

**SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAcconnect.com](https://CLAcconnect.com)

**SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.**  
**TABLE OF CONTENTS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**

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



## 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, Inc. (a New Mexico nonprofit corporation), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements 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, 2023 and 2022, 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, Inc. 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, Inc.'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, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Santa Fe Animal Shelter and Humane Society, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



**CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
July 23, 2024

**SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2023 AND 2022**

<b>ASSETS</b>	2023	2022
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 807,406	\$ 1,298,442
Cash Held in Investments	12,903,423	426,813
Investments	6,956,532	4,802,449
Grants and Contributions Receivable	306,263	233,491
Estate Contribution Receivable, Current Portion	1,079,650	-
Prepaid Expenses	56,266	62,305
Donated Inventory	124,056	137,294
Total Current Assets	22,233,596	6,960,794
<b>OTHER ASSETS</b>		
Estate Contribution Receivable	3,582,809	-
Property and Equipment, Net	5,911,163	6,544,221
Operating Right-of-Use Asset, Net	154,077	218,700
Endowed Investments	1,828,247	1,669,726
Beneficial Interest in Perpetual Trusts	759,577	715,465
Total Other Assets	12,235,873	9,148,112
Total Assets	\$ 34,469,469	\$ 16,108,906
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 196,562	\$ 132,661
Current Lease Liability - Operating	67,226	64,251
Accrued Liabilities	464,257	412,855
Deferred Revenues	22,979	24,776
Total Current Liabilities	751,024	634,543
<b>LONG-TERM LIABILITIES</b>		
Long-Term Lease Liability - Operating, Less Current Portion	85,923	153,149
Total Long-Term Liabilities	85,923	153,149
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Undesignated	26,215,473	12,714,909
Board-Designated Endowment	961,214	872,136
Total Without Donor Restrictions	27,176,687	13,587,045
With Donor Restrictions	6,455,835	1,734,169
Total Net Assets	33,632,522	15,321,214
Total Liabilities and Net Assets	\$ 34,469,469	\$ 16,108,906

See accompanying Notes to Financial Statements.

**SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2023**

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, SUPPORT, AND GAINS</b>			
Fees	\$ 2,607,128	\$ -	\$ 2,607,128
Public Contributions	17,319,880	4,662,459	21,982,339
Grants	154,753	39,733	194,486
Store Sales	988,516	-	988,516
Net Investment Income	1,085,104	135,370	1,220,474
Government Contracts	424,609	-	424,609
In-Kind Contributions	109,191	-	109,191
Net Gain on Beneficial Interest in Perpetual Trusts	-	44,111	44,111
Special Event Revenue	110,483	-	110,483
Realized Loss on Disposal of Assets	(46,330)	-	(46,330)
Net Assets Released from Restrictions	160,007	(160,007)	-
Total Revenue, Support, and Gains	<u>22,913,341</u>	<u>4,721,666</u>	<u>27,635,007</u>
<b>EXPENSES</b>			
Program Services	7,411,058	-	7,411,058
Management	1,161,299	-	1,161,299
Fundraising	751,342	-	751,342
Total Expenses	<u>9,323,699</u>	<u>-</u>	<u>9,323,699</u>
<b>CHANGE IN NET ASSETS</b>	13,589,642	4,721,666	18,311,308
Net Assets - Beginning of Year	<u>13,587,045</u>	<u>1,734,169</u>	<u>15,321,214</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 27,176,687</u>	<u>\$ 6,455,835</u>	<u>\$ 33,632,522</u>

See accompanying Notes to Financial Statements.

**SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2022**

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, SUPPORT, AND GAINS</b>			
Fees	\$ 2,173,576	\$ -	\$ 2,173,576
Public Contributions	3,345,714	-	3,345,714
Grants	212,721	101,379	314,100
Store Sales	1,125,929	-	1,125,929
Net Investment Loss	(407,158)	(71,700)	(478,858)
Government Contracts	433,584	-	433,584
In-Kind Contributions	59,851	-	59,851
Net Gain on Beneficial Interest in Perpetual Trusts	-	(196,525)	(196,525)
Special Event Revenue	259,930	-	259,930
Net Assets Released from Restrictions	265,220	(265,220)	-
Total Revenue, Support, and Gains	<u>7,469,367</u>	<u>(432,066)</u>	<u>7,037,301</u>
<b>EXPENSES</b>			
Program Services	6,652,135	-	6,652,135
Management	821,221	-	821,221
Fundraising	696,000	-	696,000
Total Expenses	<u>8,169,356</u>	<u>-</u>	<u>8,169,356</u>
<b>CHANGE IN NET ASSETS</b>	(699,989)	(432,066)	(1,132,055)
Net Assets - Beginning of Year	<u>14,287,034</u>	<u>2,166,235</u>	<u>16,453,269</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 13,587,045</u>	<u>\$ 1,734,169</u>	<u>\$ 15,321,214</u>

See accompanying Notes to Financial Statements.

**SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2023**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
<b>EXPENSES</b>				
Salaries and Wages	\$ 3,787,677	\$ 585,062	\$ 384,331	\$ 4,757,070
Payroll Taxes and Employee Benefits	915,152	91,938	63,322	1,070,412
Total Salaries and Related Expenses	4,702,829	677,000	447,653	5,827,482
<b>OPERATING EXPENSES</b>				
Veterinary & Animal Care Supplies	866,945	-	-	866,945
Professional Fees	167,881	335,243	93,364	596,488
Rent and Utilities	334,133	15,268	13,805	363,206
Maintenance and Repairs	130,850	-	-	130,850
Insurance	74,967	11,174	3,486	89,627
Adoption Expense	84,578	-	-	84,578
Bank Service Fees	72,388	38,630	5,138	116,156
Community Support	77,577	-	-	77,577
Fundraising	-	-	73,964	73,964
Office Expense	49,063	5,135	12,258	66,456
Advertising	-	53,729	11,442	65,171
In-kind Expense	37,231	3,489	24,310	65,030
Trainings and Meetings	14,845	13,629	2,729	31,203
Miscellaneous	8,968	65	752	9,785
Travel, Food, and Lodging	4,161	225	-	4,386
Cost of Goods Sold	3,309	-	290	3,599
Total Operating Expenses	6,629,725	1,153,587	689,191	8,472,503
Depreciation Expense	781,333	44,394	62,151	887,878
Total Expenses	7,411,058	1,197,981	751,342	9,360,381
Less: Investment Expenses Netted With Income on Statement of Activities	-	(36,682)	-	(36,682)
Expenses to Statement of Activities	\$ 7,411,058	\$ 1,161,299	\$ 751,342	\$ 9,323,699

See accompanying Notes to Financial Statements.



**SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2022**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
<b>EXPENSES</b>				
Salaries and Wages	\$ 3,510,592	\$ 487,819	\$ 340,019	\$ 4,338,430
Payroll Taxes and Employee Benefits	701,908	81,216	57,650	840,774
Total Salaries and Related Expenses	4,212,500	569,035	397,669	5,179,204
<b>OPERATING EXPENSES</b>				
Veterinary & Animal Care Supplies	782,719	-	-	782,719
Rent and Utilities	334,195	15,706	17,588	367,489
Professional Fees	169,429	148,303	43,175	360,907
Fundraising	-	-	132,731	132,731
Bank Service Fees	59,136	35,062	8,984	103,182
Insurance	68,473	10,272	3,291	82,036
Maintenance and Repairs	66,516	754	-	67,270
Adoption Expense	74,957	-	-	74,957
In-Kind Expense	26,987	8,044	21,740	56,771
Office Expense	31,133	7,556	7,602	46,291
Trainings and Meetings	13,144	10,309	455	23,908
Travel, Food, and Lodging	10,923	-	19	10,942
Miscellaneous	7,556	50	471	8,077
Cost of Goods Sold	9,594	-	-	9,594
Advertising	-	4,883	-	4,883
Community Support	1,992	-	-	1,992
Total Operating Expenses	5,869,254	809,974	633,725	7,312,953
Depreciation Expense	782,881	44,482	62,275	889,638
Total Expenses	6,652,135	854,456	696,000	8,202,591
Less: Investment Expenses Netted With Income on Statement of Activities	-	(33,235)	-	(33,235)
Expenses to Statement of Activities	\$ 6,652,135	\$ 821,221	\$ 696,000	\$ 8,169,356

See accompanying Notes to Financial Statements.

**SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 18,311,308	\$ (1,132,055)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	887,878	889,638
Contributions Restricted to Endowment	(2,500)	(5,000)
Loss on Disposal of Property	46,330	513
Net Loss (Gain) on Beneficial Interest in Perpetual Trust	(44,112)	196,525
Net Investment Loss (Income)	(905,346)	403,447
Donated Inventory	13,238	(3,079)
Donated Stock	(15,093)	-
Net Changes in Operating Assets and Liabilities:		
Grants and Contributions Receivable	(72,772)	28,116
Operating Right-of-Use Asset	64,623	58,705
Pledge Receivable	-	65,000
Prepaid Expenses	6,039	(23,497)
Estate Contribution Receivable	(4,662,459)	-
Accounts Payable	63,901	38,213
Operating Lease Liability	(64,251)	(59,377)
Accrued Liabilities	26,626	102,297
Deferred Revenue	22,979	24,776
Net Cash Provided by Operating Activities	13,676,389	584,222
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Investments	1,685,533	2,541,914
Purchases of Investments	(15,487,365)	(2,731,552)
Purchases of Property and Equipment	(301,150)	(37,266)
Net Cash (Used) by Investing Activities	(14,102,982)	(226,904)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Endowment Deposits	2,500	5,000
Reinvested Net Investment Income	(132,870)	(76,700)
Endowment Distribution	65,927	80,411
Net Cash (Used) Provided by Financing Activities	(64,443)	8,711
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(491,036)	366,029
Cash and Cash Equivalents - Beginning of Year	1,298,442	932,413
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 807,406	\$ 1,298,442
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Accounts Payable for Property and Equipment	\$ 43,609	\$ -

See accompanying Notes to Financial Statements.

**SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**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.

**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, 2023 AND 2022**

**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, 2023 and 2022.

**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, 2023 AND 2022**

**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 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, 2023 AND 2022**

**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).

**Adoption of New Accounting Standards**

At the beginning of 2023, The Shelter adopted FASB ASU 2016-03, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of current expected credit losses (CECL). The Shelter adopted this new guidance effective January 1, 2023, utilizing the modified retrospective transition method. The adoption of CECL did not result in any significant changes to the Shelter's accounting policies and there was no impact on the Shelter's financial position or changes in net assets as a result of the adoption of this accounting standard.

**Reclassifications**

Certain 2022 amounts have been reclassified to be consistent with the presentation of 2023 amounts. These reclassifications had no effect on the changes in net assets.

**Leases**

The Shelter leases certain office equipment and a retail store location. The Shelter determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the balance sheet.

ROU assets represent the Shelter's right to use an underlying asset for the lease term and lease liabilities represent the Shelter's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Shelter will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

**SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

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

**Leases (Continued)**

The Shelter's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Shelter considers factors such as if the Shelter has obtained substantially all of the rights to the underlying asset through exclusivity, if the Shelter can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Shelter has elected to use an incremental borrowing rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

**Subsequent Events**

Management evaluated subsequent events through July 23, 2024, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2023, but prior to July 23, 2024, that provided additional evidence about conditions that existed at December 31, 2023 have been recognized in the financial statements for the year ended December 31, 2023. Events or transactions that provided evidence about conditions that did not exist at December 31, 2023, 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, 2023.

