

Longmont Humane Society, Inc.

(a nonprofit Colorado corporation)

Longmont, Colorado

Financial Statements

December 31, 2020 and 2019

Longmont Humane Society, Inc.

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Independent Auditor's Report

To the Board of Directors
Longmont Humane Society, Inc.
Longmont, Colorado

We have audited the accompanying financial statements of Longmont Humane Society, Inc. (a nonprofit Colorado corporation), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Independent Auditor's Report (continued)

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Longmont Humane Society, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Brock and Company, CPAs, P.C.

Certified Public Accountants

Longmont, Colorado
June 18, 2021

Longmont Humane Society, Inc.

Statements of Financial Position

December 31	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,484,511	\$ 1,142,048
Investments	607,288	594,985
Accounts receivable	24,997	23,166
Inventory	54,759	114,128
Prepaid expenses and other current assets	28,393	29,642
Total current assets	<u>2,199,948</u>	<u>1,903,969</u>
Property and Equipment		
Building and improvements	9,548,896	9,548,671
Furniture, fixtures and equipment	361,416	371,884
Vehicles	2,900	2,900
Land improvements	30,412	30,412
	<u>9,943,624</u>	<u>9,953,867</u>
Less accumulated depreciation	<u>(3,599,232)</u>	<u>(3,361,438)</u>
Net property and equipment	<u>6,344,392</u>	<u>6,592,429</u>
Other Assets		
Cash, restricted for compensating balance	250,000	250,000
Beneficial interest in trustee assets	378,381	348,189
Deposits	1,845	10,920
Total other assets	<u>630,226</u>	<u>609,109</u>
Total assets	<u>\$ 9,174,566</u>	<u>\$ 9,105,507</u>

	2020	2019
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 50,875	\$ 75,463
Accrued wages and taxes	39,625	118,934
Other accrued expenses	70,497	74,158
Deferred revenue	18,171	12,840
Current portion of note payable	90,142	85,647
Current portion of capital lease	4,869	3,942
Total current liabilities	<u>274,179</u>	<u>370,984</u>
Long-Term Liabilities		
Note payable, net of current portion	1,004,822	1,135,409
Capital lease, net of current portion	2,949	7,911
Total long-term liabilities	<u>1,007,771</u>	<u>1,143,320</u>
Total liabilities	<u>1,281,950</u>	<u>1,514,304</u>
Net Assets		
Without donor restrictions	7,514,235	7,243,014
With donor restrictions	378,381	348,189
Total net assets	<u>7,892,616</u>	<u>7,591,203</u>
Total liabilities and net assets	<u>\$ 9,174,566</u>	<u>\$ 9,105,507</u>

The accompanying Notes are an integral part of these financial statements

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Longmont Humane Society, Inc.

Statements of Activities

Years ended December 31

2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, Gains, and Support			
Revenue and Gains			
Public clinic	\$ 1,157,692	\$ -	\$ 1,157,692
Adoption and other fee income	455,292	-	455,292
Contractual fee income	267,304	-	267,304
Behavior	60,139	-	60,139
Retail merchandise sales	63,782	-	63,782
Retail merchandise cost of sales	(34,228)	-	(34,228)
Thrift store sales	37,635	-	37,635
Thrift store cost of sales, in-kind	(40,413)	-	(40,413)
Increase in value of trustee assets	-	30,192	30,192
Unrealized gain on investments	5,610	-	5,610
Realized gain on investments	157	-	157
Interest and dividends	7,668	-	7,668
Other revenue	3,579	-	3,579
Total revenue	<u>1,984,217</u>	<u>30,192</u>	<u>2,014,409</u>
Support			
Contributions, cash and in-kind	1,635,290	-	1,635,290
Government grant, Paycheck Protection Program	482,383	-	482,383
Special event income	135,087	-	135,087
Special event expenses	(9,163)	-	(9,163)
Total support	<u>2,243,597</u>	<u>-</u>	<u>2,243,597</u>
Total revenue and support	<u>4,227,814</u>	<u>30,192</u>	<u>4,258,006</u>
Functional Expenses and Losses			
Functional Expenses			
Program services	3,046,900	-	3,046,900
Supporting services			
Fundraising	510,334	-	510,334
General and administrative	363,728	-	363,728
Total functional expenses	<u>3,920,962</u>	<u>-</u>	<u>3,920,962</u>
Losses			
Loss on disposal of thrift store inventory	35,340	-	35,340
Loss on disposal of property and equipment	291	-	291
Total losses	<u>35,631</u>	<u>-</u>	<u>35,631</u>
Total functional expenses and losses	<u>3,956,593</u>	<u>-</u>	<u>3,956,593</u>
Change in Net Assets	271,221	30,192	301,413
Net Assets, Beginning of Year	<u>7,243,014</u>	<u>348,189</u>	<u>7,591,203</u>
Net Assets, End of Year	<u>\$ 7,514,235</u>	<u>\$ 378,381</u>	<u>\$ 7,892,616</u>

