

**ROUTT COUNTY HUMANE SOCIETY**

Financial Statements

December 31, 2019

**ROUTT COUNTY HUMANE SOCIETY**

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## Independent Auditor's Report

The Board of Directors  
Routt County Humane Society  
Steamboat Springs, Colorado

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Routt County Humane Society, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows 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 U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards. 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.

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 Routt County Humane Society as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

## **Report on Summarized Comparative Financial Information**

We have previously audited the Routt County Humane Society's December 31, 2018 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 22, 2020. In our opinion, the summarized comparative financial information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Catterson + Company, P.C.*

Steamboat Springs, Colorado  
September 20, 2020

**ROUTT COUNTY HUMANE SOCIETY**  
**Statement of Financial Position**  
**December 31, 2019**  
(with summarized financial information as of December 31, 2018)

	2019	2018
<b>Assets:</b>		
Cash and cash equivalents	\$ 552,491	\$ 524,258
Accounts receivable	11,588	11,449
Agency assets:		
Cash and cash equivalents	57,641	55,695
Equipment owned by others	38,637	41,396
Other assets	5,987	1,500
Security deposit	3,500	3,500
Property and equipment, net of accumulated depreciation	183,399	91,683
<b>Total assets</b>	<b>\$ 853,243</b>	<b>\$ 729,481</b>
<b>Liabilities and net assets:</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 10,344	\$ 26,685
Agency liabilities	96,277	96,696
Capital lease obligation	61,506	-
<b>Total liabilities</b>	<b>168,127</b>	<b>123,381</b>
Net assets:		
Without donor restrictions	557,032	382,849
With donor restrictions	128,084	223,251
<b>Total net assets</b>	<b>685,116</b>	<b>606,100</b>
<b>Total liabilities and net assets</b>	<b>\$ 853,243</b>	<b>\$ 729,481</b>

See accompanying notes to financial statements.

**ROUTT COUNTY HUMANE SOCIETY**  
**Statement of Activities**  
**For the Year Ended December 31, 2019**  
(with summarized financial information for the year ended December 31, 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Revenues and other support:</b>				
Contributions and grants	\$ 487,938	\$ -	\$ 487,938	\$ 345,102
Contract services	126,664	-	126,664	122,479
Program fees:				
Adoptions	48,095	-	48,095	25,330
Licenses	11,656	-	11,656	10,704
Boarding	5,703	-	5,703	7,378
Training	9,910	-	9,910	1,120
Other	9,313	-	9,313	10,312
Surgical services	9,203	-	9,203	-
Fundraising events, net of direct costs	66,484	-	66,484	67,896
Interest income	5,534	-	5,534	5,257
Other	4,626	-	4,626	2,489
Net assets released from restrictions	95,167	(95,167)	-	-
<b>Total revenues and other support</b>	<b>880,293</b>	<b>(95,167)</b>	<b>785,126</b>	<b>598,067</b>
<b>Operating expenses:</b>				
Program services	482,825	-	482,825	516,945
Supporting services:				
Management and general	155,026	-	155,026	127,704
Fundraising	68,259	-	68,259	87,498
<b>Total operating expenses</b>	<b>706,110</b>	<b>-</b>	<b>706,110</b>	<b>732,147</b>
Change in net assets	174,183	(95,167)	79,016	(134,080)
Net assets, beginning of year	382,849	223,251	606,100	740,180
Net assets, end of year	<u>\$ 557,032</u>	<u>\$ 128,084</u>	<u>\$ 685,116</u>	<u>\$ 606,100</u>

See accompanying notes to financial statements.

**ROUTT COUNTY HUMANE SOCIETY**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2019**  
(with summarized financial information for the year ended December 31, 2018)

