THE HUMANE SOCIETY OF BOULDER VALLEY, INC.

Financial Statements As Of December 31, 2019

Together With Independent Auditors' Report

JDS professional group

certified public accountants, consultants and advisors

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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, 2019, 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.

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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, 2019, 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.

JDS Professional Group

June 25, 2020

THE HUMANE SOCIETY OF BOULDER VALLEY, INC.

Statement Of Financial Position
As Of December 31, 2019

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 546,817
Accounts receivable, net	21,979
Promises to give, net	342,357
Investments	1,272,473
Prepaid expenses	28,751
Inventories	41,427
Total Current Assets	2,253,804
Promises to give	53,500
Investments	4,906,489
Beneficial interest in trusts, at market	2,835,610
Other assets	4,372
Property and equipment, net of accumulated depreciation of $4,022,603	3,161,251
TOTAL ASSETS	$ 13,215,026
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts payable, trade	$ 139,172
Accrued payroll and other liabilities	262,859
Accrued interest	580
Refundable advance	10,000
Current portion of liability under split-interest	8,100
Current portion of bond payable	105,000
Total Current Liabilities	525,711
Liability under split-interest agreement	74,751
Total Liabilities	600,462
Net Assets:	
Undesignated	4,129,608
Designated by the Board for capital campaign	1,935,000
Investment in facilities, property and equipment	3,056,251
Total net assets without donor restrictions	9,120,859
Net assets with donor restrictions	3,493,705
Total Net Assets	12,614,564
TOTAL LIABILITIES AND NET ASSETS	$ 13,215,026

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

Statement Of Activities
For The Year Ended December 31, 2019

		Without Donor Restrictions	With Donor Restrictions	Total
Support And Revenue:				
Contributions, grants and bequests		$ 1,781,400	$ 398,295	$ 2,179,695
Special events	596,452			
Direct benefit costs	(111,950)	484,502		484,502
Adoption fees		740,473		740,473
Surrender fees		41,666		41,666
Veterinary clinic		1,810,496		1,810,496
Pet training		141,168		141,168
Governmental service contracts		201,377		201,377
Impound fees		24,346		24,346
Retail sales	126,895			
Direct costs of sales	(84,057)	42,838		42,838
Thrift and gift shop sales		358,420		358,420
Other income		69,820		69,820
Change in value of split-interest agreement		(6,071)		(6,071)
Change in beneficial interest in trusts		8,437	329,392	337,829
Investment income, net		792,003	114,123	906,126
Net assets released from restrictions - Satisfaction of time/purpose restrictions		312,351	(312,351)	
Total Support and Revenue		6,803,226	529,459	7,332,685
Expenses:				
Program Services -				
Shelter, behavior and training		2,597,797		2,597,797
Veterinary clinic		2,290,721		2,290,721
Community outreach		210,029		210,029
Total Program Services		5,098,547		5,098,547
Supporting Services -				
Thrift and gift shop		372,717		372,717
Philanthropy		493,470		493,470
General and administrative		350,023		350,023
Total Supporting Expenses		1,216,210		1,216,210
Total Expenses		6,314,757		6,314,757
CHANGES IN NET ASSETS FROM OPERATIONS		488,469	529,459	1,017,928
Net Assets, Beginning Of Year		8,632,390	2,964,246	11,596,636
NET ASSETS, END OF YEAR		$ 9,120,859	$ 3,493,705	$ 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, 2019

