

THE HUMANE SOCIETY OF BOULDER
VALLEY, INC.

Financial Statements As Of December 31, 2021

(With Summarized Financial Information For
The Year Ended December 31, 2020)

Together With Independent Auditors' Report



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Humane Society of Boulder Valley, Inc.:

Opinion

We have audited the accompanying financial statements of Humane Society of Boulder Valley, Inc. (the "Society"), which comprise the statement of financial position as of December 31, 2021, 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 the Society as of December 31, 2021, 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 the Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Members:

American Institute of Certified Public Accountants • Colorado Society of Certified Public Accountants

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Independent Auditors' Report (Continued)

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 the 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 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 the Organization's internal control. Accordingly, no such opinion is expressed.

Independent Auditors' Report (Continued)

- 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 the Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate to 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.

Reporting on Summarized Comparative Information

We have previously audited the Society's December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 24, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

JDS Professional Group

September 8, 2022

THE HUMANE SOCIETY OF BOULDER VALLEY, INC.

Statement Of Financial Position

As Of December 31, 2021

(With Summarized Financial Information As of December 31, 2020)

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	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 334,739	\$ 553,993
Accounts receivable, net	51,050	24,115
Promises to give, net	182,173	743,064
Investments	1,536,425	1,646,795
Prepaid expenses	125,888	21,753
Inventories	13,158	28,776
Total Current Assets	<u>2,243,433</u>	<u>3,018,496</u>
Promises to give, less current portion	82,216	119,498
Investments	8,274,422	5,692,431
Beneficial interest in trusts, at market	3,287,285	3,024,838
Investments restricted to purchase of capital expenditure	384,231	
Promises to give restricted for capital expenditure	147,160	
Property and equipment, net	<u>3,230,133</u>	<u>2,933,048</u>
TOTAL ASSETS	<u><u>\$ 17,648,880</u></u>	<u><u>\$ 14,788,311</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable, trade	\$ 197,730	\$ 106,515
Accrued payroll and other liabilities	330,160	292,333
Current portion of liability under split-interest	<u>8,100</u>	<u>8,100</u>
Total Current Liabilities	<u>535,990</u>	<u>406,948</u>
Liability under split-interest agreement	<u>71,446</u>	<u>73,622</u>
Total Liabilities	<u>607,436</u>	<u>480,570</u>
Net Assets:		
Undesignated	6,939,442	5,304,948
Designated by the Board for capital campaign	2,496,620	1,894,928
Investment in facilities, property and equipment	<u>3,230,133</u>	<u>2,933,048</u>
Total net assets without donor restrictions	<u>12,666,195</u>	<u>10,132,924</u>
Net assets with donor restrictions	<u>4,375,249</u>	<u>4,174,817</u>
Total Net Assets	<u>17,041,444</u>	<u>14,307,741</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 17,648,880</u></u>	<u><u>\$ 14,788,311</u></u>

The accompanying notes are an integral part of the financial statements.

THE HUMANE SOCIETY OF BOULDER VALLEY, INC.

Statement Of Activities

For The Year Ended December 31, 2021

(With Summarized Financial Information For The Year Ended December 31, 2020)

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	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Support And Revenue:				
Contributions, grants and bequests	\$ 1,922,862	\$ 932,092	\$ 2,854,954	\$ 2,457,116
Government grants - PPP forgiveness	752,744		752,744	680,260
Special events, net of direct benefit	463,786		463,786	397,405
Adoption fees	803,662		803,662	529,961
Surrender fees	46,142		46,142	34,170
Veterinary hospital	1,876,382		1,876,382	1,797,842
Pet training	339,361		339,361	243,788
Governmental service contracts	215,110		215,110	206,995
Impound fees	23,110		23,110	16,048
Retail sales, net of direct costs	34,801		34,801	31,795
Thrift and gift shop sales	348,995		348,995	255,260
In-kind contributions	101,670		101,670	71,600
Other income	32,793		32,793	51,167
Change in value of split-interest agreement	(5,924)		(5,924)	(6,971)
Change in beneficial interest in trusts		262,446	262,446	189,228
Investment income, net	1,107,456	33,648	1,141,104	902,969
Net assets released from restrictions - Satisfaction of time/purpose restrictions	1,027,754	(1,027,754)		
Total Support and Revenue	9,090,704	200,432	9,291,136	7,858,633
Expenses:				
Program Services -				
Shelter, behavior and training	2,498,477		2,498,477	2,418,577
Veterinary hospital	2,573,002		2,573,002	2,363,501
Community outreach	193,833		193,833	190,996
Total Program Services	5,265,312		5,265,312	4,973,074
Supporting Services -				
Thrift and gift shop	317,593		317,593	367,221
Philanthropy	594,718		594,718	457,549
General and administrative	379,810		379,810	367,612
Total Supporting Expenses	1,292,121		1,292,121	1,192,382
Total Expenses	6,557,433		6,557,433	6,165,456
CHANGES IN NET ASSETS FROM OPERATIONS	2,533,271	200,432	2,733,703	1,693,177
Net Assets, Beginning Of Year	10,132,924	4,174,817	14,307,741	12,614,564
NET ASSETS, END OF YEAR	\$ 12,666,195	\$ 4,375,249	\$ 17,041,444	\$ 14,307,741

