



THE HUMANE SOCIETY OF THE PIKES PEAK REGION

Financial Statements

And

Supplemental Information

For the Years Ended December 31, 2022 and 2021

And

Independent Auditors' Report

THE HUMANE SOCIETY OF THE PIKES PEAK REGION

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021	
Statements of Financial Position	3
Statement of Activities for the Year Ended December 31, 2022	4
Statement of Activities for the Year Ended December 31, 2021	5
Statement of Functional Expenses for the Year Ended December 31, 2022	6
Statement of Functional Expenses for the Year Ended December 31, 2021	7
Statements of Cash Flows	8
Notes to Financial Statements	9
SUPPLEMENTAL INFORMATION	
Statement of Revenues and Expenses – Pueblo Campus for the Year Ended December 31, 2022	19

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Humane Society of The Pikes Peak Region
Colorado Springs, Colorado

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Humane Society of the Pikes Peak Region 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 Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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

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

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information on page 19 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Stockman Kast Ryan + Co, LLP

April 19, 2023

THE HUMANE SOCIETY OF THE PIKES PEAK REGION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and equivalents	\$ 2,979,427	\$ 4,295,173
Pledges receivable	316,523	193,750
Bequests receivable	413,000	93,949
Grant receivable	150,000	150,000
Prepaid expenses and other current assets	<u>248,358</u>	<u>260,695</u>
Total current assets	4,107,308	4,993,567
CASH AND INVESTMENTS, LONG-TERM	7,173,572	10,970,981
PROPERTY AND EQUIPMENT, NET	18,712,984	13,938,859
BENEFICIAL INTEREST IN PERPETUAL TRUSTS	<u>1,031,182</u>	<u>1,310,093</u>
TOTAL	<u>\$ 31,025,046</u>	<u>\$ 31,213,500</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 329,634	\$ 204,437
Note payable	1,095,212	—
Accrued expenses	<u>718,342</u>	<u>643,093</u>
Total current liabilities	<u>2,143,188</u>	<u>847,530</u>
NET ASSETS		
Without donor restrictions:		
Invested in property and equipment	17,617,772	13,938,859
Board designated fund for future use	8,055,281	12,118,033
Available for operations	<u>245,312</u>	<u>1,458,155</u>
Total net assets without donor restrictions	25,918,365	27,515,047
With donor restrictions	<u>2,963,493</u>	<u>2,850,923</u>
Total net assets	<u>28,881,858</u>	<u>30,365,970</u>
TOTAL	<u>\$ 31,025,046</u>	<u>\$ 31,213,500</u>

See notes to financial statements.

THE HUMANE SOCIETY OF THE PIKES PEAK REGION

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contract services	\$ 8,147,021	\$ —	\$ 8,147,021
Contributions — financial assets	4,541,849	2,853,698	7,395,547
Contributions — nonfinancial assets	559,594	—	559,594
Shelter fees	2,605,809	—	2,605,809
Investment loss, net	(1,608,832)	—	(1,608,832)
Special events (net of costs of direct benefits to donors of \$60,500)	714,560	—	714,560
Change in value of beneficial interest in perpetual trusts	—	(278,911)	(278,911)
Total	<u>14,960,001</u>	<u>2,574,787</u>	<u>17,534,788</u>
Net assets released from restrictions — satisfaction of time and purpose restrictions	<u>2,462,217</u>	<u>(2,462,217)</u>	<u>—</u>
Total support and revenues	<u>17,422,218</u>	<u>112,570</u>	<u>17,534,788</u>
EXPENSES			
Program services:			
Animal shelter and law enforcement	14,980,081	—	14,980,081
Youth education and communications	491,642	—	491,642
Supporting services:			
General and administrative	1,741,299	—	1,741,299
Fundraising	1,805,878	—	1,805,878
Total expenses	<u>19,018,900</u>	<u>—</u>	<u>19,018,900</u>
CHANGE IN NET ASSETS	(1,596,682)	112,570	(1,484,112)
NET ASSETS, Beginning of year	<u>27,515,047</u>	<u>2,850,923</u>	<u>30,365,970</u>
NET ASSETS, End of year	<u>\$ 25,918,365</u>	<u>\$ 2,963,493</u>	<u>\$ 28,881,858</u>

See notes to financial statements.

