

**ESPAÑOLA VALLEY HUMANE SOCIETY**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

TOGETHER WITH INDEPENDENT AUDITORS' REPORT



**ESPAÑOLA VALLEY HUMANE SOCIETY**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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# TAYLORROTH

*Certified Public Accountants*

WORKING EXCLUSIVELY WITH NONPROFITS

## Independent Auditors' Report

Board of Trustees  
Española Valley Humane Society  
Española, New Mexico

### ***Opinion***

We have audited the accompanying financial statements of **Española Valley Humane Society** (a New Mexico nonprofit corporation), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 Española Valley Humane Society as of December 31, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Española Valley Humane Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 Española Valley Humane Society's ability to continue as a going concern within one year after the date that 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Española Valley 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 Española Valley 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.

### ***Report on Summarized Comparative Information***

We have previously audited Española Valley Humane Society's financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 5, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Taylor Roth and Company PLLC*

TAYLOR, ROTH AND COMPANY, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS  
Albuquerque, New Mexico  
February 7, 2024

**ESPANOLA VALLEY HUMANE SOCIETY**  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2022  
(WITH COMPARATIVE TOTALS FOR 2021)

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
Cash	\$ 584,273	\$ 363,609
Contracts receivable	24,679	51,826
Contributions and grants receivable	177,782	812,499
Prepaid expenses	17,265	8,322
Investments (Note 4)	2,583,434	1,386,808
Land held for sale	99,000	99,000
Property and equipment, net (Note 5)	<u>377,784</u>	<u>352,747</u>
Total assets	<u>\$ 3,864,217</u>	<u>\$ 3,074,811</u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 64,587	\$ 103,025
Accrued payroll expenses	<u>177,874</u>	<u>148,617</u>
Total liabilities	<u>242,461</u>	<u>251,642</u>
<u>Net assets</u>		
Without donor restrictions		
Undesignated	1,849,075	1,038,880
Investment in property and equipment	377,784	352,747
Board designated endowment (Note 9)	<u>835,508</u>	<u>999,820</u>
	3,062,367	2,391,447
With donor restrictions (Note 6, 9)	<u>559,389</u>	<u>431,722</u>
Total net assets	<u>3,621,756</u>	<u>2,823,169</u>
Total liabilities and net assets	<u>\$ 3,864,217</u>	<u>\$ 3,074,811</u>

The accompanying notes are an integral part of these financial statements

**ESPANOLA VALLEY HUMANE SOCIETY**

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
**(WITH COMPARATIVE TOTALS FOR 2021)**

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Contributions	\$ 2,667,439	\$ 207,954	\$ 2,875,393	\$ 1,347,431
Grants	575,000	145,000	720,000	1,387,081
Special events, net (Note 7)	433,985	-	433,985	116,855
Contracts	220,963	-	220,963	222,591
Clinic and shelter revenues	185,558	-	185,558	221,445
Investment income (Note 4)	(164,313)	(46,345)	(210,658)	157,913
Other gains(losses)	-	-	-	(66,000)
All other	138	-	138	-
Release of restrictions (Note 8)	178,942	(178,942)	-	-
Total revenue and other support	4,097,712	127,667	4,225,379	3,387,316
<u>Expense</u>				
Program services				
Shelter	1,220,982	-	1,220,982	1,213,642
Clinic	1,434,967	-	1,434,967	1,044,756
Total program services	2,655,949	-	2,655,949	2,258,398
Supporting services				
General and administrative	241,091	-	241,091	162,710
Fund-raising	529,752	-	529,752	377,485
Total supporting services	770,843	-	770,843	540,195
Total expense	3,426,792	-	3,426,792	2,798,593
Change in net assets	670,920	127,667	798,587	588,723
Net assets, beginning of year	2,391,447	431,722.00	2,823,169	2,234,446
Net assets, end of year	\$ 3,062,367	\$ 559,389	\$ 3,621,756	\$ 2,823,169

The accompanying notes are an integral part of these financial statements

**ESPANOLA VALLEY HUMANE SOCIETY**

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(WITH COMPARATIVE TOTALS FOR 2021)