The accompanying notes are an integral part of the financial statements.

THE HUMANE SOCIETY OF BOULDER VALLEY, INC.

Statement Of Functional Expenses

For the Year Ended December 31, 2021

(With Summarized Financial Information For the Year Ended December 31, 2020)

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	Supporting Services									
	Shelter, Behavior and Training	Veterinary Clinic	Community Outreach	Total Programs	Thrift And Gift Shop	Philanthropy	General And Administrative	Total Supporting	2021 Expenses	2020 Expenses
Salaries	\$ 1,430,368	\$ 1,477,347	\$ 113,420	\$ 3,021,135	\$ 154,539	\$ 262,912	\$ 228,552	\$ 646,003	\$ 3,667,138	\$ 3,408,136
Employee benefits	139,844	129,702	8,628	278,174	16,444	20,541	32,147	69,132	347,306	343,920
Payroll taxes	112,433	114,636	8,701	235,770	12,256	20,278	16,531	49,065	284,835	257,944
Total Salaries and related expenses	1,682,645	1,721,685	130,749	3,535,079	183,239	303,731	277,230	764,200	4,299,279	4,010,000
Advertising				-	2,070	8,883		10,953	10,953	8,630
Animal food	46,038			46,038					46,038	44,996
Bad debts		9,898		9,898					9,898	7,426
Bond interest and fees				-				-	-	5,663
Contract services	108,820	218,531	50,093	377,444	3,815	167,034	31,055	201,904	579,348	495,341
Cost of special events					-	22,477		22,477	22,477	25,101
Credit card and sales platform processing fees	43,117	45,367		88,484	8,088	23,839		31,927	120,411	94,929
Depreciation and amortization	189,636	33,543		223,179	4,474	7,204	7,360	19,038	242,217	284,369
Dues and subscriptions	8,485	9,593	1,754	19,832	251	3,082	2,218	5,551	25,383	26,236
Equipment rental	3,103	2,460		5,563		1,064	784	1,848	7,411	7,186
Insurance	35,056	31,355	182	66,593	5,211	3,461	3,863	12,535	79,128	89,264
Legal and accounting	1,130			1,130			19,500	19,500	20,630	20,891
Miscellaneous	21,961	11,433		33,394	1,206	3,001	2,239	6,446	39,840	35,021
Office expense	3,135	2,699		5,834	134	927	2,571	3,632	9,466	11,066
Postage	380	1,745	1,785	3,910	66	21,464	1,575	23,105	27,015	17,242
Printing	2,829		8,808	11,637		1,641	1,485	3,126	14,763	16,265
Rent				-	70,740			70,740	70,740	105,607
Repair, maintenance and security	113,275	25,082		138,357	16,493	16,395	13,333	46,221	184,578	181,415
Supplies	98,520	21,508		120,028	4,388	6,919	3,350	14,657	134,685	145,069
Travel and training	12,466	13,628	95	26,189		945	706	1,651	27,840	11,284
Utilities	105,978	21,677		127,655	14,818	2,615	12,525	29,958	157,613	141,027
Vehicle expense	14,503	71	367	14,941	2,600	36	16	2,652	17,593	10,332
Veterinary supplies	7,400	402,727		410,127				-	410,127	371,096
Total Expenses	\$ 2,498,477	\$ 2,573,002	\$ 193,833	\$ 5,265,312	\$ 317,593	\$ 594,718	\$ 379,810	\$ 1,292,121	\$ 6,557,433	\$ 6,165,456

The accompanying notes are an integral part of the financial statements.

