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TANNER

Accountants & Advisors



Financial Statements
As of and for the Years Ended December 31, 2022 and 2021

Together with Independent Auditors' Report



TANNER

Independent Auditors' Report

To the Board of Directors of The Humane Society of Utah

Opinion

We have audited the accompanying financial statements of The Humane Society of Utah (the Organization) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Humane Society of Utah as of December 31, 2022 and 2021, and the changes in its net assets 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. 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 Humane Society of Utah 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.

Recently Adopted Accounting Pronouncement

As discussed in Note 1 to the financial statements, the Organization changed its method of accounting for leases due to the adoption of Accounting Standards Update No. 2016-02, *Leases* (Topic 842). Our opinion is not modified with respect to this matter.

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 The Humane Society of Utah'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 Humane Society of Utah'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 The Humane Society of Utah'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.

Tanner LLC

July 6, 2023

Statements of Financial Position

As of December 31,

	2022	2021
<u>Assets</u>		
Cash	\$ 2,150,525	\$ 950,132
Investments	1,105,640	1,230,595
Promise to give receivables	2,853,446	62,814
Inventories	85,500	74,394
Prepaid expenses	57,416	65,520
Property and equipment, net	5,943,334	6,186,780
Operating lease right-of-use-asset	57,032	-
Beneficial interests in assets held by third parties	2,558,892	2,911,829
Total assets	\$ 14,811,785	\$ 11,482,064
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 220,834	\$ 133,642
Accrued liabilities	322,782	282,834
Operating lease liability	56,756	-
Total liabilities	600,372	416,476
Commitments and contingencies		
Net assets:		
Without donor restrictions		
Undesignated	10,409,303	6,726,530
Designated	1,110,130	1,230,595
Total net assets without donor restrictions	11,519,433	7,957,125
With donor restrictions	2,691,980	3,108,463
Total net assets	14,211,413	11,065,588
Total liabilities and net assets	\$ 14,811,785	\$ 11,482,064

Statements of Activities

For the Years Ended December 31,

	2022	2021
Change in net assets without donor restrictions:		
Revenues, gains, and other support:		
Clinic fees, net	\$ 4,920,494	\$ 4,297,102
Contributions	5,387,455	2,034,600
Adoption fees, net	814,399	1,020,883
Net realized and unrealized gain (loss) on investments	(167,219)	69,677
Interest and dividends	26,164	25,662
In-kind contributions	29,747	35,188
COVID-19 relief (Note 10)	-	11,530
Other	811,591	879,235
Total revenues, gains, and other support	11,822,631	8,373,877
Net assets released from restrictions	143,739	75,216
Total revenues, gains, other support and reclassifications	11,966,370	8,449,093
Program expenses:		
Shelter	3,380,760	3,101,800
Murray clinic	2,411,304	2,479,231
St. George clinic	779,980	732,629
Education	188,535	166,495
Advocacy/investigations	151,441	189,726
Supporting expenses:		
Management and general	355,670	343,997
Fundraising/special events/volunteer	1,136,372	1,050,672
Total expenses	8,404,062	8,064,550
Increase in net assets without donor restrictions	3,562,308	384,543
Change in net assets with donor restrictions:		
Contributions	80,191	65,846
Net assets released from restrictions	(143,739)	(75,216)
Net realized and unrealized gain (loss) on investments in beneficial interests	(73,446)	20,792
Change in value of beneficial interests	(279,489)	422,418
Increase (decrease) in net assets with donor restrictions	(416,483)	433,840
Increase in net assets	3,145,825	818,383
Net assets, beginning of the year	11,065,588	10,247,205
Net assets, end of the year	\$ 14,211,413	\$ 11,065,588