<u>Description</u>	2022					2021	
	Program Services			Supporting Services		Total	Total
	Shelter	Clinic	Total Program Services	General and Administrative	Fund-raising		
Salaries and wages	\$ 678,123	\$ 944,053	\$ 1,622,176	\$ 43,870	\$ 227,361	\$ 1,893,407	\$ 1,559,959
Payroll taxes and benefits	95,214	133,353	228,567	33,560	33,041	295,168	262,261
Supplies	291,231	210,236	501,467	4,082	23,277	528,826	342,853
Contract & professional fees	(773)	18,096	17,323	106,740	34,890	158,953	189,532
Postage & printing	102	1,320	1,422	237	116,458	118,117	116,449
Advertising	11,967	22,015	33,982	158	58,273	92,413	43,420
Occupancy	57,090	1,021	58,111	330	209	58,650	61,483
Equipment repair & maintenance	21,598	18,108	39,706	6,638	5,366	51,710	52,503
Education, meetings & conferences	2,853	5,882	8,735	19,015	10,187	37,937	17,461
Dues and subscription	7,204	8,881	16,085	15,065	4,303	35,453	12,185
Program expenses	13,001	23,840	36,841	-	-	36,841	20,382
Insurance	12,025	13,422	25,447	2,122	3,190	30,759	23,043
Vehicle expense	1,197	4,146	5,343	407	7,237	12,987	9,768
Telephone & internet	3,327	3,651	6,978	2,851	2,753	12,582	20,732
Banking fees	1,694	1,800	3,494	4,791	2,198	10,483	20,562
Miscellaneous	1,339	1,356	2,695	251	1,009	3,955	8,002
	1,197,192	1,411,180	2,608,372	240,117	529,752	3,378,241	2,760,595
Depreciation	23,790	23,787	47,577	974	-	48,551	37,998
Total expenses	<u>\$ 1,220,982</u>	<u>\$ 1,434,967</u>	<u>\$ 2,655,949</u>	<u>\$ 241,091</u>	<u>\$ 529,752</u>	<u>\$ 3,426,792</u>	<u>\$ 2,798,593</u>

The accompanying notes are an integral part of these financial statements

**ESPANOLA VALLEY HUMANE SOCIETY**  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(WITH COMPARATIVE TOTALS FOR 2021)

	<u>2022</u>	<u>2021</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 798,587	\$ 588,723
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	48,551	37,998
Donated marketable securities	(514,634)	(5,956)
(Gain)loss on investments	281,528	(133,977)
 <u>Changes in operating assets and liabilities</u>		
(Increase)decrease in contracts receivable	27,147	23,977
(Increase)decrease in contributions and grants receivable	634,717	(742,531)
(Increase)decrease in prepaid expenses	(8,943)	5,234
Increase(decrease) in accounts payable	(38,438)	65,739
Increase(decrease) in accrued payroll expenses	29,257	33,855
Net cash provided(used) by operating activities	<u>1,257,772</u>	<u>(126,938)</u>
 <u>Cash flows from investing activities</u>		
(Additions) to property and equipment, net of insurance proceeds	(73,588)	(94,922)
(Purchase) of investments	(892,650)	(252,271)
Reinvestment of earnings	(70,870)	(23,936)
Loss on land held for sale	-	66,000
Net cash provided(used) by investing activities	<u>(1,037,108)</u>	<u>(305,129)</u>
Net increase(decrease) in cash and cash equivalents	220,664	(432,067)
 Cash and cash equivalents, beginning of year	<u>363,609</u>	<u>795,676</u>
Cash and cash equivalents, end of year	<u>\$ 584,273</u>	<u>\$ 363,609</u>

The accompanying notes are an integral part of these financial statements



# ESPAÑOLA VALLEY HUMANE SOCIETY

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

### NOTE 1 - NATURE OF ACTIVITIES

Española Valley Humane Society, d/b/a Española Humane, (the Organization) is a not-for-profit organization formed on December 18, 1992. Española Humane improves the lives of animals in underserved communities, specifically Española, northern Santa Fe County, Rio Arriba County, and the pueblos of Ohkay Owingeh, San Ildefonso, and Santa Clara. In these communities, too many unwanted animals are born and too few are adopted.

The programs operated by Española Humane are as follows:

- *Clinic.* Española Humane operates a spay/neuter clinic that offers free surgeries and vaccinations to the pets of area residents, which results in over 4,600 spay/neuter surgeries and over 14,300 vaccinations every year. The goal is to reduce the number of unwanted animals and create a healthier community for pets, their families, and their neighbors.
- *Shelter.* Española Humane also manages a municipal shelter that receives over 2,600 animals each year. The shelter welcomes every animal, including the very elderly, ill, aggressive, or injured. Many animals are not able to be rehomed but Española Humane proudly adopts out 88% of these at-risk pets.

