

THE HORSE SHELTER

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

TOGETHER WITH INDEPENDENT AUDITORS' REPORT



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FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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TAYLORROTH

Certified Public Accountants

WORKING EXCLUSIVELY WITH NONPROFITS

December 14, 2021

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Horse Shelter
Santa Fe, New Mexico

We have audited the accompanying financial statements of **The Horse Shelter** (a New Mexico nonprofit corporation), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Horse Shelter as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Horse Shelter's financial statements for the year ended December 31, 2019, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 25, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Taylor Roth and Company PLLC

Taylor, Roth and Company, PLLC
Certified Public Accountants
Albuquerque, New Mexico

THE HORSE SHELTER
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020	2019
<u>Assets</u>		
Cash and cash equivalents	\$ 195,218	\$ 222,971
Inventory (Note 4)	50,387	88,118
Prepaid expenses and deposits	3,300	3,300
Investments (Note 5)	968,928	648,271
Property and equipment, net (Note 6)	189,055	192,903
Total assets	\$ 1,406,888	\$ 1,155,563
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 11,602	\$ -
Accrued payroll expenses	885	951
	12,487	951
<u>Net assets</u>		
Without donor restrictions		
Undesignated	1,185,346	941,709
Net investment in property and equipment	189,055	192,903
	1,374,401	1,134,612
With donor restrictions		
Restricted for purpose (Note 7)	20,000	20,000
Total net assets	1,394,401	1,154,612
Total liabilities and net assets	\$ 1,406,888	\$ 1,155,563

The accompanying notes are an integral part of these financial statements

THE HORSE SHELTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	<u>2020</u>			<u>2019</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
<u>Revenue and other support</u>				
Contributions	\$ 334,096	\$ 32,795	\$ 366,891	\$ 233,191
Grants	200,590	134,415	335,005	243,150
Thrift store	181,742	-	181,742	223,671
Less: cost of goods sold	(181,742)	-	(181,742)	(223,669)
Investment income (Note 5)	55,047	-	55,047	49,069
Special events	19,500	-	19,500	146,991
Less: direct donor benefits	(21,209)	-	(21,209)	(24,594)
Program revenue	13,675	-	13,675	16,890
In-kind donations (Note 8)	241,729	-	241,729	383,664
Net assets released from restrictions (Note 9)	167,210	(167,210)	-	
Total revenue and support	<u>1,010,638</u>	<u>-</u>	<u>1,010,638</u>	<u>1,048,363</u>
<u>Expense</u>				
Program services	556,949	-	556,949	538,745
Supporting services				
Management and general	38,940	-	38,940	48,074
Fund-raising	62,920	-	62,920	41,089
Enterprise - Thrift store	112,040	-	112,040	111,986
Total expense	<u>770,849</u>	<u>-</u>	<u>770,849</u>	<u>739,894</u>
Change in net assets	239,789	-	239,789	308,469
Net assets, beginning of year	<u>1,134,612</u>	<u>20,000</u>	<u>1,154,612</u>	<u>846,143</u>
Net assets, end of year	<u>\$ 1,374,401</u>	<u>\$ 20,000</u>	<u>\$ 1,394,401</u>	<u>\$ 1,154,612</u>

The accompanying notes are an integral part of these financial statements

THE HORSE SHELTER

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020				2019		
	Supporting Services			Enterprise		Total	Total
	Program Services	Management		Fund- raising	Thrift Store		
		and General					
Salaries and wages	\$ 216,545	\$ 15,999	\$ 34,847	\$ 50,848	\$ 318,239	\$ 317,828	
Payroll taxes and benefits	17,028	1,251	2,755	4,007	25,041	24,770	
Feed and supplements	104,878	-	-	-	104,878	112,094	
Occupancy - ranch facility	102,000	-	-	-	102,000	102,000	
Occupancy	7,377	149	6,627	39,148	53,301	48,939	
Insurance	34,203	954	-	-	35,157	25,464	
Veterinary services	23,858	-	-	-	23,858	20,085	
Advertising and marketing	15,547	-	5,973	508	22,028	6,144	
Accounting services	-	13,699	-	-	13,699	4,080	
Office expense	-	439	1,715	8,301	10,455	9,994	
Repairs and maintenance	8,569	-	-	-	8,569	13,188	
Bank charges	-	164	2,755	4,841	7,760	8,496	
Travel and transportation	6,136	363	-	337	6,836	13,745	
Printing and postage	-	-	3,945	-	3,945	7,476	
Outside services	1,407	-	1,518	-	2,925	2,966	
Fees, dues and permits	1,851	464	-	-	2,315	337	
Other	336	4,193	-	-	4,529	1,228	
Expense before depreciation	539,735	37,675	60,135	107,990	745,535	718,834	
Depreciation expense	17,214	1,265	2,785	4,050	25,314	21,060	
Total	\$ 556,949	\$ 38,940	\$ 62,920	\$ 112,040	\$ 770,849	\$ 739,894	

