

Longmont Humane Society, Inc.

(a nonprofit Colorado corporation)

Longmont, Colorado

Financial Statements

December 31, 2011 and 2010

Longmont Humane Society, Inc.

Table of Contents

Independent Auditor's Report	Pages 1-2
Statements of Financial Position December 31, 2011 and 2010	Page 3
Statements of Activities Years ended December 31, 2011 and 2010	Page 4
Statements of Cash Flows Years ended December 31, 2011 and 2010	Page 5
Notes to Financial Statements	Pages 6-15
<u>Supplementary Information</u>	
Schedule of Functional Expenses Year ended December 31, 2011	Page 16
Schedule of Functional Expenses Year ended December 31, 2010	Page 17

Independent Auditor's Report

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

We have audited the accompanying statements of financial position of Longmont Humane Society, Inc. (a nonprofit Colorado corporation) as of December 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the following paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

We did not observe the physical inventories taken as of December 31, 2011 and 2010 (stated at \$95,553 and \$116,187, respectively), since the Organization did not count or otherwise record inventories based on physical quantities, and the Organization's records do not permit adequate retroactive tests of inventory quantities.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to observe the physical inventories taken as of December 31, 2011 and 2010, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Longmont Humane Society, Inc. as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 16 and 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Brock and Company, CPAs, PC

Certified Public Accountants

Longmont, Colorado
June 18, 2012

Longmont Humane Society, Inc.

Statements of Financial Position

December 31	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 217,410	\$ 299,787
Investments, at fair value	1,000,592	675,140
Pledges receivable	7,235	18,117
Other receivables	32,726	20,802
Inventory	95,553	116,187
Total current assets	<u>1,353,516</u>	<u>1,130,033</u>
Property and Equipment		
Building and improvements	9,317,484	9,310,691
Furniture, fixtures and equipment	357,250	266,695
Land improvements	28,106	28,106
Vehicles	12,249	9,349
	<u>9,715,089</u>	<u>9,614,841</u>
Less accumulated depreciation	<u>(1,293,015)</u>	<u>(1,011,533)</u>
Net property and equipment	<u>8,422,074</u>	<u>8,603,308</u>
Other Assets		
Cash restricted to investment in building and equipment	1,008	372,901
Investments restricted to investment in building	257,217	751,190
Investments, at fair value	260,792	758,376
Loan fees, net of accumulated amortization of \$23,250 in 2011 and \$18,750 in 2010	21,750	26,250
Deposits	10,139	6,014
Total other assets	<u>550,906</u>	<u>1,914,731</u>
Total assets	<u>\$ 10,326,496</u>	<u>\$ 11,648,072</u>

	2011	2010
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 118,042	\$ 109,629
Accrued wages and taxes	28,088	25,772
Other accrued expenses	79,902	79,924
Deferred revenue	24,608	10,000
Current portion of capital lease payable	974	912
Current portion of bond payable	612,315	584,550
Total current liabilities	<u>863,929</u>	<u>810,787</u>
Long-Term Liabilities		
Capital lease payable, net of current portion	168	1,142
Bond payable, net of current portion	<u>2,754,258</u>	<u>3,366,573</u>
Total long-term liabilities	<u>2,754,426</u>	<u>3,367,715</u>
Total liabilities	<u>3,618,355</u>	<u>4,178,502</u>
Net Assets		
Unrestricted		
Undesignated	5,648,447	5,514,095
Board-designated endowment	<u>801,469</u>	<u>831,384</u>
Total unrestricted net assets	<u>6,449,916</u>	<u>6,345,479</u>
Temporarily restricted	<u>258,225</u>	<u>1,124,091</u>
Total net assets	<u>6,708,141</u>	<u>7,469,570</u>
Total liabilities and net assets	<u>\$ 10,326,496</u>	<u>\$ 11,648,072</u>

Longmont Humane Society, Inc.

