

Longmont Humane Society, Inc.

(a nonprofit Colorado corporation)

Longmont, Colorado

Financial Statements

December 31, 2014 and 2013

Longmont Humane Society, Inc.

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Longmont Humane Society, Inc. (a nonprofit Colorado corporation), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and change in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Organization's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Independent Auditor's Report (continued)

Basis for Qualified Opinion

We did not observe the taking of physical inventories at December 31, 2014 and 2013 (stated at \$73,824 and \$71,053, respectively), since the Organization did not count or otherwise record inventories based on physical quantities. We were unable to obtain sufficient appropriate audit evidence about inventory quantities by other auditing procedures.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, 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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Opinion on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are 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, P.C.

Certified Public Accountants

Longmont, Colorado
May 22, 2015

Longmont Humane Society, Inc.

Statements of Financial Position

December 31	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,331,254	\$ 1,048,935
Investments, at fair value	-	5,704
Accounts receivable	22,525	22,288
Inventory	73,824	71,053
Prepaid expenses and other current assets	9,698	5,196
Total current assets	<u>1,437,301</u>	<u>1,153,176</u>
Property and Equipment		
Building and improvements	9,316,608	9,316,608
Furniture, fixtures and equipment	384,639	379,138
Vehicles	2,900	2,900
Land improvements	28,106	28,106
	<u>9,732,253</u>	<u>9,726,752</u>
Less accumulated depreciation	<u>(2,125,665)</u>	<u>(1,853,056)</u>
Net property and equipment	<u>7,606,588</u>	<u>7,873,696</u>
Other Assets		
Beneficial interest in trustee assets, at fair value	327,723	332,955
Loan fees, net	10,645	12,750
Deposits	8,775	8,775
Total other assets	<u>347,143</u>	<u>354,480</u>
Total assets	<u>\$ 9,391,032</u>	<u>\$ 9,381,352</u>

	2014	2013
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 50,801	\$ 55,467
Accrued wages and taxes	64,026	38,786
Other accrued expenses	53,115	50,042
Deferred revenue	1,932	1,449
Current portion of note payable	74,354	-
Current portion of bond payable	-	671,867
Total current liabilities	<u>244,228</u>	<u>817,611</u>
Long-Term Liabilities		
Note payable, net of current portion	2,147,689	-
Bond payable, net of current portion	-	1,440,991
Total long-term liabilities	<u>2,147,689</u>	<u>1,440,991</u>
Total liabilities	<u>2,391,917</u>	<u>2,258,602</u>
Net Assets		
Unrestricted	6,451,977	6,661,776
Temporarily restricted	547,138	460,974
Total net assets	<u>6,999,115</u>	<u>7,122,750</u>
Total liabilities and net assets	<u>\$ 9,391,032</u>	<u>\$ 9,381,352</u>

Longmont Humane Society, Inc.

Statements of Activities and Change in Net Assets

Years ended December 31

2014

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Revenue			
Public clinic	\$ 758,403	\$ -	\$ 758,403
Adoption, contractual, and other fee income	730,295	-	730,295
Behavior	70,808	-	70,808
Retail merchandise sales	75,539	-	75,539
Retail merchandise cost of sales	(33,300)	-	(33,300)
Thrift store sales	324,232	-	324,232
Thrift store cost of sales, in-kind	(328,883)	-	(328,883)
Realized gain on investments	-	821	821
Unrealized gain on investments	-	-	-
Interest and dividends	496	10,682	11,178
Other revenue	3,743	-	3,743
Total revenue	<u>1,601,333</u>	<u>11,503</u>	<u>1,612,836</u>
Support			
Contributions, cash and in-kind	1,168,414	159,747	1,328,161
Special event income	184,465	31,692	216,157
Special event expenses	(36,956)	-	(36,956)
Net assets released from restriction	116,778	(116,778)	-
Total support	<u>1,432,701</u>	<u>74,661</u>	<u>1,507,362</u>
Total revenue and support	<u>3,034,034</u>	<u>86,164</u>	<u>3,120,198</u>
Functional Expenses and Losses			
Functional Expenses			
Program services	2,112,065	-	2,112,065
Supporting services			
Fundraising	445,916	-	445,916
General and administrative	669,571	-	669,571
Total functional expenses	<u>3,227,552</u>	<u>-</u>	<u>3,227,552</u>
Losses			
Unrealized loss on investments	7,599	-	7,599
Loss on extinguishment of debt	8,682	-	8,682
Loss on disposal of asset	-	-	-
Total losses	<u>16,281</u>	<u>-</u>	<u>16,281</u>
Total functional expenses and losses	<u>3,243,833</u>	<u>-</u>	<u>3,243,833</u>
Change in Net Assets	<u>(209,799)</u>	<u>86,164</u>	<u>(123,635)</u>
Net Assets, Beginning of Year	<u>6,661,776</u>	<u>460,974</u>	<u>7,122,750</u>
Net Assets, End of Year	<u>\$ 6,451,977</u>	<u>\$ 547,138</u>	<u>\$ 6,999,115</u>

