

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.
A Colorado Non-Profit Corporation

BASIC FINANCIAL STATEMENTS

For the Year Ended December 31, 2022

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.
A Colorado Non-Profit Corporation

TABLE OF CONTENTS

	<u>Page</u>
Auditor's Report.....	1
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
Notes to the Financial Statements.....	7

HEIDI A. TRAINOR, CPA, PC

1 West Main Street, Suite 5
P.O. Box 808
Cortez, Colorado 81321
(970) 565-2435
(970) 565-2025
(970) 565-2443 Fax

Board of Directors
Humane Society of Pagosa Springs, Inc.
P.O. Box 2230
Pagosa Springs, CO 81147



Heidi A. Trainor, CPA, MS Tax

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

I have audited the financial statements of Humane Society of Pagosa Springs, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the notes to the financial statements. In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Humane Society of Pagosa Springs, Inc. as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The prior year summarized comparative information has been derived from the Organization's financial statements and, in our report dated August 1, 2022; I expressed an unmodified opinion on those financial statements.

Basis for Opinion

I conducted the audit in accordance with auditing standards generally accepted in the United States of America (GAAS). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. I am required to be independent of the Humane Society of Pagosa Springs, Inc. and to meet other ethical responsibilities. In accordance with the relevant ethical requirements relating the audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Key Audit Matters

Key audit matters are those matters that were communicated with those charged with governance and, in my professional judgement, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Responsibilities of Management for 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; this includes 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 Pagosa Springs' ability to continue as a going concern.

Auditor's Responsibility for the Audit of the Financial Statements

My 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 auditor's report that includes my 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 GAAS 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, individual or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, I:

- 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 understating 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 Pagosa Springs' 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 my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Humane Society of Pagosa Springs' ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.



Heidi A. Trainor, CPA, PC
July 10, 2023

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.
A Colorado Non-Profit Corporation

STATEMENT OF FINANCIAL POSITION
For the Year Ended December 31

	2022	2021
ASSETS		
Cash and Cash Equivalents	\$ 649,172	\$ 576,269
Accounts Receivable	--	679
Prepaid Insurance	5,136	5,136
Inventory	54,937	61,814
Fixed Assets, Net	1,545,434	1,611,571
TOTAL ASSETS	2,254,679	\$ 2,255,469
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	\$ 10,481	\$ 11,055
Accrued Expenses	32,341	40,480
Payroll Liabilities	5,975	5,790
Sales Tax Payable	3,814	2,959
Current Portion of Long-Term Debt	18,141	17,258
Total Current Liabilities	70,752	77,542
LONG TERM DEBT - Net of Current Portion	431,678	449,449
Total Liabilities	502,430	526,991
NET ASSETS		
Without Donor Restrictions	1,752,249	1,728,478
Total Net Assets	1,752,249	1,728,478
TOTAL LIABILITIES AND NET ASSETS	\$ 2,254,679	\$ 2,255,469

See notes to the financial statements.

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.
A Colorado Non-Profit Corporation

STATEMENT OF ACTIVITIES
For the Year Ended December 31

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	
OPERATING REVENUES, GAINS AND OTHER SUPPORT				
Program	\$ 62,109	\$ --	\$ 62,109	\$ 170,538
Thrift Store	600,427		600,427	455,247
Grants	--	51,207	51,207	32,091
Public Support	240,266	--	240,266	491,309
Contribution Income	84,474	--	84,474	96,586
Investment Income	714	--	714	442
In-Kind	13,495	--	13,495	18,088
Fundraising	121,249	--	121,249	107,458
Net Assets Released from Restriction	51,207	(51,207)	--	--
	1,173,941	--	1,173,941	1,371,759
TOTAL OPERATING REVENUES, GAINS AND OTHER SUPPORT				
OPERATING EXPENSES				
Program	970,262	--	970,262	591,931
Fundraising	31,663	--	31,663	29,202
General and Administrative	148,245	--	148,245	343,378
	1,150,170	--	1,150,170	964,511
TOTAL OPERATING EXPENSES				
CHANGE IN NET ASSETS	23,771	--	23,771	407,248
NET ASSETS AT BEGINNING OF YEAR	1,728,478	--	1,728,478	1,321,230
NET ASSETS AT END OF YEAR	\$ 1,752,249	\$ --	\$ 1,752,249	\$ 1,728,478

See notes to the financial statements.