The accompanying notes are an integral part of these financial statements

THE HORSE SHELTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	<u>2020</u>	<u>2019</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 239,789	\$ 308,469
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Change in value of in-kind inventory	37,731	(61,523)
Donated stock	(5,610)	(70,813)
(Gains) on investments	(15,861)	(28,468)
Depreciation	25,314	21,060
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in grants receivable	-	93,000
(Increase)decrease in prepaid expenses and deposits	-	3,300
Increase(decrease) in accounts payable	11,602	-
Increase(decrease) in payroll-related	(66)	-
Net cash provided(used) by operating activities	<u>292,899</u>	<u>265,025</u>
<u>Cash flows from investing activities</u>		
(Reinvestment) of investment income	(39,186)	(20,601)
(Purchases) of investments	(260,000)	(222,469)
(Purchases) of property and equipment	(21,466)	(37,212)
Net cash provided(used) by investing activities	<u>(320,652)</u>	<u>(280,282)</u>
Net increase(decrease) in cash and cash equivalents	(27,753)	(15,257)
Cash and cash equivalents, beginning of year	<u>222,971</u>	<u>238,228</u>
Cash and cash equivalents, end of year	<u>\$ 195,218</u>	<u>\$ 222,971</u>

The accompanying notes are an integral part of these financial statements

THE HORSE SHELTER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1 - DESCRIPTION OF THE ORGANIZATION

The Horse Shelter (the Shelter) was founded by Jan Bandler, a lifelong animal lover and horsewoman, and incorporated as a New Mexico nonprofit corporation in 2000. The shelter facility is located about 20 miles south of Santa Fe, in Cerrillos, New Mexico, on approximately 128 acres of high desert country. The facility, which has the capacity to house up to 80 horses, serves as a sanctuary for New Mexico's abandoned, abused, and neglected horses. Rescued horses are rehabilitated and adopted out whenever possible to environments that support well-being and future long-term care. Shelter horses are housed, fed, and provided veterinary and farrier care. For some horses, the Shelter will be their sanctuary for life due to their age, history, or medical condition.

The Shelter is supported primarily by contributions and grants.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

The financial statements of The Horse Shelter have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

2. Basis of Presentation

The financial statements of The Horse Shelter have been prepared in accordance with U.S. generally accepted accounting principles, which require the Shelter to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Shelter'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 Shelter or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

3. Cash and Cash Equivalents

The Horse Shelter considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, unless held as a component of the investment portfolio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (continued)

4. Contributions

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

5. Revenue and Revenue Recognition

The Shelter recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give—that is, those with a measurable performance or other barrier and a right of return—are not recognized until the conditions on which they depend have been met.

6. Receivables

Management assesses the need for an allowance for uncollectable receivables based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Unconditional contributions receivable that are expected to be collected within one year are recorded at net realizable value. If material, receivables expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in revenue in the statement of activities. The Shelter has no receivables as of year-end.

7. Capitalization and Depreciation

The Shelter capitalizes all expenditures for property and equipment in excess of \$2,500, with an estimated useful life in excess of one year. Property and equipment are recorded at cost, or in the case of contributed items, fair value on the date of contribution. Depreciation is computed on the straight-line method based on the estimated useful lives of the related assets, ranging from 3 to 40 years.

