

THE HUMANE SOCIETY OF BOULDER
VALLEY, INC.

Financial Statements As Of December 31, 2020

(With Summarized Financial Information For
The Year Ended December 31, 2019)

Together With Independent Auditors' Report



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Humane Society of Boulder Valley, Inc.:

We have audited the accompanying financial statements of The Humane Society of Boulder Valley, Inc. which comprise the statement of financial position as of December 31, 2020, and the related statement of activities, functional expenses and cash flow for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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.

Members:

American Institute of Certified Public Accountants • Colorado Society of Certified Public Accountants

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Independent Auditor's Report (Continued)

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

Opinion

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

Other Matters

Report on Summarized Comparative Information

We have previously audited the Society's December 31, 2019, financial statement, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 25, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

JDS Professional Group

May 24, 2021

THE HUMANE SOCIETY OF BOULDER VALLEY, INC.

Statement Of Financial Position

As Of December 31, 2020

(With Summarized Financial Information As of December 31, 2019)

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	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 553,993	\$ 546,817
Accounts receivable, net	24,115	21,979
Promises to give, net	743,064	342,357
Investments	1,646,795	1,272,473
Prepaid expenses	21,753	28,751
Inventories	<u>28,776</u>	<u>41,427</u>
Total Current Assets	3,018,496	2,253,804
Promises to give	119,498	53,500
Investments	5,692,431	4,906,489
Beneficial interest in trusts, at market	3,024,838	2,835,610
Other assets		4,372
Property and equipment, net	<u>2,933,048</u>	<u>3,161,251</u>
TOTAL ASSETS	<u><u>\$ 14,788,311</u></u>	<u><u>\$ 13,215,026</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable, trade	\$ 106,515	\$ 139,172
Accrued payroll and other liabilities	292,333	262,859
Accrued interest		580
Refundable advance		10,000
Current portion of liability under split-interest	8,100	8,100
Current portion of bond payable		<u>105,000</u>
Total Current Liabilities	406,948	525,711
Liability under split-interest agreement	<u>73,622</u>	<u>74,751</u>
Total Liabilities	<u>480,570</u>	<u>600,462</u>
Net Assets:		
Undesignated	5,304,948	4,129,608
Designated by the Board for capital campaign	1,894,928	1,935,000
Investment in facilities, property and equipment	<u>2,933,048</u>	<u>3,056,251</u>
Total net assets without donor restrictions	10,132,924	9,120,859
Net assets with donor restrictions	<u>4,174,817</u>	<u>3,493,705</u>
Total Net Assets	<u>14,307,741</u>	<u>12,614,564</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 14,788,311</u></u>	<u><u>\$ 13,215,026</u></u>

The accompanying notes are an integral part of the financial statements.

THE HUMANE SOCIETY OF BOULDER VALLEY, INC.

Statement Of Activities

For The Year Ended December 31, 2020

(With Summarized Financial Information For The Year Ended December 31, 2019)

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	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Support And Revenue:				
Contributions, grants and bequests	\$ 1,636,391	\$ 892,325	\$ 2,528,716	\$ 2,179,695
Government grants - PPP forgiveness	680,260		680,260	
Special events, net of direct benefit	397,405		397,405	484,502
Adoption fees	529,961		529,961	740,473
Surrender fees	34,170		34,170	41,666
Veterinary clinic	1,797,842		1,797,842	1,810,496
Pet training	243,788		243,788	141,168
Governmental service contracts	206,995		206,995	201,377
Impound fees	16,048		16,048	24,346
Retail sales, net of direct costs	31,795		31,795	42,388
Thrift and gift shop sales	255,260		255,260	358,420
Other income	51,167		51,167	69,820
Change in value of split-interest agreement	(6,971)		(6,971)	(6,071)
Change in beneficial interest in trusts		189,228	189,228	337,829
Investment income, net	869,321	33,648	902,969	906,126
Net assets released from restrictions - Satisfaction of time/purpose restrictions	434,089	(434,089)		
Total Support and Revenue	7,177,521	681,112	7,858,633	7,332,235
Expenses:				
Program Services -				
Shelter, behavior and training	2,418,577		2,418,577	2,597,797
Veterinary clinic	2,363,501		2,363,501	2,290,721
Community outreach	190,996		190,996	210,029
Total Program Services	4,973,074		4,973,074	5,098,547
Supporting Services -				
Thrift and gift shop	367,221		367,221	372,717
Philanthropy	457,549		457,549	493,470
General and administrative	367,612		367,612	350,023
Total Supporting Expenses	1,192,382		1,192,382	1,216,210
Total Expenses	6,165,456		6,165,456	6,314,757
CHANGES IN NET ASSETS FROM OPERATIONS	1,012,065	681,112	1,693,177	1,017,928
Net Assets, Beginning Of Year	9,120,859	3,493,705	12,614,564	11,596,636
NET ASSETS, END OF YEAR	\$ 10,132,924	\$ 4,174,817	\$ 14,307,741	\$ 12,614,564