The main sources of revenue and support are contributions and grants. Previously, revenue was also recognized from the operation of two thrift stores located in Santa Fe, however, both stores closed in 2020.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

#### 1. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

#### 2. Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U. S. generally accepted accounting principles which require the Organization to report its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of trustees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (continued)

2. Basis of Presentation (concluded)

**Net assets with donor restrictions:** Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

3. Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less and not held in investment accounts to be cash equivalents.

4. Revenue and Revenue Recognition

The Organization receives revenue from contracts with local governments to provide animal care services. Contract revenue is recognized over time when eligible expenditures are made or when substantial performance requirements are met, as defined in each contract.

Clinic and shelter revenue is received from fees charged for services and is recognized when the service is provided.

Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. All contributions are available for unrestricted use unless specifically restricted by the donor.

5. Receivables

Receivables at year-end consist mostly of contracts and grants receivable from governmental entities and contributions receivable from several donors. Management periodically assesses the collectability of receivables to determine if an allowance for doubtful accounts is necessary. As of December 31, 2022, management believes these amounts to be fully collectible during the subsequent year. Accordingly, no allowance for doubtful accounts has been established.

6. Property and Equipment

Purchased property and equipment is recorded at cost. Donated property is recorded at the estimated fair value at the date of donation. Assets are capitalized that have a useful life in excess of two years and cost in excess of \$5,000. Maintenance and repairs, which neither materially add to the value of the asset nor appreciably prolong the useful life, are expensed. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. The estimated useful lives are:

Buildings and leasehold improvements	10-25 years
Furniture and equipment	5-10 years
Vehicles	5-10 years

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (continued)

7. Donated Goods and Services

Non-cash donations of goods used in operations are recorded at their estimated fair value at the date of donation. The Organization recognizes as revenue and expense any donated services which require specific expertise to perform the services that otherwise would have been paid for if not donated. The value of in-kind services is recorded at fair value. The Organization receives substantial services donated by volunteers that do not meet criteria for recognition in these financial statements.

8. Advertising

The Organization uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed as incurred, and for the year ended December 31, 2022, advertising expense was \$92,413.

9. Income Taxes

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

10. Functional Reporting of Expenses

For the year ended December 31, 2022, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses allocated on the basis of time and effort include salaries and payroll taxes and benefits. All other costs are assigned directly to the program or functional area benefited.

11. Fair Value Measurements

The Organization follows the provisions of the Fair Value Measurements and Disclosures Topic of FASB ASC, which requires use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3). The Organization adopted the provisions of this statement as of January 1, 2010, for its financial assets and liabilities that are re-measured and reported at fair value each reporting period. As of December 31, 2022, all the Organization's investments are measured using Level 1 inputs.

12. Estimates

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

13. Summarized Prior-Year Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (continued)

14. Leases

The Organization accounts for leases in accordance with Accounting Standards Update (ASU) No. 2016-02, Leases (ASC 842), as amended. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities in the statement of financial position. Finance leases are included in property and equipment and finance lease liabilities on the statement of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. Operating 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 Organization uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Organization has made an accounting policy election by asset class to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments.

Operating lease ROU assets also include any lease payments made and exclude any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option.

The Organization may have lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices.

The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

15. Recently Adopted Accounting Standard

Effective January 1, 2022, Española Valley Humane Society adopted Accounting Standards Update (ASU) No. 2016-02, *Leases* (ASC 842), as amended, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization elected not to reassess at adoption:

- expired or existing contracts to determine whether they are or contain a lease,
- the lease classification of any existing leases, or
- initial direct costs for existing leases.

ASU No. 2016-02, adopted as of January 1, 2022, had no impact on Española Valley Humane Society's net assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (concluded)

16. Change in Accounting Principle

Española Valley Humane Society changed its method of accounting for lease transactions due to adoption of the new accounting standard for leases (ASU No. 2016-02). The change had no impact on net assets.

17. Reclassifications

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

18. Subsequent Events

Management has evaluated subsequent events through February 7, 2024, the date the financial statements were available to be issued.

