

**Larimer Humane Society**

(a nonprofit Colorado corporation)

**Financial Statements**

June 30, 2022 and 2021

# Larimer Humane Society

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**Independent Auditor's Report**

To the Board of Directors  
Larimer Humane Society  
Loveland, Colorado

**Opinion**

We have audited the financial statements of Larimer Humane Society (a nonprofit Colorado corporation), which comprise the statements of financial position as of June 30, 2022 and 2021, 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 accompanying financial statements present fairly, in all material respects, the financial position of Larimer Humane Society as of June 30, 2022 and 2021, 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 4, 2022

# Larimer Humane Society

## Statements of Financial Position

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June 30	2022	2021
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,220,933	\$ 1,067,189
Investments	<u>12,536,295</u>	13,901,461
Accounts receivable	11,024	9,327
Contributions receivable	41,850	516,611
Prepaid expenses and other current assets	<u>49,623</u>	62,798
Total current assets	<u>13,859,725</u>	15,557,386
<b>Property and Equipment, net</b>	<b>16,789,039</b>	17,283,909
<b>Other Assets</b>		
Beneficial interest in assets held by community foundation	<u>29,402</u>	33,055
Total assets	<u>\$ 30,678,166</u>	<u>\$ 32,874,350</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable and other accrued expenses	\$ 107,035	\$ 70,690
Accrued compensation and benefits	274,878	172,569
Deferred revenue	61,933	29,265
Refundable advances	311,845	349,025
Current maturities of note payable, net	<u>183,429</u>	176,249
Total current liabilities	<u>939,120</u>	797,798
<b>Long-Term Liabilities</b>		
Refundable advances, net of current portion	4,355,480	4,667,374
Note payable, net of current maturities	<u>7,696,199</u>	7,879,580
Total long-term liabilities	<u>12,051,679</u>	12,546,954
Total liabilities	<u>12,990,799</u>	13,344,752
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	-	272,593
Board-designated	13,403,431	14,498,713
Net investment in property and equipment	<u>4,242,086</u>	4,241,681
	<u>17,645,517</u>	19,012,987
With donor restrictions	41,850	516,611
Total net assets	<u>17,687,367</u>	19,529,598
Total liabilities and net assets	<u>\$ 30,678,166</u>	<u>\$ 32,874,350</u>

The accompanying Notes are an integral part of these financial statements

# Larimer Humane Society

## Statement of Activities

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Year ended June 30, 2022

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	<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	\$ 1,871,343	\$ -	\$ 1,871,343
License fees	734,911	-	734,911
Adoption fees	389,775	-	389,775
Impound fees	84,966	-	84,966
Other program revenue	99,087	-	99,087
Merchandise sales, net	16,108	-	16,108
Total operating revenue	<u>3,196,190</u>	<u>-</u>	<u>3,196,190</u>
<b>Operating Support</b>			
Contributions	1,554,919	41,850	1,596,769
Contributions, in-kind	822,123	-	822,123
Special event income, net	165,684	-	165,684
Net assets released from restrictions			
Expiration of time restrictions	516,611	(516,611)	-
Total operating support	<u>3,059,337</u>	<u>(474,761)</u>	<u>2,584,576</u>
Total operating revenue and support	<u>6,255,527</u>	<u>(474,761)</u>	<u>5,780,766</u>
<b>Operating Expenses</b>			
Program services	4,581,639	-	4,581,639
Supporting services			
General and administrative	725,751	-	725,751
Fundraising	554,784	-	554,784
Total operating expenses	<u>5,862,174</u>	<u>-</u>	<u>5,862,174</u>
Total operating revenue and support in excess (deficit) of operating expenses	393,353	(474,761)	(81,408)
<b>Other Changes</b>			
Investment loss, net	(1,767,077)	-	(1,767,077)
Other income	6,254	-	6,254
Total other changes	<u>(1,760,823)</u>	<u>-</u>	<u>(1,760,823)</u>
<b>Change in Net Assets</b>	(1,367,470)	(474,761)	(1,842,231)
<b>Net Assets, Beginning of Year</b>	<u>19,012,987</u>	<u>516,611</u>	<u>19,529,598</u>
<b>Net Assets, End of Year</b>	<u>\$ 17,645,517</u>	<u>\$ 41,850</u>	<u>\$ 17,687,367</u>