THE HUMANE SOCIETY OF THE PIKES PEAK REGION

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contract services	\$ 7,238,722	\$ —	\$ 7,238,722
Contributions — financial assets	3,756,790	2,085,909	5,842,699
Contributions — nonfinancial assets	501,107	—	501,107
Shelter fees	2,494,140	—	2,494,140
Investment income, net	1,418,878	—	1,418,878
Special events (net of costs of direct benefits to donors of \$35,000)	624,435	—	624,435
Change in value of beneficial interest in perpetual trusts	—	125,241	125,241
Total	16,034,072	2,211,150	18,245,222
Net assets released from restrictions — satisfaction of time and purpose restrictions	676,953	(676,953)	—
Total support and revenues	16,711,025	1,534,197	18,245,222
EXPENSES			
Program services:			
Animal shelter and law enforcement	13,016,625	—	13,016,625
Youth education and communications	414,732	—	414,732
Supporting services:			
General and administrative	1,749,761	—	1,749,761
Fundraising	1,441,286	—	1,441,286
Total expenses	16,622,404	—	16,622,404
Revenues over expenses	88,621	1,534,197	1,622,818
Refundable advance	1,607,895	—	1,607,895
Gain on disposal of asset	34,859	—	34,859
CHANGE IN NET ASSETS	1,731,375	1,534,197	3,265,572
NET ASSETS, Beginning of year	25,783,672	1,316,726	27,100,398
NET ASSETS, End of year	\$ 27,515,047	\$ 2,850,923	\$ 30,365,970

See notes to financial statements.

THE HUMANE SOCIETY OF THE PIKES PEAK REGION

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services			Supporting Services			Total Expenses
	Animal Shelter and Law Enforcement	Youth Education and Communications	Total	General and Administrative	Fundraising	Total	
Salaries and related expenses	\$ 10,446,102	\$ 351,691	\$ 10,797,793	\$ 1,337,805	\$ 921,827	\$ 2,259,632	\$ 13,057,425
Animal care	1,421,986	1,311	1,423,297	—	—	—	1,423,297
Depreciation	945,498	20,737	966,235	47,774	10,226	58,000	1,024,235
Office, shelter and computer costs	592,584	19,068	611,652	111,916	284,005	395,921	1,007,573
Utilities and telephone	423,318	8,562	431,880	64,630	6,472	71,102	502,982
Printing, postage and mailing	63,606	7,453	71,059	6,578	322,501	329,079	400,138
Insurance	265,431	3,705	269,136	21,794	4,537	26,331	295,467
Rent	250,000	—	250,000	—	—	—	250,000
Facility maintenance	206,659	7,959	214,618	15,377	3,335	18,712	233,330
Vehicle maintenance	208,851	703	209,554	13,241	—	13,241	222,795
Special event expenses	—	—	—	—	211,566	211,566	211,566
Public relations	39,348	25,318	64,666	20,066	56,405	76,471	141,137
Professional fees	6,898	35,077	41,975	50,834	26,229	77,063	119,038
Travel	39,428	6,276	45,704	15,977	10,623	26,600	72,304
Dues and subscription	22,109	3,782	25,891	17,232	8,652	25,884	51,775
Contract labor	29,318	—	29,318	17,732	—	17,732	47,050
Equipment maintenance	18,945	—	18,945	343	—	343	19,288
TOTAL EXPENSES BY FUNCTION	14,980,081	491,642	15,471,723	1,741,299	1,866,378	3,607,677	19,079,400
Less expenses included with revenues on the statement of activities:							
Cost of direct benefit to donors	—	—	—	—	(60,500)	(60,500)	(60,500)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION ON THE STATEMENT OF ACTIVITIES	\$ 14,980,081	\$ 491,642	\$ 15,471,723	\$ 1,741,299	\$ 1,805,878	\$ 3,547,177	\$ 19,018,900
PERCENTAGE	79%	2%	81%	9%	10%	19%	100%

See notes to financial statements.

