

Larimer Humane Society

(a nonprofit Colorado corporation)

Financial Statements

June 30, 2020 and 2019

Larimer Humane Society

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Independent Auditor's Report

To the Board of Directors
Larimer Humane Society
Loveland, Colorado

We have audited the accompanying financial statements of Larimer Humane Society (a nonprofit Colorado corporation), which comprise the statement of financial position as of June 30, 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

The Organization's 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.

Auditor's 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 from 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 auditor's 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.

Independent Auditor's Report (continued)

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Larimer Humane Society as of June 30, 2020, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Financial Statements

The financial statements of Larimer Humane Society as of June 30, 2019, were audited by other auditors whose report dated October 24, 2019, expressed an unmodified opinion on those statements.

Brock and Company, CPAs, P.C.
Certified Public Accountants

Longmont, Colorado
September 28, 2020

Larimer Humane Society

Statements of Financial Position

June 30	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 891,755	\$ 1,047,919
Investments	10,753,734	10,282,200
Accounts receivable	12,170	93,028
Contributions receivable, current portion	4,551	3,211
Prepaid expenses and other current assets	78,311	50,965
Total current assets	<u>11,740,521</u>	<u>11,477,323</u>
Property and Equipment, net	17,713,751	18,131,305
Other Assets		
Beneficial interest in assets held by community foundation	<u>27,121</u>	<u>26,284</u>
Total assets	<u>\$ 29,481,393</u>	<u>\$ 29,634,912</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and other accrued expenses	\$ 44,252	\$ 62,998
Accrued compensation and benefits	194,061	157,444
Deferred revenue	9,500	15,550
Refundable advances	5,312,324	5,644,878
Current portion of note payable, net	169,350	162,720
Total current liabilities	<u>5,729,487</u>	<u>6,043,590</u>
Long-Term Liabilities		
Note payable, net	<u>8,055,828</u>	<u>8,225,179</u>
Total liabilities	<u>13,785,315</u>	<u>14,268,769</u>
Net Assets		
Without donor restrictions		
Undesignated	457,044	340,334
Board-designated	11,058,234	10,905,572
Net investment in property and equipment	4,176,249	4,098,528
	<u>15,691,527</u>	<u>15,344,434</u>
With donor restrictions	4,551	21,709
Total net assets	<u>15,696,078</u>	<u>15,366,143</u>
Total liabilities and net assets	<u>\$ 29,481,393</u>	<u>\$ 29,634,912</u>

The accompanying Notes are an integral part of these financial statements

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Larimer Humane Society

Statement of Activities

Year ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Revenue and Support			
Operating Revenue			
Contract revenue	\$ 1,713,088	\$ -	\$ 1,713,088
License fees	774,494	-	774,494
Adoption fees	363,464	-	363,464
Impound fees	90,542	-	90,542
Other program revenue	89,790	-	89,790
Merchandise sales, net	16,537	-	16,537
Total operating revenue	<u>3,047,915</u>	<u>-</u>	<u>3,047,915</u>
Operating Support			
Contributions	1,627,144	3,000	1,630,144
Contributions, in-kind	839,966	-	839,966
Special event income, net	126,764	-	126,764
Net assets released from restrictions			
Satisfaction of purpose restrictions	18,498	(18,498)	-
Expiration of time restrictions	1,660	(1,660)	-
Total operating support	<u>2,614,032</u>	<u>(17,158)</u>	<u>2,596,874</u>
Total operating revenue and support	<u>5,661,947</u>	<u>(17,158)</u>	<u>5,644,789</u>
Operating Expenses			
Program services	3,994,636	-	3,994,636
Supporting services			
General and administrative	655,653	-	655,653
Fundraising	535,769	-	535,769
Total operating expenses	<u>5,186,058</u>	<u>-</u>	<u>5,186,058</u>
Total operating revenue and support in excess (deficit) of operating expenses	<u>475,889</u>	<u>(17,158)</u>	<u>458,731</u>
Other Changes			
Investment loss, net	(135,840)	-	(135,840)
Other income	7,044	-	7,044
Total other changes	<u>(128,796)</u>	<u>-</u>	<u>(128,796)</u>
Change in Net Assets	<u>347,093</u>	<u>(17,158)</u>	<u>329,935</u>
Net Assets, Beginning of Year	<u>15,344,434</u>	<u>21,709</u>	<u>15,366,143</u>
Net Assets, End of Year	<u>\$ 15,691,527</u>	<u>\$ 4,551</u>	<u>\$ 15,696,078</u>