The accompanying notes are an integral part of the financial statements.

THE HUMANE SOCIETY OF BOULDER VALLEY, INC.

Statement Of Functional Expenses For the Year Ended December 31, 2020 (With Summarized Financial Information For the Year Ended December 31, 2019)

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	Supporting Services									
	Shelter, Behavior and Training	Veterinary Clinic	Community Outreach	Total Programs	Thrift And Gift Shop	Philanthropy	General And Administrative	Total Supporting	2020 Expenses	2019 Expenses
Salaries	\$ 1,356,724	\$ 1,359,731	\$ 97,828	\$ 2,814,283	\$ 161,039	\$ 227,160	\$ 205,654	\$ 593,853	\$ 3,408,136	\$ 3,200,863
Employee benefits	142,455	117,917	7,997	268,369	22,463	19,336	33,752	75,551	343,920	328,078
Payroll taxes	103,113	102,770	7,304	213,187	11,990	17,022	15,745	44,757	257,944	246,530
Total Salaries and related expenses	1,602,292	1,580,418	113,129	3,295,839	195,492	263,518	255,151	714,161	4,010,000	3,775,471
Advertising	1,590			1,590	4,140	2,900		7,040	8,630	3,724
Animal food	44,996			44,996					44,996	76,510
Bad debts		7,426		7,426					7,426	10,775
Credit card and sales platform processing fees	29,444	32,309		61,753	4,683	28,493		33,176	94,929	69,354
Bond interest and fees	4,531	566		5,097		283	283	566	5,663	12,412
Contract services	108,395	204,649	68,002	381,046	3,856	69,086	41,353	114,295	495,341	641,809
Cost of special events						25,101		25,101	25,101	29,071
Depreciation and amortization	225,190	40,896		266,086	4,474	6,707	7,102	18,283	284,369	293,526
Dues and subscriptions	8,859	13,173	1,704	23,736	154	737	1,609	2,500	26,236	24,150
Equipment rental	2,944	2,355		5,299		1,099	788	1,887	7,186	7,477
Insurance	40,872	35,377	163	76,412	5,455	3,435	3,962	12,852	89,264	80,525
Legal and accounting	1,526			1,526		-	19,365	19,365	20,891	22,263
Miscellaneous	16,973	9,138		26,111	2,667	4,259	1,984	8,910	35,021	54,308
Office expense	2,899	2,937		5,836	492	804	3,934	5,230	11,066	17,977
Postage	1,203	1,923	1,007	4,133	44	12,706	359	13,109	17,242	19,767
Printing	1,862	165	6,802	8,829	333	6,361	742	7,436	16,265	23,024
Rent				-	105,607			105,607	105,607	104,516
Repair, maintenance and security	110,395	24,966		135,361	16,287	16,274	13,493	46,054	181,415	207,013
Supplies	103,217	14,753		117,970	8,530	12,915	5,654	27,099	145,069	231,005
Travel and training	4,054	6,130		10,184	27	435	638	1,100	11,284	24,088
Utilities	94,772	19,924		114,696	12,772	2,386	11,173	26,331	141,027	150,513
Vehicle expense	7,505	358	189	8,052	2,208	50	22	2,280	10,332	13,728
Veterinary supplies	5,058	366,038		371,096				-	371,096	421,751
Total Expenses	\$ 2,418,577	\$ 2,363,501	\$ 190,996	\$ 4,973,074	\$ 367,221	\$ 457,549	\$ 367,612	\$ 1,192,382	\$ 6,165,456	\$ 6,314,757

The accompanying notes are an integral part of the financial statements.

