

**Larimer Humane Society**  
(a nonprofit Colorado corporation)  
**Financial Statements**  
June 30, 2021 and 2020

# Larimer Humane Society

## Table of Contents

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<b>Independent Auditor's Report</b> _____	Pages 1-2
<b>Statements of Financial Position</b> June 30, 2021 and 2020 _____	Page 3
<b>Statement of Activities</b> Year ended June 30, 2021 _____	Page 4
<b>Statement of Activities</b> Year ended June 30, 2020 _____	Page 5
<b>Statement of Functional Expenses</b> Year ended June 30, 2021 _____	Page 6
<b>Statement of Functional Expenses</b> Year ended June 30, 2020 _____	Page 7
<b>Statements of Cash Flows</b> Years ended June 30, 2021 and 2020 _____	Page 8
<b>Notes to Financial Statements</b> _____	Pages 9-21

## **Independent Auditor's Report**

To the Board of Directors  
Larimer Humane Society  
Loveland, Colorado

### **Opinion**

We have audited the accompanying financial statements of Larimer Humane Society (a nonprofit Colorado corporation), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Larimer Humane Society as of June 30, 2021 and 2020, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Larimer Humane Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Larimer Humane Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Independent Auditor's Report (continued)

### **Auditor's Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Larimer Humane Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Larimer Humane Society's ability to continue as a going concern for a reasonable period of time.

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

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

Longmont, Colorado  
October 13, 2021

# Larimer Humane Society

## Statements of Financial Position

June 30	2021	2020
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,067,189	\$ 891,755
Investments	13,901,461	10,753,734
Accounts receivable	9,327	12,170
Contributions receivable	516,611	4,551
Prepaid expenses and other current assets	62,798	78,311
Total current assets	<u>15,557,386</u>	<u>11,740,521</u>
<b>Property and Equipment, net</b>	<b>17,283,909</b>	<b>17,713,751</b>
<b>Other Assets</b>		
Beneficial interest in assets held by community foundation	<u>33,055</u>	<u>27,121</u>
Total assets	<u><b>\$ 32,874,350</b></u>	<u><b>\$ 29,481,393</b></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable and other accrued expenses	\$ 70,690	\$ 44,252
Accrued compensation and benefits	172,569	194,061
Deferred revenue	29,265	9,500
Refundable advances	349,025	325,925
Current maturities of note payable, net	176,249	169,350
Total current liabilities	<u>797,798</u>	<u>743,088</u>
<b>Long-Term Liabilities</b>		
Refundable advances, net of current portion	4,667,374	4,986,399
Note payable, net of current maturities	7,879,580	8,055,828
Total long-term liabilities	<u>12,546,954</u>	<u>13,042,227</u>
Total liabilities	<u>13,344,752</u>	<u>13,785,315</u>
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	272,593	457,044
Board-designated	14,498,713	11,058,234
Net investment in property and equipment	4,241,681	4,176,249
	<u>19,012,987</u>	<u>15,691,527</u>
With donor restrictions	516,611	4,551
Total net assets	<u>19,529,598</u>	<u>15,696,078</u>
Total liabilities and net assets	<u><b>\$ 32,874,350</b></u>	<u><b>\$ 29,481,393</b></u>