The accompanying Notes are an integral
part of these financial statements

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Larimer Humane Society

Statement of Activities

Year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Operating Revenue			
Contract revenue	\$ 1,645,347	\$ -	\$ 1,645,347
License fees	674,812	-	674,812
Adoption fees	340,493	-	340,493
Impound fees	86,921	-	86,921
Other program revenue	86,635	-	86,635
Merchandise sales, net	16,995	-	16,995
Total operating revenue	<u>2,851,203</u>	<u>-</u>	<u>2,851,203</u>
Operating Support			
Contributions	1,272,221	20,498	1,292,719
Contributions, in-kind	858,222	-	858,222
Special event income, net	150,521	-	150,521
Net assets released from restrictions			
Expiration of time restrictions	13,764	(13,764)	-
Total operating support	<u>2,294,728</u>	<u>6,734</u>	<u>2,301,462</u>
Total operating revenue and support	<u>5,145,931</u>	<u>6,734</u>	<u>5,152,665</u>
Operating Expenses			
Program services	3,811,047	-	3,811,047
Supporting services			
General and administrative	660,608	-	660,608
Fundraising	516,206	-	516,206
Total operating expenses	<u>4,987,861</u>	<u>-</u>	<u>4,987,861</u>
Total operating revenue and support in excess of operating expenses	158,070	6,734	164,804
Other Changes			
Investment income, net	524,089	-	524,089
Gain on sale of property and equipment	5,500	-	5,500
Other income	3,594	-	3,594
Total other changes	<u>533,183</u>	<u>-</u>	<u>533,183</u>
Change in Net Assets	691,253	6,734	697,987
Net Assets, Beginning of Year	<u>14,653,181</u>	<u>14,975</u>	<u>14,668,156</u>
Net Assets, End of Year	<u>\$ 15,344,434</u>	<u>\$ 21,709</u>	<u>\$ 15,366,143</u>

The accompanying Notes are an integral
part of these financial statements

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Larimer Humane Society

Statement of Functional Expenses

Year ended June 30, 2020

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 2,058,955	\$ 129,717	\$ 244,129	\$ 2,432,801
Payroll taxes	136,558	24,891	17,353	178,802
Employee benefits	165,929	17,699	14,069	197,697
Total personnel costs	<u>2,361,442</u>	<u>172,307</u>	<u>275,551</u>	<u>2,809,300</u>
Interest expense	-	332,554	-	332,554
Animal care	199,797	-	-	199,797
Printing expense	63,164	300	133,682	197,146
Facility maintenance	152,401	10,506	12,258	175,165
Occupancy	133,934	9,166	10,694	153,794
Information technology	93,285	15,139	15,182	123,606
Insurance	95,600	6,593	7,692	109,885
Staff and volunteer expense	47,568	16,313	2,466	66,347
Equipment and supplies	56,477	3,253	4,000	63,730
Postage	52,370	813	9,751	62,934
Bank fees	31,606	2,103	16,130	49,839
Transportation expense	46,036	2,748	4	48,788
Legal and professional	26,872	18,464	1,897	47,233
Advertising	41,229	-	-	41,229
Miscellaneous expense	13,254	15,760	4,939	33,953
Contract labor	33,086	-	-	33,086
Telecommunications	16,957	1,237	680	18,874
Licenses and dues	7,316	11,254	263	18,833
Office expenses and maintenance	16,198	745	869	17,812
Business partnerships	10,873	-	-	10,873
Travel	801	1,864	-	2,665
Meals and meetings	1,591	591	111	2,293
Bad debt expense	609	-	-	609
Total operating expenses before depreciation	<u>3,502,466</u>	<u>621,710</u>	<u>496,169</u>	<u>4,620,345</u>
Depreciation	<u>492,170</u>	<u>33,943</u>	<u>39,600</u>	<u>565,713</u>
Total operating expenses	<u>\$ 3,994,636</u>	<u>\$ 655,653</u>	<u>\$ 535,769</u>	<u>\$ 5,186,058</u>