THE HUMANE SOCIETY OF BOULDER VALLEY, INC.

Statement Of Cash Flows

For The Year Ended December 31, 2021

(With Summarized Financial Information For The Year Ended December 31, 2020)

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	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Changes in net assets from operations	\$ 2,733,703	\$ 1,693,177
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	242,217	279,996
Amortization of bond issuance		4,372
Loss on disposal of assets	35,582	
Net gain on investments	(801,364)	(659,451)
Donated investments		(12,809)
Change in allowance for doubtful accounts	1,000	250
Change in beneficial interest in trusts	(262,477)	(189,228)
Change in value of split-interest agreement	5,924	6,971
Contributions restricted for endowment in perpetuity	(3,500)	(3,500)
Forgiveness of PPP funds	(752,744)	(680,260)
Changes in assets and liabilities:		
(Increase) in accounts receivable	(26,935)	(136)
(Increase) decrease in promises to give	451,101	(468,955)
(Increase) decrease in prepaid expenses	(104,135)	6,614
Decrease in inventories	15,618	12,651
Increase (decrease) in accounts payable	91,415	(32,853)
Increase (decrease) in deferred income		(10,000)
Increase in accrued payroll, and other liabilities	37,827	29,474
Net cash provided (used in) by operating activities	<u>1,663,232</u>	<u>(23,687)</u>
Cash flows from investing activities:		
Purchases of investments	(7,600,202)	(4,183,302)
Sales of investments	5,544,496	3,695,298
Payments on split-interest agreement	(8,100)	(8,100)
Purchases of property and equipment	(574,884)	(51,793)
Net cash (used in) investing activities	<u>(2,638,690)</u>	<u>(547,897)</u>
Cash flows from financing activities:		
Refundable advance proceeds	752,744	680,260
Proceeds from contributions restricted for investment of endowment in perpetuity	3,500	3,500
Payments on bond payable		(105,000)
Net cash provided by financing activities	<u>756,244</u>	<u>578,760</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(219,214)	7,176
Cash And Cash Equivalents, Beginning Of Year	<u>553,953</u>	<u>546,817</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 334,739</u>	<u>\$ 553,993</u>

The accompanying notes are an integral part of the financial statements.

THE HUMANE SOCIETY OF BOULDER VALLEY, INC.

Notes To Financial Statements
For The Year Ended December 31, 2021

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(1) Nature Of The Society

The Humane Society of Boulder Valley, Inc. (the “Society”) serves Boulder, Colorado and the surrounding areas. Its mission is to protect and enhance the lives of companion animals by promoting healthy relationships between pets and people.

The Society is supported by contributions and grants; fees for services, such as: adoptions, lost and found services, pet training and behavior, and veterinary hospital; and retail sales of donated items at the thrift shop and of pet supplies. During December 2021, the thrift store was permanently closed.

(2) Summary Of Significant Accounting Policies

Method Of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis Of Presentation

Financial statement presentation follows the recommendations of *Financial Statements for Not-for-Profit Organizations*. Under this standard, the Society is required to report information regarding 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 Society. These net assets may be used at the discretion of the Society’s management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Society or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds must be maintained in perpetuity.

Prior - Year Amounts

The accompanying 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 accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Society’s audited financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Use Of Estimates

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

Measure Of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and non operating activities. Operating activities consists of those items attributable to the Society's ongoing program services and investment earnings. Nonoperating activities are limited to activities considered to be of a more unusual or nonrecurring nature.

Risks and Uncertainties

The global community has been under a significant threat from coronavirus ("COVID-19"). The extent to which the COVID-19 pandemic impacts the Society's business, results of operations and financial condition will depend on future developments, which are still uncertain and cannot be predicted. Even after the COVID-19 pandemic has subsided, The Society may continue to experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the Society cannot reasonably estimate the impact at this time.

Fair Value Measurements

The Society follows *Fair Value Measurements*, which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. That 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 under the standard are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society 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.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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.

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds: Valued at the published net asset value (NAV) of the shares held at the reporting date.

Equities: Valued at the closing prices reported on the active market on which the individual securities are traded.