Statement of Functional Expenses

For the Year Ended December 31, 2022

	Program Expenses					Supporting Expenses				Overall Total
	Shelter	Murray Clinic	St. George Clinic	Education	Advocacy/ Investi- gations	Total	Management and General	Fundraising/ Special Events/ Volunteer	Total	
Salaries	\$ 1,935,547	\$ 1,173,264	\$ 411,338	\$ 135,114	\$ 121,853	\$ 3,777,116	\$ 268,068	\$ 355,262	\$ 623,330	\$ 4,400,446
Benefits	198,476	116,034	45,320	15,769	10,307	385,906	(9,786)	43,702	33,916	419,822
Payroll taxes	155,075	92,501	31,887	10,355	9,863	299,681	22,358	27,105	49,463	349,144
Total salaries and related expenses	2,289,098	1,381,799	488,545	161,238	142,023	4,462,703	280,640	426,069	706,709	5,169,412
Travel	25,220	15,913	4,982	1,324	151	47,590	609	46	655	48,245
Special events	107	8	708	8	217	1,048	8	89,415	89,423	90,471
Dues and subscriptions	22,557	13,326	4,950	733	1,307	42,873	10,045	56,229	66,274	109,147
Advertising	7,447	377	27,821	89	89	35,823	89	161,623	161,712	197,535
Office	13,591	26,565	3,365	959	932	45,412	3,092	317,868	320,960	366,372
Liability insurance	17,173	5,249	364	145	178	23,109	1,012	1,422	2,434	25,543
Animal waste removal	29,059	8,137	31	-	-	37,227	-	-	-	37,227
Professional services	5,102	1,778	1,034	168	140	8,222	11,456	1,216	12,672	20,894
Surgical	-	117,634	58,085	-	-	175,719	-	-	-	175,719
Vaccination	80,447	472,331	15,922	-	-	568,701	-	-	-	568,701
Outside services	132,800	65,669	39,437	2,727	697	241,330	9,016	21,993	31,009	272,339
Repairs and maintenance	150,078	27,402	4,267	2,967	647	185,361	5,437	3,189	8,626	193,987
Retail store	42,549	2,875	154	-	-	45,578	8	838	846	46,424
Supplies	232,256	72,014	9,403	3,584	378	317,635	1,382	714	2,096	319,731
Rent	-	-	36,651	-	-	36,651	-	-	-	36,651
Utilities	89,549	32,466	9,645	1,521	870	134,051	6,957	8,066	15,023	149,074
Other expenses	97,540	76,224	13,842	6,241	3,812	197,659	8,157	29,923	38,080	235,739
Depreciation	146,187	91,537	60,773	6,831	-	305,328	17,761	17,761	35,522	340,850
Total expenses	\$ 3,380,760	\$ 2,411,304	\$ 779,980	\$ 188,535	\$ 151,441	\$ 6,912,020	\$ 355,670	\$ 1,136,372	\$ 1,492,042	\$ 8,404,062

See accompanying notes to financial statements.

Statement of Functional Expenses

For the Year Ended December 31, 2021

	Program Expenses						Supporting Expenses			Overall Total
	Shelter	Murray Clinic	St. George Clinic	Education	Advocacy/ Investi- gations	Total	Management and General	Fundraising/ Special Events/ Volunteer	Total	
Salaries	\$ 1,807,342	\$ 1,151,750	\$ 356,856	\$ 106,765	\$ 147,569	\$ 3,570,282	\$ 241,606	\$ 321,767	\$ 563,373	\$ 4,133,655
Benefits	211,214	145,326	48,491	16,458	19,648	441,137	15,713	49,329	65,042	506,179
Payroll taxes	142,238	90,943	26,997	8,215	10,777	279,170	18,464	23,979	42,443	321,613
Total salaries and related expenses	2,160,794	1,388,019	432,344	131,438	177,994	4,290,589	275,783	395,075	670,858	4,961,447
Travel	8,246	1,855	185	399	812	11,497	1,640	249	1,889	13,386
Special events	107	300	-	-	-	407	-	33,763	33,763	34,170
Dues and subscriptions	26,294	9,526	4,561	57	1,889	42,327	10,008	67,635	77,643	119,970
Advertising	1,546	-	52,379	-	-	53,925	-	158,162	158,162	212,087
Office	16,059	24,464	2,097	89	407	43,116	1,033	286,055	287,088	330,204
Liability insurance	17,985	5,744	1,364	130	180	25,403	1,458	1,559	3,017	28,420
Animal waste removal	41,260	6,345	32	-	-	47,637	-	-	-	47,637
Professional services	25,303	7,590	2,776	232	320	36,221	10,228	2,776	13,004	49,225
Surgical	19	144,716	59,596	-	-	204,331	-	-	-	204,331
Vaccination	40,316	526,110	10,004	-	-	576,430	-	-	-	576,430
Outside services	89,391	58,921	45,818	507	664	195,301	17,483	48,296	65,779	261,080
Repairs and maintenance	87,141	27,309	7,713	1,220	247	123,630	3,593	5,191	8,784	132,414
Retail store	49,942	4,019	145	-	-	54,106	-	2,731	2,731	56,837
Supplies	174,995	71,337	14,127	2,286	311	263,056	281	3,186	3,467	266,523
Rent	-	-	38,134	-	-	38,134	-	-	-	38,134
Utilities	80,761	22,620	7,791	540	746	112,458	6,177	6,476	12,653	125,111
Other expenses	85,796	67,369	23,433	7,000	2,390	185,988	8,781	35,752	44,533	230,521
Depreciation	195,845	112,987	30,130	22,597	3,766	365,325	7,532	3,766	11,298	376,623
Total expenses	\$ 3,101,800	\$ 2,479,231	\$ 732,629	\$ 166,495	\$ 189,726	\$ 6,669,881	\$ 343,997	\$ 1,050,672	\$ 1,394,669	\$ 8,064,550