Statements of Activities

Years ended December 31

	2011		
	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Revenue			
Adoption, contractual, and other fee income	\$ 642,625	\$ -	\$ 642,625
Public clinic	451,573	-	451,573
Behavior	142,757	-	142,757
Bingo	103,889	-	103,889
Retail merchandise net sales, less cost of \$38,926 in 2011 and \$44,563 in 2010	38,129	-	38,129
Thrift store net sales, less in-kind expense of \$632,360 in 2011 and \$613,015 in 2010	10,188	-	10,188
Unrealized gain on investments	-	-	-
Realized gain on investments	-	-	-
Interest and dividends	27,526	-	27,526
Other revenue	3,416	-	3,416
Total revenue	<u>1,420,103</u>	<u>-</u>	<u>1,420,103</u>
Support			
Contributions, cash and in-kind	1,276,065	8,293	1,284,358
Special events	142,551	-	142,551
Net assets released from restriction	874,159	(874,159)	-
Total support	<u>2,292,775</u>	<u>(865,866)</u>	<u>1,426,909</u>
Total revenue and support	<u>3,712,878</u>	<u>(865,866)</u>	<u>2,847,012</u>
Functional Expenses and Losses			
Functional Expenses			
Program services	1,927,140	-	1,927,140
Supporting services			
Fundraising	882,446	-	882,446
General and administrative	774,443	-	774,443
Total supporting services	<u>1,656,889</u>	<u>-</u>	<u>1,656,889</u>
Total functional expenses	<u>3,584,029</u>	<u>-</u>	<u>3,584,029</u>
Losses			
Unrealized loss on investments	19,841	-	19,841
Realized loss on sale of investments	4,213	-	4,213
Loss on disposal of asset	358	-	358
Total losses	<u>24,412</u>	<u>-</u>	<u>24,412</u>
Total functional expenses and losses	<u>3,608,441</u>	<u>-</u>	<u>3,608,441</u>
Change in Net Assets	104,437	(865,866)	(761,429)
Net Assets, Beginning of Year	<u>6,345,479</u>	<u>1,124,091</u>	<u>7,469,570</u>
Net Assets, End of Year	<u>\$ 6,449,916</u>	<u>\$ 258,225</u>	<u>\$ 6,708,141</u>

2010		
Unrestricted	Temporarily Restricted	Total
\$ 629,316	\$ -	\$ 629,316
302,316	-	302,316
156,629	-	156,629
79,349	-	79,349
54,132	-	54,132
28,372	-	28,372
71,935	-	71,935
59,488	-	59,488
30,694	-	30,694
4,729	-	4,729
<u>1,416,960</u>	<u>-</u>	<u>1,416,960</u>
1,242,587	62,900	1,305,487
243,547	-	243,547
934,244	(934,244)	-
<u>2,420,378</u>	<u>(871,344)</u>	<u>1,549,034</u>
<u>3,837,338</u>	<u>(871,344)</u>	<u>2,965,994</u>
1,482,036	-	1,482,036
784,164	-	784,164
1,007,717	-	1,007,717
<u>1,791,881</u>	<u>-</u>	<u>1,791,881</u>
<u>3,273,917</u>	<u>-</u>	<u>3,273,917</u>
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>3,273,917</u>	<u>-</u>	<u>3,273,917</u>
563,421	(871,344)	(307,923)
<u>5,782,058</u>	<u>1,995,435</u>	<u>7,777,493</u>
<u>\$ 6,345,479</u>	<u>\$ 1,124,091</u>	<u>\$ 7,469,570</u>

The accompanying Notes are an integral
part of these financial statements

Longmont Humane Society, Inc.

Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended December 31	2011	2010
Cash Flows From Operating Activities		
Change in net assets	\$ (761,429)	\$ (307,923)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	281,983	266,875
Amortization	4,500	4,500
Loss on disposal of asset	358	-
Net unrealized (gain) loss on investments	19,841	(71,935)
Realized (gain) loss on investments	4,213	(59,488)
Donated investments	(5,675)	-
Increase (decrease) from changes in assets and liabilities		
Pledges receivable	10,882	64,383
Other receivables	(11,924)	(1,984)
Inventory	20,634	(34,347)
Prepaid expenses	-	1,257
Deposits	(4,125)	(6,014)
Accounts payable	8,413	86,659
Accrued wages and taxes	2,316	(487)
Other accrued expenses	(22)	(28,575)
Deferred revenue	14,608	10,000
Net cash used by operating activities	<u>(415,427)</u>	<u>(77,079)</u>
Cash Flows From Investing Activities		
Proceeds from sale of investments	1,309,837	1,385,056
Purchases of investments	(662,111)	(2,032,894)
Transfer from restricted cash	371,893	1,622,534
Purchases of equipment	(101,107)	(65,997)
Net cash provided by investing activities	<u>918,512</u>	<u>908,699</u>
Cash Flows From Financing Activities		
Payments on bond payable	(584,550)	(558,042)
Payments on capital lease payable	(912)	(855)
Net cash used by financing activities	<u>(585,462)</u>	<u>(558,897)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(82,377)	272,723
Cash and Cash Equivalents, Beginning of Year	299,787	27,064
Cash and Cash Equivalents, End of Year	\$ 217,410	\$ 299,787
Supplemental Information		
Cash paid for interest	<u>\$ 187,678</u>	<u>\$ 214,349</u>

The accompanying Notes are an integral
part of these financial statements

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2011 and 2010

Note 1 - Nature of Organization and Significant Accounting Policies

Nature of Organization. The Longmont Humane Society, Inc. (the Organization) was incorporated in November 1972 for the purpose of providing humane care and treatment for any domestic animal in need. The Organization also provides related education and public services to the community in and around Longmont, Colorado.

The Organization's program services include, but are not limited to, adoption services, education, and veterinary services. The Organization also operates two thrift stores with the proceeds benefiting these program services.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Basis of Accounting. The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Change in Presentation. The Organization has elected to present the accompanying statements of financial position on a classified basis, which is a change in presentation from the prior year.

Net Asset Classification. The Organization distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. The Organization complies with established standards for external reporting by not-for-profit organizations, which requires that resources be classified for reporting purposes into three net asset categories according to externally (donor) imposed restrictions. The three net asset categories are as follows:

Unrestricted net assets. Unrestricted net assets are not subject to donor-imposed stipulations.

Temporarily restricted net assets. Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met either by actions of the Organization or the passage of time. Once the stipulation is met, the assets are released from restriction and the expenditure is recorded in the activities of unrestricted net assets.

Permanently restricted net assets. Permanently restricted net assets are subject to donor-imposed stipulations that require the donated assets to be maintained permanently by the Organization. Generally, the donors of these assets would permit the Organization to use all or part of the income earned on the corpus for general or specific purposes. Currently, there are no permanently restricted net assets.

Board-designated endowment. The State of Colorado enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA) was effective September 1, 2008. The provisions of this law apply to endowment funds existing on or established after that date. The Board of Directors has determined that the designated unrestricted net assets meet the definition of endowment funds under UPMIFA.

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2011 and 2010

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

Functional Allocation of Expenses. Direct expenses have been allocated to the applicable program for which the expenses were incurred. Indirect expenses have been allocated between program and supporting services based on an analysis of personnel time and space utilized for the related activities.

Cash and Cash Equivalents. The Organization considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. Certain cash is restricted for long-term purposes and, accordingly, is excluded from cash and cash equivalents.

Investments. Investments in marketable securities with readily determinable fair values and any investments in debt securities are reported at their fair values, with corresponding entries to record all earnings, realized gains and losses, and unrealized gains and losses.

Fair Value Measurements. The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, Fair Value Measurements and Disclosures, provides the 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 FASB ASC 820 are described below:

Level 1. Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2. Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- 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.