Real estate investment trust: Valued as reported by the Society which issued the investment.

Donated interest in time share: Reflected at fair market value at the date of the donation.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Society believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The carrying amount reported in the statement of financial position for cash and cash equivalents, accounts receivable, unconditional promises to give, accounts payable and accrued payroll and other liabilities and accrued interest, approximate fair value because of the immediate or short-term maturities of these financial instruments.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statement of financial position.

Cash And Cash Equivalents

The Society considers cash and cash equivalents to be cash on hand, demand deposits and repurchase accounts with maturities of 90 days or less, except those held for long-term investments.

Accounts Receivable

The Society uses the allowance method to record uncollectible accounts. The allowance is based on past experience and on specific analysis of the collectability of individual accounts receivable. Management believes receivables may not be fully collectible for the veterinary hospital and has therefore established an allowance account for \$10,000.

Inventories

Inventories of pet supplies are stated at the lower of cost or net realizable value with cost determined by using the first-in, first-out (FIFO) method.

Investments

Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Property And Equipment

Expenditures for property and equipment, in excess of \$1,000, are stated at cost and depreciated using straight-line methods based upon estimated useful lives as follows:

Buildings and improvements	10 to 40 years
Equipment	5 to 12 years
Automobiles	5 years
Furniture and fixtures	12 years
Software	3 years

Expenditures for maintenance and repairs are charged to the appropriate expense accounts as incurred. Expenditures for renewals or betterments which materially extend the useful lives of assets or increase their productivity are capitalized at cost. The costs and related allowances for depreciation of the assets retired or otherwise disposed of are eliminated from the accounts. The resulting gains or losses are included in the change in net assets. Construction in progress is not depreciated until the asset is placed into service.

Revenue And Revenue Recognition

The Society recognizes revenue from adoption fees when the animal is transferred to the new home. Surrender and impound fees, government service contracts and veterinary hospital revenue as services are performed. Pet training revenues are recognized over the training period. Retail and thrift and gift shop sales are recognized at the time of sale as returns are minimal. Sponsorships are recognized as a contribution as the Society does not provide any material benefits to the sponsors. Other revenue is recognized as services are performed.

The Society recognizes contributions when cash, securities or other assets, or an unconditional promise to give is received. Unconditional promises to give are recorded at net realizable value if expected to be collected in one year and at net present value if expected to be collected in more than one year. As of December 31, 2021, there was no material difference between the present value of the promises to give and the amount recorded in the financial statements which is at face value. Management determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collection. Promises to give are written off when deemed uncollectible. As of December 31, 2021, the allowance was \$5,000.

Conditional promises to give with a measurable performance or other barrier and a right of return/right or release are not recognized until the conditions on which they depend have been met. As of December 31, 2021, the Society had no advances on conditional promises to give.

The Society reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions.

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated services, materials (including goods donated to the Thrift Shop for resale), and facilities that meet required criteria are reflected in the financial statements as contributions and expenses at fair market value or rates estimated by management at the time of the donation. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Society. The Society received 50,209 volunteer hours for the year ended December 31, 2021. Amounts applicable to these donated services are not reflected in the accompanying financial statements because the volunteers' time does not meet the criteria for recognition.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Society reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Methods Used for Allocation of Expenses from Management and General Activities

The cost of providing program and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries, wages and related payroll	Time and effort
Contract services, insurance	Allocated by estimated proportion of benefit
Equipment rental	Full-time equivalent
Miscellaneous	Full-time equivalent
Printing	Space allocation in newsletter
Repairs, maintenance and security; utilities	Square footage allocation
Depreciation	Square footage allocation

Subsequent Events

The Society has performed an evaluation of subsequent events through September 8, 2022, which is the date the financial statements were available to be issued, and has considered any relevant matters in the preparation of the financial statements and footnotes.

Subsequent to the end of the year, the Society entered into a \$2,000,000 Line of Credit agreement. The interest rate will be based on the Wall Street Journal “index”, which is currently at 4.75%. The Society entered into construction related contracts for approximately \$2,945,000.