**NOTE 2 PROPERTY AND EQUIPMENT**

The following reflects the Shelter's property and equipment as of December 31:

	<u>2023</u>	<u>2022</u>
Buildings and Improvements	\$ 13,208,160	\$ 13,048,594
Hospital Facility	4,209,723	4,209,723
Furniture and Equipment	789,369	781,189
Leasehold Improvements	490,614	470,644
Vehicles	245,586	245,586
Construction in Progress	46,603	-
Subtotal	<u>18,990,055</u>	<u>18,755,736</u>
Less: Accumulated Depreciation	<u>(13,078,892)</u>	<u>(12,211,515)</u>
Property and Equipment, Net	<u>\$ 5,911,163</u>	<u>\$ 6,544,221</u>

**SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 3 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

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

	<u>2023</u>	<u>2022</u>
Cash	\$ 807,406	\$ 1,298,442
Non-Endowed Investments	19,859,955	4,802,449
Accounts and Pledges Receivable	306,263	233,491
Estate Contribution Receivable	<u>1,079,650</u>	<u>-</u>
Total Current Financial Assets	22,053,274	6,334,382
Less: Restricted Amounts Not Available to be Spent on General Operating Expenses	<u>166,766</u>	<u>221,114</u>
Financial Assets Available to Meet Cash Needs for General Expenditure Within One Year	<u>\$ 21,886,508</u>	<u>\$ 6,113,268</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 \$1,050,000). 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.

**NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2023</u>	<u>2022</u>
Subject to Expenditure for Specified Purpose:		
Low Income Financial Assistance for Services	\$ 102,139	\$ 102,940
Specific Program Services	<u>64,627</u>	<u>118,174</u>
Total	166,766	221,114
Subject to the Passage of Time:		
Unconditional Promises to Give	<u>4,662,459</u>	<u>-</u>
Total	4,662,459	-
Endowments:		
Subject to Spending Policy and Appropriation	867,033	797,590
Not Subject to Spending Policy or Appropriation:		
Beneficial Interest in Perpetual Trusts	<u>759,577</u>	<u>715,465</u>
Total	<u>1,626,610</u>	<u>1,513,055</u>
Total Net Assets with Donor Restrictions	<u>\$ 6,455,835</u>	<u>\$ 1,734,169</u>



**SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 4 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:

	<u>2023</u>	<u>2022</u>
Satisfaction of Purpose Restrictions:		
Low Income Financial Assistance for Services	\$ 801	\$ 5,398
Specific Program Services	<u>93,279</u>	<u>114,411</u>
Total	94,080	119,809
Expiration of Time Restrictions:		
Endowment Distributions	65,927	80,411
Pledges Receivable	<u>-</u>	<u>65,000</u>
Total	<u>65,927</u>	<u>145,411</u>
Total Net Assets Released from Donor Restrictions	<u>\$ 160,007</u>	<u>\$ 265,220</u>

**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 \$759,577 and \$715,465 at December 31, 2023 and 2022, respectively.

**NOTE 5 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, 2023.

*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.

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

*Donated Inventory:* Historical sales.

**SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)**

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

	Assets at Fair Value as of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Money Market	\$ 10,749,659	\$ -	\$ -	\$ 10,749,659
Fixed Income	6,889,979	-	-	6,889,979
Equities	-	-	-	-
Exchange Traded Funds	4,048,564	-	-	4,048,564
Donated Inventory	-	124,056	-	124,056
Beneficial Interest in Perpetual Trusts	759,577	-	-	759,577
Total	\$ 22,447,779	\$ 124,056	\$ -	\$ 22,571,835

	Assets at Fair Value as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Money Market	\$ 938,723	\$ -	\$ -	\$ 938,723
Fixed Income	1,626,253	-	-	1,626,253
Equities	-	-	-	-
Exchange Traded Funds	4,334,012	-	-	4,334,012
Donated Inventory	-	137,294	-	137,294
Beneficial Interest in Perpetual Trusts	715,465	-	-	715,465
Total	\$ 7,614,453	\$ 137,294	\$ -	\$ 7,751,747

**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:

	2023	2022
Beginning Balance	\$ -	\$ 4,334
Gains/(Losses)	-	-
Purchases/(Sales)	-	(4,334)
Ending Balance	\$ -	\$ -

During 2022, the Shelter received notice of liquidation of this beneficial interest by the managing company that held the interest. Investment was liquidated during the year, however, the Shelter received final cash payment of this amount in 2023.

**SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 6 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:

	With Donor Restrictions
Endowment Net Assets - December 31, 2021	\$ 949,701
Net Investment Return	(71,700)
Distributions	(80,411)
Endowment Net Assets - December 31, 2022	797,590
Net Investment Return	132,870
Contributions	2,500
Distributions	(65,927)
Endowment Net Assets - December 31, 2023	<u>\$ 867,033</u>

**SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 6 ENDOWMENTS (CONTINUED)**

**Endowment Investment and Spending Policies (Continued)**

In addition to endowments restricted by donor, the board has designated \$961,214 of investments for endowment, which are included in the endowed investments balance on the statements of financial position.

**NOTE 7 COMMITMENTS AND CONTINGENCIES**

**Retirement Plan**

The Shelter has a 401(k) retirement plan covering eligible employees. The Shelter makes biweekly matching contributions 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, plus 50% of the amount of the employee's salary reduction contributions that exceed 3% but that do not exceed 5% of the employee's compensation for the calendar year. Employer contributions are 100% vested. In 2023 and 2022, the Shelter incurred expenses relating to retirement plans of \$83,453 and \$73,764, respectively.

**Construction Commitments**

On July 20, 2023, with the consent of the Board of Directors, Management executed a contract for the replacement of the HVAC system at the Shelter. The Shelter did not incur debt to purchase the system. Based on the contract, it is expected that the replacement of the HVAC system will cost approximately \$900,000, excluding applicable taxes, and should be completed in the first half of 2024.

**NOTE 8 LEASES – ASC 842**

**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 2028 and June 2024, respectively. Monthly lease income under these agreements is \$3,233.

**Operating Leases**

The Shelter leases office equipment and retail store space for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2027. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. Furthermore, the Shelter leases retail space under an operating lease agreement through February 2026. Monthly lease expense under this agreement for retail space is \$6,028 per month. This does not include additional costs for common area maintenance or other taxes. There are also additional lease costs for copiers and other leased property classified as short-term leases. Total rental expenses were \$116,692 and \$104,639 in 2023 and 2022, respectively.

**SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 8 LEASES – ASC 842 (CONTINUED)**

**Operating Leases (Continued)**

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. This lease is not material to the financial statements.

The following table provides quantitative information concerning The Shelter's leases.

Lease Costs:

Operating Lease Costs	\$	76,387
-----------------------	----	--------

Other Information:

Net (Gain) Less from Sale/Leaseback Transactions  
Cash Paid for Amounts Included in the

Measurement of Lease Liabilities:

Operating Cash Flows from Operating Leases	\$	76,016
Weighted-Average Remaining Lease Term - Operating Leases		2.2 years
Weighted-Average Discount Rate - Operating Leases		6.25%

The Shelter classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2023, is as follows:

<u>Year Ending December 31,</u>	<u>Operating Lease</u>
2024	\$ 74,894
2025	74,894
2026	13,831
2027	745
2028	-
Thereafter	-
Undiscounted Cash Flows	<u>164,364</u>
Less: Imputed Interest	<u>(11,215)</u>
Total Present Value of Lease Liabilities	<u><u>\$ 153,149</u></u>

**SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 9 BEQUEST/ESTATE RECEIVABLE**

On January 16, 2023, the Shelter received notification they were a 25% beneficiary in an estate, without donor restriction, estimated at \$78.5 million at the time of the donor's passing. Of this amount, \$63,900,000 was comprised of liquid cash/investments, \$12,648,599 of illiquid investments, and \$1,968,428 of real and personal property. During 2023, the real and personal property was liquidated and included in a cash distribution of \$15,300,00 to the Shelter. As of December 31, 2023, the estate receivable is comprised of the Shelter's portion of cash of \$1,079,650 to be distributed in 2024, and illiquid investments of \$3,582,809, of which \$3,106,056 was transferred into the Shelter's name as of January 1, 2024, with the remaining capital amounts expected to be returned within the next 3 years.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See [CLAGlobal.com/disclaimer](http://CLAGlobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.