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2011 and 2010

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

The valuation methodology may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Merchandise and Thrift Store Inventory. Merchandise inventory consists of pet supplies, purchases for resale, which is stated at the lower of cost (first-in, first-out method) or market. Management has determined that no allowance for obsolete merchandise inventory is necessary at December 31, 2011 and 2010.

Thrift store inventory consists of donated items for resale such as clothing, linens, furniture, décor, and other household items. The inventory is stated at estimated fair value, less an estimated allowance for obsolete inventory. When items are sold, the revenue recorded is equal to the corresponding cost of sales. The assessed value of thrift store inventory is subject to estimate, and it is reasonably possible that the estimate may change in the near term and the change may be material.

Property and Equipment. It is the Organization's policy to capitalize property and equipment at cost for purchases over \$500, while repair and maintenance items are charged to expense. Donations of property and equipment are capitalized at their estimated fair value at the date of gift. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. Amortization of assets under capital leases are included in depreciation expense.

In general, asset lives are as follows:

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

Depreciation expense for the years ended December 31, 2011 and 2010 was \$281,983 and 266,875, respectively.

Loan Fees. Loan fees have been capitalized and amortized using the straight-line method over the life of the related loan, which is 10 years.

Amortization expense was \$4,500 for each of the years ended December 31, 2011 and 2010.

Impairment of Long-Lived Assets. In the event that facts and circumstances indicate that property and equipment, or other assets, may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value would be necessary. No impairment losses were recorded during the years ended December 31, 2011 and 2010.

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2011 and 2010

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

Sales Tax. The Organization excludes sales taxes assessed to its customers, from its sales. Sales taxes assessed on sales are recorded as accrued liabilities on the Statements of Financial Position until remitted to state and local agencies. At December 31, 2011 and 2010, accrued sales taxes were \$4,961 and \$6,645, respectively.

Contributions and Promises to Give. Contributions are recognized when the donation is received. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions and grants that are restricted by the donor or grantor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

All pledges and accounts receivable are current and are stated net of allowances for uncollectible accounts. Management provides for probable uncollectible accounts through a provision for bad debt expenses and an adjustment to the allowance account, based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a reduction to the allowance account and a corresponding reduction to pledges and accounts receivable. Management believes that all pledges and accounts receivable are fully collectible at December 31, 2011 and 2010.

Contributed Services and Supplies. Contributed services are recognized if services received (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Total donated supplies, materials and professional services for the years ended December 31, 2011 and 2010 was \$7,985 and \$66,601, respectively.

A substantial number of individuals have made contributions of their time to assist the Organization in a variety of tasks and services. The value of these services is not recorded in the accompanying financial statements, as these services do not meet the criteria for recognition.

Advertising. The Organization expenses advertising costs, including donated advertising, as they are incurred. Total advertising expense for the years ended December 31, 2011 and 2010 was \$21,475 and \$12,192, respectively.

Income Taxes. The Organization is a nonprofit corporation exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. The Organization may be subject to income tax on unrelated business income. Income taxes from unrelated business income are recognized when incurred.

The Organization follows the provisions of ASC 740, pertaining to accounting for uncertainty in income taxes. The pronouncement requires the use of a more-likely-than-not recognition criteria before and separate from the measurement of a tax position. An entity shall initially recognize the financial statement effects of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. With respect to the Organization, this would primarily relate to the determination of unrelated business taxable income and to the maintenance of its tax exempt status.

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2011 and 2010

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

Management has evaluated the adopted policies and procedures that have been implemented to provide assurance that income is properly characterized and activities that jeopardize its tax exempt status are within limits established under existing tax code and regulations. Management has determined the effects of uncertain tax positions are not material to the Organization for recognition or disclosure in the accompanying financial statements and, accordingly, no income tax liability has been recorded for uncertain income tax positions in the accompanying financial statements.

