

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020 AND 2019



WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

CLAconnect.com

**SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	6
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9



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, 2020 and 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, 2020 and 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
August 2, 2021

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

ASSETS	2020	2019
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 299,792	\$ 193,602
Investments	4,386,068	4,139,376
Accounts Receivable, Net	281,747	156,516
Current Portion of Pledges Receivable	35,000	32,500
Prepaid Expenses	29,503	17,881
Donated Inventory	134,330	-
Total Current Assets	5,166,440	4,539,875
OTHER ASSETS		
Property and Equipment, Net	8,208,239	9,040,095
Pledge Receivable	65,000	97,500
Long-term Investments	30,110	30,110
Endowed Investments	1,707,848	1,390,300
Beneficial Interest in Perpetual Trusts	859,754	802,106
Total Other Assets	10,870,951	11,360,111
Total Assets	\$ 16,037,391	\$ 15,899,986
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of Credit	\$ 350,000	\$ 128,195
Accounts Payable	124,962	112,784
Accrued Liabilities	262,895	238,411
Total Current Liabilities	737,857	479,390
NET ASSETS		
Without Donor Restrictions		
Undesignated	12,467,068	12,821,170
Board-Designated Endowment	765,348	509,141
Total Without Donor Restrictions	13,232,416	13,330,311
With Donor Restrictions	2,067,118	2,090,285
Total Net Assets	15,299,534	15,420,596
Total Liabilities and Net Assets	\$ 16,037,391	\$ 15,899,986

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 ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Public Contributions	\$ 2,235,983	\$ 213,772	\$ 2,449,755
Store Sales	1,063,176	-	1,063,176
Government Contracts	414,332	-	414,332
Fees	2,214,634	-	2,214,634
Special Event Revenue	251,196	-	251,196
Grants	141,205	70,782	211,987
Net Investment Income	730,643	98,133	828,776
Estate Sales	79,863	-	79,863
Net Gain on Beneficial Interest in Perpetual Trusts	-	88,251	88,251
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>
EXPENSES			
Program Services	5,779,655	-	5,779,655
Management	683,528	-	683,528
Fundraising	657,009	-	657,009
Total Expenses	<u>7,120,193</u>	<u>-</u>	<u>7,120,193</u>
CHANGE IN NET ASSETS	202,159	292,678	494,837
Net Assets - Beginning of Year	<u>13,128,152</u>	<u>1,797,607</u>	<u>14,925,759</u>
NET ASSETS - END OF YEAR	<u>\$ 13,330,311</u>	<u>\$ 2,090,285</u>	<u>\$ 15,420,596</u>

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				
Veterinarian 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.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
EXPENSES				
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
OPERATING EXPENSES				
Veterinarian Supplies	617,367	-	-	617,367
Rent and Utilities	287,987	17,494	21,938	327,419
Professional Fees	57,671	123,117	15,337	196,125
Bank Service Fees	95,568	57,219	6,545	159,331
Fundraising	-	-	139,330	139,330
Maintenance and Repairs	68,118	808	5,389	74,315
Animal Expense	72,970	-	-	72,970
Insurance	60,630	6,161	3,246	70,037
Loss on Disposal of Property and Equipment	-	52,172	-	52,172
Estate Sales	49,827	-	-	49,827
Office Expense	28,599	7,384	7,024	43,007
Training and Meetings	20,802	1,265	539	22,606
Travel Food and Lodging	18,438	327	529	19,294
Advertising	-	14,220	4,873	19,093
Cost of Goods Sold	17,376	-	-	17,376
In-kind Expense	13,060	-	-	13,060
Miscellaneous	11,967	297	287	12,551
Total Operating Expenses	4,950,115	705,661	592,707	6,248,482
Depreciation Expense	814,809	46,296	64,814	925,919
Total Expenses	5,764,923	751,957	657,521	7,174,401
Less: Investment Expenses Netted with Income on Statement of Activities	-	(54,208)	-	(54,208)
Expenses to Statement of Activities	<u>\$ 5,764,923</u>	<u>\$ 697,749</u>	<u>\$ 657,521</u>	<u>\$ 7,120,193</u>

See accompanying Notes to Financial Statements.