THE HUMANE SOCIETY OF BOULDER VALLEY, INC.

Statement Of Cash Flows

For The Year Ended December 31, 2020

(With Summarized Financial Information For The Year Ended December 31, 2019)

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	2020	2019
Cash flows from operating activities:		
Changes in net assets from operations	\$ 1,693,177	\$ 1,017,928
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	279,996	288,281
Amortization of bond issuance	4,372	5,245
Net gain on investments	(659,451)	(628,877)
Donated investments	(12,809)	(13,052)
Change in allowance for doubtful accounts	250	(6,750)
Change in beneficial interest in trusts	(189,228)	(319,798)
Change in value of split-interest agreement	6,971	6,071
Contributions restricted for endowment in perpetuity	(3,500)	(2,000)
Forgiveness of PPP funds	(680,260)	
Changes in assets and liabilities:		
Decrease in accounts receivable	(136)	3,774
(Increase) in promises to give	(468,955)	(225,063)
Decrease in prepaid expenses	6,614	9,413
Decrease in inventories	12,651	34,372
Increase in accounts payable	(32,853)	23,441
Increase in deferred income	(10,000)	8,000
Increase in accrued payroll, and other liabilities	29,474	1,793
Net cash provided by operating activities	<u>(23,687)</u>	<u>202,778</u>
Cash flows from investing activities:		
Purchases of investments	(4,183,302)	(5,101,697)
Sales of investments	3,695,298	5,186,749
Payments on split-interest agreement	(8,100)	(8,100)
Purchases of property and equipment	(51,793)	(123,060)
Net cash (used in) investing activities	<u>(547,897)</u>	<u>(46,108)</u>
Cash flows from financing activities:		
Refundable advance proceeds	680,260	
Proceeds from contributions restricted for investment of endowment in perpetuity	3,500	2,000
Payments on bond payable	(105,000)	(100,000)
Net cash provided by (used in) financing activities	<u>578,760</u>	<u>(98,000)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,176	58,670
Cash And Cash Equivalents, Beginning Of Year	546,817	488,147
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 553,993</u>	<u>\$ 546,817</u>
Supplemental Cash Flow Information:		
Cash paid for interest	<u>\$ 1,113</u>	<u>\$ 4,558</u>

The accompanying notes are an integral part of the financial statements.

THE HUMANE SOCIETY OF BOULDER VALLEY, INC.

Notes To Financial Statements
For The Year Ended December 31, 2020

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(1) Nature Of The Society

The Humane Society of Boulder Valley, Inc. (the “Society”) serves Boulder, Colorado and the surrounding areas. Its mission is to protect and enhance the lives of companion animals by promoting healthy relationships between pets and people.

The Society is supported by contributions and grants; fees for services, such as: adoptions, lost and found services, pet training and behavior, and veterinary clinic; and retail sales of donated items at the thrift shop and of pet supplies.

(2) Summary Of Significant Accounting Policies

Method Of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis Of Presentation

Financial statement presentation follows the recommendations of *Financial Statements for Not-for-Profit Organizations*. Under this standard, the Society is required to report information regarding financial position and activities according to the following net asset classifications:

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 Society. These net assets may be used at the discretion of the Society’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 Society or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds must be maintained in perpetuity.

Prior - Year Amounts

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Society’s audited financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Use Of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Measure Of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and non operating activities. Operating activities consists of those items attributable to the Society's ongoing program services and investment earnings. Nonoperating activities are limited to activities considered to be of a more unusual or nonrecurring nature.

Risks and Uncertainties

The global community has been under a significant threat from coronavirus ("COVID-19"). The extent to which the COVID-19 pandemic impacts the Society's business, results of operations and financial condition will depend on future developments, which are still uncertain and cannot be predicted. Even after the COVID-19 pandemic has subsided, The Society may continue to experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the Society cannot reasonably estimate the impact at this time.

Fair Value Measurements

The Society follows *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. That 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 under the standard are described below:

- | | |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access. |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none">• 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 measurement. 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.

Mutual funds: Valued at the published net asset value (NAV) of the shares held at the reporting date.

Equities: Valued at the closing prices reported on the active market on which the individual securities are traded.

Real estate investment trust: Valued as reported by the Society which issued the investment.

Donated land and interest in time share: Reflected at fair market value at the date of the donation.

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 Society 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.