	2019				2018 Total
	Program Services	Management and General	Fundraising	Total	
<b>Expenses:</b>					
Wages and benefits	\$ 237,995	\$ 114,924	\$ 61,610	\$ 414,529	\$ 439,001
Shelter medical	44,723	-	-	44,723	49,365
Shelter spay/neuter	9,674	-	-	9,674	24,509
Veterinary supplies	29,192	-	-	29,192	21,620
Shelter supplies	17,280	11	-	17,291	27,209
Financial assistance program	8,993	-	-	8,993	8,393
Occupancy	65,088	-	-	65,088	31,371
Professional fees	6,144	23,611	-	29,755	36,484
Information technology	100	10,731	-	10,831	16,044
Insurance	12,309	-	-	12,309	6,127
Repairs and maintenance	7,825	-	-	7,825	3,935
Marketing and advertising	2,997	-	2,285	5,282	28,157
Staff training and development	2,363	1,419	-	3,782	5,082
Dues and subscriptions	1,575	2,802	3,277	7,654	2,795
Depreciation	18,548	-	-	18,548	7,955
Other	18,019	1,528	1,087	20,634	24,100
<b>Total expenses</b>	<b>\$ 482,825</b>	<b>\$ 155,026</b>	<b>\$ 68,259</b>	<b>\$ 706,110</b>	<b>\$ 732,147</b>

See accompanying notes to financial statements.

**ROUTT COUNTY HUMANE SOCIETY**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2019**  
(with summarized financial information for the year ended December 31, 2018)

	2019	2018
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 79,016	\$ (134,080)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	18,548	7,955
(Increase) decrease in:		
Accounts receivable	(139)	(5,952)
Agency assets	813	(43,435)
Other assets	(4,487)	-
(Decrease) increase in:		
Accounts payable and accrued expenses	(16,342)	12,878
Agency liabilities	(419)	(3,033)
	76,990	(165,667)
Net cash provided (used) by operating activities		
<b>Cash flows from investing activities:</b>		
Payment for acquisition of property and equipment	(110,264)	(83,165)
Payment for security deposit	-	(3,500)
	(110,264)	(86,665)
Net cash provided (used) by investing activities		
<b>Cash flows from financing activities:</b>		
Proceeds from capital lease obligation	65,900	-
Principal payments on capital lease obligation	(4,393)	-
	61,507	-
Net cash provided by financing activities		
Net change in cash and cash equivalents	28,233	(252,332)
Cash and cash equivalents, beginning of year	524,258	776,590
Cash and cash equivalents, end of year	\$ 552,491	\$ 524,258

See accompanying notes to financial statements.



**ROUTT COUNTY HUMANE SOCIETY**  
**Notes to Financial Statements**  
**December 31, 2019**  
(with summarized financial information as of December 31, 2018 and for the year then ended)

**Note 1: Description of the Organization**

Routt County Humane Society (the Organization) was incorporated as a Colorado not-for-profit corporation in 1985 to serve the welfare of animals in Routt County, Colorado. The Organization's mission is to encourage respect for the dignity and worth of all animals by providing safe haven, promoting adoption, and decreasing the number of unwanted pets. The Organization provides routine and emergency veterinary care for shelter animals and spay/neuter services in the City of Steamboat Springs, Colorado (the City).

The Organization is funded primarily by shelter contract services, contributions, grants and fees for services.

**Note 2: Summary of Significant Accounting Policies**

*Basis of Presentation*

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Organization to report information regarding its 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 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 passage of time. Other donor restrictions are perpetual in nature, whereby 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 statement of activities.

*Cash and Cash Equivalents*

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

*Concentrations of Credit Risk*

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Organization's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

*Accounts Receivable*

Accounts receivable consists primarily of contract services and fees for services. The Organization believes that all of its receivables are collectible; therefore, no provision for uncollectible accounts has been recorded as of December 31, 2019 and 2018.

**ROUTT COUNTY HUMANE SOCIETY**  
**Notes to Financial Statements**  
**December 31, 2019**  
(with summarized financial information as of December 31, 2018 and for the year then ended)

**Note 2: Summary of Significant Accounting Policies (continued)**

*Property and Equipment, Net*

Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, as follows:

	Years
Leasehold improvements	15
Vehicles	5-7
Equipment and fixtures	7-15

*Contributions*

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

*In-Kind Support*

Many individuals volunteer their time and perform a variety of tasks within the Organization's programs. However, these services do not meet the criteria for recognition as contributed services in accordance with US GAAP.

*Grant Revenue*

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants.

*Revenue Recognition*

Revenues from contract services and fees for services are recognized as earned when the services are provided.

*Functional Expenses*

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include wages and benefits, professional services, occupancy, marketing, and advertising, which are all allocated on the basis of estimates of time and effort.

*Advertising*

The Organization expenses the costs of advertising when incurred.