(3) Tax Exempt Status And Deferred Tax

The Society, a public charity, has previously received notice from the Internal Revenue Service of exemption from income tax under Section 501(c)(3) of the Internal Revenue Code. Certain portions of the Society’s operation are subject to unrelated business income tax. The Society has a net operating loss carry forward of \$1,323,392. The resulting deferred tax asset amounted to \$264,705 and has been fully allowed for as the Society does not expect to utilize it. Accordingly, this has not been reflected in the financial statements. During the year ended December 31, 2021, the valuation allowance increased by \$129,752. During the year ended December 31, 2021, no income tax expense was incurred.

The Society follows *Accounting for Uncertainty in Income Taxes* which requires the Society to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority that has full knowledge of all relevant information. During the year ended December 31, 2021, the Society’s management evaluated its tax positions to determine the existence of uncertainties, and did not note any matters that would require recognition or which may have an affect on its tax-exempt status.

The Society is no longer subject to U.S. federal tax audits on its Form 990 and Form 990-T for years prior to 2018. Additionally, the Society is no longer subject to audits on its related state return by taxing authorities for years prior to 2017. The years subsequent to these years contain matters that could be subject to differing interpretations of applicable tax laws and regulations. Although the outcome of tax audits is uncertain, the Society believes no issues would arise.

(4) **Promises To Give**

As of December 31, 2021, promises to give consisted of the following:

Within one year	\$ 334,333
Less allowance for uncollectible promises to give	(5,000)
Within one year, net	329,333
Due in one to five years	50,241
Due in six to ten years	31,381
Due in more than ten years	594
	<u>\$ 411,549</u>

(5) **Beneficial Interest In Trusts**

The following table presents the Society's fair value hierarchy and major categories for those assets measured at fair value on a recurring basis as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
International funds	\$ 108,362	\$	\$	\$ 108,362
Equity funds	403,351			403,351
Equities -				
Large cap	975,403			975,403
EAFE	334,597			334,597
Goods and services	246,229			246,229
International	135,141			135,141
Real assets	52,948			52,948
Fixed income	365,441			365,441
Pooled equity, fixed income, and other			278,175	278,175
Investments at fair value	<u>\$ 2,621,472</u>	<u>\$</u>	<u>\$ 278,175</u>	2,899,647
Money market funds				387,638
Total investments				<u>\$ 3,287,285</u>

The Beneficial Interests in Trusts which are considered Level 1 based upon the underlying investments. The level 1 trusts are maintained in separate investment accounts on behalf of the Society and are not commingled with other funds by the Trustee, the Natalie Bentzen Trust is commingled with other funds by the trustee and therefore level 3. Accordingly, such investments are not reflected as Level 2 or 3 as the investments fair market value represents the Society's interest.

(6) **Investments And Concentration Of Credit Risk**

The following table presents the Society's fair value hierarchy and major categories for those assets measured at fair value on a recurring basis as of December 31, 2021:

	Level 1	Level 2	Level 3	Total
Mutual funds-				
Fixed income	\$ 1,640,199	\$	\$	\$ 1,640,199
Equity funds	1,600,850			1,600,850
Equities and ETFs -				
International	278,875			278,875
Fixed income bonds	2,463,208			2,463,208
Emerging markets	98,276			98,276
World	208,599			208,599
High yield	167,414			167,414
Goods and services	142,337			142,337
Growth	278,942			278,942
Financial markets	96,314			96,314
Large blend	975,403			975,403
Technologies	237,082			237,082
Healthcare	27,498			27,498
Real Estate	27,757			27,757
Commodities	17,260			17,260
REIT	11,408			11,408
Interest in time share			3,000	3,000
Total investments at fair value	<u>\$ 8,271,422</u>	<u>\$</u>	<u>\$ 3,000</u>	<u>8,274,422</u>
Money market				1,920,656
Total investments				<u>\$10,195,078</u>

The investments consist of numerous individual stocks in which no concentrations exist relative to any sectors or geographic areas.

The valuation technique used to measure the fair value of the Level 3 investments for the donated interest in time share was based upon the appraised value as of the date of donation. The Society has not obtained an appraisal on the property, and accordingly the value has not been adjusted during the year ended December 31, 2021.

The following schedule summarizes a reconciliation of level 3 investments:

Beginning balance	\$ 193,692
Sale of investment	<u>(190,692)</u>
Ending balance	<u>\$ 3,000</u>

The following schedule summarizes investment income for the year ended December 31, 2021:

Interest and dividend income	\$ 214,434
Investment advisor fees	(22,762)
Net realized gain	549,713
Net unrealized gain	263,214
Income distributed by beneficial trusts	<u>136,506</u>
Investment income, net	<u>\$ 1,141,104</u>

The Society's cash demand deposits are held at financial institutions in which deposits are insured by the Federal Deposit Insurance Corporation ("FDIC"). As of December 31, 2021, the Society's cash demand deposits did not exceed the FDIC insurance limit.