	Shelter, Behavior and Training	Veterinary Clinic	Community Outreach	Total Programs	Supporting Services: Thrift And Gift Shop	Supporting Services: Philanthropy	Supporting Services: General And Administrative	Supporting Services: Total Supporting	Total Expenses
Salaries	$ 1,374,572	$ 1,263,126	$ 90,690	$ 2,728,388	$ 61,381	$ 207,705	$ 203,389	$ 472,475	$ 3,200,863
Employee benefits	142,903	118,998	10,577	272,478	6,804	25,766	23,030	55,600	328,078
Payroll taxes	106,646	98,054	6,772	211,472	4,182	15,800	15,076	35,058	246,530
Total Salaries And Related Expenses	1,624,121	1,480,178	108,039	3,212,338	72,367	249,271	241,495	563,133	3,775,471
Advertising	662			662	500	2,562		3,062	3,724
Animal food	76,510			76,510					76,510
Bad debts		10,775		10,775					10,775
Bank and credit card service fees	20,863	25,717		46,580	6,203	16,571		22,774	69,354
Bond interest and fees	9,929	1,241		11,170		621	621	1,242	12,412
Contract services	159,748	183,567	77,775	421,090	93,714	101,153	25,852	220,719	641,809
Cost of special events						29,071		29,071	29,071
Depreciation and amortization	230,882	41,311		272,193	2,811	11,759	6,763	21,333	293,526
Dues and subscriptions	7,300	10,062	1,810	19,172		3,301	1,677	4,978	24,150
Equipment rental	3,595	1,964		5,559		1,049	869	1,918	7,477
Insurance	38,838	31,904	180	70,922	3,116	3,110	3,377	9,603	80,525
Legal and accounting	2,410			2,410	450	360	19,043	19,853	22,263
Miscellaneous	20,381	8,595	130	29,106	5,145	10,832	9,225	25,202	54,308
Office expense	4,198	3,988		8,186	464	2,407	6,920	9,791	17,977
Postage	286	1,769	1,438	3,493		16,000	274	16,274	19,767
Printing	1,971		10,696	12,667	261	9,447	649	10,357	23,024
Rent				-	104,516			104,516	104,516
Repair, maintenance and security	117,947	27,940		145,887	30,699	16,265	14,162	61,126	207,013
Supplies	139,556	23,286	9,434	172,276	38,172	15,105	5,452	58,729	231,005
Travel and training	12,654	7,626	342	20,622		2,404	1,062	3,466	24,088
Utilities	106,125	17,938		124,063	11,993	2,031	12,426	26,450	150,513
Vehicle expense	10,780	150	185	11,115	2,306	151	156	2,613	13,728
Veterinary supplies	9,041	412,710		421,751				-	421,751
Total Expenses	$ 2,597,797	$ 2,290,721	$ 210,029	$ 5,098,547	$ 372,717	$ 493,470	$ 350,023	$ 1,216,210	$ 6,314,757

THE HUMANE SOCIETY OF BOULDER VALLEY, INC.

Cash flows from operating activities:	
Changes in net assets from operations	$ 1,017,928
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation and amortization expense	288,281
Amortization of bond issuance	5,245
Net gain on investments	(628,877)
Donated investments	(13,052)
Change in allowance for doubtful accounts	(6,750)
Change in beneficial interest in trusts	(319,798)
Change in value of split-interest agreement	6,071
Contributions restricted for endowment in perpetuity	(2,000)
Changes in assets and liabilities:	
Decrease in accounts receivable	3,774
(Increase) in promises to give	(225,063)
Decrease in prepaid expenses	9,413
Decrease in inventories	34,372
Increase in accounts payable	23,441
Increase in deferred income	8,000
(Decrease) in accrued interest	(550)
Increase in accrued payroll, and other liabilities	2,343
Net cash provided by operating activities	202,778
Cash flows from investing activities:	
Purchases of investments	(5,101,697)
Sales of investments	5,186,749
Payments on split-interest agreement	(8,100)
Purchases of property and equipment	(123,060)
Net cash (used in) investing activities	(46,108)
Cash flows from financing activities:	
Proceeds from contributions restricted for investment of endowment in perpetuity	2,000
Payments on bond payable	(100,000)
Net cash (used in) financing activities	(98,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	58,670
Cash And Cash Equivalents, Beginning Of Year	488,147
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 546,817
Supplemental Cash Flow Information:	
Cash paid for interest	$ 4,558

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

(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 Organization 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 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 prepetual in nature, where by the donor has stipulated the funds must be maintained in perpetuity.

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 Organization's ongoing program services and investment earnings. Nonoperating activities are limited to activities considered to be of a more unusual or nonrecurring nature.

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:

- 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 Organization 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 $11,000.

Unconditional Promises To Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. 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, 2019, the allowance was $2,750.

Promises to give are recorded at net realizable value if expected to be collected within one year and at fair value if expected to be collected in more than one year. As of the December 31, 2019, the discount related to promises to give expected to be received in more than one year is immaterial to the financial statements.

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 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.

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, 2019, 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.

Conditional promises to give with a measurable performance or other barrier and a right of return/right or release are not recognized until the conditions on which they depend have been met. As of December 31, 2019, the Society received advances on conditional promises to give of $10,000 which is recognized in the statement of financial position as refundable advances.

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, Facilities, And Property And Equipment

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 40,930 volunteer hours for the year ended December 31, 2019. 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:

Expense	Method of Allocation
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

Adoption of New Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers: Topic 606*, to supercede nearly all existing revenue recognition guidance relative to exchange transactions under U.S. GAAP. The Society adopted the provisions of this guidance on January 1, 2019, using the modified retrospective approach and applied the standard to contracts as of the date of adoption. The adoption did not have a material impact on the Society's revenue recognition.