*Use of Estimates*

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**ROUTT COUNTY HUMANE SOCIETY**

**Notes to Financial Statements**

**December 31, 2019**

(with summarized financial information as of December 31, 2018 and for the year then ended)

**Note 2: Summary of Significant Accounting Policies (continued)**

*Income Taxes*

The Organization is exempt from federal income tax on related income under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in IRC Section 501(c)(3). Further, the Organization has been classified as an organization that is not a private foundation under IRC Section 509(a) and, as such, contributions to the Organization qualify for deduction as charitable contributions. However, income generated from activities unrelated to the Organization's exempt purpose is subject to tax under IRC Section 511. The Organization did not have any material unrelated business income tax liability for the year ended December 31, 2018. The Organization believes that it has taken no significant uncertain tax positions that require recognition or disclosure in the financial statements.

The Organization's tax returns related to the years December 31, 2016 through 2018 remain open for examination by taxing authorities.

*Comparative Financial Statements*

The 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 US GAAP. Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended December 31, 2018, from which the summarized information was derived. Certain prior year amounts have been reclassified to conform to the current year presentation.

**Note 3: Availability and Liquidity**

The following represents the Organization's financial assets as of December 31, 2019:

Financial assets as of December 31, 2019:	
Cash and cash equivalents	\$ 610,132
Accounts receivable	11,588
	<u>621,720</u>
Less amounts not available to be used:	
Net assets with donor restrictions	(128,084)
Agency cash and cash equivalents	<u>(57,641)</u>
Financial assets available to meet general expenditures, liabilities, and other obligations over the next year	<u>\$ 435,995</u>

As part of the Organization's liquidity management, the Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**ROUTT COUNTY HUMANE SOCIETY**

**Notes to Financial Statements**

**December 31, 2019**

(with summarized financial information as of December 31, 2018 and for the year then ended)

**Note 4: Property and Equipment, Net**

Property and equipment, net consisted of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 26,084	\$ 18,582
Vehicles	79,794	79,794
Leased equipment	65,900	-
Equipment and fixtures	<u>45,557</u>	<u>8,695</u>
	217,335	107,071
Less accumulated depreciation	<u>(33,936)</u>	<u>(15,388)</u>
	<u><u>\$ 183,399</u></u>	<u><u>\$ 91,683</u></u>

Amortization of the equipment under capital lease amounted to \$1,464 for the year ended December 31, 2019 and is reported in depreciation expense. The accumulated depreciation on the leased equipment is \$1,464 as of December 31, 2019.

**Note 5: Capital Lease Obligation**

The Organization leases a digital x-ray system under a lease agreement in which the leased equipment's ownership transfers to the Organization if the \$1 purchase option is exercised at the end of the lease term in 2024. The future minimum lease payments under the lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 13,180
2021	13,180
2022	13,180
2023	13,180
2024	<u>8,786</u>
Total minimum lease payments	<u><u>\$ 61,506</u></u>

The Organization incurred no Interest costs associated with the lease during the year ended December 31, 2019.

**Note 6: Animal Shelter Services**

The Organization entered into an agreement with the City in April 2015 to operate and manage the City's animal shelter. Terms of the agreement require the City to pay compensation to the Organization as negotiated annually. The City has the option to renew the agreement for five additional one-year terms through December 31, 2020. The Organization received \$82,824 annually for contracted animal shelter services from the City for the years ended December 31, 2019 and 2018.

The Organization also entered into an agreement for animal shelter services with Routt County, Colorado (the County) in conjunction with the City contract. Terms of the agreement require the County to pay compensation to the Organization upon mutual agreement as part of the County's annual budget process. The Organization received \$43,840 and \$39,655 for contracted animal shelter services from the County for the years ended December 31, 2019 and 2018, respectively.

**ROUTT COUNTY HUMANE SOCIETY**

**Notes to Financial Statements**

**December 31, 2019**

(with summarized financial information as of December 31, 2018 and for the year then ended)

**Note 7: Agency Funds**

The Organization entered into the Rainbow Bridge Fund (RBF) agreement in April 2015 with the City and the Animal Assistance League of Northwest Colorado (AALNWC). Terms of the agreement require the Organization to operate crematorium operations at the City's building and to deposit any profits from crematorium operations into the RBF, a fund separate from the Organization's operations. A Committee consisting of one member each from the Organization, City and AALNWC administers the distribution of RBF monies.