2019

Without Donor Restrictions	With Donor Restrictions	Total
\$ 1,481,043	\$ -	\$ 1,481,043
451,199	-	451,199
267,073	-	267,073
124,396	-	124,396
96,167	-	96,167
(46,167)	-	(46,167)
238,285	-	238,285
(246,932)	-	(246,932)
-	29,619	29,619
20,361	-	20,361
18,178	-	18,178
3,543	-	3,543
18,286	-	18,286
<u>2,425,432</u>	<u>29,619</u>	<u>2,455,051</u>
1,579,292	-	1,579,292
-	-	-
209,927	-	209,927
(28,032)	-	(28,032)
<u>1,761,187</u>	<u>-</u>	<u>1,761,187</u>
<u>4,186,619</u>	<u>29,619</u>	<u>4,216,238</u>
2,978,886	-	2,978,886
599,542	-	599,542
521,345	-	521,345
<u>4,099,773</u>	<u>-</u>	<u>4,099,773</u>
-	-	-
1,059	-	1,059
<u>1,059</u>	<u>-</u>	<u>1,059</u>
<u>4,100,832</u>	<u>-</u>	<u>4,100,832</u>
85,787	29,619	115,406
<u>7,157,227</u>	<u>318,570</u>	<u>7,475,797</u>
<u>\$ 7,243,014</u>	<u>\$ 348,189</u>	<u>\$ 7,591,203</u>

The accompanying Notes are an integral
part of these financial statements

Longmont Humane Society, Inc.

Statement of Functional Expenses

Year ended December 31, 2020

	Program Services	Supporting Services		Total Expenses
		Fundraising	General and Administrative	
Compensation and benefits	\$ 2,175,320	\$ 230,328	\$ 153,552	\$ 2,559,200
Public clinic expenses	363,846	-	-	363,846
Rent, facilities and land	30,224	89,412	6,297	125,933
Utilities	91,281	2,977	4,961	99,219
Insurance	15,017	-	68,410	83,427
Repairs and maintenance	71,521	2,332	3,887	77,740
Kennel supplies	62,800	-	-	62,800
Development expenses	1,799	58,181	-	59,980
Interest expense	-	-	43,302	43,302
Legal and professional	-	-	38,076	38,076
Fee related expenses	35,337	-	-	35,337
Bank fees	-	-	30,759	30,759
Miscellaneous expenses	-	-	11,800	11,800
Telephone and internet	9,075	834	522	10,431
Office supplies	6,431	1,378	1,378	9,187
Thrift store expenses	-	9,153	-	9,153
Volunteer program expenses	6,999	1,235	-	8,234
Behavior expenses	6,920	-	-	6,920
Advertising	3,419	3,419	-	6,838
Dues and subscriptions	2,704	541	361	3,606
Postage	748	1,727	403	2,878
Vehicle expenses	119	-	6	125
Staff development	56	-	14	70
Foster care expenses	58	-	-	58
Total expenses before depreciation	2,883,674	401,517	363,728	3,648,919
Depreciation	163,226	108,817	-	272,043
Total expenses	\$ 3,046,900	\$ 510,334	\$ 363,728	\$ 3,920,962

The accompanying Notes are an integral part of these financial statements.

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Longmont Humane Society, Inc.

