Longmont Humane Society, Inc.

(a nonprofit Colorado corporation)

Longmont, Colorado

Financial Statements

December 31, 2019 and 2018

Longmont Humane Society, Inc.

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BROCK AND COMPANY
Certified Public Accountants
Business Advisors
A PROFESSIONAL CORPORATION

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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, 2019 and 2018, 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.

BOULDER FORT COLLINS LITTLETON LONGMONT NORTHGLENN

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, 2019 and 2018, 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
September 14, 2020

Longmont Humane Society, Inc.

Statements of Financial Position

December 31	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 1,142,048**	$ 1,525,387
Investments	**594,985**	219,575
Accounts receivable	**23,166**	21,681
Inventory	**114,128**	83,843
Prepaid expenses and other current assets	**29,642**	46,960
Total current assets	**1,903,969**	1,897,446
Property and Equipment		
Building and improvements	**9,548,671**	9,547,035
Furniture, fixtures and equipment	**371,884**	394,270
Vehicles	**2,900**	2,900
Land improvements	**30,412**	30,412
	9,953,867	9,974,617
Less accumulated depreciation	**(3,361,438)**	(3,127,757)
Net property and equipment	**6,592,429**	6,846,860
Other Assets		
Cash, restricted for compensating balance	**250,000**	250,000
Beneficial interest in trusteed assets	**348,189**	318,570
Deposits	**10,920**	11,023
Total other assets	**609,109**	579,593
Total assets	**$ 9,105,507**	$ 9,323,899

	2019	2018
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	**$ 75,463**	$ 79,514
Accrued wages and taxes	**118,934**	101,793
Other accrued expenses	**74,158**	105,201
Deferred revenue	**12,840**	7,876
Current portion of note payable	**85,647**	73,142
Current portion of capital lease	**3,942**	3,753
Total current liabilities	**370,984**	371,279
Long-Term Liabilities		
Note payable, net of current portion	**1,135,409**	1,465,131
Capital lease, net of current portion	**7,911**	11,692
Total long-term liabilities	**1,143,320**	1,476,823
Total liabilities	**1,514,304**	1,848,102
Net Assets		
Without donor restrictions	**7,243,014**	7,157,227
With donor restrictions	**348,189**	318,570
Total net assets	**7,591,203**	7,475,797
Total liabilities and net assets	**$ 9,105,507**	$ 9,323,899

The accompanying Notes are an integral part of these financial statements

Longmont Humane Society, Inc.

Statements of Activities

Years ended December 31	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Support			
Revenue and Gains			
Public clinic	$ 1,481,043	$ -	$ 1,481,043
Adoption and other fee income	451,199	-	451,199
Contractual fee income	267,073	-	267,073
Behavior	124,396	-	124,396
Retail merchandise sales	96,167	-	96,167
Retail merchandise cost of sales	(46,167)	-	(46,167)
Thrift store sales	238,285	-	238,285
Thrift store cost of sales, in-kind	(246,932)	-	(246,932)
Increase (decrease) in value of trusteed assets	-	29,619	29,619
Unealized gain on investments	20,361		20,361
Realized gain on investments	18,178	-	18,178
Interest and dividends	3,543	-	3,543
Other revenue	18,286	-	18,286
Total revenue	2,425,432	29,619	2,455,051
Support			
Contributions, cash and in-kind	1,579,292	-	1,579,292
Special event income	209,927	-	209,927
Special event expenses	(28,032)	-	(28,032)
Total support	1,761,187	-	1,761,187
Total revenue and support	4,186,619	29,619	4,216,238
Functional Expenses and Losses			
Functional Expenses			
Program services	2,978,886	-	2,978,886
Supporting services			
Fundraising	599,542	-	599,542
General and administrative	521,345	-	521,345
Total functional expenses	4,099,773	-	4,099,773
Loss			
Unrealized loss on investments	-	-	-
Loss on disposal of property and equipment	1,059	-	1,059
Total losses	1,059	-	1,059
Total functional expenses and losses	4,100,832	-	4,100,832
Change in Net Assets	85,787	29,619	115,406
Net Assets, Beginning of Year	7,157,227	318,570	7,475,797
Net Assets, End of Year	$ 7,243,014	$ 348,189	$ 7,591,203

