

### **Analysis of the Changes in Financial Position Between 2021 and 2022**

The total net assets for the Spokane Humane Society at the end of 2021 were a total of \$6,706,059; and the total net assets at the end of 2022 were \$5,716,275. This is a total reduction of \$989,784.

In summary, of this total decline, total current assets decreased \$784,723 (79.3%), total noncurrent assets decreased \$199,262 (20.1%), and total liabilities increased merely \$5,799 (.6%).

The decrease in total current assets is obviously the largest portion of this reduction. The category which by far had the largest impact on this decrease was the change in the value of investments and marketable securities. This category decreased a total of \$1,159,713 in fiscal year 2022. This reduction consisted of a \$515,411 book loss on the investments held by the SHS. This loss is broadly indicative of the market losses experienced by all investors in 2022. Fortunately, the markets are improving in 2023 and much of this loss is on track to being recovered. In addition, \$500,000 was transferred to our operating accounts, and an additional \$144,303 was expended for capital improvements in the facility.

Operating expenses in 2022 reflected a much higher cost base experienced by all businesses and households. In addition to significant inflationary increases in supplies, food, and all other inputs needed to operate the shelter, there have also been increases in salaries and benefits required to retain shelter staff. The passage of the Washington State Minimum Wage law in 2016 has had a significant impact on shelter operating expenses. Washington now has the highest minimum wage requirement in the country which stands at \$15.74 an hour in 2023. The State mandated minimum wage increased from \$13.69 an hour in 2021 to \$14.49 in 2022, an increase of nearly 6 percent. And the increase from 2022 to 2023 was 8.6 percent.

COVID took many out of the workforce and continues to reduce the availability of the workforce by 2.6 percent – a burden that could last for years. COVID continues to exert a brake on US economy through productive workdays lost to worker illness, caregivers responsibilities for children and seniors and compliance with isolation guidelines (<https://www.mckinsey.com/industries/healthcare/our-insights/one-billion-days-lost-how-covid-19-is-hurting-the-us-workforce>).

Noncurrent Assets also decreased a total net amount of \$199,262. Book losses in the endowment fund were \$224,292; and reductions in charitable remainder trusts decreased \$101,657. These losses were offset by increases in the value of the SHS property and equipment by \$126,687.

2022 was a challenging year for the Spokane Humane Society given the double impacts of major inflationary increases in the cost of goods, services, and staff; and the global economic factors which caused a general decline in the securities markets. The markets appear to be recovering in 2023, but the impacts of stubborn inflation continue to be problematic and will have a negative impact on operations for the foreseeable future.