The carrying amount reported in the statement of financial position for cash and cash equivalents, accounts receivable, unconditional promises to give, accounts payable and accrued payroll and other liabilities and accrued interest, approximate fair value because of the immediate or short-term maturities of these financial instruments.

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 statement of financial position.

Cash And Cash Equivalents

The Society considers cash and cash equivalents to be cash on hand, demand deposits and repurchase accounts with maturities of 90 days or less, except those held for long-term investments.

Accounts Receivable

The Society uses the allowance method to record uncollectible accounts. The allowance is based on past experience and on specific analysis of the collectability of individual accounts receivable. Management believes receivables may not be fully collectible for the veterinary clinic and has therefore established an allowance account for 9,000.

Inventories

Inventories of pet supplies are stated at the lower of cost or net realizable value with cost determined by using the first-in, first-out (FIFO) method. Inventories also consist of materials donated to the Thrift Shop and are valued at their estimated fair value.

Investments

Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Property And Equipment

Expenditures for property and equipment, in excess of \$1,000, are stated at cost and depreciated using straight-line methods based upon estimated useful lives as follows:

Buildings and improvements	10 to 40 years
Equipment	5 to 12 years
Automobiles	5 years
Furniture and fixtures	12 years
Software	3 years

Expenditures for maintenance and repairs are charged to the appropriate expense accounts as incurred. Expenditures for renewals or betterments which materially extend the useful lives of assets or increase their productivity are capitalized at cost. The costs and related allowances for depreciation of the assets retired or otherwise disposed of are eliminated from the accounts. The resulting gains or losses are included in the change in net assets. Construction in progress is not depreciated until the asset is placed into service.

Revenue And Revenue Recognition

The Society recognizes revenue from adoption fees when the animal is transferred to the new home. Surrender and impound fees, government service contracts and veterinary clinic revenue as services are performed. Pet training revenues are recognized over the training period. Retail and thrift and gift shop sales are recognized at the time of sale as returns are minimal. Sponsorships are recognized as a contribution as the Society does not provide any material benefits to the sponsors. Other revenue is recognized as services are performed.

The Society recognizes contributions when cash, securities or other assets, or an unconditional promise to give is received. Unconditional promises to give are recorded at net realizable value if expected to be collected in one year and at net present value if expected to be collected in more than one year. As of December 31, 2020, there was no material difference between the present value of the promises to give and the amount recorded in the financial statements which is at face value. Management determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collection. Promises to give are written off when deemed uncollectible. As of December 31, 2020, the allowance was \$5,000.

Conditional promises to give with a measurable performance or other barrier and a right of return/right of release are not recognized until the conditions on which they depend have been met. As of December 31, 2020, the Society had no advances on conditional promises to give.

The Society reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions.

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated services, materials (including goods donated to the Thrift Shop for resale), and facilities that meet required criteria are reflected in the financial statements as contributions and expenses at fair market value or rates estimated by management at the time of the donation. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Society. The Society received 36,723 volunteer hours for the year ended December 31, 2020. Amounts applicable to these donated services are not reflected in the accompanying financial statements because the volunteers' time does not meet the criteria for recognition.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Society reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Methods Used for Allocation of Expenses from Management and General Activities

The cost of providing program and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries, wages and related payroll	Time and effort
Contract services, insurance	Allocated by estimated proportion of benefit
Equipment rental	Full-time equivalent
Miscellaneous	Full-time equivalent
Printing	Space allocation in newsletter
Repairs, maintenance and security; utilities	Square footage allocation
Bond interest and fees	Square footage allocation
Depreciation and amortization	Square footage allocation

Subsequent Events

The Society has performed an evaluation of subsequent events through May 24, 2021, which is the date the financial statements were available to be issued, and has considered any relevant matters in the preparation of the financial statements and footnotes.

Subsequent to the end of the year, the Society was the recipient of a second PPP loan in the amount of \$752,744 funded March 23, 2021.

(3) Tax Exempt Status And Deferred Tax

The Society, a public charity, has previously received notice from the Internal Revenue Service of exemption from income tax under Section 501(c)(3) of the Internal Revenue Code. Certain portions of the Society's operation are subject to unrelated business income tax. The Society has a net operating loss carry forward of \$780,287. The resulting deferred tax asset amounted to \$182,587 and has been fully allowed for as the Society does not expect to utilize it. Accordingly, this has not been reflected in the financial statements. During the year ended December 31, 2020, the valuation allowance increased by \$2,665. During the year ended December 31, 2020, no income tax expense was incurred.