The accompanying Notes are an integral
part of these financial statements

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Statement of Functional Expenses

Year ended June 30, 2019

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 1,866,824	\$ 119,012	\$ 236,282	\$ 2,222,118
Payroll taxes	125,867	23,517	15,450	164,834
Employee benefits	164,524	17,957	14,699	197,180
Total personnel costs	2,157,215	160,486	266,431	2,584,132
Interest expense	-	338,924	-	338,924
Animal care	232,225	-	2,674	234,899
Printing expense	66,243	247	124,347	190,837
Occupancy	151,667	10,460	13,075	175,202
Facility maintenance	108,857	7,507	9,385	125,749
Information technology	83,434	13,857	17,064	114,355
Insurance	93,959	6,480	8,100	108,539
Legal and professional	64,983	11,979	2,086	79,048
Staff and volunteer expense	45,368	27,152	4,958	77,478
Equipment and supplies	71,099	2,769	2,162	76,030
Postage	48,736	863	8,121	57,720
Transportation expense	45,554	4,057	509	50,120
Miscellaneous expense	10,314	23,847	6,659	40,820
Bank fees	27,451	1,883	6,288	35,622
Advertising	32,735	-	-	32,735
Contract labor	31,470	-	-	31,470
Office expenses and maintenance	17,802	612	766	19,180
Licenses and dues	7,560	10,498	300	18,358
Telecommunications	10,534	1,117	601	12,252
Business partnerships	7,363	-	-	7,363
Meals and meetings	3,458	2,235	389	6,082
Travel	3,366	1,989	38	5,393
Bad debt expense	1,783	-	195	1,978
Total operating expenses before depreciation	3,323,176	626,962	474,148	4,424,286
Depreciation	487,871	33,646	42,058	563,575
Total operating expenses	\$ 3,811,047	\$ 660,608	\$ 516,206	\$ 4,987,861

The accompanying Notes are an integral
part of these financial statements

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Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended June 30	2020	2019
Cash Flows From Operating Activities		
Change in net assets	\$ 329,935	\$ 697,987
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	565,713	563,575
Amortization of discount on note payable	332,554	338,924
Interest contributions on note payable	(332,554)	(338,924)
Forgiveness of note payable	(495,275)	(495,274)
Gain on sale of property and equipment	-	(5,500)
Net realized and unrealized (gain) loss on investments	440,569	(232,639)
Provision for bad debts	609	1,978
Increase (decrease) from changes in assets and liabilities		
Accounts receivable	80,249	(88,684)
Contributions receivable	(1,340)	11,764
Prepaid expenses and other current assets	(27,346)	10,510
Accounts payable and other accrued expenses	(18,746)	(14,307)
Accrued compensation and benefits	36,617	(7,168)
Deferred revenue	(6,050)	(14,300)
Net cash provided by operating activities	<u>904,935</u>	<u>427,942</u>
Cash Flows From Investing Activities		
Net purchases of investments	(912,940)	(72,734)
Proceeds from sale of property and equipment	-	5,500
Purchases of equipment	(148,159)	(178,572)
Net cash used by investing activities	<u>(1,061,099)</u>	<u>(245,806)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(156,164)	182,136
Cash and Cash Equivalents, Beginning of Year	<u>1,047,919</u>	<u>865,783</u>
Cash and Cash Equivalents, End of Year	<u>\$ 891,755</u>	<u>\$ 1,047,919</u>

The accompanying Notes are an integral
part of these financial statements

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Larimer Humane Society

Notes to Financial Statements

June 30, 2020 and 2019

Note 1 - Nature of Organization and Significant Accounting Policies

Nature of Organization. Larimer Humane Society (the Organization) was formed in April 1969 for the purpose of providing economical, safe, and humane animal treatment and control in Larimer County, Colorado. Funding for the Organization is obtained through program service fees and charitable contributions from interested parties.