(7) **Endowments**

General

The Society's Endowment Fund was established by action of the Board of Directors (the "Board") to be maintained in perpetuity. The Endowment Fund may include both donor-restricted endowment funds as well as funds designated by the Board to function as endowments. The endowment funds may be established for either specific purposes or general operating use. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Society is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, therefore, classifies amounts in its donor-restricted endowment fund as net assets with donor restrictions until the Board appropriates amounts for expenditures and any purpose restrictions have been met. The Board of Trustees of the Society has interpreted SPMIFA as requiring the maintenance of only the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, the Society would consider the fund to be underwater in if the fair value of the fund is less than the sum of (1) the original value of initial and subsequent gifts to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. The Society has

interpreted SPIMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. In accordance with SPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Society and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Society
- (7) The investment policies of the Society

Changes in Endowment Net Assets as of December 31, 2021:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of the year	\$ 2,135,017
Contribution	3,500
Investment return, net	325,932
Appropriation of endowment assets for expenditures	<u>(127,643)</u>
Endowment net assets, end of the year	<u><u>\$ 2,336,806</u></u>

Funds held in Trust

Funds held in trust in perpetuity by designation of the donor for the benefit of the Society are also subject to the restrictions of UPMIFA, and as such must be accounted for in a similar manner. However, appropriations from funds held in trust are determined in accordance with provisions of each individual trust. The Society is the trustee on the beneficial interest in trusts.

Funds with Deficiencies

As of December 31, 2021, one fund totaling \$61,839 of contributions perpetual in nature had a fair value of \$56,572 resulting in a deficiency of \$5,267.

Return Objectives and Risk Parameters

An Investment Policy Statement (IPS) was adopted by the Board in November 2020. The Endowment Fund is invested as a portion of the “Pooled Fund” which strives to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Pooled Fund is invested with a long-term strategy with a balanced portfolio of equity, fixed-income, alternative assets, and cash.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Society 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 Society targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Society has a policy of appropriating for distribution each year 5% of its endowment fund’s average fair value over the prior eight quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Society considered the long-term expected return on its endowment. Accordingly, over the long term, the Society expects the current spending policy to allow its endowment to grow at an average of at least the CPI annually. This is consistent with the Society’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. Appropriation may be made in the form of the Society’s expenditure budget on an annual basis. During the year ended December 31, 2021, the Society had followed its spending policy.

(8) Property And Equipment

The following summarizes property and equipment as of December 31, 2021:

Land	\$ 24,480
Construction in progress	323,771
Buildings and improvements	5,941,265
Equipment	799,563
Automobiles	192,613
Furniture and fixtures	269,714
Software	114,562
	<u>7,665,968</u>
Less: accumulated depreciation	(4,435,835)
	<u>\$ 3,230,133</u>

(9) **Split-Interest Agreement**

On August 21, 2006, the Society received property with a fair market value of \$180,000 under a charitable gift annuity agreement. Terms of the agreement call for quarterly payments to the donor under a joint annuity arrangement based upon an annuity rate of 4.5% of the initial fair market value of the property. The liability is discounted as 6.2% utilizing appropriate actuarial assumptions. The liability as of December 31, 2021, was \$79,546.

(10) **Refundable Advance - Paycheck Protection Program**

On March 23, 2021, the Society qualified for and received a refundable advance pursuant to the Paycheck Protection Program ("PPP"), a program implemented by the U.S. Small Business Administration under Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender, for an aggregate amount of \$752,744. The advance was forgiven during the year ended December 31, 2021, and is reflected in government contributions on the statement of activities.

(11) **Commitments**

During the year ending December 31, 2016, the Society entered into two purchase agreements. These purchase agreements were subsequently amended in April of 2018. Total commitments under the purchase agreements are as follows.