See accompanying notes to financial statements.

Statements of Cash Flows

For the Years Ended December 31,

	2022	2021
Cash flows from operating activities:		
Increase in net assets	\$ 3,145,825	\$ 818,383
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	340,850	376,623
Gain on disposal of property and equipment	-	(38,162)
Net realized and unrealized loss (gain) on investments	167,219	(69,677)
Net change in beneficial interests in assets held by third parties	352,937	(443,210)
Decrease (increase) in:		
Promise to give receivables	(2,790,632)	(34,318)
Prepaid expenses	8,104	(18,547)
Inventories	(11,106)	(21,841)
Increase (decrease) in:		
Accounts payable	87,192	(29,201)
Accrued liabilities	39,948	105,151
Operating lease liability	(37,823)	-
Net cash provided by operating activities	<u>1,302,514</u>	<u>645,201</u>
Cash flows from investing activities:		
Net change in investments	(42,264)	16,259
Proceeds from sale of property and equipment	-	76,471
Purchases of property and equipment	(59,857)	(1,613,210)
Net cash used in investing activities	<u>(102,121)</u>	<u>(1,520,480)</u>
Net change in cash	1,200,393	(875,279)
Cash at beginning of the year	950,132	1,825,411
Cash at end of the year	<u>\$ 2,150,525</u>	<u>\$ 950,132</u>
Supplemental disclosure of cash flow information:		
Operating lease assets obtained in exchange for lease obligations	\$ 94,579	\$ -

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies

Organization

The Humane Society of Utah (the Organization) is a Utah not-for-profit organization that saves the lives of animals through adoptions to new loving homes, return to owners, and pet retention and shelter diversion services. The Humane Society of Utah Clinic offers vaccinations, spay/neuter surgeries, and microchips. Additionally, the Organization advocates for animal welfare legislation and provides Humane Education programming to school-age children throughout the state of Utah. The Organization is supported primarily through donor contributions and fees for clinic and other services provided.

Financial Statement Presentation and Basis of Presentation

The Organization reports its financial position and activities according to two classes of net assets:

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 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 Organization or by the passage of time. Other donor restrictions are perpetual in nature, wherein the donor has stipulated the funds be maintained in perpetuity.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Use of Estimates in Financial Statements

The preparation of financial statements in conformity with US 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.

Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. To date, the Organization has not experienced a material loss or lack of access to its cash; however, no assurance can be provided that access to the Organization’s cash will not be impacted by adverse conditions in the financial markets.

The Organization is dependent on certain vendors for veterinary supplies. For the years ended December 31, 2022 and 2021, aggregate purchases from these vendors as a percentage of total purchases consisted of the following:

	2022	2021
Vendor A	23.8%	26.4%
Vendor B	18.7%	14.6%

Promise to Give Receivables

Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of promise to give receivables. In the normal course of its activities, the Organization receives promises to give which are recorded at the date an unconditional promise to give is received from the donor at the present value of the amount management expects to collect. Accordingly, the Organization performs ongoing evaluations of promise to give receivables and maintains allowances for possible losses, which when realized, have been within the range of management’s expectations. The Organization’s promise to give receivables are subject to potential concentrations of credit risk based on numerous factors, including the

overall economic conditions in the geographic area in which the Organization's donors are located. The Organization does not believe that it is subject to any unusual risks or significant risks in the normal course of its business. A major promise to give receivable is one that comprises more than 10% of the Organization's receivable balance. Nearly 100% of the promise to give receivables balance as of December 31, 2022 is due from a single donor.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets, less external and direct internal investment expenses.