Statement of Functional Expenses

Year ended December 31, 2019

	Program Services	Supporting Services		Total Expenses
		Fundraising	General and Administrative	
Compensation and benefits	\$ 2,032,679	\$ 360,222	\$ 180,111	\$ 2,573,012
Public clinic expenses	446,249	-	-	446,249
Rent, facilities and land	29,698	130,341	4,950	164,989
Utilities	89,687	8,153	4,077	101,917
Repairs and maintenance	69,762	-	23,254	93,016
Insurance	14,474	-	65,936	80,410
Kennel supplies	61,753	-	-	61,753
Development expenses	1,818	58,770	-	60,588
Interest expense	-	-	52,466	52,466
Legal and professional	-	-	36,365	36,365
Thrift store expenses	-	28,504	-	28,504
Fee related expenses	27,924	-	-	27,924
Bank fees	-	-	24,777	24,777
Miscellaneous expenses	-	-	16,478	16,478
Volunteer program expenses	11,428	2,017	-	13,445
Telephone and internet	7,854	1,530	816	10,200
Office supplies	4,824	2,412	2,412	9,648
Advertising	4,693	4,693	-	9,386
Behavior expenses	7,345	-	-	7,345
Dues and subscriptions	3,768	754	502	5,024
Postage	900	2,146	415	3,461
Vehicle expenses	396	-	21	417
Foster care expenses	407	-	-	407
Staff development	157	-	52	209
Total expenses before depreciation	2,815,816	599,542	412,632	3,827,990
Depreciation	163,070	-	108,713	271,783
Total expenses	<u>\$ 2,978,886</u>	<u>\$ 599,542</u>	<u>\$ 521,345</u>	<u>\$ 4,099,773</u>

The accompanying Notes are an integral part of these financial statements.

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Longmont Humane Society, Inc.

Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended December 31	2020	2019
Cash Flows From Operating Activities		
Change in net assets	\$ 301,413	\$ 115,406
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	272,043	271,783
Change in value of trustee assets	(30,192)	(29,619)
Net unrealized gain on investments	(5,610)	(20,361)
Net realized gain on investments	(157)	(18,178)
Loss on disposal of inventory	35,340	-
Loss on sale of property and equipment	291	1,059
Provision for bad debts	2,460	338
Increase (decrease) from changes in assets and liabilities		
Accounts receivable	(4,291)	(1,823)
Inventory	24,029	(30,285)
Prepaid expenses and other current assets	1,249	17,318
Deposits	9,075	103
Accounts payable	(24,588)	(4,051)
Accrued wages and taxes	(79,309)	17,141
Other accrued expenses	(3,661)	(31,043)
Deferred revenue	5,331	4,964
Net cash provided by operating activities	<u>503,423</u>	<u>292,752</u>
Cash Flows From Investing Activities		
Proceeds from sale of investments	-	108,129
Purchases of investments	(6,536)	(445,000)
Purchases of property and equipment	(24,297)	(18,411)
Net cash used by investing activities	<u>(30,833)</u>	<u>(355,282)</u>
Cash Flows From Financing Activities		
Repayments on note payable	(126,092)	(317,217)
Payments on capital lease	(4,035)	(3,592)
Net cash used by financing activities	<u>(130,127)</u>	<u>(320,809)</u>
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	342,463	(383,339)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	<u>1,392,048</u>	<u>1,775,387</u>
Cash, Cash Equivalents, and Restricted Cash, End of Year	<u>\$ 1,734,511</u>	<u>\$ 1,392,048</u>
Supplemental Information		
Cash paid for interest	\$ 43,302	\$ 52,466

The accompanying Notes are an integral part of these financial statements

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Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

Note 1 - Nature of Organization and Significant Accounting Policies

Nature of Organization. The Longmont Humane Society, Inc. (the Organization) was incorporated in November 1972 for the purpose of providing humane care and treatment for any domestic animal in need. The Organization also provides related education and public services to the community in and around Longmont, Colorado.

The Organization's program services include, but are not limited to, adoption services, education, and veterinary services.

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.

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.

Net Asset Classification. The Organization distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. The Organization complies with established standards for external reporting by not-for-profit organizations, which requires that resources be classified for reporting purposes into two net asset categories according to externally (donor) imposed restrictions. The two net asset categories are as follows:

Net Assets Without Donor Restrictions. Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net Assets With Donor Restrictions. Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

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

Functional Allocation of Expenses. 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.

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

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

Cash and Cash Equivalents. The Organization considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. Certain cash is restricted for long-term purposes and, accordingly, is excluded from cash and cash equivalents.

Cash required to be held in a financial institution pursuant to a long-term debt agreement are classified as long-term assets in the accompanying statement of financial position.

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. See fair value measurements below.

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 unrestricted net assets 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.

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

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

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:

Debt and Equity Securities. The Organization values securities 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.

Certificates of Deposit. The Organization values certificates of deposit at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer. Early withdrawal charges may apply in the event the instruments are liquidated prior to their scheduled maturity date.

