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TANNER

Accountants & Advisors



Financial Statements
As of and for the Years Ended December 31, 2021 and 2020

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, 2021 and 2020, and 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, 2021 and 2020, 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.

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:

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- 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
May 17, 2022

Statements of Financial Position

As of December 31,

	2021	2020
<u>Assets</u>		
Cash	\$ 950,132	\$ 1,825,411
Investments	1,230,595	1,177,177
Receivables	62,814	28,496
Inventories	74,394	52,553
Prepaid expenses	65,520	46,973
Property and equipment, net	6,186,780	4,988,502
Beneficial interests in assets held by third parties	2,911,829	2,468,619
Total assets	\$ 11,482,064	\$ 10,587,731
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 133,642	\$ 162,843
Accrued liabilities	182,834	177,683
Total liabilities	316,476	340,526
Commitments and contingencies		
Net assets:		
Without donor restrictions		
Undesignated	6,826,530	6,401,918
Designated	1,230,595	1,170,664
Total net assets without donor restrictions	8,057,125	7,572,582
With donor restrictions	3,108,463	2,674,623
Total net assets	11,165,588	10,247,205
Total liabilities and net assets	\$ 11,482,064	\$ 10,587,731

Statements of Activities

	<i>For the Years Ended December 31,</i>	
	2021	2020
Change in net assets without donor restrictions:		
Revenues, gains, and other support:		
Clinic fees, net	\$ 4,297,102	\$ 2,800,716
Contributions	2,169,788	2,101,411
Adoption fees, net	1,020,883	851,331
Net realized and unrealized gain on investments	69,677	65,700
Interest and dividends	25,662	28,316
COVID-19 relief (Note 10)	11,530	586,833
Other	879,235	921,215
Total revenues, gains, and other support	8,473,877	7,355,522
Net assets released from restrictions	75,216	34,305
Total revenues, gains, other support and reclassifications	8,549,093	7,389,827
Program expenses:		
Shelter	3,101,800	2,758,222
Murray clinic	2,479,231	1,905,724
St. George clinic	732,629	361,170
Education	166,495	148,550
Advocacy/investigations	189,726	129,714
Supporting expenses:		
Management and general	343,997	320,243
Fundraising/special events/volunteer	1,050,672	1,240,509
Total expenses	8,064,550	6,864,132
Increase in net assets without donor restrictions	484,543	525,695
Change in net assets with donor restrictions:		
Contributions	65,846	26,870
Net assets released from restrictions	(75,216)	(34,305)
Net realized and unrealized gain on investments in beneficial interests	20,792	13,024
Change in value of beneficial interests	422,418	185,655
Increase in net assets with donor restrictions	433,840	191,244
Increase in net assets	918,383	716,939
Net assets, beginning of the year	10,247,205	9,530,266
Net assets, end of the year	\$ 11,165,588	\$ 10,247,205

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.

Statement of Functional Expenses - Continued

For the Year Ended December 31, 2020

	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	\$ 1,664,268	\$ 960,141	\$ 150,128	\$ 95,067	\$ 102,385	\$ 2,971,989	\$ 201,085	\$ 318,217	\$ 519,302	\$ 3,491,291
Benefits	137,135	97,557	9,995	10,557	11,244	266,488	9,869	37,415	47,284	313,772
Payroll taxes	125,423	71,325	10,164	7,528	7,175	221,615	15,710	23,175	38,885	260,500
Total salaries and related expenses	1,926,826	1,129,023	170,287	113,152	120,804	3,460,092	226,664	378,807	605,471	4,065,563
Travel	12,318	1,591	9,499	357	243	24,008	2,162	2,270	4,432	28,440
Special events	-	-	-	-	-	-	-	50,579	50,579	50,579
Dues and subscriptions	20,802	14,943	2,340	79	1,062	39,226	5,488	56,063	61,551	100,777
Advertising	8,238	-	41,354	-	-	49,592	-	217,545	217,545	267,137
Office	15,650	14,583	662	163	530	31,588	1,097	469,373	470,470	502,058
Liability insurance	20,183	5,664	-	135	187	26,169	1,264	1,621	2,885	29,054
Animal waste removal	35,838	7,897	-	-	-	43,735	-	-	-	43,735
Professional services	19,782	5,564	-	140	197	25,683	3,972	1,709	5,681	31,364
Surgical	291	54,889	42,725	-	-	97,905	-	-	-	97,905
Vaccination	43,272	421,314	2,165	-	-	466,751	-	-	-	466,751
Outside services	123,770	12,842	3,154	2,885	472	143,123	19,543	15,102	34,645	177,768
Repairs and maintenance	68,228	13,994	7,526	2,476	290	92,514	2,842	2,038	4,880	97,394
Retail store	26,387	3,978	-	-	-	30,365	-	3,774	3,774	34,139
Supplies	121,928	77,550	26,775	1,739	730	228,722	2,422	4,219	6,641	235,363
Rent	-	-	19,890	-	-	19,890	-	-	-	19,890
Utilities	79,325	21,979	2,897	524	725	105,450	6,187	6,293	12,480	117,930
Other expenses	50,053	48,632	3,384	5,516	910	108,495	5,832	27,552	33,384	141,879
Depreciation	185,331	71,281	28,512	21,384	3,564	310,072	42,770	3,564	46,334	356,406
Total expenses	\$ 2,758,222	\$ 1,905,724	\$ 361,170	\$ 148,550	\$ 129,714	\$ 5,303,380	\$ 320,243	\$ 1,240,509	\$ 1,560,752	\$ 6,864,132