Inventories

Inventories consist primarily of clinic supplies and retail shop goods and are stated at the lower of cost or net realizable value and accounted for on a first-in, first-out basis. The Organization periodically reviews inventories for obsolescence and management determined that an allowance for obsolete inventories was not necessary as of December 31, 2022 and 2021.

Property and Equipment

The Organization capitalizes purchases of property and equipment at cost. The fair value of donated property and equipment is similarly capitalized. The Organization capitalizes such expenditures if the purchases exceed \$1,000. Minor replacements, maintenance and repairs, which do not increase the useful lives of the property and equipment, are expensed as incurred. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets or lease terms, ranging from three to thirty-nine years.

Impairment of Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through undiscounted future cash flows. If it is determined an impairment loss has occurred, such loss is recognized in the statement of activities.

Revenue Recognition

Revenue is measured as the amount of consideration that the Organization expects to receive in exchange for goods or services. Revenue is recognized after the Organization has (1) identified the customer contract, (2) identified the performance obligation in the contract, (3) determined the transaction price, (4) allocated the transaction price to the performance obligation in the contract, and (5) determined the performance obligation has been satisfied.

The Organization recognizes revenue for clinic fees, adoption fees, and retail sales provided to customers at a point in time when it satisfies the single performance obligation of performing purchased services or transferring the animals, medications, or products per implicit customer specified orders. The Organization does not have any material contract assets as of December 31, 2022 and 2021.

Contributions

Unconditional contributions received are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barriers, and a right of return, are not recognized until the conditions on which they depend have been substantially met. For the years ended December 31, 2022 and 2021, conditional contributions totaled \$0 and \$100,000, respectively.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as support without donor restrictions 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 Organization reports expirations of donor restrictions when the donated assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs and assignments; however, those services do not meet the above criteria.

In-Kind Contributions

During the years ended December 31, 2022 and 2021, the Organization received in-kind contributions of certain supplies, such as pet food, newspapers, and other supplies. When documentation supporting an estimated fair value can be obtained, the contributed supplies are recorded. Management has determined that the value of all in-kind contributions of supplies is not material to the overall financial statements. The effect of recording such contributions is generally to increase contribution revenue and supplies expense, which has no effect on the increase or decrease in net assets.

The Organization also received in-kind donations of securities. The Organization does not monetize these donations and holds the securities as investments. Total stock donations received during the years ended December 31, 2022 and 2021, were \$29,747 and \$35,188, respectively.

Advertising

The Organization expenses advertising costs as incurred. Total advertising expense was approximately \$41,000 and \$62,000 for the years ended December 31, 2022 and 2021, respectively.

Income Taxes

The Organization is a qualified charitable organization under Section 501(c)(3) of the Internal Revenue Code and under state of Utah regulations, and, as such, is not subject to federal or state income taxes on related purpose income. The Organization is subject to taxation on unrelated business income, if any.

As of December 31, 2022, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include the following:

Expenses	Allocation Method
Salaries	Time and effort
Benefits	Time and effort
Payroll taxes	Time and effort
Liability insurance	Square footage
Professional services	Square footage
Utilities	Square footage
Depreciation	Square footage

Fair Value of Financial Instruments

Fair value is defined as the exit price or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date (see Note 6).

Recently Adopted Accounting Pronouncements

Effective January 1, 2022, the Organization adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, Leases (Topic 842) following a modified retrospective approach. The Organization elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing operating lease as an operating lease under the new guidance, without reassessing (a) whether the contracts contain a lease under ASC Topic 842, (b) whether classification of the leases would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments (as of December 31, 2021) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. The Organization recognized on January 1, 2022 a lease liability of \$94,579, which represents the present value of the remaining lease payments of \$95,839, discounted using the risk-free rate.