2018		
Without Donor Restrictions	With Donor Restrictions	Total
$ 1,434,735	$ -	$ 1,434,735
462,826	-	462,826
262,656	-	262,656
95,858	-	95,858
84,166	-	84,166
(41,565)	-	(41,565)
303,479	-	303,479
(307,400)	-	(307,400)
-	(20,994)	(20,994)
-	-	-
-	-	-
2,383	-	2,383
18,331	-	18,331
2,315,469	(20,994)	2,294,475
1,871,198	-	1,871,198
222,671	-	222,671
(28,760)	-	(28,760)
2,065,109	-	2,065,109
4,380,578	(20,994)	4,359,584
2,752,261	-	2,752,261
611,528	-	611,528
534,101	-	534,101
3,897,890	-	3,897,890
30,425	-	30,425
-	-	-
30,425	-	30,425
3,928,315	-	3,928,315
452,263	(20,994)	431,269
6,704,964	339,564	7,044,528
$ 7,157,227	$ 318,570	$ 7,475,797

The accompanying Notes are an integral part of these financial statements

Longmont Humane Society, Inc.

Statement of Functional Expenses

Year ended December 31, 2019

	Program Services	Supporting Services: Fundraising	Supporting Services: General and Administrative	Total Expenses
Compensation and benefits	$ 2,032,681	$ 360,222	$ 180,111	$ 2,573,014
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	405	-	-	405
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	$ 2,978,886	$ 599,542	$ 521,345	$ 4,099,773

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

Longmont Humane Society, Inc.

Statement of Functional Expenses

Year ended December 31, 2018

	Program Services	Supporting Services: Fundraising	Supporting Services: General and Administrative	Total Expenses
Compensation and benefits	$ 1,851,456	$ 384,718	$ 168,314	$ 2,404,488
Public clinic expenses	407,000	-	-	407,000
Rent, facilities and land	28,800	122,495	5,400	156,695
Repairs and maintenance	88,311	-	29,437	117,748
Utilities	88,267	7,021	5,015	100,303
Interest expense	-	-	70,152	70,152
Insurance	10,065	-	57,035	67,100
Development expenses	1,620	52,391	-	54,011
Kennel supplies	47,178	-	-	47,178
Legal and professional	-	-	34,837	34,837
Bank fees	-	-	31,531	31,531
Thrift store expenses	-	30,482	-	30,482
Fee related expenses	27,345	-	-	27,345
Miscellaneous expenses	-	-	19,426	19,426
Advertising	5,989	5,989	-	11,978
Telephone and internet	8,175	1,105	1,768	11,048
Office supplies	5,261	2,630	2,630	10,521
Volunteer program expenses	8,122	1,433	-	9,555
Behavior expenses	8,188	-	-	8,188
Dues and subscriptions	3,055	940	705	4,700
Postage	894	2,324	358	3,576
Foster care expenses	717	-	-	717
Vehicle expenses	477	-	25	502
Staff development	281	-	94	375
Total expenses before depreciation	2,591,201	611,528	426,727	3,629,456
Depreciation	161,060	-	107,374	268,434
Total expenses	$ 2,752,261	$ 611,528	$ 534,101	$ 3,897,890

Longmont Humane Society, Inc.

Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended December 31	2019	2018
Cash Flows From Operating Activities		
Change in net assets	**$ 115,406**	$ 431,269
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	**271,783**	268,434
Net realized gain on investments	**(18,178)**	-
Net unrealized (gain) loss on investments	**(20,361)**	30,425
Change in value of trusteed assets	**(29,619)**	20,994
Loss on sale of property and equipment	**1,059**	-
Provision for bad debts	**338**	1,759
Increase (decrease) from changes in assets and liabilities		
Accounts receivable	**(1,823)**	(3,944)
Inventory	**(30,285)**	3,530
Prepaid expenses and other current assets	**17,318**	(13,327)
Deposits	**103**	300
Accounts payable	**(4,051)**	11,992
Accrued wages and taxes	**17,141**	18,338
Other accrued expenses	**(31,043)**	49,286
Deferred revenue	**4,964**	(2,248)
Net cash provided by operating activities	**292,752**	816,808
Cash Flows From Investing Activities		
Proceeds from sale of investments	**108,129**	203,456
Purchases of investments	**(445,000)**	(250,000)
Purchases of property and equipment	**(18,411)**	(83,700)
Net cash used by investing activities	**(355,282)**	(130,244)
Cash Flows From Financing Activities		
Repayments on note payable	**(317,217)**	(498,640)
Payments on capital lease	**(3,592)**	(4,294)
Net cash used by financing activities	**(320,809)**	(502,934)
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	**(383,339)**	183,630
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	**1,775,387**	1,591,757
Cash, Cash Equivalents, and Restricted Cash, End of Year	**$ 1,392,048**	$ 1,775,387
Supplemental Information		
Cash paid for interest	**$ 52,466**	$ 70,152
Equipment acquired with capital lease	**$ -**	$ 19,739

The accompanying Notes are an integral part of these financial statements

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. The Organization also operates a thrift store with the proceeds benefiting these program 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.