8. Inventory

The Shelter operates a thrift store in Santa Fe, New Mexico, and receives donations of household goods and clothes which are held for sale. Items received that are appropriate for sale are marked to retail value, and if not sold, are subsequently marked down until sold. Typically, items not sold after 3 months, and those not appropriate for sale at the thrift store, are donated to charity. Management believes the best indicator of the fair market value of the donations sold at the thrift store is the sales price. The value of donated items, given to charity or disposed of because they are not appropriate for sale, is not included in these financial statements. Inventory at year-end is valued at the estimated future sales price.

9. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

10. Income Taxes

The Shelter is exempt from federal and state income taxes under the provisions of Internal Revenue Code Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (concluded)

11. Advertising Costs

Advertising costs are expensed as incurred and included \$22,028 during the year ended December 31, 2020.

12. Functional Reporting of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Significant expenses that are allocated on the basis of employee time and effort include salaries, payroll taxes, employee benefits, and depreciation. Occupancy-related costs are allocated based on estimated utilization of facilities. All other costs are recorded according to the functional area benefited.

13. Fair Value Measurements

The Shelter follows the provisions of the Fair Value Measurements and Disclosures Topic of FASB ASC, which requires use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3). As of December 31, 2020, the Shelter's investments are categorized as Level 1.

14. Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

15. New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (ASC 606) and all related amendments. ASC 606 supersedes most existing revenue recognition guidance. ASC 606 provides a principles-based framework for recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects in exchange for the goods or services provided. It also requires enhanced disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Shelter adopted ASC 606 and all related amendments during the year ended December 31, 2020. The adoption of the new standard did not require any adjustment to opening net assets, nor are changes necessary to Shelter revenue recognition policies to conform to the new standard.

16. Subsequent Events

Management has evaluated subsequent events through December 14, 2021, the date the financial statements were available to be issued.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents the Shelter's financial assets at December 31, 2020:

<u>Description</u>	<u>Amount</u>
Cash and cash equivalents	\$ 195,218
Investments	<u>968,928</u>
Total financial assets	<u>1,164,146</u>
Amounts with contractual or donor restrictions:	
Net assets with donor restrictions for time or purpose	(20,000)
Net assets with donor restrictions for time or purpose and available for use in the next 12 months	<u>20,000</u>
	<u>-</u>
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 1,164,146</u>

The Shelter's goal is generally to maintain cash reserves equal to 6 months' operating costs, estimated at \$375,000. Cash in excess of daily needs is invested in certificates of deposit, mutual funds, or money market funds.

NOTE 4 - INVENTORY

Inventory consisted of donated clothing and household items held for sale in the thrift store. Management does not believe that an allowance for obsolete and slow-moving items is necessary, as the inventory valuation includes an estimate for items that will not be sold or will be sold at discounted prices.

NOTE 5 - INVESTMENTS

Investments are carried at market value and consisted of the following:

<u>Description</u>	<u>Cost Basis</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Mutual funds - bonds	\$ 739,318	\$ 760,077	\$ 20,759
Mutual funds - equities	196,204	202,473	6,269
Money market funds	<u>6,378</u>	<u>6,378</u>	<u>-</u>
	<u>\$ 941,900</u>	<u>\$ 968,928</u>	<u>\$ 27,028</u>

NOTE 5 - INVESTMENTS (concluded)

Investment returns for the year ended December 31, 2020, are summarized as follows:

<u>Description</u>	<u>Amount</u>
Interest, dividends, capital gains distributions	\$ 39,336
Unrealized gains(losses)	15,861
Less: fees	(150)
Total	<u>\$ 55,047</u>

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2020:

<u>Description</u>	<u>Amount</u>
Buildings and improvements	\$ 231,479
Vehicles	100,548
Furniture and equipment	106,517
Leasehold improvements	29,215
Total	467,759
Less: accumulated depreciation	(278,704)
Net property and equipment	<u>\$ 189,055</u>

Depreciation expense was \$25,314 during the year ended December 31, 2020.