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

Basis of Presentation. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions. Net assets resulting from revenues generated by receiving contributions that have no donor stipulations, providing services, and receiving interest and other income, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net Assets With Donor Restrictions. Net assets resulting from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished.

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

Changes in Accounting Principles. On July 1, 2019, the Organization adopted FASB ASU No. 2014-09 (Topic 606) - *Revenue from Contracts With Customers*, which provides guidance for revenue recognition that superseded previous guidance. Under ASU 2014-09, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods and services. The Organization adopted ASU 2014-09 under the modified retrospective approach, applying the amendments to prospective reporting periods. Results from reporting periods beginning after July 1, 2019, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with previous guidance. The adoption would not have had any material effect on the change in net assets for the year ended June 30, 2019, or on net assets as of June 30, 2019.

On July 1, 2019, the Organization adopted FASB ASU No. 2018-08 - *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope of accounting guidance for contributions received and contributions made. The Organization adopted ASU 2018-08 under the modified retrospective approach, applying the amendments to prospective reporting periods.

Larimer Humane Society

Notes to Financial Statements

June 30, 2020 and 2019

Note 1 - Nature of Organization and Significant Accounting Policies (continued)

Changes in Accounting Principles (continued). Results from reporting periods beginning after July 1, 2019, are presented under the clarified standard, while prior period amounts are not adjusted and continue to be reported in accordance with previous guidance. The adoption would not have had any material effect on the change in net assets for the year ended June 30, 2019, or on net assets as of June 30, 2019.

On July 1, 2019, the Organization adopted FASB ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments that are marked to fair value and reported as available-for-sale. The Organization adopted ASU 2016-01 under the modified retrospective approach, applying the amendments to prospective reporting periods. The adoption would not have had any material effect on the change in net assets for the year ended June 30, 2019, or on net assets as of June 30, 2019.

Cash and Cash Equivalents. Cash consists of checking and savings accounts held at financial institutions. For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents.

Investments. The Organization's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization's management determines the valuation policies utilizing information provided by the investment advisors and custodians.

Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Fair Value Measurements. The Organization reports using fair value measurements, which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. The framework provides 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 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 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.

Larimer Humane Society

Notes to Financial Statements

June 30, 2020 and 2019

Note 1 - Nature of Organization and Significant Accounting Policies (continued)

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 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's 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 measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

Equity Securities, Corporate Bonds, and Mutual Funds. The Organization values equity securities, corporate bonds, and mutual funds with readily determinable market values at fair value as determined by quoted market prices on national securities exchanges valued at the closing price on the last business day of the fiscal year. Securities traded on the over-the-counter market are valued at the last reported bid price.

Beneficial Interest in Assets Held by Community Foundation. The Organization values the beneficial interest in assets held by community foundation at the net asset value ("NAV") of units held by the Organization at year end. The NAV, as provided by Community Foundation of Northern Colorado (the Foundation), is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the Foundation less its liabilities. This practical expedient is not used when it is determined to be probable that the Foundation will sell the investment for an amount different than the reported NAV.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at June 30, 2020 and 2019.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of financial position.

Accounts Receivable. Accounts receivable are stated at the amount of consideration from customers, of which the Organization has an unconditional right to receive.

Larimer Humane Society

Notes to Financial Statements

June 30, 2020 and 2019

Note 1 - Nature of Organization and Significant Accounting Policies (continued)

Accounts Receivable (continued). At the time accounts receivable are originated, the Organization considers an allowance for doubtful accounts based on the creditworthiness of the client. The allowance is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future uncollectible amounts. The allowance is management's best estimate of uncollectible amounts and is determined based on historical performance that is tracked by the Organization on an ongoing basis. Management believes that all accounts receivable are fully collectible at June 30, 2020 and 2019.