As of December 31, 2011, income tax years 2008 through 2010 are open for examination and subject to taxation at corporate tax rates. Additionally, penalties and interest may be assessed on income taxes that are delinquent. The assessment of uncertain income taxes is subject to estimate, and it is reasonably possible that the estimate may change in the near term and the change may be material.

Reclassifications. Certain amounts from the financial statements for the year ended December 31, 2010 have been reclassified to conform with reporting for 2011, without affecting the change in net assets.

Subsequent Events. The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through June 18, 2012, the date at which the financial statements were available for release.

Note 2 - Investments and Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, the Organization's investments, at fair value, as of December 31, 2011:

	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ -	\$ 775,392	\$ -	\$ 775,392
Equities	370,022	-	-	370,022
Mutual Funds:				
Large Growth	52,612	-	-	52,612
Foreign Large Blend	24,927	-	-	24,927
Exchange Traded	22,829	-	-	22,829
Mid-Cap Blend	22,779	-	-	22,779
Large Blend	14,523	-	-	14,523
Mid-Cap Growth	13,538	-	-	13,538
Small Growth	13,348	-	-	13,348
Total Mutual Funds	164,556	-	-	164,556
Corporate Bonds	128,340	-	-	128,340
Government Bonds	80,291	-	-	80,291
Total Investments at Fair Value	\$ 743,209	\$ 775,392	\$ -	\$ 1,518,601

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2011 and 2010

Note 2 - Investments and Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's investments, at fair value, as of December 31, 2010:

	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ -	\$ 1,509,565	\$ -	\$ 1,509,565
Equities	291,002	-	-	291,002
Mutual Funds:				
Large Blend	99,670	-	-	99,670
Foreign Large Blend	15,188	-	-	15,188
Small Growth	12,473	-	-	12,473
Mid-Cap Growth	12,391	-	-	12,391
Global Funds	4,166	-	-	4,166
Small Blend	2,736	-	-	2,736
Mid-Cap Blend	2,342	-	-	2,342
Total Mutual Funds	148,966	-	-	148,966
Corporate Bonds	155,155	-	-	155,155
Government Bonds	80,018	-	-	80,018
 Total Investments at Fair Value	 <u>\$ 675,141</u>	 <u>\$ 1,509,565</u>	 <u>\$ -</u>	 <u>\$ 2,184,706</u>

Investment income consisted of the following for the years ended December 31:

	2011	2010
Interest and dividends earned on investments	\$ 27,526	\$ 30,694
Unrealized gain (loss) on investments	(19,841)	71,935
Realized gain (loss) on investments	(4,213)	59,488
	<u>\$ 3,472</u>	<u>\$ 162,117</u>

Note 3 - Receivables

Other receivables consist of the following at December 31:

	2011	2010
Contracts	\$ 21,492	\$ 12,390
Other trade	10,297	2,764
Accrued interest	937	3,118
Animal Affair	-	2,030
Employees	-	500
	<u>\$ 32,726</u>	<u>\$ 20,802</u>

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2011 and 2010

Note 4 – Inventory

Inventory consists of the following at December 31:

	<u>2011</u>	<u>2010</u>
Merchandise	\$ 4,409	\$ 4,687
Thrift stores	107,228	131,176
Allowance for obsolete inventory	<u>(16,084)</u>	<u>(19,676)</u>
	<u>91,144</u>	<u>111,500</u>
	<u>\$ 95,553</u>	<u>\$ 116,187</u>

Note 5 – Bond Payable

The Town of Lyons, Colorado issued \$6,036,000 of revenue bonds (Series 2006 Bond) for purposes of the improvement and expansion of the Longmont Humane Society's animal shelter facility in Longmont, Colorado. The Series 2006 Bond was sold to Wells Fargo Brokerage Services, LLC (Wells Fargo) pursuant to a leasehold deed of trust and security agreement (the loan agreement) executed in November 2006 by Longmont Humane Society to the Public Trustee of Boulder County, Colorado for the benefit of Wells Fargo. The loan agreement with Wells Fargo matures in November 2016 and requires annual payments of \$772,228, which includes interest at 4.75%. Total outstanding borrowings were \$3,366,573 and \$3,951,123 as of December 31, 2011 and 2010, respectively.