The costs of certain buildings and facilities located at the Shelter’s ranch facility in Cerrillos are not reflected in the statement of financial position because asset titles remain with the owner of the ranch facility. The Shelter has reported contribution revenue and program expense (Ranch facility – occupancy) amounting to \$102,000 in the accompanying statement of activities for the free use of the facilities during the year ended December 31, 2020. Most of the buildings and improvements purchased by the Shelter and included in the “buildings and improvements” category are located at the ranch facility and not removable from the land. If the Shelter were to relocate in the future, the balance of the value of these assets would be recorded as a loss on disposition.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

At year end, net assets with donor restrictions included:

<u>Description</u>	<u>Amount</u>
Training program	<u>\$ 20,000</u>

NOTE 8 - IN-KIND CONTRIBUTIONS

Donated goods, services, and the use of facilities are reflected in the accompanying statements at their estimated values at date of receipt. Donated goods and facilities for the year ended December 31, 2020, included:

<u>Description</u>	<u>Amount</u>
Thrift store - items donated for sale	\$ 139,729
Ranch facility - donated usage	102,000
Total	<u>\$ 241,729</u>

A use agreement (the agreement) is in place related to the Shelter's use of the in-kind ranch facility. The agreement requires the Shelter to pay for repairs and maintenance, in addition to liability insurance. The agreement is for an indefinite period, but if the owner were to sell the property, the agreement gives the Shelter the right of first refusal to purchase the land.

NOTE 9 - NET ASSETS RELEASED FROM RESTRICTIONS

During the year, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, including the following:

<u>Description</u>	<u>Amount</u>
CARES Act - Payroll-related and COVID-19 support	\$ 76,215
Training program	40,000
Sponsorship program	32,795
Shelter facility - feeders	18,200
Total	<u>\$ 167,210</u>

NOTE 10 - COMMITMENTS

The Shelter is party to a lease agreement with an unrelated party for rental of space for the thrift store and office. The lease originated in August 2018 and expired in September 2021. The rent was \$3,300 for the first two years, and then increased to \$3,400 during the final year. As of December 14, 2021, the lease agreement is pending pursuant to negotiations.

Rent expense for the year ended December 31, 2020, was \$35,597.

NOTE 11 - CONCENTRATIONS OF RISK

Investments

The Shelter holds investments in a brokerage account that are subject to market value fluctuation.

Donated Ranch Facility

As described in Notes 6 and 8, the Shelter has benefitted from the donated use of the ranch facility located in Cerrillos, New Mexico since 2000. It is uncertain whether the Shelter could continue as a going concern without the use of this property.

NOTE 12 - RELATED PARTY TRANSACTIONS

The Shelter's ranch facility is owned by a limited liability company (LLC), and the Shelter's board president is a member of the LLC. The Shelter recorded \$102,000 as the estimated value of the in-kind donation from the LLC. In addition, during the year ended 2020, the board president served as a trustee on the board of a private foundation that donated \$60,000 to the Shelter.

Equine Comprehensive Wellness is owned and operated by a veterinarian who is a board member of the Shelter. This board member provides discounted veterinary services to the Shelter, and during the year ended 2020, the Shelter paid \$18,618 to Equine Comprehensive Wellness.

NOTE 13 - SUBSEQUENT EVENT — COVID-19 PANDEMIC

The COVID-19 outbreak in the United States in March 2020 has caused disruption through government-mandated closures of non-essential businesses and/or reductions in on-site capacity of facilities. While the disruption is expected to be temporary, there is considerable uncertainty around the duration of the closings, and the related financial impact, if any, cannot be reasonably estimated at this time. Due to the pandemic, the Shelter cancelled all in-person special events in 2020, and the thrift store was closed at various times during the year per governmental mandates.

In April 2020, the Shelter received \$66,215 from the U.S. Small Business Administration's (SBA) Paycheck Protection Program (PPP). On February 18, 2021, the Shelter received notification that this loan was forgiven by the SBA, and this amount is recognized as grant revenue for the year ended December 31, 2020.

On March 3, 2021, the Shelter received \$66,245 from the second phase of the PPP (PPP2). Management of the Shelter expects the funding from the PPP2 to be converted to a grant during 2021 or 2022, but as per terms of the PPP2 program, any amounts not forgiven will be repaid over a maximum two-year term at 1% interest.