The accompanying Notes are an integral part of these financial statements

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# Larimer Humane Society

## Statement of Activities

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Year ended June 30, 2021

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	Without Donor Restrictions	With Donor Restrictions	Total
<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
<b>Total operating revenue</b>	<b>2,924,931</b>	<b>-</b>	<b>2,924,931</b>
<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)	-
<b>Total operating support</b>	<b>2,658,330</b>	<b>512,060</b>	<b>3,170,390</b>
<b>Total operating revenue and support</b>	<b>5,583,261</b>	<b>512,060</b>	<b>6,095,321</b>
<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
<b>Total operating expenses</b>	<b>4,996,630</b>	<b>-</b>	<b>4,996,630</b>
<b>Total operating revenue and support in excess of operating expenses</b>	<b>586,631</b>	<b>512,060</b>	<b>1,098,691</b>
<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)
<b>Total other changes</b>	<b>2,734,829</b>	<b>-</b>	<b>2,734,829</b>
<b>Change in Net Assets</b>	<b>3,321,460</b>	<b>512,060</b>	<b>3,833,520</b>
<b>Net Assets, Beginning of Year</b>	<b>15,691,527</b>	<b>4,551</b>	<b>15,696,078</b>
<b>Net Assets, End of Year</b>	<b>\$ 19,012,987</b>	<b>\$ 516,611</b>	<b>\$ 19,529,598</b>

The accompanying Notes are an integral  
part of these financial statements

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# Larimer Humane Society

## Statement of Functional Expenses

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Year ended June 30, 2022

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	Supporting Services			
	Program Services	General and Administrative	Fundraising	Total
Salaries and wages	\$ 2,421,589	\$ 153,241	\$ 223,398	\$ 2,798,228
Payroll taxes	172,809	21,019	16,833	210,661
Employee benefits	160,315	19,124	15,309	194,748
Total personnel costs	2,754,713	193,384	255,540	3,203,637
Interest expense	-	319,074	-	319,074
Printing expense	64,901	155	130,785	195,841
Information technology	131,511	28,179	35,538	195,228
Facility maintenance	164,622	13,054	13,054	190,730
Animal care	190,446	-	-	190,446
Occupancy	153,548	12,186	11,455	177,189
Insurance	122,405	9,700	9,700	141,805
Equipment and supplies	93,679	5,664	5,146	104,489
Staff and volunteer expense	63,172	7,302	4,827	75,301
Legal and professional	28,822	34,941	5,117	68,880
Postage	52,047	613	8,677	61,337
Bank fees	31,945	2,515	23,604	58,064
Transportation expense	56,135	815	165	57,115
Miscellaneous expense	23,862	30,708	8,571	63,141
Telecommunications	42,751	2,883	2,889	48,523
Advertising	45,112	-	-	45,112
Contract labor	14,644	15,809	-	30,453
Licenses and dues	9,960	10,043	990	20,993
Office expenses and maintenance	18,027	865	865	19,757
Business partnerships	11,266	-	-	11,266
Total operating expenses before depreciation	4,073,568	687,890	516,923	5,289,404
Depreciation	508,071	37,861	37,861	583,793
Total operating expenses	<u>\$ 4,581,639</u>	<u>\$ 725,751</u>	<u>\$ 554,784</u>	<u>\$ 5,873,197</u>

The accompanying Notes are an integral part of these financial statements

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# Larimer Humane Society

## Statement of Functional Expenses

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Year ended June 30, 2021

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	Program Services	Supporting Services		
		General and Administrative	Fundraising	Total
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	2,232,377	128,479	255,851	2,616,707
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	8,876	15,074	3,168	27,118
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
 Total operating expenses before depreciation	 3,309,721	 621,235	 496,478	 4,427,434
Depreciation	496,152	32,464	40,580	569,196
 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