Beneficial Interest in Trusteed Assets. The Organization is named the beneficiary of trusts. Contribution revenue and the related assets are recognized using the present value of the assets expected to be received. Subsequent changes to the fair value of the assets are recognized as changes in the value of trusteed assets in the accompanying statement of activities.

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 December 31, 2020 and 2019.

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

Accounts Receivable. Accounts receivable are stated net of allowances for uncollectible accounts. 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 estimates that all significant accounts receivable are fully collectible at December 31, 2020 and 2019.

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

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

Inventory. Merchandise inventory consisting of pet supplies and merchandise for resale and Well Pet Clinic inventory, consisting of medications and supplies, are stated at the lower of cost (first-in, first-out method) or market.

Thrift store inventory consisting of donated items for resale such as clothing, linens, furniture, décor, and other household items, are stated at estimated fair value, less an estimated allowance for obsolete inventory. When items are sold, the revenue recorded is equal to the corresponding cost of sales. The assessed value of thrift store inventory is subject to estimate. During the year ended December 31, 2020, the thrift store was closed and all remaining inventory was donated.

Property and Equipment. It is the Organization's policy to capitalize property and equipment at cost for purchases over \$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 unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. In general, asset lives are as follows:

	<u>Life in Years</u>
Building and improvements	40
Furniture, fixtures and equipment	3 - 10
Vehicles	10
Land improvements	10

Depreciation expense for the years ended December 31, 2020 and 2019 was \$272,043 and \$271,783, respectively.

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 December 31, 2020 and 2019.

Revenue Recognition. The Organization's revenues from contracts with customers are recognized in accordance with Topic 606 and are comprised of clinic fees, adoption, surrender and licensing fees, contractual fees, retail sales and special event revenues. Revenue is recognized upon transfer of promised products or services to customers in an amount that reflects the consideration that is expected to be received in exchange for those services, described as follows:

Clinic, adoption, surrender, and licensing fees are billed to customers upon performance of the related service, and are recognized as revenue at the point in time when the service is completed. The Organization satisfies its performance obligations by providing the professional services required, which generally occurs simultaneously with the billing and customer payment.

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

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

Contractual fees are generally billed to customers monthly or quarterly over the course of the yearly contract. The Organization satisfies its performance obligations over time by being available and by performing the services agreed to in the contract. Revenue is recognized ratably over the course of the contract.

Retail and thrift sales are charged to the customer and recognized as revenue at the time of transfer of the merchandise, at which point the Organization has fulfilled its performance obligation.

The Organization holds special events to raise funds and for community involvement. Ticket sales and auction revenues are recognized at the time of the event, when the Organization has fulfilled its performance obligation.

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 restrictions. When a restriction expires, donor restricted net assets are reclassified to without donor restricted net assets. Contributions and grants that are restricted by the donor or grantor are reported as increases in donor restricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributed Services. 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. There were no contributed services recorded in the accompanying financial statements for the years ended December 31, 2020 and 2019.

A substantial number of individuals have made contributions of their time to assist the Organization in a variety of tasks and services. The value of these services is not recorded in the accompanying financial statements, as these services do not meet the criteria for recognition.

Advertising. The Organization expenses advertising costs, including donated advertising, as they are incurred. Advertising expenses for the years ended December 31, 2020 and 2019 were \$6,838 and \$9,386, 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.

The Organization utilizes the provisions of ASC 740, pertaining to accounting for uncertainty in income taxes. The pronouncement requires the use of a more-likely-than-not recognition criteria before and separate from the measurement of a tax position. An entity shall initially recognize the financial statement effects of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. With respect to the Organization, this would primarily relate to the determination of unrelated business taxable income and to the maintenance of its tax exempt status.

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

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

Management has evaluated the adopted policies and procedures that have been implemented to provide assurance that income is properly characterized and activities that jeopardize its tax exempt status are within limits established under existing tax code and regulations. Management has determined the effects of uncertain tax positions are not material to the Organization for recognition or disclosure in the accompanying financial statements and, accordingly, no income tax liability has been recorded for uncertain income tax positions in the accompanying financial statements.

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 June 18, 2021, the date at which the financial statements were available for release.

Note 2 - Availability, Liquidity and Subsequent Event

The following represents the Organization's financial assets for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Financial assets and available liquidity at year end		
Cash and cash equivalents	\$ 1,484,511	\$ 1,142,048
Restricted cash	250,000	250,000
Investments	607,288	594,985
Accounts receivable	24,997	23,166
Total financial assets and available liquidity	<u>2,366,796</u>	<u>2,010,199</u>
Less amounts not available to be used within one year		
Cash restricted for compensating balances	<u>250,000</u>	<u>250,000</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,116,796</u>	<u>\$ 1,760,199</u>

The Organization has financial assets to meet approximately seven months of operating expenses.