In September 2020, the Financial Accounting Standards Board (FASB) issued ASU No. 2020-07, Not-For-Profit Entities (Topic 958) (ASU 2020-07). ASU 2020-07 requires not-for-profit entities to improve disclosures regarding non-financial contributions received on the statement of activities and in the notes to the financial statements. ASU 2020-07 was effective for the Organization for the year ended December 31, 2022 using a modified retrospective approach. The Organization adopted the requirements of ASU 2020-07 effective January 1, 2022. Other than the more detailed disclosures around in-kind donations, the adoption of this standard did not have a material impact on the accompanying financial statements.

Lease Commitments

The Organization leases certain office space as part of its operations. The Organization assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. For all arrangements where it is determined that a lease exists, the related right-of-use assets and lease liabilities are recorded within the statement of financial position as either operating or finance leases. At inception or modification, the Organization calculates the present value of lease payments using the Organization's lease. The present value is adjusted for prepaid lease payments, lease incentives, and initial direct costs. The Organization's leases may require fixed rental payments, variable lease payments based on usage or sales and fixed non-lease costs relating to the leased asset. Variable lease payments are generally not included in the measurement of the right-of-use assets and lease liabilities. Leases with an initial term of 12 months or less are not recorded on the statements of financial position. Lease expense is recognized for these leases on a straight-line basis over the lease term. Fixed non-lease costs, for example common-area maintenance costs, taxes, insurance, and maintenance, are included in the measurement of the right-of-use asset and lease liability as the Organization does not separate lease and non-lease components.

Reclassifications and Revision

Certain amounts in the 2021 financial statements have been reclassified to conform with the 2022 financial statement presentation. Additionally, the Organization recorded a \$100,000 increase to unearned revenue recorded in accrued liabilities as of December 31, 2021, and a corresponding \$100,000 decrease to both contributions and net assets in 2021. Compared to what was previously reported in the 2021 financial statements. This revision related to a donation received in 2021 that contained a condition that was not met by the end of 2021.

Subsequent Events

Management has evaluated subsequent events through July 6, 2023, which is the date the accompanying financial statements were available to be issued.

2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following as of December 31:

	2022	2021
Cash	\$ 2,150,525	\$ 950,132
Investments	1,105,640	1,230,595
Receivables	2,853,446	62,814
	6,109,611	2,243,541
Less amounts not available to be used within one year:		
Board designated funds	1,110,130	1,230,595
Net assets with donor restrictions (excluding endowments)	133,088	196,635
	1,243,218	1,427,230
Net Amount Available	\$ 4,866,393	\$ 816,311

The Organization's operations rely primarily on fees for services rendered, as well as contributions from private sources. These contributions are often to be used directly for the Organization's overall mission, and for this reason, only a portion of the Organization's overall financial assets above are not available for expenditure within one year based upon donor restrictions. The Board of Directors has designated certain net assets for a reserve, but those funds may be spent for other purposes at the discretion of the Board of Directors.

The Organization monitors its liquidity and cash flow needs through the use of a budget to ensure that cash inflows are sufficient to cover projected cash outflows. The accompanying statement of cash flows identifies the sources and uses of the Organization's cash and the positive cash flows of \$1,302,514 and \$645,201 generated from operating activities during the years ended December 31, 2022 and 2021, respectively.

3. Investments

Investments are stated at fair value and consist of the following as of December 31:

	2022	2021
Money Market Funds	\$ 27,304	\$ 57,986
Mutual and exchange traded funds	1,078,336	1,172,609
	\$ 1,105,640	\$ 1,230,595

Total return on investments, including dividends, interest, and realized and unrealized gains (losses), were \$(214,501) and \$116,131 for the years ended December 31, 2022 and 2021, respectively.

4. Property and Equipment

Property and equipment consist of the following as of December 31:

	2022	2021
Building	\$ 7,301,163	\$ 7,259,773
Land	1,831,481	1,831,481
Improvements and equipment	1,298,945	1,280,478
Land improvements	264,941	264,941
Leasehold improvements	110,096	110,096
Vehicles	98,670	98,670
Office furniture	41,130	41,130
Total cost	10,946,426	10,886,569
Less accumulated depreciation	(5,003,092)	(4,699,789)
	\$ 5,943,334	\$ 6,186,780

Depreciation expense on property and equipment for the years ended December 31, 2022 and 2021 was \$340,850 and \$376,623, respectively.