Contributions Receivable. Unconditional promises to give are recognized as revenue in the period received. Contributions receivable are recorded at the amount the Organization expects to receive, allowing for estimated uncollectible contributions. The allowance for uncollectible contributions is estimated based on management's review of specific contributions outstanding. As of June 30, 2020 and 2019, management believes all contributions receivable are fully collectible, and accordingly, no allowance for doubtful accounts has been recorded. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment. It is the Organization's policy to capitalize property and equipment at cost for purchases over \$1,500, while repair and maintenance items are charged to expense. Donations of property and equipment are capitalized at their estimated fair value at the date of gift. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. In general, asset lives are as follows:

	<u>Life in Years</u>
Building and improvements	5 - 39
Machinery and equipment	3 - 7
Vehicles	3 - 5
Furniture and fixtures	5 - 25

Impairment of Long-Lived Assets. In the event that facts and circumstances indicate that property and equipment, or other assets, may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value would be necessary. No impairment losses were recorded during the years ended June 30, 2020 and 2019.

Deferred Revenue. Revenue from humane education and other incomplete services is deferred and recognized once the services are completed.

Refundable Advances. The contribution of imputed interest on noninterest bearing notes payable is determined by the excess of the fair value of the donated property over the present value of the note. Property received in advance of fulfilling the conditions of the contribution are due back to the grantor if the property is not available for use as an animal shelter for a thirty-year period. Revenue is recognized as the conditions are met.

Larimer Humane Society

Notes to Financial Statements

June 30, 2020 and 2019

Note 1 - Nature of Organization and Significant Accounting Policies (continued)

Revenue Recognition. The Organization's revenues from contracts with customers is comprised of contract revenue, licenses fees, adoption fees, impound fees, other program fees, and merchandise sales.

Contract revenue consists of animal control services for local municipalities. Any amounts received prior to the performance of the service is recorded as a contract liability. Revenue is recognized evenly over the term of the contract with the local municipalities, which satisfies the Organization's performance obligation.

License fees consist of fees for licensing domesticated animals. Revenue is recognized at the point in time in which the license is granted, which satisfies the Organization's performance obligation.

Adoption fees consist of fees in exchange for adopting an animal. Revenue is recognized at the point in time in which the animal is picked up, which satisfies the Organization's performance obligation.

Impound fees consist of fees collected when a lost animal is returned to the owner. Revenue is recognized at the point in time in which the animal is returned, which satisfies the Organization's performance obligation.

Other program fees consist of fees for surrendered animals, veterinary and humane education services. Any amounts received prior to the performance of the service is recorded as a contract liability. Revenue is recognized at the point in time in which the service is completed, which satisfies the Organization's performance obligation.

Merchandise sales consist of sales made in the retail store. Revenue is recognized at the point in time in which the merchandise is purchased by the customer, which satisfies the Organization's performance obligation.

Revenues are reported at the amount of consideration which the Organization expects to be entitled in exchange for providing the goods and services. The Organization determines the transaction price based on standard charges for goods and services provided, reduced by discounts and other price concessions.

Contributions. Contributions are recognized when the donation is received. Donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributed Services and Materials. Contributed services are recognized if services received (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Larimer Humane Society

Notes to Financial Statements

June 30, 2020 and 2019

Note 1 - Nature of Organization and Significant Accounting Policies (continued)

Contributed Services and Materials (continued). Certain other volunteer services are not recorded in these financial statements as they do not meet the criteria for recognition. Contributed materials are reported at fair market value on the date of gift.

Advertising. The Organization expenses advertising costs, including donated advertising, as they are incurred. Advertising expenses for the years ended June 30, 2020 and 2019 were \$41,229 and \$32,735, respectively.

Income Taxes. The Organization is a nonprofit corporation exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for income taxes has been made.

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 in the statement of functional expenses. Accordingly, direct expenses have been allocated to the applicable program for which the expenses were incurred. Indirect expenses have been allocated between program and supporting services based on an analysis of personnel time and space utilized for the related activities.

Reclassifications. Certain amounts from the financial statements for the year ended June 30, 2019 have been reclassified to conform to current year presentation, without affecting the change in net assets.

Subsequent Events. The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through September 28, 2020, the date at which the financial statements were available for release.