The Organization maintains an unsecured \$250,000 line of credit agreement with Vectra Bank, which is available to fund general expenditures. In April 2021, the Organization renewed the line of credit to mature in May 2024.

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

Note 3 - Reconciliation of Cash, Cash Equivalents, and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position as of December 31, 2020 and 2019, that sum to the total of the same such amounts shown in the statement of cash flows for the years then ended.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,484,511	\$ 1,142,048
Restricted cash	250,000	250,000
Total cash, cash equivalents, and restricted cash	<u>\$ 1,734,511</u>	<u>\$ 1,392,048</u>

Amounts included in restricted cash represent amounts held for a compensating balance required by the Organization's debt agreements.

Note 4 - Fair Value Measurements

The following table summarizes the Organization's fair value of assets and liabilities measured on a recurring basis by fair value hierarchy as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 607,288	\$ -	\$ 607,288
Beneficial interest in trusteed assets	-	-	378,381	378,381
	<u>\$ -</u>	<u>\$ 607,288</u>	<u>\$ 378,381</u>	<u>\$ 985,669</u>

The following table summarizes the Organization's fair value of assets and liabilities measured on a recurring basis by fair value hierarchy as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 594,985	\$ -	\$ 594,985
Beneficial interest in trusteed assets	-	-	348,189	348,189
	<u>\$ -</u>	<u>\$ 594,985</u>	<u>\$ 348,189</u>	<u>\$ 943,174</u>

The changes in the investments for which the Organization has used Level 3 inputs to determine the fair values are as follows:

	<u>Beneficial Interest in Trusteed Assets</u>
Balance as of January 1, 2019	\$ 318,570
Change in value of trusteed assets	29,619
Balance as of December 31, 2019	348,189
Change in value of trusteed assets	30,192
Balance as of December 31, 2020	<u>\$ 378,381</u>

Longmont Humane Society, Inc.

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Note 4 - Fair Value Measurements (continued)

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. There were no transfers between the levels for the years ended December 31, 2020 and 2019.

Net investment income (losses) consisted of the following for the years ended December 31:

	2020	2019
Unrealized gain on investments	\$ 5,610	\$ 20,361
Realized gain on investments	157	18,178
Change in value of trustee assets	30,192	29,619
Interest and dividends earned on investments	7,668	3,543
	<u>\$ 43,627</u>	<u>\$ 71,701</u>

Note 5 - Inventory

Inventory consists of the following at December 31:

	2020	2019
Thrift store merchandise	\$ -	\$ 44,220
Well Pet Clinic	26,349	62,476
Retail merchandise and other	28,410	16,312
Allowance for obsolete inventory	-	(8,880)
	<u>\$ 54,759</u>	<u>\$ 114,128</u>

Note 6 - Notes Payable and Pledged Assets

The Organization has an unsecured \$250,000 line of credit agreement with Vectra Bank with no outstanding borrowings at December 31, 2020 and 2019. The agreement bears interest at the bank's index rate, which is based on LIBOR, with a floor of 3.00%. The agreement contains a covenant pertaining to the maintenance of a minimum debt service coverage ratio, and was renewed in April 2021, and expires in May 2024.

The Organization has a note payable to Vectra Bank with outstanding borrowings of \$1,094,964, and \$1,221,056 at December 31, 2020 and 2019, respectively. The note bears interest at 3.65%, and is due in monthly installments of \$10,733, including principal and interest. The agreement is collateralized by personal property, certain intangible assets, and a specified cash account, which is required to have a minimum balance of \$250,000. The note matures in August 2023, at which time all outstanding principal and interest becomes due.

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Note 6 - Notes Payable and Pledged Assets (continued)

The agreement with Vectra Bank is subject to certain financial covenants, for which the most restrictive requires the maintenance of a minimum debt service coverage ratio. The agreement limits property and equipment acquisitions and new debt.

Scheduled maturities of the long-term note payable are as follows at December 31, 2020:

<u>Year</u>	<u>Amount</u>
2021	\$ 88,955
2022	92,257
2023	913,752
	<u>\$ 1,094,964</u>

Note 7 - Commitments

Operating Leases. The Organization leases equipment under multiple noncancelable operating leases, which expire in October 2021. Rent expense under the leases totaled \$1,350 and \$733 for the years ended December 31, 2020 and 2019.