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# Larimer Humane Society

## Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

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Years ended June 30	2022	2021
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (1,842,231)	\$ 3,833,520
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	583,793	569,196
Amortization of discount on note payable	319,074	325,925
Interest contributions on note payable	(319,074)	(325,925)
Forgiveness of note payable	(495,275)	(495,274)
Loss on disposal of equipment	-	670
Net realized and unrealized (gain) loss on investments	2,313,091	(2,493,323)
Provision for bad debts	340	660
Increase (decrease) from changes in assets and liabilities		
Accounts receivable	(2,037)	2,183
Contributions receivable	474,761	(512,060)
Prepaid expenses and other current assets	13,175	15,513
Accounts payable and other accrued expenses	36,345	26,438
Accrued compensation and benefits	102,309	(21,492)
Deferred revenue	32,668	19,765
Refundable advances	(30,000)	30,000
Net cash provided by operating activities	<u>1,186,939</u>	<u>975,796</u>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of investments	3,174,871	4,506,681
Purchases of investments	(4,119,143)	(5,167,019)
Purchases of equipment	(88,923)	(140,024)
Net cash used by investing activities	<u>(1,033,195)</u>	<u>(800,362)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>153,744</b>	<b>175,434</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b><u>1,067,189</u></b>	<b><u>891,755</u></b>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 1,220,933</u></b>	<b><u>\$ 1,067,189</u></b>

The accompanying Notes are an integral  
part of these financial statements

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# Larimer Humane Society

## Notes to Financial Statements

June 30, 2022 and 2021

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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.

*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.

# Larimer Humane Society

## Notes to Financial Statements

June 30, 2022 and 2021

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

*Fair Value Measurements (continued).* 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 and Mutual Funds.* The Organization values equity securities 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.

*Corporate Bonds.* The Organization values bonds issued by corporations at the fair value as determined by independent pricing services. The pricing of corporate bonds is sourced from broker/dealers, trade prices, and the new issue market. As the significant inputs used to value corporate bonds are observable market inputs, the fair values of corporate bonds are included in the Level 2 fair value hierarchy.

*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.

# Larimer Humane Society

## Notes to Financial Statements

June 30, 2022 and 2021

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

*Beneficial Interest in Assets Held by Community Foundation (continued).* 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, 2022 and 2021.

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, 2022 and 2021.

*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, 2022 and 2021, 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, 2022 and 2021

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

*Property and Equipment (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, 2022 and 2021.

*Refundable Advances.* Grant funding received in advance of incurring related expenses are considered refundable advances and are deferred. Revenue is recognized as the related costs are incurred.

*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.

# Larimer Humane Society

## Notes to Financial Statements

June 30, 2022 and 2021

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

*Revenue Recognition (continued).* 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.

The Organization had accounts receivable representing net billed amounts due on contracts with customers of \$11,024, \$9,327, and \$12,170 as of June 30, 2022 and 2021, and July 1, 2020, respectively. The Organization did not have any contract assets associated with revenue from contracts with customers as of June 30, 2022 and 2021, or as of July 1, 2020. The Organization occasionally collects fees in advance of services being provided, which are recorded as deferred revenue (contract liabilities) on the statements of financial position. Contract liabilities as of June 30, 2022 and 2021, and July 1, 2020 totaled \$61,933, \$29,265, and \$9,500, respectively. Contract liabilities are generally recognized as revenue during the following year.

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, 2022 and 2021 were \$45,112 and \$32,462, 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.

# Larimer Humane Society

## Notes to Financial Statements

June 30, 2022 and 2021

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

*Functional Allocation of Expenses (continued).* Indirect expenses have been allocated between program and supporting services based on an analysis of personnel time and space utilized for the related activities.