In June 2018, FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made,* which clarifies how entities determine whether to account for a transfer of assets as an exchange transaction or contribution. The distinction is important because contributions are accounted for under Accounting Standards Codification (ASC) 958-605, *Not-for-Profit Entities -Revenue Recognition,* which exchange transactions are accounted for under other guidance such as ASC 909, *Revenue from Contracts with Customers.* The guidance also clarified how entities determine whether a contribution is conditional or unconditional. The Society adopted the provisions of this guidance on January 1, 2019, using the prospective approach. The adoption did not result in $10,000 contributions being recognized as refundable advances instead of contributions revenue.

Subsequent Events

The Society has performed an evaluation of subsequent events through June 25, 2020, 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.

During March 2020 and continuing through the opinion date, the global community has been under a significant threat from coronavirus ("COVID-19"). The Society cannot reasonablely determine at this time the impact this will have on operating results. The Society obtained an SBA Payment Protection Program Loan on April 17, 2020, in the amount of $680,260. The forgivable amount is yet to be determined.

(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 $768,898. The resulting deferred tax asset amounted to $179,922 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, 2019, the valuation allowance increased by $29,239. During the year ended December 31, 2019, 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 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, 2019, 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 2016. Additionally, the Society is no longer subject to audits on its related state return by taxing authorities for years prior to 2015. 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, 2019, promises to give consisted of the following:

Within one year	$ 345,107
Less allowance for uncollectible promises to give	(2,750)
Within one year, net	342,357
Due in one to three years	53,500
	$ 395,857

(5) 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, 2019:

	Level 1	Level 2	Level 3	Total
Mutual funds-				
Fixed income	$ 514,560	$	$	$ 514,560
Equity funds	1,894,045			1,894,045
Equities -				
International	17,888			17,888
Domestic equity	41,146			41,146
Foreign large blend	197,992			197,992
World	70,374			70,374
High Yield	29,969			29,969
Small cap	432,175			432,175
Goods and services	201,086			201,086
Energy	23,679			23,679
Financial markets	131,578			131,578
Large cap	482,507			482,507
Technologies	644,178			644,178
Commodities	21,506			21,506
Real assets	10,114			10,114
Donated land			190,692	190,692
Interest in time share			3,000	3,000
Total investments at fair value	$ 4,712,797	$	$ 193,692	4,906,489
Money market				1,272,473
Total investments				$ 6,178,962

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. Management has determined the fair value has not changed relative to the donated land as there is no current intent to sell the land.

The following schedule summarizes a reconciliation of level 3 investments:

Beginning balance	$	193,692
Investment income		
Ending balance	$	193,692

The following schedule summarizes investment income for the year ended December 31, 2019:

Interest and dividend income	$	172,810
Investment advisor fees		(21,592)
Net realized gain		187,385
Net unrealized gain		441,492
Income distributed by beneficial trusts		126,031
Investment income, net	$	906,126

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, 2019, the Society's cash demand deposits exceeded the FDIC insurance limit by approximately $126,000.

(6) **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, 2019:

	Level 1	Level 2	Level 3	Total
Mutual funds				
Fixed income	$ 670,274	$	$	$ 670,274
Equity funds	56,218			56,218
Equities -				
Large cap	778,154			778,154
EAFE	304,517			304,517
Goods and services	147,762			147,762
Emerging markets	93,821			93,821
International	117,310			117,310
Real assets	53,416			53,416
Domestic funds	281,554		251,292	532,846
Investments at fair value	$ 2,503,026	$	$ 251,292	2,754,318
Money market funds				81,292
Total investments				$ 2,835,610

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.

(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 ent assets with donor restrictions until the Board appropriates amounts for expenditures and any purpose restrictions have been met. The Board of Trustees of the Organization 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 in 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 Organization has interpreted SPIMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. In accordance with SPMIFA, the Organization 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, 2019:

	With Donor Restrictions
Endowment net assets, beginning of the year	$ 1,782,565
Contribution	2,000
Investment return, net	329,392
Appropriation of endowment assets for expenditures	(109,729)
Endowment net assets, end of the year	$ 2,004,228

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, 2019, one fund totaling $61,839 of contributions perpetual in nature had a fair value of $56,902 resulting in a deficiency of $4,937.

Return Objectives and Risk Parameters

An Investment Policy Statement (IPS) was adopted by the Board in October 2017. 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. The Pooled Fund's stated goal is to average an annual return of 5% over inflation, as measured by the Consumer Price Index (CPI). Actual returns in any given year may vary from this amount.

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, 2019, the Society had followed its spending policy.

