

Longmont Humane Society, Inc.

(a nonprofit Colorado corporation)

Longmont, Colorado

Financial Statements

December 31, 2021 and 2020

Longmont Humane Society, Inc.

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of the Longmont Humane Society, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and 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 Longmont Humane Society, Inc. as of December 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 (GAAS). 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 Longmont Humane Society and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Longmont Humane Society, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

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 Longmont Humane Society, Inc.'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 Longmont Humane Society, Inc.'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.

Brook and Company, CPAs, P.C.

Certified Public Accountants

Longmont, Colorado
August 3, 2022

Longmont Humane Society, Inc.

Statements of Financial Position

December 31	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,516,262	\$ 1,484,511
Investments	619,838	607,288
Accounts receivable	19,144	24,997
Inventory	48,894	54,759
Prepaid expenses and other current assets	33,159	28,393
Total current assets	<u>2,237,297</u>	<u>2,199,948</u>
Property and Equipment		
Building and improvements	9,548,896	9,548,896
Furniture, fixtures and equipment	381,882	361,416
Vehicles	2,900	2,900
Land improvements	30,412	30,412
	<u>9,964,090</u>	<u>9,943,624</u>
Less accumulated depreciation	(3,845,356)	(3,599,232)
Net property and equipment	<u>6,118,734</u>	<u>6,344,392</u>
Other Assets		
Beneficial interest in trusteed assets	393,646	378,381
Deposits	1,993	1,845
Cash, restricted for compensating balance	250,000	250,000
Total other assets	<u>645,639</u>	<u>630,226</u>
Total assets	<u>\$ 9,001,670</u>	<u>\$ 9,174,566</u>

	2021	2020
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 34,356	\$ 50,875
Accrued wages and taxes	49,748	39,625
Other accrued expenses	97,213	70,497
Deferred revenue	16,932	18,171
Current portion of note payable	69,913	90,142
Current portion of capital lease	2,840	4,869
Total current liabilities	<u>271,002</u>	<u>274,179</u>
Long-Term Liabilities		
Note payable, net of current portion	935,260	1,004,822
Capital lease, net of current portion	109	2,949
Total long-term liabilities	<u>935,369</u>	<u>1,007,771</u>
Total liabilities	<u>1,206,371</u>	<u>1,281,950</u>
Net Assets		
Without donor restrictions	7,401,653	7,514,235
With donor restrictions	393,646	378,381
Total net assets	<u>7,795,299</u>	<u>7,892,616</u>
Total liabilities and net assets	<u>\$ 9,001,670</u>	<u>\$ 9,174,566</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

2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, Gains, and Support			
Revenue and Gains			
Public clinic	\$ 1,207,630	\$ -	\$ 1,207,630
Adoption and other fee income	483,752	-	483,752
Contractual fee income	271,547	-	271,547
Behavior	91,591	-	91,591
Retail merchandise sales	54,715	-	54,715
Retail merchandise cost of sales	(27,391)	-	(27,391)
Thrift store sales	-	-	-
Thrift store cost of sales, in-kind	-	-	-
Increase in value of trustee assets	-	15,265	15,265
Unrealized gain on investments	9,285	-	9,285
Realized gain on investments	-	-	-
Interest and dividends	3,736	-	3,736
Other revenue	19,705	-	19,705
Total revenue	<u>2,114,570</u>	<u>15,265</u>	<u>2,129,835</u>
Support			
Contributions, cash and in-kind	1,532,273	-	1,532,273
Government grant, Paycheck Protection Program	-	-	-
Special event income	127,731	-	127,731
Special event expenses	(29,345)	-	(29,345)
Total support	<u>1,630,659</u>	<u>-</u>	<u>1,630,659</u>
Total revenue and support	<u>3,745,229</u>	<u>15,265</u>	<u>3,760,494</u>
Functional Expenses and Losses			
Functional Expenses			
Program services	3,034,241	-	3,034,241
Supporting services			
Fundraising	332,293	-	332,293
General and administrative	491,277	-	491,277
Total functional expenses	<u>3,857,811</u>	<u>-</u>	<u>3,857,811</u>
Loss			
Loss on disposal of property and equipment	-	-	-
Total functional expenses and loss	<u>3,857,811</u>	<u>-</u>	<u>3,857,811</u>
Change in Net Assets	(112,582)	15,265	(97,317)
Net Assets, Beginning of Year	<u>7,514,235</u>	<u>378,381</u>	<u>7,892,616</u>
Net Assets, End of Year	<u>\$ 7,401,653</u>	<u>\$ 393,646</u>	<u>\$ 7,795,299</u>