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (121,062)	\$ 494,837
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	903,445	925,919
Contributions Restricted to Endowment	(1,000)	(72,984)
Loss on Disposal of Property	-	52,172
Net Gain on Beneficial Interest in Perpetual Trust	(57,648)	(88,251)
Reinvested Net Investment Income	(304,348)	-
Donated Inventory	(134,330)	-
Net Changes in Operating Assets and Liabilities:		
Accounts Receivable	(125,231)	(94,476)
Pledge Receivable	30,000	(130,000)
Prepaid Expenses	(11,622)	8,833
Accounts Payable	12,178	36,131
Accrued Liabilities	24,484	2,488
Deferred Revenue	-	(2,750)
Net Cash Provided by Operating Activities	214,866	1,131,919
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	2,657,820	2,186,359
Purchases of Investments	(2,856,371)	(2,030,588)
Net Payments on Notes Receivable	-	81,178
Purchases of Property and Equipment	(71,589)	(74,137)
Net Cash (Used) Provided by Investing Activities	(270,140)	162,812
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Borrowings (Repayments) under Line of Credit	221,805	(1,027,314)
Endowment Deposits	(1,000)	(582,128)
Reinvested Net Investment Income	(60,341)	(98,133)
Collections of Contributions Restricted to Endowment	1,000	72,984
Endowment Distribution	-	84,472
Net Cash Provided (Used) by Financing Activities	161,464	(1,550,119)
CHANGE IN CASH AND CASH EQUIVALENTS	106,190	(255,388)
Cash and Cash Equivalents - Beginning of Year	193,602	448,990
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 299,792	\$ 193,602
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	\$ 6,484	\$ 32,410

See accompanying Notes to Financial Statements.

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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, 2020 and 2019.

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, 2020 AND 2019

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, 2020 and 2019.

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. The Shelter did not have a formal process for counting donated inventory in 2019, but the financial statements presented fairly, in all material respects, the financial position as of December 31, 2019. 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, 2020 AND 2019

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, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).

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 August 2, 2021, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2020, but prior to August 2, 2021, that provided additional evidence about conditions that existed at December 31, 2020 have been recognized in the financial statements for the year ended December 31, 2020. Events or transactions that provided evidence about conditions that did not exist at December 31, 2020, 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, 2020.

NOTE 2 PROPERTY AND EQUIPMENT

	2020	2019
Buildings and Improvements	\$ 13,027,992	\$ 13,000,659
Hospital Facility	4,214,732	4,213,755
Furniture and Equipment	713,849	734,211
Leasehold Improvements	470,644	470,644
Vehicles	261,661	257,811
Subtotal	18,688,878	18,677,080
Less: Accumulated Depreciation	(10,480,639)	(9,636,985)
Property and Equipment, Net	<u>\$ 8,208,239</u>	<u>\$ 9,040,095</u>

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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. The line is secured by the Shelter's investments held with the lender. The balance was \$350,000 and \$128,195 at December 31, 2020 and 2019, respectively.

NOTE 4 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

	<u>2020</u>	<u>2019</u>
Cash	\$ 299,792	\$ 193,602
Short-Term Investments	4,386,068	4,139,376
Accounts and Pledges Receivable	<u>316,747</u>	<u>189,016</u>
Total Current Financial Assets	5,002,607	4,521,994
Less: Restricted Amounts Not Available to be Spent on General Operating Expenses	<u>212,125</u>	<u>246,910</u>
Financial Assets Available to Meet Cash Needs for General Expenditure Within One Year	<u><u>\$ 4,790,482</u></u>	<u><u>\$ 4,275,084</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).