The accompanying Notes are an integral part of these financial statements

Page 3

# Larimer Humane Society

## Statement of Activities

Year ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Operating Revenue and Support</b>			
<b>Operating Revenue</b>			
Contract revenue	\$ 1,627,990	\$ -	\$ 1,627,990
License fees	750,882	-	750,882
Adoption fees	387,697	-	387,697
Impound fees	71,201	-	71,201
Other program revenue	72,722	-	72,722
Merchandise sales, net	14,439	-	14,439
Total operating revenue	<u>2,924,931</u>	<u>-</u>	<u>2,924,931</u>
<b>Operating Support</b>			
Contributions	1,694,591	516,611	2,211,202
Contributions, in-kind	833,071	-	833,071
Special event income, net	126,117	-	126,117
Net assets released from restrictions			
Expiration of time restrictions	4,551	(4,551)	-
Total operating support	<u>2,658,330</u>	<u>512,060</u>	<u>3,170,390</u>
Total operating revenue and support	<u>5,583,261</u>	<u>512,060</u>	<u>6,095,321</u>
<b>Operating Expenses</b>			
Program services	3,805,873	-	3,805,873
Supporting services			
General and administrative	653,699	-	653,699
Fundraising	537,058	-	537,058
Total operating expenses	<u>4,996,630</u>	<u>-</u>	<u>4,996,630</u>
Total operating revenue and support in excess of operating expenses	<u>586,631</u>	<u>512,060</u>	<u>1,098,691</u>
<b>Other Changes</b>			
Investment income, net	2,733,745	-	2,733,745
Other income	1,754	-	1,754
Loss on disposal of equipment	(670)	-	(670)
Total other changes	<u>2,734,829</u>	<u>-</u>	<u>2,734,829</u>
<b>Change in Net Assets</b>	<u>3,321,460</u>	<u>512,060</u>	<u>3,833,520</u>
<b>Net Assets, Beginning of Year</b>	<u>15,691,527</u>	<u>4,551</u>	<u>15,696,078</u>
<b>Net Assets, End of Year</b>	<u>\$ 19,012,987</u>	<u>\$ 516,611</u>	<u>\$ 19,529,598</u>

The accompanying Notes are an integral  
part of these financial statements

Page 4

# Larimer Humane Society

## Statement of Activities

Year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenue and Support</b>			
<b>Operating Revenue</b>			
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>
<b>Operating Support</b>			
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>
<b>Operating Expenses</b>			
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	475,889	(17,158)	458,731
<b>Other Changes</b>			
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>
<b>Change in Net Assets</b>	347,093	(17,158)	329,935
<b>Net Assets, Beginning of Year</b>	<u>15,344,434</u>	<u>21,709</u>	<u>15,366,143</u>
<b>Net Assets, End of Year</b>	<u>\$ 15,691,527</u>	<u>\$ 4,551</u>	<u>\$ 15,696,078</u>

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part of these financial statements

Page 5

# Larimer Humane Society

## Statement of Functional Expenses

Year ended June 30, 2021

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 1,935,071	\$ 91,179	\$ 224,145	\$ 2,250,395
Payroll taxes	129,868	21,903	15,715	167,486
Employee benefits	167,438	15,397	15,991	198,826
Total personnel costs	<u>2,232,377</u>	<u>128,479</u>	<u>255,851</u>	<u>2,616,707</u>
Interest expense	-	325,925	-	325,925
Facility maintenance	169,252	11,673	14,591	195,516
Printing expense	54,171	244	139,914	194,329
Animal care	157,388	-	-	157,388
Information technology	111,769	17,092	20,559	149,420
Occupancy	122,155	8,424	10,531	141,110
Insurance	107,648	7,128	8,910	123,686
Staff and volunteer expense	36,724	57,896	2,056	96,676
Postage	49,925	752	8,643	59,320
Equipment and supplies	52,339	2,788	2,993	58,120
Bank fees	32,447	2,422	22,505	57,374
Transportation expense	50,613	602	189	51,404
Legal and professional	23,187	16,586	3,132	42,905
Advertising	32,462	-	-	32,462
Telecommunications	24,948	1,788	1,570	28,306
Miscellaneous expense	6,766	14,707	3,132	24,605
Contract labor	7,287	15,655	-	22,942
Office expenses and maintenance	17,435	652	1,261	19,348
Licenses and dues	8,003	8,055	605	16,663
Business partnerships	10,715	-	-	10,715
Meals and meetings	1,450	367	36	1,853
Bad debt expense	660	-	-	660
Total operating expenses before depreciation	<u>3,309,721</u>	<u>621,235</u>	<u>496,478</u>	<u>4,427,434</u>
Depreciation	<u>496,152</u>	<u>32,464</u>	<u>40,580</u>	<u>569,196</u>
Total operating expenses	<u>\$ 3,805,873</u>	<u>\$ 653,699</u>	<u>\$ 537,058</u>	<u>\$ 4,996,630</u>