Changes in Accounting Principles . On January 1, 2019, the Organization adopted FASB ASU No. 2014-09 (Topic 606) - *Revenue from Contracts With Customers* , which provides guidance for revenue recognition that superseded previous guidance. Under ASU 2014-09, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods and services. The Organization adopted ASU 2014-09 under the modified retrospective approach, applying the amendments to prospective reporting periods. Results from reporting periods beginning after January 1, 2019, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with previous guidance. The adoption would not have had any material effect on the net change in net assets for 2018, or net assets as of December 31, 2018.

On January 1, 2019, the Organization adopted the provisions of FASB ASU 2016-18, Statement of Cash Flows (*Topic 230) - Restricted Cash.* The pronouncement requires the statement of cash flows to reconcile all cash, with and without restrictions, rather than just unrestricted cash.

The changes in accounting principle has been retroactively applied to all periods presented.

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.

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

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.

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.

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

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:

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, 2019 and 2018.

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

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, 2019 and 2018.

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, and it is reasonably possible that the estimate may change in the near term and the change may be material.

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:

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

Depreciation expense for the years ended December 31, 2019 and 2018 was $271,783 and $268,434, 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, 2019 and 2018.

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

Revenue Recognition. The Organization's revenues from contracts with customers are comprised of clinic fees, adoption, surrender and licensing fees, contractual fees, retail sales and special event revenues. Revenue is recognized upon transfer of 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.

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, 2019 and 2018.

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, 2019 and 2018 were $9,386 and $11,978, respectively.

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

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.

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.

Income tax years from 2016 through the current year are open for examination. Penalties and interest may be assessed on income taxes that are delinquent.

Subsequent Events. The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through September 14, 2020, 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:

	2019	2018
Financial assets at year end		
Cash and cash equivalents	**$ 1,142,048**	$ 1,525,387
Restricted cash	**250,000**	250,000
Investments	**594,985**	219,575
Accounts receivable	**23,166**	21,681
Line of credit	**250,000**	250,000
Total financial assets	**$ 2,010,199**	$ 2,266,643

Note 2 - Availability, Liquidity and Subsequent Event (continued)

	2019	2018
Total financial assets	**$ 2,010,199**	$ 2,266,643
Less amounts not available to be used within one year		
Cash restricted for compensating balances	**250,000**	250,000
Financial assets available to meet general expenditures over the next twelve months	**$ 1,760,199**	$ 2,016,643

The Organization has financial assets to meet approximately six months of operating expenses. During 2019, the Organization made accelerated loan payments, which may be discontinued or reduced, if necessary.

The Organization maintains an unsecured $250,000 line of credit agreement with Vectra Bank, which is available to fund general expenditures. In May 2020, the Organization renewed the line of credit to mature in May 2021.

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, 2019 and 2018, that sum to the total of the same such amounts shown in the statement of cash flows for the years then ended.

	2019	2018
Cash and cash equivalents	**$ 1,142,048**	$ 1,525,387
Restricted cash	**250,000**	250,000
Total cash, cash equivalents, and restricted cash	**$ 1,392,048**	$ 1,775,387

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

	Level 1	**Level 2**	**Level 3**	**Total**
Certificates of deposit	**$ -**	**$ 594,985**	**$ -**	**$ 594,985**
Beneficial interest in trusteed assets	**-**	**-**	**348,189**	**348,189**
	$ -	**$ 594,985**	**$ 348,189**	**$ 943,174**

Note 4 - Fair Value Measurements (continued)

The following table summaries the Organization's fair value of assets and liabilities measured on a recurring basis by fair value hierarchy as of December 31, 2018:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	$ -	$ 219,575	$ -	$ 219,575
Beneficial interest in trusteed assets			318,570	318,570
	$ -	$ 219,575	$ 318,570	$ 538,145

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, 2018	$ 339,564
Change in value of trusteed assets	(20,994)
Balance as of December 31, 2018	318,570
Change in value of trusteed assets	**29,619**
Balance as of December 31, 2019	**$ 348,189**

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.