Note 2 - Fair Value Measurements

The following table summarizes the Organization's fair value of assets measured on a recurring basis by fair value hierarchy as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities				
United States	\$ 5,241,383	\$ -	\$ -	\$ 5,241,383
International	1,270,653	-	-	1,270,653
Corporate bonds	-	111,289	-	111,289
Mutual funds	4,130,409	-	-	4,130,409
	<u>\$ 10,642,445</u>	<u>\$ 111,289</u>	<u>\$ -</u>	<u>\$10,753,734</u>

Larimer Humane Society

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June 30, 2020 and 2019

Note 2 - Fair Value Measurements (continued)

The following table summarizes the Organization's fair value of assets measured on a recurring basis by fair value hierarchy as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities				
United States	\$ 4,213,880	\$ -	\$ -	\$ 4,213,880
International	1,754,116	-	-	1,754,116
Corporate bonds	-	114,158	-	114,158
Mutual funds	4,200,046	-	-	4,200,046
	<u>\$ 10,168,042</u>	<u>\$ 114,158</u>	<u>\$ -</u>	<u>\$10,282,200</u>

Changes in Fair Value Levels. The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The Organization evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total net assets available for benefits. The Organization transferred corporate bonds from level 1 to level 2 and removed beneficial interest in assets held by community foundation, reported at NAV, out of the fair value levels effective July 1, 2018.

The following sets forth a summary of the Organization's beneficial interest in assets held by community foundation reported at NAV at June 30:

<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Other Redemption Restrictions</u>	<u>Redemption Notice Period</u>
2020				
\$ 27,121	N/A	Immediate	Redemptions will only be made upon written request of the Organization	None
2019				
\$ 26,284	N/A	Immediate		None

Net investment income consisted of the following for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 359,455	\$ 348,968
Net unrealized loss on investments	(218,866)	(35,679)
Net realized gain (loss) on investments	(221,703)	268,318
	<u>(81,114)</u>	<u>581,607</u>
Investment fees	(54,726)	(57,518)
Net investment income	<u>\$ (135,840)</u>	<u>\$ 524,089</u>

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Notes to Financial Statements

June 30, 2020 and 2019

Note 3 – Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2020</u>	<u>2019</u>
Land	\$ 1,454,150	\$ 1,454,150
Building and improvements	16,933,042	16,819,583
Machinery and equipment	493,951	482,245
Vehicles	337,933	337,933
Furniture and fixtures	421,054	400,005
	<u>19,640,130</u>	<u>19,493,916</u>
Less accumulated depreciation	<u>(1,926,379)</u>	<u>(1,363,511)</u>
	17,713,751	18,130,405
Construction in progress	-	900
Net property and equipment	<u>\$17,713,751</u>	<u>\$18,131,305</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$565,713 and \$563,575, respectively.

Note 4 - Contract Liabilities

The Organization has contracts that are unsatisfied or partially unsatisfied as of June 30, 2020 and 2019, in the amounts of \$9,500 and \$15,550, respectively. The contract liabilities outstanding as of June 30, 2019 were recognized as revenue during the year ended June 30, 2020. As of June 30, 2020, the Organization expects to recognize the June 30, 2020 amounts as revenue during the year ended June 30, 2021.

Note 5 - Note Payable

In 2007, the Organization purchased 27 acres of land as the future site of a new shelter. During 2014, the Organization initiated a campaign to provide funding for the new facility. A component of that campaign was the passage of a Larimer County sales tax initiative which allowed for a dedicated sales tax to help fund the construction of the new facility.

The agreement with Larimer County provided that Larimer County construct the new facility with sales tax proceeds. Upon completion of the new facility, Larimer County transferred the property to the Organization in exchange for a non-interest bearing promissory note and a commitment to operate the facility and be available to provide animal control services for at least thirty years. For each year the facility is in operation, the promissory note is forgiven 1/30th. If the Organization fails to meet the commitment, Larimer County can foreclose on the building and the land on which it is built. The Organization placed the new facility in service in August 2017.