The Society follows *Accounting for Uncertainty in Income Taxes* which requires the Society to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority that has full knowledge of all relevant information. During the year ended December 31, 2020, the Society's management evaluated its tax positions to determine the existence of uncertainties, and did not note any matters that would require recognition or which may have an affect on its tax-exempt status.

The Society is no longer subject to U.S. federal tax audits on its Form 990 and Form 990-T for years prior to 2017. Additionally, the Society is no longer subject to audits on its related state return by taxing authorities for years prior to 2016. The years subsequent to these years contain matters that could be subject to differing interpretations of applicable tax laws and regulations. Although the outcome of tax audits is uncertain, the Society believes no issues would arise.

(4) Promises To Give

As of December 31, 2020, promises to give consisted of the following:

Within one year	\$ 748,064
Less allowance for uncollectible promises to give	(5,000)
Within one year, net	<u>743,064</u>
Due in one to five years	90,551
Due in six to ten years	26,151
Due in more than ten years	2,796
	<u><u>\$ 862,562</u></u>

(5) **Beneficial Interest In Trusts**

The following table presents the Society's fair value hierarchy and major categories for those assets measured at fair value on a recurring basis as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Fixed income	\$ 719,985	\$	\$	\$ 719,985
Equity funds	58,716			58,716
Equities -				
Large cap	851,848			851,848
EAFE	261,190			261,190
Goods and services	163,696			163,696
Emerging markets	34,680			34,680
International	200,499			200,499
Real assets	41,076			41,076
Domestic funds	350,457			350,457
Pooled equity, fixed income, and other			258,006	258,006
Investments at fair value	<u>\$ 2,682,147</u>	<u>\$</u>	<u>\$ 258,006</u>	<u>2,940,153</u>
Money market funds				<u>84,685</u>
Total investments				<u>\$ 3,024,838</u>

The Beneficial Interests in Trusts which are considered Level 1 based upon the underlying investments. The level 1 trusts are maintained in separate investment accounts on behalf of the Society and are not commingled with other funds by the Trustee, the Natalie Bentzen Trust is commingled with other funds by the trustee and therefore level 3. Accordingly, such investments are not reflected as Level 2 or 3 as the investments fair market value represents the Society's interest.

(6) **Investments And Concentration Of Credit Risk**

The following table presents the Society's fair value hierarchy and major categories for those assets measured at fair value on a recurring basis as of December 31, 2020:

	Level 1	Level 2	Level 3	Total
Mutual funds-				
Fixed income	\$ 300,005	\$	\$	\$ 300,005
Equity funds	2,048,002			2,048,002
Equities and ETFs -				
International	23,202			23,202
Intermediate-term bond	806,992			806,992
Corporate bond	17,543			17,543
Emerging markets	212,789			212,789
World	181,077			181,077
High yield	106,962			106,962
Mid cap	665,801			665,801
Goods and services	172,516			172,516
Energy	22,152			22,152
Financial markets	123,837			123,837
Large blend	576,432			576,432
Technologies	170,659			170,659
Consumer defensive	15,176			15,176
Healthcare	24,116			24,116
Commodities	24,520			24,520
REIT	6,958			6,958
Donated land			190,692	190,692
Interest in time share			3,000	3,000
Total investments at fair value	<u>\$ 5,498,739</u>	<u>\$</u>	<u>\$ 193,692</u>	<u>5,692,431</u>
Money market				<u>1,646,795</u>
Total investments				<u>\$ 7,339,226</u>

The investments consist of numerous individual stocks in which no concentrations exist relative to any sectors or geographic areas.

The valuation technique used to measure the fair value of the Level 3 investments for the donated land and interest in time share was based upon the appraised value as of the date of donation. The Society has not obtained an appraisal on the property, and accordingly the value has not been adjusted during the year ended December 31, 2020.