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

	2019	2018
Unrealized gain (loss) on investments	**$ 20,361**	$ (30,425)
Realized gain on investments	**18,178**	-
Change in value of trusteed assets	**29,619**	(20,994)
Interest and dividends earned on investments	**3,543**	2,383
	$ 71,701	$ (49,036)

Note 5 - Inventory

Inventory consists of the following at December 31:

	2019	2018
Thrift store merchandise	**$ 44,220**	$ 53,973
Well Pet Clinic	**62,476**	25,661
Retail merchandise and other	**16,312**	13,089
Allowance for obsolete inventory	**(8,880)**	(8,880)
	$ 114,128	$ 83,843

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, 2019 and 2018. 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 May 2020, and expires in May 2021.

The Organization has a note payable to Vectra Bank with outstanding borrowings of $1,221,056, and $1,538,273 at December 31, 2019 and 2018, 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.

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, 2019:

Year	Amount
2020	$ 85,647
2021	88,955
2022	92,257
2023	954,197
	$ 1,221,056

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 $733 and $685 for the years ended December 31, 2019 and 2018.

Note 7 - Commitments (continued)

The Organization leases a building for the thrift store under a noncancelable operating lease. The lease requires monthly payments of $7,079, with escalating payments, and expires August 2020. Rent expense under the lease, including utilities and taxes, totaled $128,989 and $120,696 for the years ended December 31, 2019 and 2018, respectively.

The Organization leases land in Longmont, Colorado under a noncancelable operating lease. The lease requires annual payments of $1, and expires April 2034. Rent expense, including in-kind, under the lease totaled $36,000 for each of the years ended December 31, 2019 and 2018.

Future annual minimum lease payments required under all noncancelable operating leases, excluding the in-kind portion of the land lease, are as follows at December 31, 2019:

Year	Land and Facilities	Equipment	Total
2020	$ 61,939	$ 1,350	$ 63,289
2021	1	1,125	1,126
2022	1	-	1
2023	1	-	1
2024	1	-	1
Thereafter	10	-	10
	$ 61,953	$ 2,475	$ 64,428

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 $7,895 as of December 2019 and requires monthly payments of $386 through January 2023. The lease contains nominal purchase option.

Future annual minimum lease payments required under capital leases are as follows at December 31, 2019:

Year	Amount
2020	$ 4,433
2021	4,416
2022	3,928
	12,777
Less amount representing interest	(924)
	$ 11,853

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, 2018	$ 339,564
Unrealized loss	(20,994)
Balance,	
December 31, 2018	318,570
Unrealized gain	**29,619**
Balance,	
December 31, 2019	**$ 348,189**

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

Note 10 - Related Party Transactions

The Organization processes credit and debit card transactions through a company owned by a board member. Credit card transaction expenses paid to the related party for the years ended December 31, 2018 was $30,873. No amounts were paid in the year ended December 31, 2019.

Note 11 - Special Events

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

	2019	2018
Homeward Bound		
Gross proceeds	**$ 137,322**	$ 166,123
Direct costs	**(22,204)**	(22,033)
Net revenue	**$ 115,118**	$ 144,090
Paws in the Park		
Gross proceeds	**$ 26,685**	$ 25,867
Direct costs	**(3,430)**	(3,851)
Net revenue	**$ 23,255**	$ 22,016
Paws on the Patio		
Gross proceeds	**$ 15,254**	$ 7,607
Direct costs	**(1,655)**	(1,578)
Net revenue	**$ 13,599**	$ 6,029

Note 11 - Special Events (continued)

	2019	2018
Other events		
Gross proceeds	**$ 30,666**	$ 23,074
Direct costs	**(743)**	(1,298)
Net revenue	**$ 29,923**	$ 21,776
Total		
Gross proceeds	**$ 209,927**	$ 222,671
Direct costs	**(28,032)**	(28,760)
Net revenue	**$ 181,895**	$ 193,911

Note 12 - 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 13 – Uncertainty and Subsequent Event

During 2020, a health care pandemic has occurred in the United States and internationally. In response to the crisis, the federal, state, and municipal governments have enacted various policies to curtail group gatherings until the risk has diminished. The federal government has implemented various relief measures, including the Cares Act of 2020. The Organization plans to participate in the benefits available under the newly-enacted legislation. No reliable estimate of the potential future financial impacts of this uncertainty on the Organization can be made at this time.

During April 2020, the Organization received the proceeds of a Payroll Protection Program loan of $482,383. The note is unsecured and bears interest at 1%. Payments are scheduled to begin in November 2020. Proceeds of the loan are forgivable if the proceeds are spent on eligible expenses, primarily payroll.