*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 4, 2022, 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, 2022 and 2021, 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:

	2022	2021
Financial assets at year end:		
Cash and cash equivalents	\$ 1,220,933	\$ 1,067,189
Investments	<u>12,536,295</u>	13,901,461
Accounts receivable	<u>11,024</u>	9,327
Contributions receivable	<u>41,850</u>	516,611
Beneficial interest in assets held by foundation	<u>29,402</u>	33,055
	<u><u>13,839,504</u></u>	<u><u>15,527,643</u></u>

Less amounts not available to be used within one year for general expenditure:

Designated by the board of directors for capital projects and operations	(13,374,029)	(14,465,658)
Board designated endowment fund	<u>(29,402)</u>	<u>(33,055)</u>
	<u><u>(13,403,431)</u></u>	<u><u>(14,498,713)</u></u>
Financial assets available for general expenditures within one year	<u><u>\$ 436,073</u></u>	<u><u>\$ 1,028,930</u></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, 2022 and 2021

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### 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, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities				
United States	\$ 6,567,554	\$ -	\$ -	\$ 6,567,554
International	1,576,228	-	-	1,576,228
Mutual funds	4,238,035	-	-	4,238,035
Corporate bonds	-	154,478	-	154,478
	<u>\$ 12,381,817</u>	<u>\$ 154,478</u>	<u>\$ -</u>	<u>\$12,536,295</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, 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
Mutual funds	5,273,876	-	-	5,273,876
Corporate bonds	-	109,409	-	109,409
	<u>\$ 13,792,052</u>	<u>\$ 109,409</u>	<u>\$ -</u>	<u>\$13,901,461</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, 2022 and 2021, 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>2022</u> \$29,402	N/A	Immediate	Redemptions will only be made upon written request of the Organization	None
<u>2021</u> \$33,055	N/A	Immediate		None

# Larimer Humane Society

## Notes to Financial Statements

June 30, 2022 and 2021

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

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

	<b>2022</b>	<b>2021</b>
Interest and dividends	\$ 622,013	\$ 296,817
Net unrealized gain (loss) on investments	(2,716,724)	1,840,131
Net realized gain on investments	403,633	653,192
	<hr/>	<hr/>
	(1,691,078)	2,790,140
Investment fees	(75,999)	(56,395)
Net investment income (loss)	<b><u>\$ (1,767,077)</u></b>	<b><u>\$ 2,733,745</u></b>

### Note 4 – Property and Equipment

Property and equipment consists of the following at June 30:

	<b>2022</b>	<b>2021</b>
Land	\$ 1,454,150	\$ 1,454,150
Building and improvements	16,951,968	16,949,018
Machinery and equipment	511,825	493,688
Vehicles	455,197	387,784
Furniture and fixtures	421,054	421,054
	<hr/>	<hr/>
Less accumulated depreciation	19,794,194	19,705,694
Net property and equipment	<b><u>(3,005,155)</u></b>	<b><u>(2,421,785)</u></b>
	<b><u>\$16,789,039</u></b>	<b><u>\$17,283,909</u></b>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$583,793 and \$569,196, respectively.

### Note 5 – Note Payable and Refundable Advances

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.

# Larimer Humane Society

## Notes to Financial Statements

June 30, 2022 and 2021

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### Note 5 – Note Payable and Refundable Advances (continued)

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

	<u>2022</u>	<u>2021</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.	<u>\$12,546,953</u>	<u>\$13,042,228</u>
Less unamortized discount	<u>(4,667,325)</u>	<u>(4,986,399)</u>
	<u>7,879,628</u>	<u>8,055,829</u>
Less current maturities	<u>(183,429)</u>	<u>(176,249)</u>
	<u><u>\$ 7,696,199</u></u>	<u><u>\$ 7,879,580</u></u>

Scheduled maturities of the long-term debt obligations are as follows at June 30, 2022:

Year ended June 30	Note Payable	Amortization of Discount	Total
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
2027	495,274	280,075	215,199
Thereafter	<u>10,070,583</u>	<u>3,185,941</u>	<u>6,884,642</u>
	<u><u>\$ 12,546,953</u></u>	<u><u>\$ 4,667,325</u></u>	<u><u>\$ 7,879,628</u></u>

*Refundable Advances.* The contribution of imputed interest on the noninterest bearing note 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. Refundable advances related to the donated interest at June 30, 2022 and 2021 was \$4,667,325 and \$4,986,399, respectively.