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.
A Colorado Non-Profit Corporation

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ending December 31

2022

	SUPPORTING SERVICES			Total Support	Total Expenses	2021
	Program	Management and General	Fundraising			
COMPENSATION AND RELATED EXPENSES:						
Payroll	\$ 498,185	\$ 95,785	\$ 100	\$ 95,885	\$ 594,070	\$ 550,925
Payroll Taxes	44,033	8,512	--	8,512	52,545	48,026
TOTAL COMPENSATION AND RELATED EXPENSES	542,218	104,297	100	104,397	646,615	598,951
Marketing	557	10,907	--	10,907	11,464	18,241
Security	2,839	--	--	--	2,839	2,147
Building/Equipment Repairs	28,132	1,999	--	1,999	30,131	19,544
Depreciation Expense	71,032	--	--	--	71,032	70,624
Insurance	34,174	984	756	1,740	35,914	29,788
Postage and Delivery	--	2,158	--	2,158	2,158	1,201
Auto Expense	5,278	236	--	236	5,514	5,576
Program	48,444	--	--	--	48,444	28,493
Telecommunications	2,633	955	--	955	3,588	4,656
Bank Charges	9,311	814	120	934	10,245	8,206
Fundraising Events	--	3,124	28,687	31,811	31,811	11,653
Facilities	85,445	11,471	--	11,471	96,916	33,846
Professional Fees	12,171	5,738	2,000	7,738	19,909	20,974
Interest	23,270	--	--	--	23,270	24,145
Veterinary Expense	40,777	--	--	--	40,777	41,478
Crematorium Expense	14,281	--	--	--	14,281	11,294
Staff Incentives	3,850	1,057	--	1,057	4,907	5,179
Supplies	31,491	4,505	--	4,505	35,996	9,638
Miscellaneous Expense	864	--	--	--	864	789
Total Expenses Before In-Kind	956,767	148,245	31,663	179,908	1,136,675	946,423
In Kind	13,495	--	--	--	13,495	18,088
TOTAL EXPENSES	\$ 970,262	\$ 148,245	\$ 31,663	\$ 179,908	\$ 1,150,170	\$ 964,511

See notes to the financial statements.

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.
A Colorado Non-Profit Corporation

STATEMENT OF CASH FLOWS
For the Year Ended December 31

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Retail Sales	\$ 526,609	\$ 485,012
Cash Received from Shelter Services	143,483	140,772
Cash Received from Contributors	324,740	395,895
Cash Received from Grantors	51,207	32,091
Cash Received from Fundraising	121,249	107,458
Cash Received from Interest and Dividends	714	442
Cash Paid for Program Expenses	(893,408)	(472,140)
Cash Paid for Fundraising Expenses	(31,663)	(29,202)
Cash Paid for General and Administrative Expenses	(148,245)	(303,470)
Net Cash Provided by Operating Activities	94,686	356,858
CASH FLOWS FROM CAPITAL AND RELATED FINANCING		
Purchase of Capital Assets	--	--
Debt Proceeds	(1,895)	(96,586)
Principal Payments on Long Term Debt	(16,888)	(16,054)
Net Cash Used By Financing Activities	(18,783)	(112,640)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	75,903	244,218
CASH AND CASH EQUIVALENTS, Beginning of Year	576,269	332,051
CASH AND CASH EQUIVALENTS, End of Year	\$ 652,172	\$ 576,269
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change In Net Assets	\$ 23,771	\$ 407,278
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation and Amortization	71,032	70,624
PPP Loan Forgiveness	--	96,586
Land Donation	--	(192,000)
(Increase) Decrease In:		
Accounts Receivable	679	91
Prepaid Expense	--	(1,566)
Inventories	6,877	(29,294)
Increase (Decrease) In:		
Accounts Payable	(574)	(1,755)
Accrued Vacation	(2,504)	(120)
Accrued Wages	(5,635)	4,770
Accrued Payroll Liabilities	185	1,413
Sales Tax Payable	855	831
Total Adjustments	70,915	(50,420)
Net Cash Provided By Operating Activities	\$ 94,686	\$ 356,858

See notes to the financial statements.