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Notes to Financial Statements

June 30, 2020 and 2019

Note 5 - Note Payable (continued)

Long-term debt obligations consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Promissory note payable to Larimer County, noninterest bearing (discounted using an effective interest rate of 4%), annual principal payments of \$495,274 through October 2048, collateralized by a first deed of trust on the building.	\$13,537,502	\$14,032,777
Less unamortized discount	(5,312,324)	(5,644,878)
	8,225,178	8,387,899
Less current portion	(169,350)	(162,720)
	<u>\$ 8,055,828</u>	<u>\$ 8,225,179</u>

Scheduled maturities of the long-term debt obligations are as follows at June 30, 2020:

Year ended June 30	Note Payable	Amortization of Discount	Total
2021	\$ 495,274	\$ 325,924	\$ 169,350
2022	495,274	319,025	176,249
2023	495,274	311,845	183,429
2024	495,274	304,371	190,903
2025	495,274	296,594	198,680
Thereafter	11,061,132	3,754,565	7,306,567
	<u>\$ 13,537,502</u>	<u>\$ 5,312,324</u>	<u>\$ 8,225,178</u>

Note 6 - Board-designated Net Assets

Capital Fund. Board designated net assets are unrestricted net assets subject to self imposed limits by action of the governing body. As of June 30, 2020 and 2019, the Board of Directors designated \$11,031,113 and \$10,879,288, respectively, of net assets without donor restrictions for capital projects and building repairs.

Board-designated Endowment. The Board of Directors established an agency endowment fund with Community Foundation of Northern Colorado (the Foundation). The funds held by the Foundation were contributed by the Organization for the benefit of the Organization.

The Board of Directors has determined that these net assets meet the definition of endowment funds under the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), adopted by the State of Colorado in 2008. The Organization is governed subject to the Articles of Incorporation and Bylaws for the Organization and contributions are received subject to the terms of the governing documents.

The Organization's investment policy is to provide a reasonable, predictable, and sustainable amount of funds available for the uses intended by the original endowment.

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Notes to Financial Statements

June 30, 2020 and 2019

Note 6 - Board-designated Net Assets (continued)

Given the Organization's commitment to support both current and future needs, the Organization advocates a total-return approach to investing and to fund distribution. The long-term investment focus is to meet needs for both distributions in the present and to provide growth in assets and income over time through the investment of excess earnings and capital appreciation.

The following summarizes the changes in net assets designated by the board of directors as an endowment fund for the years ended June 30, 2020 and 2019:

Balance, July 1, 2018	\$ 25,343
Net investment gain	941
Balance, June 30, 2019	<u>26,284</u>
Net investment gain	837
Balance, June 30, 2020	<u><u>\$ 27,121</u></u>

Note 7 - Net Assets With Donor Restrictions

The following summarizes the changes in net assets with donor restrictions for the years ended June 30, 2020 and 2019:

	Better Together Campaign	Time Restrictions	Total
Balance, July 1, 2018	\$ -	\$ 14,975	\$ 14,975
Additions	18,498	2,000	20,498
Releases	-	(13,764)	(13,764)
Balance, June 30, 2019	<u>18,498</u>	<u>3,211</u>	<u>21,709</u>
Additions	-	3,000	3,000
Releases	(18,498)	(1,660)	(20,158)
Balance, June 30, 2020	<u><u>\$ -</u></u>	<u><u>\$ 4,551</u></u>	<u><u>\$ 4,551</u></u>

Note 8 - Operating Lease

The Organization leases equipment under a noncancelable operating lease, which expires April 2023. Rent expense under the lease totaled \$626 for each of the years ended June 30, 2020 and 2019.