The Series 2006 Bond is collateralized by the Organization's animal shelter facility building, including all structures, fixtures, and other improvements made to the property.

Future scheduled minimum payments required under long-term debt obligations are as follows at December 31, 2011:

<u>Year</u>	<u>Amount</u>
2012	\$ 612,315
2013	641,400
2014	671,867
2015	703,781
2016	737,210
	<u>\$ 3,366,573</u>

Note 6 - Commitments and Subsequent Events

Operating Leases. The Organization leases equipment under a noncancelable operating lease, which expires February 2013. Rent expense under the lease totaled \$3,754 and \$3,631 for the years ended December 31, 2011 and 2010, respectively.

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2011 and 2010

Note 6 - Commitments and Subsequent Events (continued)

The Organization leases buildings under multiple noncancelable operating leases for the thrift stores and the public clinic. The leases require monthly payments of \$13,906, and expire from February 2012 to August 2016. Rent expense under these leases totaled \$179,074 and \$134,604 for the years ended December 31, 2011 and 2010, respectively.

In February 2012, the Organization did not renew the lease agreement related to the south Longmont thrift store facility.

The Organization leases land in Longmont, Colorado under a noncancelable operating lease. The lease requires annual payments of \$1, and expires April 2034. Rent expense, including in-kind, under the lease totaled \$36,000 for each of the years ended December 31, 2011 and 2010.

Future annual minimum lease payments under operating leases, excluding the in-kind portion of the land lease, are as follows:

<u>Year</u>	<u>Land and Facilities</u>	<u>Equipment</u>	<u>Total</u>
2012	\$ 112,145	\$ 2,922	\$ 115,067
2013	106,861	487	107,348
2014	109,280	-	109,280
2015	107,458	-	107,458
2016	58,364	-	58,364
Thereafter	18	-	18
	<u>\$ 494,126</u>	<u>\$ 3,409</u>	<u>\$ 497,535</u>

Capital Lease. The Organization leases equipment under a noncancelable capital lease. The lease expires February 2013. The leased equipment has a cost of \$4,340 and accumulated depreciation of \$3,327 at December 31, 2011.

Future annual minimum lease payments under the capital lease are as follows at December 31, 2011.

<u>Year</u>	<u>Amount</u>
2012	\$ 1,019
2013	170
Total minimum lease payments	<u>1,189</u>
Less amount representing interest	47
Present value of minimum lease payments	<u>1,142</u>
Current maturities	974
Long-term obligation	<u>\$ 168</u>

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2011 and 2010

Note 7 – Temporarily Restricted Net Assets

The balances of temporarily restricted net assets are as follows:

	January 1, 2011			December 31, 2011
	<u>Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u>
Building Fund	\$ 1,061,191	\$ 8,293	\$ 811,259	\$ 258,225
Clinic Equipment	62,900	-	62,900	-
	<u>\$ 1,124,091</u>	<u>\$ 8,293</u>	<u>\$ 874,159</u>	<u>\$ 258,225</u>
	January 1, 2010			December 31, 2010
	<u>Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u>
Building Fund	\$ 1,995,435	\$ -	\$ 934,244	\$ 1,061,191
Clinic Equipment	-	62,900	-	62,900
	<u>\$ 1,995,435</u>	<u>\$ 62,900</u>	<u>\$ 934,244</u>	<u>\$ 1,124,091</u>

The building fund is restricted to future improvements to the building or debt service on the underlying mortgage.

Note 8 – Board-Designated Endowment

The Board of Directors approved the designation of an endowment fund. The endowment is currently held in money markets, certificates of deposit, and equities. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. All designated endowment net assets are unrestricted as of December 31, 2011 and 2010.