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.
A Colorado Non-Profit Corporation

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE A – NATURE OF CORPORATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Humane Society of Pagosa Springs, Inc. is a non-profit corporation whose primary objective is to protect and prevent cruelty and neglect of animals in Archuleta County, Colorado. The organization is primarily supported by contributions from the public and income from a thrift shop. This organization was started in 1984.

Basis of Presentation

The financial statements of the Organization are prepared using the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net Assets Without Donor Restriction – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets With Donor Restriction – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

Contributions

Contributions, which include unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until such time as the conditions are substantially met.

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.
A Colorado Non-Profit Corporation

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE A - NATURE OF CORPORATION AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Contributions of non-cash assets are recognized at their estimated fair market value on the date of contribution. Contributions to be collected in future years are recorded at fair value when the promise is made.

A substantial number of volunteers donate significant amounts of time in the furtherance of the Organization's objectives. The value of these services is not recognized in these financial statements as they do not meet the specific criteria for recognition under generally accepted accounting principles.

Cash and Cash Equivalents

The Organization considers all highly liquid assets purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist primarily of checking accounts and certificates of deposit that are stated at fair value, which approximates cost. The Organization maintains its cash and cash equivalents in depository institution accounts that are within federally insured limits. The Organization has not experienced any losses in such accounts.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the fair value on the date of donation. The Organization follows a policy whereby it capitalizes purchases of property and equipment greater than \$500. Depreciation is recorded using the straight-line method over the following estimated useful lives:

Buildings and Improvements	40 years
Furniture, fixtures, and equipment	3 to 10 years

In-Kind Gifts

The Organization recognizes contribution revenue for certain donated services and materials received at the fair value of those services and materials. During the year ending December 31, 2021, contributed services and materials totaled \$18,188 and \$13,495 in 2023.

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.
A Colorado Non-Profit Corporation

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE A - NATURE OF CORPORATION AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Functional Allocation of Expenses

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

Income Taxes

The Internal Revenue Service has classified the Organization as tax-exempt under Section 501(c)3 of the Internal Revenue Code. Accordingly, no provision for Federal income tax has been made in the financial statements. The Organization follows the guidance of Accounting Standards Codification (ASC) 740, *Accounting for Income Taxes* (ASC 740), related to uncertainties in income taxes, which prescribes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. There are no such uncertain tax positions for the Organization for the year ended December 31, 2021 and 2022.

Forms 990, *Return of Organization Exempt from Income Tax*, for the years ended December 31, 2019, 2020, 2021 and 2022 are subject to examination by the Internal Revenue Service, generally for three years after filing.

Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued.

Use of Estimates

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.

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.
A Colorado Non-Profit Corporation

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE B – CASH AND CASH EQUIVALENTS

Deposits

Following is a reconciliation of the Humane Society’s cash as shown in the basic financial statements:

	2022	2021
General fund checking	\$ 456,741	\$ 416,974
General fund Money Markets	192,431	159,295
Total Cash	\$ 649,172	\$ 576,269

The Organization maintains its cash deposits in accounts at various financial institutions which, at times during the year may exceed the federally insured limits. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. As of December 31, 2021, \$138,743 exceeded the FDIC insurance limits and \$167,394 exceeded FDIC limits as of December 31, 2022.

NOTE C - ADVERTISING COSTS

Advertising costs are expensed as incurred.

NOTE D – INVENTORY

The Organization receives contributions of goods and materials (inventory) and processes these contributions as merchandise available for sale in its retail thrift store. Financial accounting standards require that contributions received be recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received and that they be measured at their fair value.

The Organization believes that the inventory of contributed goods and materials does not possess an attribute that is easily measurable or verifiable with sufficient reliability to determine an inventory value at the time of donation. It is only through the value-added processes that prepare the donated inventory for sale that the donated inventory has value.

Accordingly, contributed goods and materials inventory are valued at zero prior to being offered for sale.