THE HUMANE SOCIETY OF THE PIKES PEAK REGION

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services			Supporting Services			Total Expenses
	Animal Shelter and Law Enforcement	Youth Education and Communications	Total	General and Administrative	Fundraising	Total	
Salaries and related expenses	\$ 8,677,147	\$ 270,608	\$ 8,947,755	\$ 1,316,014	\$ 806,345	\$ 2,122,359	\$ 11,070,114
Animal care	1,394,512	8,505	1,403,017	—	—	—	1,403,017
Depreciation	866,657	39,096	905,753	58,011	28,772	86,783	992,536
Office, shelter and computer costs	539,670	8,113	547,783	111,262	110,136	221,398	769,181
Utilities and telephone	367,324	6,221	373,545	34,146	5,162	39,308	412,853
Printing, postage and mailing	55,050	8,179	63,229	7,398	266,413	273,811	337,040
Insurance	297,711	4,238	301,949	19,039	3,857	22,896	324,845
Facility maintenance	225,652	7,470	233,122	44,140	3,303	47,443	280,565
Rent	250,000	—	250,000	—	—	—	250,000
Vehicle maintenance	209,807	551	210,358	12,016	—	12,016	222,374
Special event expenses	—	—	—	—	169,049	169,049	169,049
Professional fees	26,649	28,834	55,483	69,376	22,901	92,277	147,760
Public relations	28,607	30,697	59,304	15,173	46,935	62,108	121,412
Dues and subscription	22,031	1,390	23,421	29,194	5,028	34,222	57,643
Travel	29,909	830	30,739	12,240	8,060	20,300	51,039
Contract labor	8,576	—	8,576	20,910	325	21,235	29,811
Equipment maintenance	17,323	—	17,323	842	—	842	18,165
TOTAL EXPENSES BY FUNCTION	13,016,625	414,732	13,431,357	1,749,761	1,476,286	3,226,047	16,657,404
Less expenses included with revenues on the statement of activities:							
Cost of direct benefit to donors	—	—	—	—	(35,000)	(35,000)	(35,000)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION ON THE STATEMENT OF ACTIVITIES	\$ 13,016,625	\$ 414,732	\$ 13,431,357	\$ 1,749,761	\$ 1,441,286	\$ 3,191,047	\$ 16,622,404
PERCENTAGE	78%	3%	81%	10%	9%	19%	100%

See notes to financial statements.

THE HUMANE SOCIETY OF THE PIKES PEAK REGION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
OPERATING ACTIVITIES		
Change in net assets	\$ (1,484,112)	\$ 3,265,572
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,024,235	992,536
Gain on sale of land and property and equipment	—	(34,859)
Net realized and unrealized (gains) losses on investments	1,853,598	(1,119,288)
Gain from refundable advance	—	(1,607,895)
Change in value of beneficial interest in perpetual trusts	278,911	(125,241)
Changes in operating assets and liabilities:		
Pledges receivable	(122,773)	(193,750)
Bequests receivable	(319,051)	1,089,802
Grant receivable	—	(150,000)
Prepaid expenses and other current assets	12,336	4,953
Accounts payable	125,197	(439,981)
Accrued expenses	75,249	71,944
Net cash provided by operating activities	<u>1,443,590</u>	<u>1,753,793</u>
INVESTING ACTIVITIES		
Proceeds from sale of equipment	—	43,714
Purchases of property and equipment	(4,703,148)	(976,893)
Proceeds from sales of investments	6,411,175	4,559,039
Purchases of investments	<u>(4,467,363)</u>	<u>(4,854,118)</u>
Net cash used in investing activities	<u>(2,759,336)</u>	<u>(1,228,258)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,315,746)	525,535
CASH AND CASH EQUIVALENTS, Beginning of year	<u>4,295,173</u>	<u>3,769,638</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 2,979,427</u>	<u>\$ 4,295,173</u>
SUPPLEMENTAL NON CASH FINANCING ACTIVITIES		
Property and equipment financed with note payable	<u>\$ 1,095,212</u>	<u>\$ —</u>

See notes to financial statements.

THE HUMANE SOCIETY OF THE PIKES PEAK REGION

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Humane Society of the Pikes Peak Region (Society) is a local, independent nonprofit organized in 1949 for the protection and care of homeless and abused animals. The Society provides services in Colorado Springs, Pueblo, Douglas County and the City of Centennial, helping over 27,000 and 23,000 animals annually for the years ended December 31, 2022 and 2021, respectively.

Shelter services include adoption, reuniting lost pets, medical care for sick and injured animals, spaying and neutering, relinquishment prevention, an extensive volunteer program, foster homes and a transfer program supporting Southeast Colorado and New Mexico shelters in need.