The following schedule summarizes a reconciliation of level 3 investments:

Beginning balance	\$ 193,692
Investment income	
Ending balance	<u>\$ 193,692</u>

The following schedule summarizes investment income for the year ended December 31, 2020:

Interest and dividend income	\$ 132,751
Investment advisor fees	(18,954)
Net realized gain	4,437
Net unrealized gain	655,014
Income distributed by beneficial trusts	<u>129,721</u>
Investment income, net	<u>\$ 902,969</u>

The Society's cash demand deposits are held at financial institutions in which deposits are insured by the Federal Deposit Insurance Corporation ("FDIC"). As of December 31, 2020, the Society's cash demand deposits exceeded the FDIC insurance limit by approximately \$60,000.

(7) Endowments

General

The Society's Endowment Fund was established by action of the Board of Directors (the "Board") to be maintained in perpetuity. The Endowment Fund may include both donor-restricted endowment funds as well as funds designated by the Board to function as endowments. The endowment funds may be established for either specific purposes or general operating use. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Society is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, therefore, classifies amounts in its donor-restricted endowment fund as net assets with donor restrictions until the Board appropriates amounts for expenditures and any purpose restrictions have been met. The Board of Trustees of the Society has interpreted SPMIFA as requiring the maintenance of only the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, the Society would consider the fund to be underwater if the fair value of the fund is less than the sum of (1) the original value of initial

and subsequent gifts to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. The Society has interpreted SPIMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. In accordance with SPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Society and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Society
- (7) The investment policies of the Society

Changes in Endowment Net Assets as of December 31, 2020:

	<u>With Donor Restrictions</u>
Endowment net assets, beginning of the year	\$ 2,004,228
Contribution	3,500
Investment return, net	221,375
Appropriation of endowment assets for expenditures	<u>(94,086)</u>
Endowment net assets, end of the year	<u><u>\$ 2,135,017</u></u>

Funds held in Trust

Funds held in trust in perpetuity by designation of the donor for the benefit of the Society are also subject to the restrictions of UPMIFA, and as such must be accounted for in a similar manner. However, appropriations from funds held in trust are determined in accordance with provisions of each individual trust. The Society is the trustee on the beneficial interest in trusts.

Funds with Deficiencies

As of December 31, 2020, one fund totaling \$57,798 of contributions perpetual in nature had a fair value of \$53,757 resulting in a deficiency of \$4,041.

Return Objectives and Risk Parameters

An Investment Policy Statement (IPS) was adopted by the Board in November 2020. The Endowment Fund is invested as a portion of the “Pooled Fund” which strives to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Pooled Fund is invested with a long-term strategy with a balanced portfolio of equity, fixed-income, alternative assets, and cash.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Society has a policy of appropriating for distribution each year 5% of its endowment fund’s average fair value over the prior eight quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Society considered the long-term expected return on its endowment. Accordingly, over the long term, the Society expects the current spending policy to allow its endowment to grow at an average of at least the CPI annually. This is consistent with the Society’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. Appropriation may be made in the form of the Society’s expenditure budget on an annual basis. During the year ended December 31, 2020, the Society had followed its spending policy.

(8) Property And Equipment

The following summarizes property and equipment as of December 31, 2020:

Land	\$ 24,480
Buildings and improvements	5,766,204
Equipment	789,617
Automobiles	192,613
Furniture and fixtures	269,714
Software	112,212
	<u>7,154,840</u>
Less: accumulated depreciation	<u>(4,221,792)</u>
	<u><u>\$ 2,933,048</u></u>

(9) Split-Interest Agreement

On August 21, 2006, the Society received property with a fair market value of \$180,000 under a charitable gift annuity agreement. Terms of the agreement call for quarterly payments to the donor under a joint annuity arrangement based upon an annuity rate of 4.5% of the initial fair market value of the property. The liability is discounted as 6.2% utilizing appropriate actuarial assumptions. The liability as of December 31, 2020, was \$81,722.

(10) Refundable Advance - Paycheck Protection Program

On April 10, 2020, the Society qualified for and received a refundable advance pursuant to the Paycheck Protection Program ("PPP"), a program implemented by the U.S. Small Business Administration under Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender, for an aggregate amount of \$680,260. The advance was forgiven during the year ended December 31, 2020, and is reflected in government contributions on the statement of activities.

(11) Commitments

The Society has a lease agreement for the thrift and gift shop as well as an equipment lease. Future minimum rent payments on these leases as of December 31, 2020, are as follows:

<u>Year ended December 31,</u>	
2021	\$ 76,985
2022	5,672
2023	5,672
	<u><u>\$ 82,657</u></u>

THE HUMANE SOCIETY OF BOULDER VALLEY, INC.