5. Beneficial Interests in Assets Held by Third Parties

The earnings received in cash from the trust's and the foundation's investments are recognized as net assets with donor restrictions (temporary in nature) until appropriated by the Board of Directors. The Organization's pro-rata interests in the assets held by the trust and the foundation are recorded based upon the fair value of the assets held by these parties and are permanent in nature. The recorded values of the interests in the trust and the foundation are evaluated annually and the changes in values are recognized in the statements of activities as restricted gains or losses. The total revaluation gain (loss) for the Organization's interests in the trust and foundation was \$(352,935) and \$443,210 for the years ended December 31, 2022 and 2021, respectively.

The Organization is also named as the beneficiary of an irrevocable trust, which has been valued by a valuation expert. This irrevocable trust represents a remainder interest in a trust that, when distributed, is required to be held in perpetuity and only the earnings thereon will be available to fund the activities of the Organization. However, these funds are not expected to be received in the near future. This trust is recorded at fair value and is restricted in perpetuity. The changes in value are recognized in the statement of activities as restricted gains or losses.

6. Fair Value Measurements

Authoritative guidance establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are market inputs participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's assumptions about the factors market participants would use in valuing the asset or liability. The guidance establishes three levels of inputs that may be used to measure fair value:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability that are supported by little or no market activity and that are significant to the fair value of the underlying asset or liability.

The following tables summarize the Organization's financial assets that were accounted for at fair value on a recurring basis as of December 31, 2022 and 2021, and the fair value calculation input hierarchy level that the Organization has determined applies to each asset category.

<i>As of December 31, 2022</i>				
Investments				
Description	Level 1	Level 2	Level 3	Total
Money market	\$ 27,304	\$ -	\$ -	\$ 27,304
Mutual and exchange traded funds:				
Bonds	604,906	-	-	604,906
Large cap	298,116	-	-	298,116
International	68,230	-	-	68,230
Mid Cap	54,258	-	-	54,258
Other	42,149	-	-	42,149
Small cap	10,677	-	-	10,677
Total	\$ 1,105,640	\$ -	\$ -	\$ 1,105,640
Beneficial Interests in Assets Held by Third Parties				
Description	Level 1	Level 2	Level 3	Total
Remainder interest trust	\$ -	\$ -	\$ 2,289,655	\$ 2,289,655
Foundation under agreement	-	198,577	-	198,577
Charitable trust	-	70,660	-	70,660
Total	\$ -	\$ 269,237	\$ 2,289,655	\$ 2,558,892

As of December 31, 2021

Investments

Description	Level 1	Level 2	Level 3	Total
Money market	\$ 57,986	\$ -	\$ -	\$ 57,986
Mutual and exchange traded funds:				
Bonds	653,627	-	-	653,627
Large cap	271,589	-	-	271,589
Mid cap	84,046	-	-	84,046
International	78,550	-	-	78,550
Small cap	35,230	-	-	35,230
Other	49,567	-	-	49,567
Total	\$ 1,230,595	\$ -	\$ -	\$ 1,230,595

Beneficial Interests in Assets Held by Third Parties

Description	Level 1	Level 2	Level 3	Total
Remainder interest trust	\$ -	\$ -	\$ 2,569,144	\$ 2,569,144
Foundation under agreement	-	252,775	-	252,775
Charitable trust	-	89,910	-	89,910
Total	\$ -	\$ 342,685	\$ 2,569,144	\$ 2,911,829

The activity of level 3 investments consisted of the following:

Balance, January 1, 2021	\$ 2,146,726
Realized and unrealized gains and dividends, net of expenses	422,418
Balance, December 31, 2021	2,569,144
Realized and unrealized losses and dividends, net of expenses	(279,489)
Balance, December 31, 2022	\$ 2,289,655

7. Designations on Net Assets

The Board of Directors has adopted a policy to designate excess funds received from donations in investment accounts for future projects or contingencies.