2020

Without Donor Restrictions	With Donor Restrictions	Total
\$ 1,157,692	\$ -	\$ 1,157,692
455,292	-	455,292
267,304	-	267,304
60,139	-	60,139
63,782	-	63,782
(34,228)	-	(34,228)
37,635	-	37,635
(40,413)	-	(40,413)
-	30,192	30,192
5,610	-	5,610
157	-	157
7,668	-	7,668
3,579	-	3,579
<u>1,984,217</u>	<u>30,192</u>	<u>2,014,409</u>
1,635,290	-	1,635,290
482,383	-	482,383
135,087	-	135,087
(9,163)	-	(9,163)
<u>2,243,597</u>	<u>-</u>	<u>2,243,597</u>
<u>4,227,814</u>	<u>30,192</u>	<u>4,258,006</u>
2,865,723	-	2,865,723
543,888	-	543,888
511,351	-	511,351
<u>3,920,962</u>	<u>-</u>	<u>3,920,962</u>
<u>35,631</u>	<u>-</u>	<u>35,631</u>
<u>3,956,593</u>	<u>-</u>	<u>3,956,593</u>
271,221	30,192	301,413
<u>7,243,014</u>	<u>348,189</u>	<u>7,591,203</u>
<u>\$ 7,514,235</u>	<u>\$ 378,381</u>	<u>\$ 7,892,616</u>

The accompanying Notes are an integral
part of these financial statements

Longmont Humane Society, Inc.

Statement of Functional Expenses

Year ended December 31, 2021

	Program Services	Supporting Services		Total Expenses
		Fundraising	General and Administrative	
Compensation and benefits	\$ 2,146,838	\$ 227,312	\$ 151,542	\$ 2,525,692
Public clinic expenses	395,218	-	-	395,218
Utilities	96,276	3,139	5,232	104,647
Insurance	19,116	-	87,085	106,201
Repairs and maintenance	80,479	2,624	4,374	87,477
Development expenses	1,949	63,005	-	64,954
Kennel supplies	62,108	-	-	62,108
Bank fees	-	-	33,631	33,631
Interest expense	-	-	39,001	39,001
Rent, facilities and land	8,912	26,364	1,857	37,133
Legal and professional	-	-	34,040	34,040
Fee related expenses	24,138	-	-	24,138
Miscellaneous expenses	-	-	23,617	23,617
Office supplies	7,265	1,557	1,557	10,379
Volunteer program expenses	7,684	1,356	-	9,040
Telephone and internet	7,679	706	441	8,826
Advertising	4,313	4,313	-	8,626
Behavior expenses	5,638	-	-	5,638
Dues and subscriptions	3,832	766	511	5,109
Postage	499	1,151	269	1,919
Other expenses	137	-	14	151
Total expenses before depreciation	2,872,081	332,293	383,171	3,587,545
Depreciation	162,160	-	108,106	270,266
Total expenses	\$ 3,034,241	\$ 332,293	\$ 491,277	\$ 3,857,811

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, 2020

	Program Services	Supporting Services		Total Expenses
		Fundraising	General and Administrative	
Compensation and benefits	\$ 2,021,768	\$ 358,288	\$ 179,144	\$ 2,559,200
Public clinic expenses	363,846	-	-	363,846
Rent, facilities and land	22,668	99,487	3,778	125,933
Utilities	87,312	7,938	3,969	99,219
Insurance	15,017	-	68,410	83,427
Repairs and maintenance	58,305	-	19,435	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	8,032	1,565	834	10,431
Office supplies	4,593	2,297	2,297	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	749	1,784	345	2,878
Other expenses	229	-	24	253
Total expenses before depreciation	2,702,497	543,888	402,534	3,648,919
Depreciation	163,226	-	108,817	272,043
Total expenses	\$ 2,865,723	\$ 543,888	\$ 511,351	\$ 3,920,962

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

Longmont Humane Society, Inc.

Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended December 31	2021	2020
Cash Flows From Operating Activities		
Change in net assets	\$ (97,317)	\$ 301,413
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	270,266	272,043
Change in value of trustee assets	(15,265)	(30,192)
Net unrealized gain on investments	(9,285)	(5,610)
Net realized gain on investments	-	(157)
Loss on disposal of inventory	-	35,340
Loss on sale of property and equipment	-	291
Provision for bad debts	2,486	2,460
Increase (decrease) from change in society		
Accounts receivable	3,367	(4,291)
Inventory	5,865	24,029
Prepaid expenses and other current assets	(4,766)	1,249
Deposits	(148)	9,075
Accounts payable	(16,519)	(24,588)
Accrued wages and taxes	10,123	(79,309)
Other accrued expenses	26,716	(3,661)
Deferred revenue	(1,239)	5,331
Net cash provided by operating activities	<u>174,284</u>	<u>503,423</u>
Cash Flows From Investing Activities		
Purchases of investments	(3,265)	(6,536)
Purchases of property and equipment	(44,608)	(24,297)
Net cash used by investing activities	<u>(47,873)</u>	<u>(30,833)</u>
Cash Flows From Financing Activities		
Repayments on note payable	(89,791)	(126,092)
Payments on capital lease	(4,869)	(4,035)
Net cash used by financing activities	<u>(94,660)</u>	<u>(130,127)</u>
Net Increase in Cash, Cash Equivalents, and Restricted Cash	31,751	342,463
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	<u>1,734,511</u>	<u>1,392,048</u>
Cash, Cash Equivalents, and Restricted Cash, End of Year	<u><u>\$ 1,766,262</u></u>	<u><u>\$ 1,734,511</u></u>
Supplemental Information		
Cash paid for interest	\$ 39,001	\$ 43,302

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, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020

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:

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, 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 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, 2021 and 2020.

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.

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

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

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, 2021 and 2020 was \$270,266 and \$272,043, 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, 2021 and 2020.

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, 2021 and 2020

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, 2021 and 2020.

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, 2021 and 2020 were \$8,626 and \$6,837, 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, 2021 and 2020

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 August 3, 2022, 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>2021</u>	<u>2020</u>
Financial assets and available liquidity at year end		
Cash and cash equivalents	\$ 1,516,262	\$ 1,484,511
Restricted cash	250,000	250,000
Investments	619,838	607,288
Accounts receivable	19,144	24,997
Total financial assets and available liquidity	<u>2,405,244</u>	<u>2,366,796</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>\$ 2,155,244</u>	<u>\$ 2,116,796</u>

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, 2021 and 2020, that sum to the total of the same such amounts shown in the statement of cash flows for the years then

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,516,262	\$ 1,484,511
Restricted cash	<u>250,000</u>	<u>250,000</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 1,766,262</u>	<u>\$ 1,734,511</u>

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

Note 3 - Reconciliation of Cash, Cash Equivalents, and Restricted Cash (continued)

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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 619,838	\$ -	\$ 619,838
Beneficial interest in trusteed assets	-	-	393,646	393,646
	<u>\$ -</u>	<u>\$ 619,838</u>	<u>\$ 393,646</u>	<u>\$ 1,013,484</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, 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 changes in the investments for which the Organization has used Level 3 inputs to determine the fair values are as follows:

	Beneficial Interest in Trusteed Assets
Balance as of January 1, 2020	\$ 378,381
Change in value of trusteed assets	30,192
Balance as of December 31, 2020	408,573
Change in value of trusteed assets	15,265
Balance as of December 31, 2021	<u>\$ 423,838</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. There were no transfers between the levels for the years ended December 31, 2021 and 2020.