Animal Law Enforcement (ALE) provides contracted services to El Paso County, Colorado Springs, the City and County of Pueblo, Fountain, Monument, Calhan, Manitou, Centennial and Douglas County. These services provide health and public safety protection for the residents and the animals. During the years ended December 31, 2022 and 2021, ALE conducted 4,506 and 4,627 cruelty and other investigations in these areas, respectively.

The surgery center provides subsidized spay or neuter services to the public and vaccinations for pet owners in financial need. The Society's veterinary team also provides extensive medical care to rehabilitate shelter animals to prepare them for adoption.

The Society is not affiliated with national animal welfare groups and depends on donations to achieve its mission: to offer compassionate care to animals, support safe communities, and provide socially conscious sheltering.

Basis of Presentation — The Society reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which represent the expendable resources that are available for operations at management's discretion; and net assets with donor restrictions, which represent resources restricted by donors as to purpose or by the passage of time and resources for which use by the Society is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Society.

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

Cash and Equivalents — The Society considers all liquid investments with an original maturity of three months or less, which are not held for long-term investment purposes, to be cash equivalents.

Cash and liquid financial instruments held for long-term investment purposes, regardless of length to maturity, are reported as investments and excluded from this definition.

Pledges Receivable — Unconditional pledges receivable are recognized in the period received. Pledges receivable are recorded at net realizable value if expected to be collected within one year and at the present value of estimated future cash flows if expected to be collected in more than one year. The discounts on these amounts are computed using a risk adjusted discount rate applicable to the year in which the pledge is received. Amortization of the discount is included in contribution revenue. Conditional pledges receivable are recognized when the conditions on which they depend are substantially met.

The Society uses the allowance method to account for uncollectible pledges receivable. The allowance is based on historical experience and management's analysis of individual pledges. Pledges receivable are considered by management to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary.

Bequests Receivable — The Society is the beneficiary of estates which consist of real estate, cash and investments. The estimated fair value of the trust assets were recognized as an asset and as contribution revenue when the estates are reported to the Society and the fair value is reasonably estimable.

Investments — Investments are reported at fair value. Realized and unrealized gains and losses are included as revenue without donor restrictions in the statements of activities. Donated investments are recorded at fair market value on the date of donation. See Note 7 for information on fair value measurements.

Property and Equipment — Property and equipment are recorded at cost, or if donated, at the estimated fair value at the date of donation. Depreciation is provided using the straight-line method over the following estimated useful lives:

Building and improvements	15 – 40 years
Equipment	3 – 10 years
Vehicles	5 – 7 years
Computer equipment	3 – 7 years

The Society's policy is to capitalize acquisitions of property and equipment costing in excess of \$2,500 and having a useful life exceeding one year.

Unless explicit donor stipulations specify how donated assets must be used, gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted gifts and contributions. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when acquired long-lived assets are placed in service.

Contributed Services — Contributed services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Society; however, these services are not reflected in the financial statements since they do not meet the criteria for recognition as contributed services. The Society received approximately 119,000 and 121,000 volunteer hours for the years ended December 31, 2022 and 2021, respectively.

Donated Materials and Rent — Donated materials are recorded in the financial statements at their estimated fair value on the date of receipt. The Society received donated materials and animal care supplies of approximately \$310,000 and \$251,000 for the years ended December 31, 2022 and 2021, respectively. For the years ended December 31, 2022 and 2021, the Society received donated rent of approximately \$250,000 in connection with the use of the Pueblo facility owned by Pueblo County.

Contract Revenue — Contract revenue is earned from providing animal control, shelter, and licensing services to various counties and cities in the area. These contracts generally extend across one calendar year and are considered to contain one performance obligation. As a result, revenue is recognized evenly across the term of the contract.

Contributions — Contributions are recognized as revenue when the donor makes a promise to give to the Society that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a donor-stipulated time restriction ends, or a 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.

Advertising Expenses — The Society expenses advertising costs as they are incurred. Total advertising expenses of \$51,400 and \$53,300 for 2022 and 2021, respectively, are included in the public relations caption on the statement of functional expenses.

Income Taxes — The Society is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Society qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Society believes that it does not have any uncertain tax positions that are material to the financial statements.