<u>Year ended December 31,</u>	
2022	\$ 120,000
2023	120,000
2024	30,000
	<u>\$ 270,000</u>

During the year ended December 31, 2020, the Society entered into an architectural contract relative to its construction project for a total amount of approximately \$415,000, in which approximately \$311,000 has been incurred. The Society has a lease agreement for the pet class training as well as an equipment lease. Future minimum rent payments on these leases as of December 31, 2021, are as follows:

<u>Year ended December 31,</u>	
2022	\$ 42,164
2023	5,672
	<u>\$ 47,836</u>

Rent expense for the year ended December 31, 2021 was \$70,740.

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Notes To Financial Statements

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(12) Net Assets With Donor Restrictions

As of December 31, 2021, net assets with donor restriction consisted of the following:

Subject to expenditure for specified purpose:

Grace Bennett Jones Trust, principal and income distributions available	\$ 1,141,819
Anti-cruelty fund	5,890
Medical access fund	60,536
Capital expenditures	531,391
Total	<u>1,739,636</u>

Subject to the passage of time:

Time restricted contributions	<u>298,807</u>
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Subject to spending policy and appropriation:

Virginia Christensen Trust, income distributions only for programs and capital improvement	1,810,719
Anna Belle Morris Trust, income distributions only	56,572
Natalie Bentzen Trust, income distributions for general operations	278,175
Endowment Fund - SHARE program	6,000
Endowment Fund - Humane education	50,000
Endowment Fund - other	135,340
Total	<u>2,336,806</u>
Grand total	<u><u>\$ 4,375,249</u></u>

(13) Expenses

Total expenses incurred during the year ended December 31, 2021, are as follows:

Total expenses reported by function	\$ 6,557,433
Cost of retail sales	44,713
Cost of direct benefit to donors	51,413
	<u><u>\$ 6,653,559</u></u>

(14) In-Kind Contributions

During the year ended December 31, 2021, the Society received \$101,670 of donated goods and services. The donated services portion is included in the expense functions on the statement of activities as follows:

Shelter, behavior and training	\$ 13,523
Veterinary hospital	5,410
Community outreach	19,500
Philanthropy	8,115
General and administrative	1,332
	<u>\$ 47,880</u>

The remaining portion consists of in-kind food and supplies of \$53,790 for the shelter.

(15) Advertising Costs

The Society expenses the costs of advertising the first time the advertising takes place. During the year ended December 31, 2021, advertising expense amounted to \$14,390.

(16) Retirement Plan

In June 2006, the Society implemented an Internal Revenue Code Section 403(b) tax-deferred plan. Employees scheduled to work at least 20 per week are eligible to participate in the plan. Employees wishing to participate elect to defer any whole percentage of their compensation (up to 75%) or a flat dollar amount per payroll period, provided they do not contribute more than the maximum permitted by law. The Society's plan includes discretionary employer matching or profit sharing contributions. Employees meeting other minimum eligibility requirements are eligible to receive employer contributions following one year of service. Pension expense totaled \$62,330 for the year ended December 31, 2021.

(17) Liquidity And Availability Of Financial Assets

The following reflects the Society's financial assets as of December 31, 2021:

Financial assets at year end	
Cash and cash equivalents	\$ 334,739
Accounts receivable, net	51,050
Promises to give, current	182,173
Investments	<u>9,810,847</u>
Total financial assets	10,378,809
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Investment in land and timeshare	(3,000)
Donor restricted endowments, included in investments	(191,340)
Charitable gift annuity payments	<u>(101,772)</u>
Total contractual or donor-imposed restrictions	(296,112)
Board designated for capital campaign	<u>(2,496,620)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 7,586,077</u></u>

The Society's goal is to maintain financial assets to meet at least 4 months of operating expenses. As part of its liquidity plan, other cash holdings and investments will be deposited in accounts which preserve capital and provide growth. The Society also received distributions from its trust accounts and endowment funds which are not included above.

As discussed in Note 7, the Society can elect to receive an annual distribution from its endowment that is available to the Society for its unrestricted use.

(18) New Accounting Pronouncements

In December of 2018, FASB issued ASU No. 2018-20, *Leases*, which requires the Society to recognize all leased assets as assets on the statement of financial position with a corresponding liability resulting in a gross up of the statement of financial position. Entities will also be required to present additional disclosure as to the nature and extent of leasing activities. The requirements of this statement are effective for the Society's financial statements for the year ended December 31, 2022. The Society has not evaluated the impact due to the timing of implementation of this standard.