The Organization leased a building for the thrift store which expired in August 2020. Rent expense under the lease, including utilities and taxes, totaled \$89,934 and \$128,989 for the years ended December 31, 2020 and 2019, respectively.

The Organization leases land in Longmont, Colorado under a noncancelable operating lease. The lease requires annual payments of \$1 to be paid in advance, and expires April 2034. Rent expense, including in-kind, under the lease totaled \$36,000 for each of the years ended December 31, 2020 and 2019.

Future annual minimum lease payments required under all noncancelable operating leases, excluding the in-kind portion of the land lease, are \$1,126 for the year ended December 31, 2021 and \$1 for each of the years ended December 31, 2022 through 2034.

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Note 8 - Capital Leases

The Organization has a noncancelable capital lease for laundry equipment. The equipment has a cost of \$19,739 and accumulated depreciation of \$11,844 as of December 2020 and requires monthly payments of \$386 through January 2023. The lease contains a nominal purchase option.

Future annual minimum lease payments required under capital leases are as follows at December 31, 2020:

<u>Year</u>	<u>Amount</u>
2021	\$ 5,179
2022	2,687
2023	386
	<u>8,252</u>
Less amount representing interest	(434)
	<u>\$ 7,818</u>

Note 9 - Net Assets with Donor Restrictions

The following summarizes the changes in net assets with donor restrictions for the years ended December 31:

	<u>Trusted Assets</u>
Balance, January 1, 2019	\$ 318,570
Unrealized gain	<u>29,619</u>
Balance, December 31, 2019	348,189
Unrealized gain	<u>30,192</u>
Balance, December 31, 2020	<u>\$ 378,381</u>

The trusted assets are restricted to future periods and humane educational programs.

Note 10 - Special Events

The Organization derived net revenue from the following special fundraising events as of December 31:

	<u>2020</u>	<u>2019</u>
Homeward Bound		
Gross proceeds	\$ 86,437	\$ 137,322
Direct costs	<u>(6,634)</u>	<u>(22,204)</u>
Net revenue	<u>\$ 79,803</u>	<u>\$ 115,118</u>

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Notes to Financial Statements

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Note 10 - Special Events (continued)

Paws in the Park		
Gross proceeds	\$ 26,503	\$ 26,685
Direct costs	(1,861)	(3,430)
Net revenue	<u>\$ 24,642</u>	<u>\$ 23,255</u>
Paws on the Patio		
Gross proceeds	\$ 508	\$ 15,254
Direct costs	-	(1,655)
Net revenue	<u>\$ 508</u>	<u>\$ 13,599</u>
Other events		
Gross proceeds	\$ 21,639	\$ 30,666
Direct costs	(668)	(743)
Net revenue	<u>\$ 20,971</u>	<u>\$ 29,923</u>
Total		
Gross proceeds	\$ 135,087	\$ 209,927
Direct costs	(9,163)	(28,032)
Net revenue	<u>\$ 125,924</u>	<u>\$ 181,895</u>

Note 11 - Concentrations

Concentrations of Credit Risk. The Organization's primary customers are local governments and individuals. The Organization performs ongoing credit evaluations of its customers and generally does not require collateral. The Organization provides reserves for credit losses, as necessary, based on a thorough review of all outstanding accounts. Such losses and yearly provisions have been within management's expectations.

The Organization routinely maintains cash balances in excess of federally insured limits.

Geographical Concentration. The Organization receives predominantly all of its support and revenue from Longmont, Colorado and surrounding communities.

Note 12 – Uncertainty

In March 2020, the World Health Organization declared the outbreak of the COVID19 pandemic. In response to the crisis, the federal, state, and municipal governments have enacted various policies to curtail group gatherings until the risk has diminished. Both the United States and the global economy have been negatively impacted. Significant uncertainties may arise with respect to potential shutdowns of operations or government orders to cease activities, loss of customers, inability to operate, or employee shortages, claims for business interruption insurance, etc. The pandemic is ongoing as of the date of these statements.

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Note 12 – Uncertainty (continued)

The federal government has enacted various legislation to mitigate some of the economic effects of the pandemic, including the CARES Act of 2020. The Organization obtained a Paycheck Protection Program loan in April 2020 in the amount of \$482,383. The Organization spent all funds on qualified expenses and applied for forgiveness of the loan. The loan was forgiven in full in November 2020 and has been recognized as a government grant in the statement of activities.