The accompanying Notes are an integral part of these financial statements

Page 6

# 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

Page 7

# Larimer Humane Society

## Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended June 30	2021	2020
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 3,833,520	\$ 329,935
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	569,196	565,713
Amortization of discount on note payable	325,925	332,554
Interest contributions on note payable	(325,925)	(332,554)
Forgiveness of note payable	(495,274)	(495,275)
Loss on disposal of equipment	670	-
Net realized and unrealized (gain) loss on investments	(2,493,323)	440,569
Provision for bad debts	660	609
Increase (decrease) from changes in assets and liabilities		
Accounts receivable	2,183	80,249
Contributions receivable	(512,060)	(1,340)
Prepaid expenses and other current assets	15,513	(27,346)
Accounts payable and other accrued expenses	26,438	(18,746)
Accrued compensation and benefits	(21,492)	36,617
Deferred revenue	19,765	(6,050)
Refundable advances	30,000	-
Net cash provided by operating activities	<u>975,796</u>	<u>904,935</u>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of investments	4,506,681	2,684,365
Purchases of investments	(5,167,019)	(3,597,305)
Purchases of equipment	(140,024)	(148,159)
Net cash used by investing activities	<u>(800,362)</u>	<u>(1,061,099)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	175,434	(156,164)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>891,755</u>	<u>1,047,919</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 1,067,189</u>	<u>\$ 891,755</u>

The accompanying Notes are an integral  
part of these financial statements

Page 8

# Larimer Humane Society

## Notes to Financial Statements

June 30, 2021 and 2020

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### 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.

*Change in Accounting Principle.* In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements on fair value measurements in FASB ASC 820. The amendments in ASU 2018-13 are effective for fiscal years beginning after December 15, 2019. Certain amendments in ASU 2018-13 are applied prospectively and all others are applied retrospectively. During the year ended June 30, 2021, the Organization adopted ASU 2018-13. The adoption did not have any material effect on the change in net assets for the year ended June 30, 2020, or on net assets as of June 30, 2020.

*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.

# Larimer Humane Society

## Notes to Financial Statements

June 30, 2021 and 2020

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

*Investments (continued).* 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.

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.

# Larimer Humane Society

## Notes to Financial Statements

June 30, 2021 and 2020

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

*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 Organization 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, 2021 and 2020.

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. 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, 2021 and 2020.

*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, 2021 and 2020, 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.

# Larimer Humane Society

## Notes to Financial Statements

June 30, 2021 and 2020

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

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, 2021 and 2020.

*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.

*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.

# Larimer Humane Society

## Notes to Financial Statements

June 30, 2021 and 2020

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

*Revenue Recognition (continued).* 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.

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, 2021 and 2020 were \$32,462 and \$41,229, 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.

# Larimer Humane Society

## Notes to Financial Statements

June 30, 2021 and 2020

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

*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 October 13, 2021, the date at which the financial statements were available for release.

### Note 2 – 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, 2021 and 2020, 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>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,067,189	\$ 891,755
Investments	13,901,461	10,753,734
Accounts receivable	9,327	12,170
Contributions receivable	516,611	4,551
Beneficial interest in assets held by foundation	33,055	27,121
	<u>15,527,643</u>	<u>11,689,331</u>
Less amounts not available to be used within one year for general expenditure:		
Designated by the board of directors for capital projects, building repairs, and operations	(14,465,658)	(11,031,113)
Board designated endowment fund	(33,055)	(27,121)
	<u>(14,498,713)</u>	<u>(11,058,234)</u>
Financial assets available for general expenditures within one year	<u>\$ 1,028,930</u>	<u>\$ 631,097</u>

Board designated funds may be released for general expenditure upon approval by the board of directors.