Changes in Accounting Principles — In September 2020, the Financial Accounting Standards Board (FASB) issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of operations and changes in net assets, apart from contributions of cash or other financial assets.

The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

Subsequent Events — The Society has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

2. LIQUIDITY AND AVAILABILITY

The following table reflects the Society's financial assets as of December 31, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include net assets with donor restrictions and board designated funds that are intended to fund special board initiatives not considered in the annual operating budget. While the Society does not intend to spend these for purposes other than those identified, the amounts could be made available for current operations, if necessary.

	2022	2021
Cash and cash equivalents	\$ 2,979,427	\$ 4,295,173
Pledges receivable	316,523	193,750
Bequests receivable	413,000	93,949
Grants receivable	150,000	150,000
Cash and investments, long-term	7,173,572	10,970,981
Beneficial interest in perpetual trusts	<u>1,031,182</u>	<u>1,310,093</u>
Total financial assets	<u>12,063,704</u>	<u>17,013,946</u>
Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with time restrictions	(729,523)	—
Restricted by donors with purpose restrictions	(1,202,788)	(1,540,830)
Restricted by donors in perpetuity	<u>(1,031,182)</u>	<u>(1,310,093)</u>
Total amounts unavailable for general expenditures within one year	<u>(2,963,493)</u>	<u>(2,850,923)</u>
Less amounts unavailable to management without Board's approval:		
Board designated for future use	<u>(8,055,281)</u>	<u>(12,118,033)</u>
Total financial assets available to management to meet cash needs for general expenditures within one year	<u>\$ 1,044,930</u>	<u>\$ 2,044,990</u>

As part of the Society's liquidity management, it has a policy to establish and maintain working capital reserves. Working capital reserves are defined as Current Assets less Current Liabilities. The reserve is intended to secure the future by sustaining the Society through adverse times or to provide an ability to seize opportunities.

3. FUNCTIONAL EXPENSES ALLOCATION METHOD

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Society. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include wages and related benefits which are allocated on the basis of estimates of time and effort spent by personnel in the various program and supporting services.

4. BOARD DESIGNATED NET ASSETS

It is the policy of the Board of Directors of the Society to review its plans for future needs and to designate appropriate sums to assure adequate financing for the needs identified. Amounts designated by the Board of Directors for specific future needs are treated as board designated net assets without donor restrictions. The balance can be transferred to the portion of net assets without donor restrictions available for operations at the Board's discretion. Amounts designated for future use by the Board are \$8,055,281 and \$12,118,033 as of December 31, 2022 and 2021, respectively.

Board designated assets for future use included on the statement of financial position are as follows:

	2022	2021
Cash and cash equivalents	\$ 881,709	\$ 1,147,052
Cash and investments, long-term	<u>7,173,572</u>	<u>10,970,981</u>
Total	<u>\$ 8,055,281</u>	<u>\$ 12,118,033</u>

The Society has adopted investment and spending policies for the board designated fund that are attempting to provide a predictable stream of funding while seeking to maintain the purchasing power of the assets. Specifically, the primary investment management objectives of the fund are to emphasize long-term growth of principal while avoiding excessive risk and ensuring the ability to meet all expected cash flow needs by investing in securities which could be sold readily and efficiently. Short-term volatility is tolerated in as much as it has been consistent with the volatility of a comparable market index.

To satisfy its long-term investment 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 objectives within prudent risk constraints.

The Society's expected distributions from the board designated fund are approximately 4% of assets annually, although this percentage may vary.

5. BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Society is an income beneficiary of three separate trusts whose principal is held at various financial institutions in perpetuity.

The Society's share of the fair value of the trusts totaled \$1,031,182 and \$1,310,093 at December 31, 2022 and 2021, respectively.

The fair value of the Society's interest in the trusts is determined primarily based on the Society's proportionate share of the fair value of the underlying assets of the trusts. Fair value of the underlying assets is determined using quoted market prices and pricing services. The Society received \$63,383 and \$55,327 in distributions from the trusts during the years ended December 31, 2022 and 2021, respectively. The change in the beneficial interest in the trusts was (\$278,911) and \$125,241 and in 2022 and 2021, respectively.