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures is computed as follows:

<u>Description</u>	<u>Amount</u>
Cash	\$ 584,273
Contracts receivable	24,679
Contributions and grants receivable	177,782
Investments	<u>2,583,434</u>
Total financial assets	<u>3,370,168</u>
Less: Board-designated endowment	(835,507)
Less: Donor restricted net assets	(559,389)
Plus: Donor restricted net assets available for general operations during the next 12 months	<u>177,782</u>
Total financial assets	<u><u>\$ 2,153,054</u></u>

The Organization's endowment fund consists of board-designated and donor-restricted amounts (see Note 9). Donor-restricted endowment funds are not available for general expenditure, unless made available as per the Organization's endowment spending policy. And, although there is no intent to spend from the board designated endowment, these amounts could be made available for general use with the consent of the board of directors. In addition, as described in Note 11, the Organization has a \$300,000 line of credit which is available to address short-term cash flow needs.

NOTE 4 - INVESTMENTS

Investments consisted of the following at December 31, 2022:

<u>Description</u>	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Mutual funds (level 1)	\$ 1,217,527	\$ 1,111,933	\$ (105,594)
Exchange-traded funds (level 1)	630,901	561,157	(69,744)
Certificates of deposit (level 1)	401,028	401,028	-
Fixed income (level 1)	294,310	295,140	830
Money market funds (level 1)	211,794	211,794	-
Stocks (level 1)	900	2,382	1,482
Total	<u>\$ 2,756,460</u>	<u>\$ 2,583,434</u>	<u>\$ (173,026)</u>

Certificates of deposit totaling \$401,128 are included in investments. The certificates bear annual interest at .06%. Maturity dates range from February to November 2023.

During the year ended December 31, 2022, investment income included:

<u>Description</u>	<u>Amount</u>
Interest and dividends	\$ 78,398
Unrealized gains/(losses)	(297,257)
Realized gains/(losses)	15,729
Fees	(7,528)
Total	<u>\$ (210,658)</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of year-end:

<u>Description</u>	<u>Amount</u>
Buildings and improvements	\$ 184,764
Equipment and software	165,853
Leasehold improvements	374,612
Vehicles	149,507
Office furniture and fixtures	17,563
Total property and equipment	892,299
Less: accumulated depreciation	(514,515)
Net property and equipment	<u>\$ 377,784</u>

Depreciation expense for the year was \$48,551.

The Organization's shelter facility is not included in property and equipment because the asset's title remains with the owner of the facility (the City of Española). The Organization has reported the use of the facility as contract revenue and occupancy expense totaling \$55,262 in the accompanying statement of activities during the year ended December 31, 2022.

NOTE 5 - PROPERTY AND EQUIPMENT (concluded)

Under the terms of the annual lease agreement, all improvements to the shelter that are not moveable become property of the city upon termination of the lease. As of December 31, 2022, shelter improvements are classified as *leasehold improvements* and have a cost basis of \$374,612.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

At year-end, net assets with donor restrictions included:

<u>Description</u>	<u>Amount</u>
Purpose restricted net assets	
Undistributed endowment earnings	\$ 85,622
Cat care	70,000
Pet Amigos program and internships	47,245
Ultrasound machine	23,740
Time restricted net assets - Contributions receivable	<u>177,782</u>
Total donor restricted for purpose or time	<u>404,389</u>
Endowment funds to be held for perpetuity	<u>155,000</u>
Total net assets with donor restrictions	<u><u>\$ 559,389</u></u>

NOTE 7 - SPECIAL EVENTS

During the year ended December 31, 2022, the Organization hosted several special events, the largest of which was the Fur Fest. Detail of special events included:

<u>Description</u>	<u>Amount</u>
Gross receipts	\$ 487,109
Less: direct benefit to donors	<u>(53,124)</u>
Total	<u><u>\$ 433,985</u></u>

NOTE 8 - NET ASSETS RELEASED FROM RESTRICTIONS

During the year, net assets released from donor restrictions included:

<u>Description</u>	<u>Amount</u>
Released from purpose restrictions	
Pet Amigos program	\$ 37,755
Better Together project	30,000
Lifesaving measures	15,000
Equipment	11,432
Wellness clinic	7,000
Released from time restriction	<u>77,755</u>
	<u>\$ 178,942</u>

NOTE 9 - ENDOWMENT

Effective July 1, 2009, the State of New Mexico enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the provisions of which apply to funds existing on or established after that date. Effective January 1, 2010, the Organization adopted the provisions of FASB Staff Position FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (FSP 117-1). FSP 117-1 provides guidance on the net asset classification of donor restricted funds for a not-for-profit organization that is subject to an enacted version of UPMIFA and required disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