See accompanying notes to financial statements.

Statements of Cash Flows

For the Years Ended December 31,

	2021	2020
Cash flows from operating activities:		
Increase in net assets	\$ 918,383	\$ 716,939
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	376,623	356,406
(Gain) loss on disposal of property and equipment	(38,162)	12,571
Net gain on investments	(69,677)	(65,700)
Net change in beneficial interests in assets held by third parties	(443,210)	(198,679)
Decrease (increase) in:		
Receivables	(34,318)	(22,616)
Prepaid expenses	(18,547)	(6,717)
Inventories	(21,841)	(8,756)
Increase (decrease) in:		
Accounts payable	(29,201)	59,144
Accrued liabilities	5,151	57,202
Net cash provided by operating activities	<u>645,201</u>	<u>899,794</u>
Cash flows from investing activities:		
Net change in investments	16,259	(32,194)
Proceeds from sale of property and equipment	76,471	250
Purchases of property and equipment	(1,613,210)	(192,385)
Net cash used in investing activities	<u>(1,520,480)</u>	<u>(224,329)</u>
Net change in cash	(875,279)	675,465
Cash at beginning of the year	1,825,411	1,149,946
Cash at end of the year	<u>\$ 950,132</u>	<u>\$ 1,825,411</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ -	\$ -

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

Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of promises to give. In the normal course of its activities, the Organization receives promises to give which are recorded in receivables. Accordingly, the Organization performs ongoing evaluations of promises to give and maintains allowances for possible losses, which when realized, have been within the range of management’s expectations. Credit risk pertaining to promises to give is comprised of numerous factors, including the overall economic conditions in the geographic area in which the Organization’s donors are located. As of December 31, 2021 and 2020, management determined that an allowance for possible losses was not necessary.

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, 2021 and 2020, aggregate purchases from these vendors as a percentage of total purchases consisted of the following:

	2021	2020
Vendor A	26.4%	16.8%
Vendor B	14.6%	*
Vendor C	*	16.8%

* Indicates vendor did not exceed 10%

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, 2021 and 2020.

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, 2021 and 2020.

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, 2021 and 2020, conditional contributions totaled \$0 and \$167,509, 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, 2021 and 2020, 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.

Advertising

The Organization expenses advertising costs as incurred. Total advertising expense was approximately \$62,000 and \$69,000 for the years ended December 31, 2021 and 2020, 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, 2021, 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).

New Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 requires lessees to recognize assets and liabilities for most leases. All leases will be required to be recorded on the statement of financial position with the exception of short-term leases. ASU 2016-02 will be effective in the fiscal year beginning January 1, 2022. The Organization is evaluating the effect that ASU 2016-02 will have on its financial statements and related disclosures.

Reclassification

Certain amounts in the 2020 financial statements have been reclassified to conform with the 2021 financial statement presentation.

Subsequent Events

Management has evaluated subsequent events through May 17, 2022, 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:

	2021	2020
Cash	\$ 950,132	\$ 1,825,411
Investments	1,230,595	1,177,177
Receivables	62,814	28,496
	2,243,541	3,031,084
Less amounts not available to be used within one year:		
Board designated funds	1,230,595	1,170,664
Net assets with donor restrictions (excluding endowments)	196,635	206,004
	1,427,230	1,376,668
Net Amount Available	\$ 816,311	\$ 1,654,416

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 \$645,199 and \$899,794 generated from operating activities during the years ended December 31, 2021 and 2020, respectively.