Changes in the agency liability for the year ended December 31, 2019 were as follows:

	<u>Rainbow Bridge Fund</u>	<u>Equipment Owned by the City</u>	<u>Total</u>
Balance, beginning of year	\$ 55,300	\$ 41,396	\$ 96,696
<u>Additions:</u>			
Net crematorium profit	36,649	-	36,649
<u>Disbursements:</u>			
Veterinary contractors	(20,775)	-	(20,775)
Minor capital items	(13,533)	-	(13,533)
Depreciation of equipment	-	(2,760)	(2,760)
Balance, end of year	<u>\$ 57,641</u>	<u>\$ 38,636</u>	<u>\$ 96,277</u>

The crematorium's rebuild costs, net of depreciation, of \$38,636 are included as an agency asset and agency liability as of December 31, 2019 as the funds disbursed from the RBF were used to improve the City owned crematorium equipment.

The RBF is comprised of two sub-funds with the following balances as of December 31, 2019:

Current accumulated net funds	\$ 31,250
Replacement fund	<u>26,391</u>
	<u>\$ 57,641</u>

**Note 8: Net Assets**

Net assets with donor restrictions were as follows as of December 31, 2019:

Office space lease	\$ 81,202
Animal transport program	20,350
Yellow Dog Project	<u>26,532</u>
	<u>\$ 128,084</u>

**ROUTT COUNTY HUMANE SOCIETY**

**Notes to Financial Statements**

**December 31, 2019**

(with summarized financial information as of December 31, 2018 and for the year then ended)

**Note 8: Net Assets (continued)**

Net assets released from net assets with donor restrictions during the year ended December 31, 2019 were as follows:

Office rent and flooring	\$	49,922
Animal transport vehicle expenses		13,306
Specific personnel costs		13,545
Yellow Dog Project expenses		8,468
Capital campaign feasibility study		6,144
Staff development and training		3,782
		<u>3,782</u>
	\$	<u>95,167</u>

**Note 9: Concentration of Funding Sources**

During the years ended December 31, 2019 and 2018, the Organization received approximately 32% and 16%, respectively, of its revenues and support from one donor.

**Note 10: Lease Commitment**

The Organization entered into a lease agreement for four offices and an additional large room effective September 24, 2018 through September 23, 2023. Terms of the agreement include initial monthly rent of \$3,500 increasing annually by 3%.

The following is a schedule of future rental payments:

Year ended December 31,

2020	\$	43,273
2021		43,311
2022		43,350
2023		28,918
		<u>28,918</u>
	\$	<u>158,852</u>

**Note 11: Employee Retirement Plan**

The Organization offers employees the opportunity for participation in a SIMPE IRA retirement plan. The Organization matches a percentage of participating employee wages determined on an annual basis. During the years ended December 31, 2019 and 2018, the Organization made matching contributions of 2% of participating employee wages to the plan totaling \$6,156 and \$5,074, respectively.

**Note 12: Contingency**

In September 2019, a major donor to the Organization requested a full accounting of restricted contributions made to the Organization since January 1, 2017 and return of any restricted contribution dollars that have not been used, or will not be used in a reasonable period of time. Management of the Organization believes that it has spent the funds received in accordance with the donor's pledge documents and intent and has therefore not recorded a liability for the return of donor funds.

**ROUTT COUNTY HUMANE SOCIETY**

**Notes to Financial Statements**

**December 31, 2019**

**(with summarized financial information as of December 31, 2018 and for the year then ended)**

**Note 13: Subsequent Events**

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

As a result of COVID-19, the Organization's programs and fundraising activities were reduced or modified beginning in March 2020. Subsequently, during the second quarter of 2020, operations that were reduced or modified were slowly reactivated based on guidance from state and local governments. The Organization has adapted its fundraising strategies to accomplish those objectives in new ways. While normalcy will return in the future, the Organization feels it is well equipped to meet the current COVID-19 challenges.

On April 15, 2020, the Organization received \$67,878 from the U.S. Small Business Administration's (SBA) Paycheck Protection Program (PPP). This PPP funding supported all Organization employees during the Colorado COVID-19 Stay at Home order and the Organization's management anticipates the PPP loan to be forgiven in accordance with terms of the PPP.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations.

The Organization has evaluated subsequent events through September 20, 2020, which is the date the financial statements were available to be issued.