The Organization's endowment consists of donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

*Interpretation of Relevant Law*

Based on the interpretation of UPMIFA by the Board of Directors of the Organization, the guidance in FSP 117-1, and absent explicit donor stipulations to the contrary, the Organization classifies the endowment contributions made at the direction of the donor as net assets with donor restrictions. The accumulated earnings are classified as net assets with restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization



NOTE 9 - ENDOWMENT (continued)

*Funds with Deficiencies*

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the original value of the fund (underwater). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions. The Organization has no such deficiencies as of December 31, 2022.

*Return Objective and Risk Parameters*

To fulfill the stated objectives of the endowment, current funds, as well as future contributions made to the endowment, will remain invested for long-term growth until such time as the Board shall determine that all or part of the endowment shall be used to provide an income stream for specific operational expenses. Under this policy, as approved by the Board of Directors, the endowment assets are invested with the care, skill, prudence, and diligence under circumstances then prevailing that a prudent investor acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims. Investment of each fund shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

*Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation, ensuring that no more than 5% may be invested in any single, non-diversified asset without permission of the Finance Committee.

*Spending Policy and How the Investment Objectives Relate to Spending Policy*

To fulfill the stated objectives of the endowment, current funds, as well as future contributions made to the endowment, will remain invested for long-term growth until such time as the Board shall determine that all or part of the endowment shall be used to provide an income stream for specific operational expenses. As of December 31, 2022, the Organization has not adopted a spending policy for the endowment.

Changes in endowment net assets for the years ended December 31, 2022 were as follows:

<u>Description</u>	<u>Board- Designated</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Accumulated Earnings</u>	<u>To Be Held in Perpetuity</u>	
Endowment assets, beginning of year	\$ 999,820	\$ 131,967	\$ 155,000	\$ 1,286,787
Gifts and contributions	-	-	-	-
Transfers in(out)	-	-	-	-
Investment income, net	(164,313)	(46,345)	-	(210,658)
Appropriated	-	-	-	-
Endowment assets, end of year	<u>\$ 835,507</u>	<u>\$ 85,622</u>	<u>\$ 155,000</u>	<u>\$ 1,076,129</u>

NOTE 9 - ENDOWMENT (concluded)

The Board may choose to use or borrow funds from the endowment in the event of “extraordinary circumstances or opportunity.” Such an event must be deemed necessary or of significant benefit to the long-term health of the Organization.

NOTE 10 - LEASE COMMITMENT

*Shelter*

The Organization operates the shelter and clinic on property owned by the City of Española (City). The City provides the facilities and related utilities to the Organization as a part of the contractual agreement, with an estimated value of \$55,262. The contract with the City is renewed annually.

NOTE 11 - LINE OF CREDIT

On June 22, 2021, the Organization entered into a line of credit agreement for \$300,000 with a local bank. The agreement was renewed for an additional 12-month period ending 6/22/24. The agreement includes a variable interest rate of 1% over prime and is secured by \$300,000 of the board-designated endowment fund. At the time of renewal, 1% over prime rate was 5.75%. No advances were taken on the line of credit during 2022.

NOTE 12 - PENSION PLAN

A 401(k) plan was adopted in January 2015. An employee who is reasonably expected to earn \$5,000 in the current calendar year is eligible to participate in the plan upon the completion of the 90-day probationary period. The Organization matched employees’ contributions up to 3% of gross wages through December 31, 2018, and effective January 1, 2019, the Organization increased the company match to up to 4% of the employees’ gross wages. The Organization’s contribution to the plan during 2022 was \$28,438.

NOTE 13 - CONCENTRATIONS OF RISK

*Investments*

The Organization has significant investments that are subject to market value fluctuation.

*Bank deposits*

As of December 31, 2022, the Organization had cash assets in a local bank that exceeded the coverage offered by the Federal Deposit Insurance Corporation. Uninsured assets at year-end were \$350,779.

NOTE 14 - CONTINGENT CONTRACTS RECEIVABLE

The Organization has two cost-reimbursement contracts from local governmental agencies that were awarded prior to the end of the fiscal year. Management expects the balance on these contracts, valued at \$73,500, to be recognized in 2023 when services are provided, and qualifying expenditures are incurred.