(8) Property And Equipment

The following summarizes property and equipment as of December 31, 2019:

Land	$ 24,480
Buildings and improvements	5,739,569
Equipment	778,416
Automobiles	192,613
Furniture and fixtures	274,283
Software	174,493
	7,183,854
Less: accumulated depreciation	(4,022,603)
	$ 3,161,251

(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, 2019, was $82,851.

(10) Bond Payable

On March 15, 2001, the Society entered into a bond payable agreement for $3,650,000 from the proceeds of the issuance of Boulder County, Colorado, Variable Rate Demand Development Revenue Bonds, Series 2001. The Society entered into an interest rate swap agreement with a financial institution, the objective of which was to allow the Society to pay a fixed interest rate rather than the variable rate included in the original bond agreement. Payments on the principal balance are due annually commencing May 1, 2002 through May 1, 2020, with interest payments due quarterly at a 3.13% fixed rate, until maturity. Interest expense incurred on this payable amounted to $4,558 for the year ended December 31, 2019. The bond payable is secured by a letter of credit held with Wells Fargo Bank, NA. The letter of credit expires on May 1, 2020. Under the letter of credit agreement, the Society is required to pay annual letter of credit fees and quarterly remarketing fees equal to 1.26% and 0.125%, respectively, of the outstanding principal balance.

The annual letter of credit fees and quarterly remarketing fees amounted to $2,451 and $171, respectively, for the year ended December 31, 2019.

Future annual maturities of bond payable as of December 31, 2019, are as follows:

Year Ended December 31,	
2020	$ 105,000
	$ 105,000

(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, 2019, are as follows:

Year ended December 31,	
2020	$ 112,060
2021	116,095
2022	115,314
2023	115,314
2024	109,642
Thereafter	109,642
	$ 678,067

Rent expense for the year ended December 31, 2019 was $104,516.

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 is as follows.

Year ended December 31,	
2020	$ 138,000
2021	138,000
2022	120,000
2023	120,000
2024	30,000
	$ 546,000

(12) Net Assets With Donor Restrictions

As of December 31, 2019, net assets with donor restriction consisted of the following:

Subject to expenditure for specified purpose:	
Grace Bennett Jones Trust, principal and income distributions available	$ 994,051
Anti-cruelty fund	5,890
Behavior modification and transfer	10,000
Adoption	10,000
Safety net	10,000
Medical access fund	55,079
Total	1,085,020
Subject to the passage of time:	
Time restricted contributions	404,457
Subject to spending policy and appropriation:	
Virginia Christensen Trust, income distributions only for programs and capital improvement	1,533,365
Anna Belle Morris Trust, income distributions only	56,902
Natalie Bentzen Trust, income distributions for general operations	251,292
Endowment Fund - SHARE program	6,000
Endowment Fund - Humane education	50,000
Endowment Fund - other	106,669
Total	2,004,228
Grand total	$ 3,493,705

(13) Expenses

Total expenses incurred during the year ended December 31, 2019, are as follows:

Total expenses reported by function	$ 6,314,757
Cost of retail sales	84,057
Cost of direct benefit to donors	111,950
	$ 6,510,764

(14) In-Kind Contributions

During the year ended December 31, 2019, the Society received $183,425 of donated goods and services. These services are included in the expense functions on the statement of activities as follows:

Shelter, behavior and training	$ 110,681
Veterinary clinic	9,564
Community outreach	44,798
Thrift and gift shop	450
Philanthropy	15,839
General and administrative	2,093
	$ 183,425

(15) Advertising Costs

The Society expenses the costs of advertising the first time the advertising takes place. During the year ended December 31, 2019, advertising expense amounted to $8,936.

(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 $47,856 for the year ended December 31, 2019.

(17) Liquidity and Availability Of Financial Assets

The following reflects the Society's financial assets as of December 31, 2019:

Financial assets at year end	
Cash and cash equivalents	$ 546,817
Accounts receivable, net	21,979
Promises to give, current	342,357
Investments	6,178,962
Total financial assets	7,090,115
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	(121,491)
Charitable gift annuity payments	(104,681)
Total contractual or donor-imposed restrictions	(419,864)
Board designated for capital campaign	(1,935,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 4,735,251

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 Organization can elect to receive an annual distribution from its endowment that is available to the Organization for its unrestricted use.

(18) New Accounting Pronouncements

In December of 2018, FASB issued ASU No. 2018-20, Leases. ASU No. 2018-20 which requires the Society to recognize all leased assets on the statement of financial position with 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 extend of leasing activities. The requirements of this statements are effective for the Society's year ended December 31, 2021. The Society has not evaluated the impact due to the timing of implementation of this standard.