Changes in endowment net assets are as follows for the year ended December 31:

	<u>2011</u>	<u>2010</u>
Endowment net assets, beginning of year	<u>\$ 831,384</u>	<u>\$ 738,261</u>
Investment return		
Interest and dividends	7,886	11,819
Net appreciation		
Unrealized gain (loss)	(19,841)	71,935
Realized gain (loss)	(4,784)	59,488
Total investment return	<u>(16,739)</u>	<u>143,242</u>
Transfers of undesignated net assets	<u>(13,176)</u>	<u>(50,119)</u>
Endowment net assets, end of year	<u>\$ 801,469</u>	<u>\$ 831,384</u>

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2011 and 2010

Note 9 - Special Events

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

	<u>2011</u>	<u>2010</u>
Animal Affair		
Gross proceeds	\$ 78,364	\$ 159,001
Direct costs	(34,810)	(36,701)
Net revenue	<u>\$ 43,554</u>	<u>\$ 122,300</u>
Furry Friends		
Gross proceeds	\$ 39,269	\$ 34,110
Direct costs	(4,294)	(3,596)
Net revenue	<u>\$ 34,975</u>	<u>\$ 30,514</u>
Holiday Photos		
Gross proceeds	\$ 3,153	\$ 2,940
Direct costs	(754)	(275)
Net revenue	<u>\$ 2,399</u>	<u>\$ 2,665</u>
Dog Wash		
Gross proceeds	\$ 14,046	\$ 12,462
Direct costs	(3,413)	(1,891)
Net revenue	<u>\$ 10,633</u>	<u>\$ 10,571</u>
Miscellaneous and other events		
Gross proceeds	\$ 7,719	\$ 35,034
Direct costs	(1,311)	(16,451)
Net revenue	<u>\$ 6,408</u>	<u>\$ 18,583</u>

Note 10 - Concentration of Credit Risk

Bank Deposits. The Organization routinely maintains cash balances in excess of federally insured limits.

Geographical Concentration. The Organization receives predominantly all of its support and revenue from Longmont, Colorado and surrounding communities. The effects of this concentration of credit risk on the Organization's financial statements have not been determined for the years ended December 31, 2011 and 2010.

Note 11 - Subsequent Events

In May 2012, the Organization agreed to discontinue the bingo operations, effective June 30, 2012. The net income provided by bingo operations totaled \$57,732 and \$41,829 for the years ended December 31, 2011 and 2010, respectively. The effects of this change in programs on the Organization's financial statements for 2012 have not been determined.

Longmont Humane Society, Inc.

Schedule of Functional Expenses

Year ended December 31, 2011

	<u>Program Services</u>	<u>Fundraising</u>
Compensation and benefits	\$ 1,251,703	\$ 516,576
Interest expense	-	-
Rent-thrift stores	-	162,351
Public clinic expenses	154,137	-
Insurance	15,005	-
Utilities	57,406	4,784
Repairs and maintenance	70,818	-
Thrift store expenses	-	54,329
Behavior expenses	51,316	-
Bingo expenses	-	46,157
Legal and professional	-	-
Special events	-	42,353
In-kind expenses - land, supplies, and services	36,971	-
Kennel supplies	40,148	-
Development expenses	-	36,740
Bank fees	-	-
Advertising	10,738	10,737
Fee related expenses	19,429	-
Office supplies	8,074	4,037
Miscellaneous expenses	-	-
Foster care expenses	12,791	-
Contract labor	4,122	-
Telephone and internet	4,213	2,528
Dues and subscriptions	5,996	400
Volunteer program expenses	4,423	780
Vehicle expenses	4,096	-
Amortization	2,700	-
Staff development	2,600	-
Rent-equipment	1,005	-
Postage	259	674
Total expenses before depreciation	<u>1,757,950</u>	<u>882,446</u>
Depreciation	<u>169,190</u>	<u>-</u>
Total expenses	<u>\$ 1,927,140</u>	<u>\$ 882,446</u>