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.
A Colorado Non-Profit Corporation

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE D – INVENTORY (Continued)

The Organization considers the costs associated with bringing the donated inventory to sale (i.e., donation collection, transportation, sorting and pricing expenses) in its estimate of the fair value of inventory. The difference between year-end inventory valuations is shown on the Statement of Activities as Contribution Income. Contribution Income was \$18,412 as of December 31, 2022 and \$23,752 as of December 31, 2021. The 2022 increase of \$6,877 is reported in cost of sales.

NOTE E – PROPERTY AND EQUIPMENT

The components of property and equipment as of December 31 are as follows:

	2022	2021
Automobiles	\$ 46,484	\$ 46,484
Buildings	1,656,431	1,656,431
Improvements	415,405	415,405
Machinery and equipment	98,974	93,630
Land	242,625	242,625
Less:		
Accumulated depreciation	(914,485)	(843,003)
	\$ 1,545,434	\$ 1,611,572

NOTE F – COMPENSATED ABSENCES

Full time employees earn paid time off based on their length of employment. After the first three months of employment, an employee earns ten days of paid time off per year. After two years of continuous employment an employee earns fifteen days of paid time off per year. And after five years of service an employee earns twenty-five days of paid time off per year. Paid time off that is earned but unused at the end of the year is limited to three weeks. The December 31, 2022 vacation accrual was \$10,152 and \$12,657 as of December 31, 2021.

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.
A Colorado Non-Profit Corporation

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE G – LONG-TERM DEBT

On December 23, 2008, the Humane Society of Pagosa Springs, Inc. refinanced their two loans with Citizens Bank with a new loan with Wells Fargo. This loan is payable in 360 monthly installments of \$3,346 including interest at 5%.

NOTE G – LONG-TERM DEBT (Continued)

The maturities of long-term debt as of December 31, 2022 are as follows:

2023	18,141
2024	19,069
2025	20,044
2026	21,070
2027-2038	370,262
TOTAL	\$ 448,586

NOTE H – NET ASSETS

As of December 31, net assets were for the following purposes:

	2022	2021
Invested In Fixed Assets Without Donor Restrictions	\$ --	\$ --
Invested In Fixed Assets With Donor Restrictions	--	--
Without Donor Restrictions	1,752,249	1,728,478
 TOTAL NET ASSETS	 \$ 1,752,249	 \$ 1,728,478

NOTE I – CASH FLOW INFORMATION

Cash paid for interest expense for the year ended December 31, 2022 was \$23,270 and \$24,145 for the year ended December 31, 2021.

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.
A Colorado Non-Profit Corporation

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE J – PUBLIC SUPPORT

The Organization received \$81,374 in 2022 and \$67,947 in 2021 of its Shelter fees from the Town of Pagosa Springs and Archuleta County, based on contracts for impound services that are renewed annually. Even though there is no assurance that these contracts will be renewed on an annual basis, they have been renewed annually for the past 24 years. Management of the Organization firmly believes these contracts will be renewed.

NOTE K – RELATED PARTY TRANSACTIONS

The Board of Directors contributed \$800 to the Humane Society during the year ended December 31, 2021 and \$2,020 for the year ended December 31, 2022.

NOTE L – LIQUIDITY and AVAILABILITY OF FINANCIAL ASSETS

The Humane Society's working capital and cash flows vary during the year attributable to various fundraising activities and the thrift store sales. Monthly cash outflows are fairly consistent with the exception of individual fundraising events. To manage liquidity the Executive Director maintains a money market account that can be drawn on as needed.

The following reflects the Humane Society's financial assets as of the balance sheet date. There are not any reductions for contractual, donor-imposed restrictions or internal designations that restrict the financial assets for general use within one year of the balance sheet date.

	2022	2021
Cash and Cash Equivalents	\$ 649,172	\$ 576,269
Accounts Receivable	--	679
Inventory	54,937	61,814
TOTAL FINANCIAL ASSETS	704,109	638,762
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	\$ 704,109	\$ 638,762

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.
A Colorado Non-Profit Corporation

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE M – SUBSEQUENT EVENT

There were no subsequent events to report at July 10, 2023, the date in which the Financial Statements were available.