6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2022	2021
Building and improvements	\$ 23,146,584	\$ 17,608,004
Vehicles	2,210,466	1,844,650
Equipment	1,982,169	1,729,632
Computer equipment	503,209	477,785
Land	400,178	400,178
Construction in progress	<u>15,838</u>	<u>399,836</u>
Total	28,258,444	22,460,085
Less accumulated depreciation	<u>(9,545,460)</u>	<u>(8,521,226)</u>
Property and equipment, net	<u>\$ 18,712,984</u>	<u>\$ 13,938,859</u>

7. FAIR VALUE DISCLOSURES

The Society is required to use a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the Society has the ability to access.

Level 2: Prices determined using significant other observable inputs. 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: Prices determined using significant unobservable inputs.

The 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.

The following is a description of the valuation methodologies used for the Society's assets measured at fair value. There have been no changes in the methodologies used for the years ended December 31, 2022 and 2021.

Common stocks and mutual funds — Valued at quoted prices in active markets.

Fixed income securities — Valued at quoted prices for similar instruments in active markets and quoted prices for identical or similar instruments in markets that are not active, particularly dealer market prices for comparable investments as of the valuation date.

See Note 5 regarding the fair value methodology of beneficial interest in perpetual trusts held by the Society.

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

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2022:				
Cash and money market funds	\$ 501,316	\$ 501,316	\$ —	\$ —
Common stocks:				
Domestic	3,221,961	3,221,961	—	—
International	261,390	261,390	—	—
Mutual funds - equity:				
Domestic	1,145,537	1,145,537	—	—
International	595,651	595,651	—	—
Mutual funds - fixed income:				
Domestic	910,304	910,304	—	—
International	40,396	40,396	—	—
Fixed income securities:				
U.S. treasury notes	349,433	—	349,433	—
Corporate notes	98,254	—	98,254	—
Foreign notes	49,330	—	49,330	—
Total investments	7,173,572	6,676,555	497,017	—
Beneficial interest in perpetual trusts	1,031,182	—	1,031,182	—
Total	<u>\$ 8,204,754</u>	<u>\$ 6,676,555</u>	<u>\$ 1,528,199</u>	<u>\$ —</u>

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2021:				
Cash and money market funds	\$ 1,666,130	\$ 1,666,130	\$ —	\$ —
Common stocks:				
Domestic	4,564,137	4,564,137	—	—
International	329,105	329,105	—	—
Mutual funds - equity:				
Domestic	1,812,285	1,812,285	—	—
International	954,145	954,145	—	—
Mutual funds - fixed income:				
Domestic	887,532	887,532	—	—
International	49,742	49,742	—	—
Fixed income securities:				
U.S. treasury notes	498,673	—	498,673	—
Corporate notes	156,675	—	156,675	—
Foreign notes	<u>52,557</u>	<u>—</u>	<u>52,557</u>	<u>—</u>
Total investments	10,970,981	10,263,076	707,905	—
Beneficial interest in perpetual trusts	<u>1,310,093</u>	<u>—</u>	<u>1,310,093</u>	<u>—</u>
Total	<u>\$ 12,281,074</u>	<u>\$ 10,263,076</u>	<u>\$ 2,017,998</u>	<u>\$ —</u>

Net investment income (loss) was composed of the following for the years ended December 31:

	2022	2021
Net realized and unrealized gains (losses)	\$ (1,853,598)	\$ 1,119,288
Interest and dividends	222,693	291,235
Distributions from beneficial interest in perpetual trusts	63,383	55,327
Investment management and custodial fees	<u>(41,310)</u>	<u>(46,972)</u>
Investment income (loss), net	<u>\$ (1,608,832)</u>	<u>\$ 1,418,878</u>

8. NOTE PAYABLE

The Society entered into an agreement for a promissory note in June 2022 for up to \$2,000,000 to finance the construction of additional veterinarian clinic space. As of December 31, 2022, the outstanding balance on the note was \$1,095,212. The note carries interest at a rate of 5%, is secured by real property and improvements, and is payable over 24 monthly installments from January 2023 until December 2024.