Future annual minimum lease payments required under the noncancelable operating lease are as follows at June 30, 2020:

Year Ended June 30	Equipment
2021	\$ 626
2022	626
2023	522
	<u><u>\$ 1,774</u></u>

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Notes to Financial Statements

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Note 9 – Revenue from Contracts with Customers

The composition of revenue by segment based on the timing of the transfer of goods or services is as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Recognized over time		
Contract revenue	\$ 1,713,088	\$ 1,645,347
Recognized at a point in time		
License fees	774,494	674,812
Adoption fees	363,464	340,493
Impound fees	90,542	86,921
Other program revenue	89,790	86,635
Merchandise sales	32,344	32,278
	<u>\$ 3,063,722</u>	<u>\$ 2,866,486</u>

Note 10 – In-kind Contributions

In-kind contributions are as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Forgiveness of note payable	\$ 495,274	\$ 495,274
Interest on note payable	332,554	338,924
Supplies and materials	12,138	24,024
	<u>\$ 839,966</u>	<u>\$ 858,222</u>

Note 11 – Special Events

The following summarizes net revenue from special events for the year ended June 30, 2020:

	<u>Top Cat & Tails Gala</u>	<u>Fire Hydrant 5k</u>	<u>Other Events</u>	<u>Total</u>
Gross proceeds	\$ 188,599	\$ 55,339	\$ 6,169	\$ 250,107
Direct costs	(111,315)	(8,439)	(3,589)	(123,343)
	<u>\$ 77,284</u>	<u>\$ 46,900</u>	<u>\$ 2,580</u>	<u>\$ 126,764</u>

The following summarizes net revenue from special events for the year ended June 30, 2019:

	<u>Top Cat & Tails Gala</u>	<u>Fire Hydrant 5k</u>	<u>Other Events</u>	<u>Total</u>
Gross proceeds	\$ 197,855	\$ 84,800	\$ 20,033	\$ 302,688
Direct costs	(99,339)	(34,928)	(17,900)	(152,167)
	<u>\$ 98,516</u>	<u>\$ 49,872</u>	<u>\$ 2,133</u>	<u>\$ 150,521</u>

Larimer Humane Society

Notes to Financial Statements

June 30, 2020 and 2019

Note 12 – Retirement Plan

The Organization provides for a deferred compensation plan under Internal Revenue Code Section 403(b) which allows an employee to defer a portion of their annual compensation subject to current Internal Revenue Code limits. The Organization provides discretionary matching contributions to the plan which are vested proportionately over a period of five years. The Organization contributed \$27,582 and \$34,579 to the plan for the years ended June 30, 2020 and 2019, respectively.

Note 13 - Liquidity and Availability

The Organization receives significant contributions and promises to give that are restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability; maintaining adequate liquid assets to fund near-term operating needs; and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. To achieve these guiding principles, the Organization forecasts its future cash flows and monitors its liquidity monthly. Additionally, in the event of an unanticipated liquidity need, the Organization could draw upon its board designated funds if the governing board approves the action. During the years ended June 30, 2020 and 2019, the level of liquidity and reserves was managed within the guiding principles.

The Organization's financial assets available for general expenditures within one year are as follows at June 30:

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 891,755	\$ 1,047,919
Investments	10,753,734	10,282,200
Accounts receivable	12,170	93,028
Contributions receivable	4,551	3,211
Beneficial interest in assets held by foundation	27,121	26,284
	<u>11,689,331</u>	<u>11,452,642</u>
Less amounts not available to be used within one year:		
Designated by the board of directors for capital projects, building repairs, and operations	(11,031,113)	(10,879,288)
Board designated endowment fund	(27,121)	(26,284)
	<u>(11,058,234)</u>	<u>(10,905,572)</u>
Financial assets available for general expenditures within one year	<u>\$ 631,097</u>	<u>\$ 547,070</u>

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Notes to Financial Statements

June 30, 2020 and 2019

Note 14 - Concentrations

Major Customer. The Organization had a single customer who comprised 16% of total revenue and support for each of the years ended June 30, 2020 and 2019.

Bank Deposits. At certain times of the year, the Organization maintained cash balances in excess of federally insured limits.

Geographical. The Organization receives predominantly all of its support and revenue from Larimer County, Colorado.

Note 15 – Uncertainty

During 2020, a health care pandemic has occurred in the United States and internationally. In response to the crisis, the federal, state, and municipal governments have enacted various policies to curtail group gatherings until the risk has diminished. Certain activities of the Organization have been subject to closure or substantially modified operations. Additionally, the global economy has been negatively impacted. No reliable estimate of the potential future financial impacts of this uncertainty on the Organization can be made at this time.