3. Investments

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

	2021	2020
Money Market Funds	\$ 57,986	\$ 45,905
Mutual and exchange traded funds	1,172,609	1,131,272
	\$ 1,230,595	\$ 1,177,177

Total return on investments, including dividends, interest, and realized and unrealized gains, was \$116,131 and \$107,040 for the years ended December 31, 2021 and 2020, respectively.

4. Property and Equipment

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

	2021	2020
Building	\$ 7,259,773	\$ 7,173,489
Land	1,831,481	427,516
Improvements and equipment	1,280,478	1,236,082
Land improvements	264,941	214,500
Leasehold improvements	110,096	96,955
Vehicles	98,670	196,236
Office furniture	41,130	42,082
Total cost	10,886,569	9,386,860
Less accumulated depreciation	(4,699,789)	(4,398,358)
	\$ 6,186,780	\$ 4,988,502

Depreciation expense on property and equipment for the years ended December 31, 2021 and 2020 was \$376,623 and \$356,406, 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 for the Organization's interests in the trust and foundation was \$443,210 and \$198,679 for 2021 and 2020, 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, 2021 and 2020, and the fair value calculation input hierarchy level that the Organization has determined applies to each asset category.

<i>As of December 31, 2021</i>				
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

As of December 31, 2020

Investments

Description	Level 1	Level 2	Level 3	Total
Money market	\$ 45,905	\$ -	\$ -	\$ 45,905
Mutual and exchange traded funds:				
Bonds	664,957	-	-	664,957
Large cap	243,571	-	-	243,571
Mid cap	93,734	-	-	93,734
International	54,206	-	-	54,206
Small cap	38,482	-	-	38,482
Other	36,322	-	-	36,322
Total	\$ 1,177,177	\$ -	\$ -	\$ 1,177,177

Beneficial Interests in Assets Held by Third Parties

Description	Level 1	Level 2	Level 3	Total
Remainder interest trust	\$ -	\$ -	\$ 2,146,726	\$ 2,146,726
Foundation under agreement	-	237,831	-	237,831
Charitable trust	-	84,062	-	84,062
Total	\$ -	\$ 321,893	\$ 2,146,726	\$ 2,468,619

The activity of level 3 investments consisted of the following:

Balance, January 1, 2020	\$ 1,961,071
Realized and unrealized gains and dividends, net of expenses	185,655
Balance, December 31, 2020	2,146,726
Realized and unrealized gains and dividends, net of expenses	422,418
Balance, December 31, 2021	\$ 2,569,144

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:

	2021	2020
Funds for care of dogs and cats	\$ 125,789	\$ 164,905
St. George capital campaign	22,200	-
Shelter	20,000	20,000
Education	18,646	-
Transportation and rescue	10,000	9,228
Other	-	11,871
	\$ 196,635	\$ 206,004

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:

	2021	2020
Beneficial interest in trust (Note 5)	\$ 2,569,144	\$ 2,146,726
Beneficial interest in foundation (Note 5)	252,775	237,831
Beneficial interest in trust (Note 5)	89,910	84,062
	\$ 2,911,829	\$ 2,468,619

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, 2021 and 2020 are as follows:

	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
	2020		
	Without donor restriction	With donor restriction	Total
Endowment net assets, beginning of the year	\$ -	\$ 2,269,940	\$ 2,269,940
Increase in value	-	198,679	198,679
Endowment net assets, end of year	\$ -	\$ 2,468,619	\$ 2,468,619

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. 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, 2021, are as follows:

<u>Years Ending December 31,</u>	
2022	\$ 35,507
2023	36,385
2024	21,626
	<u>\$ 93,518</u>

Rent expense approximated \$35,000 and \$20,000 for the years ended December 31, 2021 and 2020, 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 \$11,530 and \$586,833 in 2021 and 2020, respectively.

11. 403(b) Retirement Plan

The Company 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 for the in the Retirement Plan document, the Company, at its sole discretion, may elect to make a matching or profit-sharing contribution on behalf of employees during a Retirement Plan year. The Company made matching contributions in the amount of \$52,188 and \$0 for the years ended December 31, 2021 and 2020, respectively.