financial Assistance for Services | \$ 108,338 | \$ 119,888 |
| Specific Program Services | 131,206 | 92,237 |
| Total | 239,544 | 212,125 |
| Subject to the Passage of Time: | | |
| Pledge Receivable | 65,000 | 100,000 |
| Oil and Gas Rights | - | 30,110 |
| Total | 65,000 | 130,110 |
| Endowments: | | |
| Subject to Spending Policy and Appropriation | 949,701 | 865,129 |
| Not Subject to Spending Policy or Appropriation: | | |
| Beneficial Interest in Perpetual Trusts | 911,990 | 859,754 |
| Total | 1,861,691 | 1,724,883 |
| Total Net Assets with Donor Restrictions | \$ 2,166,235 | \$ 2,067,118 |

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:

| | 2021 | 2020 |
|---|------------|------------|
| Satisfaction of Purpose Restrictions: | | |
| Low Income Financial Assistance for Services | \$ 11,551 | \$ 6,790 |
| Specific Program Services | 61,031 | 100,818 |
| Total | 72,582 | 107,608 |
| Expiration of Time Restrictions: | | |
| Endowment Distributions | 70,066 | 77,371 |
| Pledges Receivable | 35,000 | 32,500 |
| Oil and Gas Rights | 30,110 | - |
| Total | 135,176 | 109,871 |
| Total Net Assets Released from Donor Restrictions | \$ 207,758 | \$ 217,479 |

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 were \$911,990 and \$859,754 at December 31, 2021 and 2020, respectively.

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 6 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, 2021.

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.

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.

Donated Inventory: Historical sales.

The following tables sets forth by level, within the fair value hierarchy, the Shelter's assets at fair value as of December 31, 2021 and 2020:

| Assets at Fair Value as of December 31, 2021 | | | | |
|--|--------------|------------|----------|--------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Money Market | \$ 348,105 | \$ - | \$ - | \$ 348,105 |
| Fixed Income | 764,787 | - | - | 764,787 |
| Equities | 5,998,500 | - | - | 5,998,500 |
| Exchange Traded Funds | 5,116 | - | - | 5,116 |
| Donated Inventory | - | 134,215 | - | 134,215 |
| Beneficial Interest in Perpetual Trusts | 907,656 | - | 4,334 | 911,990 |
| Total | \$ 8,024,164 | \$ 134,215 | \$ 4,334 | \$ 8,162,713 |

| Assets at Fair Value as of December 31, 2020 | | | | |
|--|--------------|------------|----------|--------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Money Market | \$ 72,351 | \$ - | \$ - | \$ 72,351 |
| Fixed Income | 1,587,149 | - | - | 1,587,149 |
| Equities | 4,058,529 | - | - | 4,058,529 |
| Exchange Traded Funds | 375,887 | - | - | 375,887 |
| Oil and Gas Rights | - | 30,110 | - | 30,110 |
| Donated Inventory | - | 134,330 | - | 134,330 |
| Beneficial Interest in Perpetual Trusts | 854,147 | - | 5,607 | 859,754 |
| Total | \$ 6,948,063 | \$ 164,440 | \$ 5,607 | \$ 7,118,110 |

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
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DECEMBER 31, 2021 AND 2020

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

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:

| | 2021 | 2020 |
|-------------------|-----------------|-----------------|
| Beginning Balance | \$ 5,607 | \$ 8,819 |
| Gains/Losses | (1,273) | (3,212) |
| Ending Balance | <u>\$ 4,334</u> | <u>\$ 5,607</u> |

NOTE 7 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.

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
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NOTE 7 ENDOWMENTS (CONTINUED)

Endowment Investment and Spending Policies (Continued)

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, 2019 | \$ 881,159 |
| Net Investment Return: | 60,341 |
| Contributions | 1,000 |
| Distributions | <u>(77,371)</u> |
| Endowment Net Assets - December 31, 2020 | 865,129 |
| Net Investment Return: | 154,638 |
| Distributions | <u>(70,066)</u> |
| Endowment Net Assets - December 31, 2021 | <u>\$ 949,701</u> |

During 2021, the endowment was due a contribution of \$2,500 from a pledge payment sent prior to 12/31/2021 but that had not yet been received or deposited to the Endowment account as of fiscal year end. This will be deposited to the Endowment in 2022.

In addition to endowments restricted by donor, the board has designated \$900,519 of investments for endowment, which are included in the endowed investments balance on the statement of financial position.

NOTE 8 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 2021 and 2020, the Shelter incurred expenses relating to the plan of \$30,112 and \$15,671, respectively. During 2021 the Shelter exceeded the 100 employee limitation for a simple IRA Plan. As such, management has terminated the simple IRA plan and created a 401k retirement plan in 2022.

Operating Leases

The Shelter leases certain property and equipment under operating lease agreements expiring through July 2026. Monthly lease expense under the various agreements range from \$102 to \$627. Furthermore, the Shelter leases retail space under an operating lease agreement through February 2026. Monthly lease expense under this agreement is \$6,028.

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating Leases (Continued)

The following is a schedule by year of future minimum lease payments under operating leases as of December 31, 2021, that have initial or remaining lease terms in excess of one year.

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|---------------------------------|---------------|
| 2022 | \$ 78,966 |
| 2023 | 75,943 |
| 2024 | 74,821 |
| 2025 | 74,820 |
| 2026 | 13,505 |

Rental expense was \$108,789 and \$72,183 in 2021 and 2020, 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 2024, respectively. Monthly lease income under these agreements is \$3,141.

NOTE 9 ACCOUNTING STANDARDS UPDATES

ASU 2016-02 and 2020-05, Leases

This amendment changes the way lessees will recognize leases as they will recognize most leases on-balance sheet and will increase reported assets and liabilities. Lessor accounting remains substantially similar to current accounting principles generally accepted in the United States of America. Per ASU 2020-05, this standard is effective for annual periods beginning after December 15, 2021; however, early adoption is permitted. The ASU mandates a modified retrospective transition method for all entities. Management is currently evaluating the impact of this ASU on the financial statements upon adoption.

ASU 2020-07 – Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets

The amendments address presentation and disclosure of contributed nonfinancial assets. ASU 2020-07 should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021. Early adoption is permitted. Management is currently evaluating the impact of this ASU upon adoption.

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NOTE 10 PAYCHECK PROTECTION PROGRAM (PPP) FORGIVENESS

As of December 31, 2021 and 2020, the Shelter applied for and has received forgiveness in full in the amount of \$788,323 and \$809,800, respectively. The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the financial statements.



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