# Larimer Humane Society

## Notes to Financial Statements

June 30, 2021 and 2020

### Note 3 – 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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities				
United States	\$ 7,045,614	\$ -	\$ -	\$ 7,045,614
International	1,472,562	-	-	1,472,562
Corporate bonds	-	109,409	-	109,409
Mutual funds	5,273,876	-	-	5,273,876
	<u>\$ 13,792,052</u>	<u>\$ 109,409</u>	<u>\$ -</u>	<u>\$13,901,461</u>

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>

*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. For the years ended June 30, 2021 and 2020, there were no significant transfers in or out of fair value levels.

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>
<u>2021</u>				
\$33,055	N/A	Immediate	Redemptions will only be made upon written request of the Organization	None
<u>2020</u>				
\$27,121	N/A	Immediate		None

# Larimer Humane Society

## Notes to Financial Statements

June 30, 2021 and 2020

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### Note 3 – Fair Value Measurements (continued)

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

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 296,817	\$ 359,455
Net unrealized gain (loss) on investments	1,840,131	(218,866)
Net realized gain (loss) on investments	653,192	(221,703)
	<u>2,790,140</u>	<u>(81,114)</u>
Investment fees	(56,395)	(54,726)
Net investment income (loss)	<u>\$ 2,733,745</u>	<u>\$ (135,840)</u>

### Note 4 – Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 1,454,150	\$ 1,454,150
Building and improvements	16,949,018	16,933,042
Machinery and equipment	493,688	493,951
Vehicles	387,784	337,933
Furniture and fixtures	421,054	421,054
	<u>19,705,694</u>	<u>19,640,130</u>
Less accumulated depreciation	(2,421,785)	(1,926,379)
Net property and equipment	<u>\$17,283,909</u>	<u>\$17,713,751</u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$569,196 and \$565,713, respectively.

### Note 5 – Accounts Receivable and Contract Liabilities

Accounts receivable consists of amounts invoiced to customers for goods sold or services rendered for which the Organization has met all performance obligations. Beginning balances were \$12,170 and \$23,934 at July 1, 2020 and 2019, respectively. Ending balances were \$9,327 and \$12,170 at June 30, 2021 and 2020, respectively.

The Organization has contracts that are unsatisfied or partially unsatisfied as of June 30, 2021 and 2020, in the amounts of \$29,265 and \$9,500, respectively. Contract liabilities as of June 30, 2019 totaling \$15,550 were recognized as revenue during the year ended June 30, 2020, and the June 30, 2020 contract liabilities were recognized as revenue during the year ended June 30, 2021. As of June 30, 2021, the Organization expects to recognize the June 30, 2021 amounts as revenue during the year ended June 30, 2022.

# Larimer Humane Society

## Notes to Financial Statements

June 30, 2021 and 2020

### Note 6 – 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.

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

	<u>2021</u>	<u>2020</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.	<b>\$13,042,228</b>	\$13,537,502
Less unamortized discount	<b>(4,986,399)</b>	(5,312,324)
	<b>8,055,829</b>	8,225,178
Less current maturities	<b>(176,249)</b>	(169,350)
	<b><u>\$ 7,879,580</u></b>	<b><u>\$ 8,055,828</u></b>

Scheduled maturities of the long-term debt obligations are as follows at June 30, 2021:

Year ended June 30	Note Payable	Amortization of Discount	Total
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
2026	495,274	288,499	206,775
Thereafter	10,565,858	3,466,065	7,099,793
	<b><u>\$ 13,042,228</u></b>	<b><u>\$ 4,986,399</u></b>	<b><u>\$ 8,055,829</u></b>

### Note 7 – 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, 2021 and 2020, the Board of Directors designated \$14,465,658 and \$11,031,113, respectively, of net assets without donor restrictions for capital projects and building repairs.