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Subject to Expenditure for Specified Purpose:		
Low Income Financial Assistance for Services	\$ 119,888	\$ 126,678
Specific Program Services	92,237	120,232
Total	<u>212,125</u>	<u>246,910</u>
Subject to the Passage of Time:		
Pledge Receivable	100,000	130,000
Oil and Gas Rights	30,110	30,110
Total	<u>130,110</u>	<u>160,110</u>
Endowments:		
Subject to Spending Policy and Appropriation	865,129	881,159
Not Subject to Spending Policy or Appropriation:		
Beneficial Interest in Perpetual Trusts	859,754	802,106
Total	<u>1,724,883</u>	<u>1,683,265</u>
Total Net Assets with Donor Restrictions	<u><u>\$ 2,067,118</u></u>	<u><u>\$ 2,090,285</u></u>

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:

	<u>2020</u>	<u>2019</u>
Satisfaction of Purpose Restrictions:		
Low Income Financial Assistance for Services	\$ 6,790	\$ 21,075
Specific Program Services	100,818	72,713
Total	<u>107,608</u>	<u>93,788</u>
Expiration of Time Restrictions:		
Endowment Distributions	77,371	84,472
Pledges Receivable	32,500	-
Total	<u>109,871</u>	<u>84,472</u>
Total Net Assets Released from Donor Restrictions	<u><u>\$ 217,479</u></u>	<u><u>\$ 178,260</u></u>

During 2020, the endowment distribution of \$77,371 was appropriated, but not drawn from the investment portfolio until 2021.

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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 \$859,754 and \$802,106 at December 31, 2020 and 2019, respectively.

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, 2020.

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, 2020 and 2019:

	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	<u>\$ 6,948,063</u>	<u>\$ 164,440</u>	<u>\$ 5,607</u>	<u>\$ 7,118,110</u>

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

	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
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

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:

	2020	2019
Beginning Balance	\$ 8,819	\$ 9,558
Gains/Losses	(3,212)	(739)
Ending Balance	\$ 5,607	\$ 8,819

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.

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 7 ENDOWMENTS (CONTINUED)

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, 2018	\$ 794,514
Net Investment Return:	98,133
Contributions	72,984
Distributions	<u>(84,472)</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	<u><u>\$ 865,129</u></u>

During 2020, the endowment distribution of \$77,371 was appropriated, but not drawn from the portfolio balance until 2021.

In addition to endowments restricted by donor, the board has designated \$765,348 of investments for endowment, which are included in the endowed investments balance on the statement of financial position.

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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 2020 and 2019, the Shelter incurred expenses relating to the plan of \$15,671 and \$14,924, respectively.

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 \$627. Furthermore, the Shelter leases retail space under an operating lease agreement through February 2026. Monthly lease expense under this agreement is \$6,028. The following is a schedule by year of future minimum lease payments under operating leases as of December 31, 2020, that have initial or remaining lease terms in excess of one year.

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 81,865
2022	76,069
2023	73,458
2024	73,458
2025	72,336
Thereafter	12,056

Rental expense was \$72,183 and \$85,164 in 2020 and 2019, 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.

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 9 RELATED PARTY TRANSACTIONS

Residence for Prior 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%.

NOTE 10 ACCOUNTING STANDARDS UPDATES

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), which is expected to increase transparency and comparability among organizations. The core principle of this guidance is that a lessee should recognize the assets and liabilities that arise from leases. The standard requires lessees to reflect most leases on their statement of financial position as lease liabilities with a corresponding right-of-use asset, while leaving presentation of lease expense in the statement of activities largely unchanged. The standard also eliminates the real-estate specific provisions that exist under current U.S. GAAP and modifies the classification criteria and accounting which lessors must apply to sales-type and direct financing leases. In June 2020, the FASB approved the delay of the effective date of ASU 2016-02 which is now effective for the Shelter's year ending December 31, 2022. Management will be evaluating the effects of the new standard.

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor. CLA is an independent member of Nexia International, a leading, global network of independent accounting and consulting firms. See [nexia.com/member-firm-disclaimer](https://www.nexia.com/member-firm-disclaimer) for details. **CliftonLarsonAllen LLP**