8. Net Assets with Donor Restrictions

Net assets with donor restrictions (excluding endowments) consist of the following as of December 31:

	2022	2021
Funds for care of dogs and cats	\$ 64,571	\$ 125,789
Shelter	34,146	20,000
St. George capital campaign	20,000	22,200
Education	10,000	18,646
Transportation and rescue	3,325	10,000
Other	1,046	-
	\$ 133,088	\$ 196,635

9. Endowments

Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 958 (ASC 958), Not-for-profit entities, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The state of Utah has adopted UPMIFA.

Net assets with donor restrictions, perpetual in nature (endowments), included the following as of December 31:

	2022	2021
Beneficial interest in trust (Note 5)	\$ 2,289,655	\$ 2,569,144
Beneficial interest in foundation (Note 5)	198,577	252,775
Beneficial interest in trust (Note 5)	70,660	89,910
	\$ 2,558,892	\$ 2,911,829

Interpretation of Relevant Law

The Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as restricted in perpetuity is classified as part of donor restricted net assets 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 endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the 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 Organization
- (7) The investment policies of the Organization

Spending Policy

The Organization may use, for any purpose deemed appropriate by its Board of Directors in fulfilling the Organization's charitable purpose, the interest payments received from the beneficial interests in assets held by third parties.

Return Objectives and Risk Parameters

Investment decisions for the foundation and trust, which the Organization has a beneficial interest in (See Note 5), are made by the donors or their agents. The primary investment objectives of these donors are (1) the long-term preservation of the real (inflation adjusted) purchasing power of portfolio assets and income, after accounting for spending, inflation, and costs of portfolio management, and (2) to earn a total rate of return that exceeds the spending rate, and at the same time to perform well when compared with selected weighted market indices. The portfolio assets are invested in a diversified pool of securities with an overall emphasis on quality, diversification, and potential for earnings growth.

Changes in endowment net assets for the years ended December 31, 2022 and 2021 are as follows:

	2022		
	Without donor restriction	With donor restriction	Total
Endowment net assets, beginning of the year	\$ -	\$ 2,911,829	\$ 2,911,829
Decrease in value	-	(352,937)	(352,937)
Endowment net assets, end of year	\$ -	\$ 2,558,892	\$ 2,558,892
	2021		
	Without donor restriction	With donor restriction	Total
Endowment net assets, beginning of the year	\$ -	\$ 2,468,619	\$ 2,468,619
Increase in value	-	443,210	443,210
Endowment net assets, end of year	\$ -	\$ 2,911,829	\$ 2,911,829

10. Commitments and Contingencies

Operating Lease

Beginning in June 2020, the Organization began leasing its St. George, Utah facility under a non-cancelable operating lease, which expires in July 2024. The weighted average remaining lease term is 2 years as of December 31, 2022. The discount rate used to compute the present value of future payments is 1.04%. This operating lease contains a renewal option and is subject to escalating rent payments. Future minimum annual lease payments under this non-cancelable operating lease as of December 31, 2022, are as follows:

Years Ending December 31,	
2023	\$ 36,385
2024	21,626
	<u>58,011</u>
Less: Amounts representing interest	<u>(1,255)</u>
	<u>\$ 56,756</u>

Rent expense approximated \$38,000 and \$35,000 for the years ended December 31, 2022 and 2021, respectively.

Litigation

In the normal course of operations, the Organization may become party to lawsuits or other claims. Management is not aware of any such claims for which the uninsured amount would be material to the Organization's financial position.

COVID-19 Relief

The Organization participated in the Coronavirus Aid, Relief, and Economic Security Act's Employee Retention Tax Credits and the Families First Coronavirus Act's Sick and Family Leave Tax Credits, recognizing employee-related tax credits of \$0 and \$11,530 in 2022 and 2021, respectively.

11. 403(b) Retirement Plan

The Organization sponsors a defined contribution 403(b) retirement plan (the Retirement Plan). Employees who have completed three months of service are eligible to participate in the Retirement Plan. Employees may elect to contribute to the retirement Plan up to 100% of their annual compensation subject to federal maximums. As set forth in the Retirement Plan document, the Organization, at its sole discretion, may elect to make a matching or profit-sharing contribution on behalf of employees during a Retirement Plan year. The Organization made matching contributions in the amount of \$60,043 and \$52,188 for the years ended December 31, 2022 and 2021, respectively.