# Larimer Humane Society

## Notes to Financial Statements

June 30, 2021 and 2020

### Note 7 – Board-designated Net Assets (continued)

*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.

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, 2021 and 2020:

Balance, July 1, 2019	\$ 26,284
Net investment gain	837
Balance, June 30, 2020	27,121
Net investment gain	<b>5,934</b>
Balance, June 30, 2021	<b>\$ 33,055</b>

### Note 8 – Net Assets With Donor Restrictions

The following summarizes the changes in net assets with donor restrictions for the years ended June 30, 2021 and 2020:

	Better Together Campaign	Time Restrictions	Total
Balance, July 1, 2019	\$ 18,498	\$ 3,211	\$ 21,709
Additions	-	3,000	3,000
Releases	(18,498)	(1,660)	(20,158)
Balance, June 30, 2020	-	4,551	4,551
Additions	-	<b>516,611</b>	<b>516,611</b>
Releases	-	<b>(4,551)</b>	<b>(4,551)</b>
Balance, June 30, 2021	<b>\$ -</b>	<b>\$ 516,611</b>	<b>\$ 516,611</b>

# Larimer Humane Society

## Notes to Financial Statements

June 30, 2021 and 2020

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### Note 9 – 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, 2021 and 2020.

Future annual minimum lease payments required under the noncancelable operating lease are as follows at June 30, 2021:

Year Ended June 30	Amount
2022	\$ 626
2023	522
	<u>\$ 1,148</u>

### Note 10 – 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:

	2021	2020
Recognized over time		
Contract revenue	\$ 1,627,990	\$ 1,713,088
Recognized at a point in time		
License fees	750,882	774,494
Adoption fees	387,697	363,464
Impound fees	71,201	90,542
Other program revenue	72,722	89,790
Merchandise sales	31,604	32,344
	<u>\$ 2,942,096</u>	<u>\$ 3,063,722</u>

### Note 11 – In-kind Contributions

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

	2021	2020
Forgiveness of note payable	\$ 495,274	\$ 495,274
Interest on note payable	325,925	332,554
Supplies and materials	11,872	12,138
	<u>\$ 833,071</u>	<u>\$ 839,966</u>

# Larimer Humane Society

## Notes to Financial Statements

June 30, 2021 and 2020

### Note 12 – Special Events

The following summarizes net revenue from special events for the year ended June 30, 2021:

	<b>Top Cat &amp; Tails Gala</b>	<b>Fire Hydrant 5k</b>	<b>Other Events</b>	<b>Total</b>
Gross proceeds	\$ 119,996	\$ 64,510	\$ 3,983	\$ 188,489
Direct costs	(47,241)	(12,041)	(3,090)	(62,372)
	<u>\$ 72,755</u>	<u>\$ 52,469</u>	<u>\$ 893</u>	<u>\$ 126,117</u>

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

	<b>Top Cat &amp; Tails Gala</b>	<b>Fire Hydrant 5k</b>	<b>Other Events</b>	<b>Total</b>
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>

### Note 13 – 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 \$29,609 and \$27,582 to the plan for the years ended June 30, 2021 and 2020, respectively.

### Note 14 – Concentrations

*Major Customer.* The Organization had a single customer who comprised 10% and 16% of total revenue and support for the years ended June 30, 2021 and 2020, respectively.

*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 – Risks and Uncertainty

During 2020, a health care pandemic 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. The global economy has been negatively impacted and certain activities of the Organization could be subject to closure or substantially modified operations.

# Larimer Humane Society

## Notes to Financial Statements

June 30, 2021 and 2020

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### Note 15 – Risks and Uncertainty (continued)

The pandemic has continued into 2021, but at a diminished level. No reliable estimate of the potential future financial impacts of this uncertainty on the Organization can be made at this time.