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

Note 4 - Fair Value Measurements (continued)

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

	<u>2021</u>	<u>2020</u>
Unrealized gain on investments	\$ 9,285	\$ 5,610
Realized gain on investments	-	157
Change in value of trustee assets	15,265	30,192
Interest and dividends earned on investments	3,736	7,668
	<u>\$ 28,286</u>	<u>\$ 43,627</u>

Note 5 - Inventory

Inventory consists of the following at December 31:

	<u>2021</u>	<u>2020</u>
Well Pet Clinic	\$ 32,136	\$ 26,349
Retail merchandise and other	16,759	28,410
	<u>\$ 48,895</u>	<u>\$ 54,759</u>

Note 6 - Notes Payable, Pledged Assets, and Subsequent Events

The Organization has an unsecured \$250,000 line of credit agreement with Vectra Bank with no outstanding borrowings at December 31, 2021 and 2020. The agreement bears interest at the bank's index rate, which is based on LIBOR, with a floor of 4.00%. The agreement, which was renewed in April 2021, contains a covenant pertaining to the maintenance of a minimum debt service coverage ratio and expires in May 2024.

The Organization has a note payable to Vectra Bank with outstanding borrowings of \$1,005,173, and \$1,094,964 at December 31, 2021 and 2020, respectively. In March 2022, the note was refinanced with Elevations Credit Union. The new note bears interest at 3.45%, and is due in monthly installments of \$9,839, including principal and interest. The note matures in April 2032 and is collateralized by substantially all business assets.

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

Note 6 - Notes Payable, Pledged Assets, and Subsequent Event (continued)

Scheduled maturities of the long-term note payable, as refinanced and including subsequent fees

<u>Year</u>	<u>Amount</u>
2022	69,913
2023	86,976
2024	90,025
2025	93,180
2026	96,446
Thereafter	574,239
	<u>\$ 1,010,779</u>

Note 7 - Commitments

Operating Leases. The Organization leases equipment under multiple noncancelable operating leases, which expired in October 2021. Rent expense under the leases totaled \$1,125 and \$1,350 for the years ended December 31, 2021 and 2020.

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 for the year ended December 31, 2020.

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, 2021 and 2020.

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

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 \$15,791 as of December 2021 and requires monthly payments of \$406 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, 2021:

<u>Year</u>	<u>Amount</u>
2022	\$ 2,962
2023	111
	<u>3,073</u>
Less amount representing interest	(124)
	<u>\$ 2,949</u>

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

Note 9 - Net Assets with Donor Restrictions

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

	Trusteed Assets
Balance, January 1, 2020	\$ 348,189
Unrealized gain	30,192
Balance, December 31, 2020	378,381
Unrealized gain	15,265
Balance, December 31, 2021	\$ 393,646

The trusteed 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:

	2021	2020
Homeward Bound		
Gross proceeds	\$ 71,520	\$ 86,437
Direct costs	(14,334)	(6,634)
Net revenue	\$ 57,186	\$ 79,803
Paws in the Park		
Gross proceeds	\$ 24,815	\$ 26,503
Direct costs	(3,388)	(1,861)
Net revenue	\$ 21,427	\$ 24,642
Paws on the Patio		
Gross proceeds	\$ -	\$ 508
Direct costs	(121)	-
Net revenue	\$ (121)	\$ 508
Other events		
Gross proceeds	31,396	\$ 21,639
Direct costs	(11,502)	(668)
Net revenue	\$ 19,894	\$ 20,971

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

Note 10 - Special Events (continued)

Total		
Gross proceeds	\$ 127,731	\$ 135,087
Direct costs	<u>(29,345)</u>	<u>(9,163)</u>
Net revenue	<u>\$ 98,386</u>	<u>\$ 125,924</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 – Risk and Uncertainty

A global pandemic has continued from 2020 into 2022, although with diminishing effects. In response to the crisis, the federal, state, and municipal governments enacted various policies to curtail group gatherings until the risk diminished. The curtailment of group gatherings significantly impacted the form and frequency of fundraising events during 2020 and 2021. The pandemic is ongoing as of the date of these statements.

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.