### 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, 2022 and 2021, the Board of Directors designated \$13,374,029 and \$14,465,658, 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.

# Larimer Humane Society

## Notes to Financial Statements

June 30, 2022 and 2021

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### Note 6 – Board-designated Net Assets (continued)

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, 2022 and 2021:

Balance, July 1, 2020	\$ 27,121
Net investment gain	5,934
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Balance, June 30, 2021	33,055
Net investment loss	(3,653)
<hr/>	
Balance, June 30, 2022	<b>\$ 29,402</b>

### Note 7 – Net Assets With Donor Restrictions

The following summarizes the changes in net assets with donor restrictions for the years ended June 30, 2022 and 2021:

	Time Restrictions
Balance, July 1, 2020	\$ 4,551
Additions	516,611
Releases	(4,551)
<hr/>	
Balance, June 30, 2021	516,611
Additions	41,850
Releases	(516,611)
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Balance, June 30, 2022	<b>\$ 41,850</b>

# Larimer Humane Society

## Notes to Financial Statements

June 30, 2022 and 2021

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### Note 8 – 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:

	<b>2022</b>	<b>2021</b>
Recognized over time		
Contract revenue	\$ 1,871,343	\$ 1,627,990
Recognized at a point in time		
License fees	734,911	750,882
Adoption fees	389,775	387,697
Impound fees	84,966	71,201
Other program revenue	99,087	72,722
Merchandise sales, gross	34,634	31,604
	<b><u>\$ 3,214,716</u></b>	<b><u>\$ 2,942,096</u></b>

### Note 9 – In-kind Contributions

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

	<b>2022</b>	<b>2021</b>
Forgiveness of note payable	\$ 495,275	\$ 495,274
Interest on note payable	319,074	325,925
Supplies and materials	7,774	11,872
	<b><u>\$ 822,123</u></b>	<b><u>\$ 833,071</u></b>

### Note 10 – Special Events

The following summarizes net revenue from special events for the year ended June 30, 2022:

	<b>Top Cat &amp; Tails Gala</b>	<b>Fire Hydrant 5k</b>	<b>Other Events</b>	<b>Total</b>
Gross proceeds	\$ 186,937	\$ 75,789	\$ 18,029	\$ 280,755
Direct costs	<u>(93,598)</u>	<u>(14,493)</u>	<u>(6,980)</u>	<u>(115,071)</u>
	<b><u>\$ 93,339</u></b>	<b><u>\$ 61,296</u></b>	<b><u>\$ 11,049</u></b>	<b><u>\$ 165,684</u></b>

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	<u>(47,241)</u>	<u>(12,041)</u>	<u>(3,090)</u>	<u>(62,372)</u>
	<b><u>\$ 72,755</u></b>	<b><u>\$ 52,469</u></b>	<b><u>\$ 893</u></b>	<b><u>\$ 126,117</u></b>

# Larimer Humane Society

## Notes to Financial Statements

June 30, 2022 and 2021

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### Note 11 – 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 \$38,767 and \$29,609 to the plan for the years ended June 30, 2022 and 2021, respectively.

### Note 12 – Concentrations

*Major Customer.* The Organization had a customer who comprised 15% and 14% of total operating revenue and support for the years ended June 30, 2022 and 2021, 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 13 – Risks and Uncertainty

A global pandemic has continued into 2022, although with diminished impacts. The effects of the pandemic have negatively impacted the economy with labor and supply chain shortages and high inflation. Uncertainties may arise with respect to potential government mandates should the status of the pandemic change in the future.