Rent expense for the year ended December 31, 2020 was \$105,607.

During the year ending December 31, 2016, the Society entered into two purchase agreements. These purchase agreements were subsequently amended in April of 2018. Total commitments under the purchase agreements are as follows.

<u>Year ended December 31,</u>	
2021	\$ 138,000
2022	120,000
2023	120,000
2023	30,000
	<u>\$ 408,000</u>

(12) Net Assets With Donor Restrictions

As of December 31, 2020, net assets with donor restriction consisted of the following:

Subject to expenditure for specified purpose:

Grace Bennett Jones Trust, principal and income distributions available	\$ 1,073,033
Anti-cruelty fund	5,890
Capital campaign	10,000
Medical access fund	53,648
Total	<u>1,142,571</u>

Subject to the passage of time:

Time restricted contributions	<u>897,229</u>
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Subject to spending policy and appropriation:

Virginia Christensen Trust, income distributions only for programs and capital improvement	1,636,001
Anna Belle Morris Trust, income distributions only	57,799
Natalie Bentzen Trust, income distributions for general operations	258,006
Endowment Fund - SHARE program	6,000
Endowment Fund - Humane education	50,000
Endowment Fund - other	127,211
Total	<u>2,135,017</u>
Grand total	<u>\$ 4,174,817</u>

(13) **Expenses**

Total expenses incurred during the year ended December 31, 2020, are as follows:

Total expenses reported by function	\$ 6,165,456
Cost of retail sales	37,804
Cost of direct benefit to donors	33,242
	<u>\$ 6,236,502</u>

(14) **In-Kind Contributions**

During the year ended December 31, 2020, the Society received \$130,360 of donated goods and services. These services are included in the expense functions on the statement of activities as follows:

Shelter, behavior and training	\$ 69,057
Veterinary clinic	7,143
Community outreach	35,715
Philanthropy	10,715
General and administrative	7,730
	<u>\$ 130,360</u>

(15) **Advertising Costs**

The Society expenses the costs of advertising the first time the advertising takes place. During the year ended December 31, 2020, advertising expense amounted to \$14,071.

(16) **Retirement Plan**

In June 2006, the Society implemented an Internal Revenue Code Section 403(b) tax-deferred plan. Employees scheduled to work at least 20 per week are eligible to participate in the plan. Employees wishing to participate elect to defer any whole percentage of their compensation (up to 75%) or a flat dollar amount per payroll period, provided they do not contribute more than the maximum permitted by law. The Society's plan includes discretionary employer matching or profit sharing contributions. Employees meeting other minimum eligibility requirements are eligible to receive employer contributions following one year of service. Pension expense totaled \$54,363 for the year ended December 31, 2020.

(17) Liquidity And Availability Of Financial Assets

The following reflects the Society's financial assets as of December 31, 2020:

Financial assets at year end	
Cash and cash equivalents	\$ 553,993
Accounts receivable, net	24,115
Promises to give, current	743,064
Investments	<u>7,339,226</u>
Total financial assets	8,660,398
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Investment in land and timeshare	(193,692)
Donor restricted endowments, included in investments	(183,211)
Charitable gift annuity payments	<u>(81,722)</u>
Total contractual or donor-imposed restrictions	(458,625)
Board designated for capital campaign	<u>(1,894,928)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,306,845</u>

The Society's goal is to maintain financial assets to meet at least 4 months of operating expenses. As part of its liquidity plan, other cash holdings and investments will be deposited in accounts which preserve capital and provide growth. The Society also received distributions from its trust accounts and endowment funds which are not included above.

As discussed in Note 7, the Society can elect to receive an annual distribution from its endowment that is available to the Society for its unrestricted use.

(18) New Accounting Pronouncements

In December of 2018, FASB issued ASU No. 2018-20, *Leases*, which requires the Society to recognize all leased assets as assets on the statement of financial position with a corresponding liability resulting in a gross up of the statement of financial position. Entities will also be required to present additional disclosure as to the nature and extent of leasing activities. The requirements of this statement are effective for the Society's financial statements for the year ended December 31, 2022. The Society has not evaluated the impact due to the timing of implementation of this standard.