Interest expense for the year ended December 31, 2022 was \$7,455. The Society intends to pay down the outstanding balance of \$1,095,212 in 2023. Therefore, the total balance of the note is classified as a current liability.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets that are restricted for a purpose and time consist of the following as of December 31:

	2022	2021
Restricted for purpose:		
Vet clinic expansion/remodel	\$ 994,984	\$ 1,361,694
Outreach	150,000	158,600
Emergency response	30,000	—
Other	<u>27,804</u>	<u>20,536</u>
Total restricted for purpose	<u>1,202,788</u>	<u>1,540,830</u>
Subject to the passage of time:		
Pledges receivable	316,523	—
Bequests receivable	<u>413,000</u>	<u>—</u>
Total subject to the passage of time	<u>729,523</u>	<u>—</u>
Beneficial interest in perpetual trusts not subject to The Society's spending policy and appropriation	<u>1,031,182</u>	<u>1,310,093</u>
Total net assets with donor restrictions	<u>\$ 2,963,493</u>	<u>\$ 2,850,923</u>

10. RETIREMENT PLAN

The Society maintains The Humane Society of the Pikes Peak Region Profit Sharing 401(k) plan (the Plan). The Plan allows eligible employees to make elective salary reduction contributions. On January 1, 2013 the Society adopted a Safe Harbor Plan. The Society contributes a matching contribution in an amount equal to 100% of an employee's contribution of 3%, plus 50% of an employee's contribution that exceeds 3% but does not exceed 5%. In addition, the Plan allows for an annual profit-sharing contribution at the discretion of the Society. To be eligible for the Society's discretionary matching and non-matching contributions, employees must have completed one year of service, must have attained the age of 18 and be employed on the last day of the Plan year. The Society's contributions for the years ended December 31, 2022 and 2021 were \$202,155 and \$175,901, respectively.

11. PLEDGES RECEIVABLE

Pledges receivable are expected to be collected as follows:

2023	\$ 179,790
2024	<u>136,733</u>
Total	<u>\$ 316,523</u>

12. CONCENTRATIONS

The Society maintains its cash in various bank deposit accounts which at times, may exceed federally insured limits.

Management does not believe that the Society is exposed to any significant risk related to cash and equivalents.

The Society's investments are exposed to various risks, such as interest rate, market, and credit risks. Investments are made by investment managers engaged by the Society and the investments are monitored by the Society. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Society.

The Society receives contributions from a diverse number of organizations and individuals located predominantly in the Pikes Peak Region of Colorado. The Society received two contributions that made up 25% and 19% of total contributions for the year ended December 31, 2022 and 2021, respectively. The Society receives a significant portion of total revenues from contract services and fees from ten governmental entities.

The Society received bequests of \$2,245,009 and \$1,042,856 for the years ended December 31, 2022 and 2021, respectively.

13. CONTRIBUTIONS — NONFINANCIAL ASSETS

Contributions of nonfinancial assets consist of the following for the year ended December 31:

	Revenue Recognized	Utilization in Programs / Activities	Donor Restriction	Valuation Techniques / Inputs
2022:				
Donated rent	\$ 250,000	Space used for operations	None	Fair market value
Supplies	234,743	Used at shelters	None	Fair market value
Auction donations	66,851	Fundraising	None	Fair market value
Telephone support	<u>8,000</u>	Call-in line	None	Fair market value
Total	<u>\$ 559,594</u>			
2021:				
Donated rent	\$ 250,000	Space used for operations	None	Fair market value
Supplies	214,417	Used at shelters	None	Fair market value
Auction donations	<u>36,690</u>	Fundraising	None	Fair market value
Total	<u>\$ 501,107</u>			

THE HUMANE SOCIETY OF THE PIKES PEAK REGION

SUPPLEMENTAL INFORMATION

THE HUMANE SOCIETY OF THE PIKES PEAK REGION

STATEMENT OF REVENUES AND EXPENSES – PUEBLO CAMPUS YEAR ENDED DECEMBER 31, 2022

REVENUES	
Contract Revenues	\$ 2,367,948
Shelter Revenue	368,645
License Fees	130,992
Net Fund Raising	104,489
Impound	45,552
Bond, Restitution, Board, Transport, Other	<u>44,015</u>
Total	<u>3,061,641</u>
EXPENSES	
Animal Care/Shelter	1,038,878
ALE Field Services	990,676
Clinic	699,908
Customer Service/Admissions	386,808
Administration	260,392
ALE Dispatch	143,258
ALE Administrative	69,177
TNR	62,276
Volunteers	61,514
ALE Licensing	47,597
Communications	<u>41,837</u>
Total	<u>3,802,321</u>
Contract Deficit	<u>\$ (740,680)</u>