Supporting Services

General and Administrative	Total	Total Expenses
\$ 218,552	\$ 735,128	\$ 1,986,831
185,454	185,454	185,454
-	162,351	162,351
-	-	154,137
85,026	85,026	100,031
33,487	38,271	95,677
23,606	23,606	94,424
-	54,329	54,329
-	-	51,316
-	46,157	46,157
44,616	44,616	44,616
2,229	44,582	44,582
4,108	4,108	41,079
-	-	40,148
1,934	38,674	38,674
33,076	33,076	33,076
-	10,737	21,475
-	-	19,429
4,037	8,074	16,148
13,644	13,644	13,644
-	-	12,791
5,037	5,037	9,159
1,685	4,213	8,426
1,599	1,999	7,995
-	780	5,203
455	455	4,551
1,800	1,800	4,500
866	866	3,466
335	335	1,340
104	778	1,037
<hr/>	<hr/>	<hr/>
661,650	1,544,096	3,302,046
<hr/>	<hr/>	<hr/>
112,793	112,793	281,983
<hr/>	<hr/>	<hr/>
\$ 774,443	\$ 1,656,889	\$ 3,584,029
<hr/>	<hr/>	<hr/>

Longmont Humane Society, Inc.

Schedule of Functional Expenses

Year ended December 31, 2010

	Program Services	Fundraising
Compensation and benefits	\$ 874,904	\$ 437,451
Interest expense	-	-
Rent-thrift stores	-	132,015
Kennel supplies	101,800	-
Repairs and maintenance	74,936	-
Utilities	57,040	4,753
In-kind expenses - land, supplies, and services	79,819	-
Insurance	12,400	-
Legal and professional	-	-
Special events	-	55,968
Thrift store expenses	-	55,624
Public clinic expenses	54,432	-
Development expenses	-	44,061
Bingo expenses	-	37,520
Bank fees	-	-
Behavior expenses	17,714	-
Advertising	6,096	6,096
Telephone and internet	6,052	3,631
Miscellaneous expenses	-	-
Office supplies	5,514	2,757
Fee related expenses	10,973	-
Dues and subscriptions	6,859	457
Volunteer program expenses	2,309	2,309
Amortization	2,700	-
Rent-equipment	2,723	-
Staff development	2,558	-
Postage	586	1,522
Vehicle expenses	1,883	-
Contract labor	613	-
Total expenses before depreciation	1,321,911	784,164
Depreciation	160,125	-
Total expenses	<u>\$ 1,482,036</u>	<u>\$ 784,164</u>

Supporting Services

<u>General and Administrative</u>	<u>Total</u>	<u>Total Expenses</u>
\$ 437,451	\$ 874,902	\$ 1,749,806
212,140	212,140	212,140
-	132,015	132,015
-	-	101,800
24,979	24,979	99,915
33,273	38,026	95,066
8,869	8,869	88,688
70,266	70,266	82,666
60,876	60,876	60,876
2,946	58,914	58,914
-	55,624	55,624
-	-	54,432
2,319	46,380	46,380
-	37,520	37,520
24,675	24,675	24,675
-	-	17,714
-	6,096	12,192
2,421	6,052	12,104
11,412	11,412	11,412
2,757	5,514	11,028
-	-	10,973
1,829	2,286	9,145
-	2,309	4,618
1,800	1,800	4,500
908	908	3,631
853	853	3,411
234	1,756	2,342
209	209	2,092
750	750	1,363
<hr/>	<hr/>	<hr/>
900,967	1,685,131	3,007,042
<hr/>	<hr/>	<hr/>
106,750	106,750	266,875
<hr/>	<hr/>	<hr/>
\$ 1,007,717	\$ 1,791,881	\$ 3,273,917
<hr/>	<hr/>	<hr/>