2013		
Unrestricted	Temporarily Restricted	Total
\$ 644,146	\$ -	\$ 644,146
692,791	-	692,791
77,020	-	77,020
72,232	-	72,232
(30,806)	-	(30,806)
355,666	-	355,666
(354,695)	-	(354,695)
28,173	955	29,128
-	18,447	18,447
2,953	7,332	10,285
584	-	584
<u>1,488,064</u>	<u>26,734</u>	<u>1,514,798</u>
1,956,598	128,019	2,084,617
185,386	-	185,386
(25,633)	-	(25,633)
8,214	(8,214)	-
<u>2,124,565</u>	<u>119,805</u>	<u>2,244,370</u>
<u>3,612,629</u>	<u>146,539</u>	<u>3,759,168</u>
1,880,606	-	1,880,606
398,146	-	398,146
663,268	-	663,268
<u>2,942,020</u>	<u>-</u>	<u>2,942,020</u>
-	-	-
-	-	-
4,413	-	4,413
<u>4,413</u>	<u>-</u>	<u>4,413</u>
<u>2,946,433</u>	<u>-</u>	<u>2,946,433</u>
666,196	146,539	812,735
<u>5,995,580</u>	<u>314,435</u>	<u>6,310,015</u>
<u>\$ 6,661,776</u>	<u>\$ 460,974</u>	<u>\$ 7,122,750</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	2014	2013
Cash Flows From Operating Activities		
Change in net assets	\$ (123,635)	\$ 812,735
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	272,609	284,666
Amortization	4,478	4,500
Loss on extinguishment of debt	8,682	-
Loss on disposal of asset	-	4,413
Net unrealized (gain) loss on investments	7,599	(18,447)
Realized gain on investments	(821)	(29,128)
Provision for bad debts	5,054	4,730
Donated investments	-	(19,312)
Increase (decrease) from changes in assets and liabilities		
Accounts receivable	(5,291)	(18,108)
Inventory	(2,771)	163
Prepaid expenses and other current assets	(4,502)	(2,271)
Deposits	-	1,264
Accounts payable	(4,666)	12,444
Accrued wages and taxes	25,240	4,475
Other accrued expenses	3,073	(2,730)
Deferred revenue	483	1,289
Net cash provided by operating activities	<u>185,532</u>	<u>1,040,683</u>
Cash Flows From Investing Activities		
Proceeds from sale of investments	116,950	779,250
Purchases of investments	(112,792)	(470,221)
Purchases of equipment	(5,501)	(17,576)
Net cash provided (used) by investing activities	<u>(1,343)</u>	<u>291,453</u>
Cash Flows From Financing Activities		
Borrowing (payments) on long-term debt	98,130	(641,400)
Payments on capital lease payable	-	(168)
Net cash provided (used) by financing activities	<u>98,130</u>	<u>(641,568)</u>
Net Increase in Cash and Cash Equivalents	282,319	690,568
Cash and Cash Equivalents, Beginning of Year	<u>1,048,935</u>	<u>358,367</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,331,254</u>	<u>\$ 1,048,935</u>
Supplemental Information		
Cash paid for interest	\$ 100,043	\$ 128,288
Bond payable refinanced with a note	\$ 2,210,988	\$ -
Loan fees paid with a note	\$ 11,055	\$ -

The accompanying Notes are an integral
part of these financial statements

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Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2014 and 2013

Note 1 - Nature of Organization and Significant Accounting Policies

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

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

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

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

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.

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.

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2014 and 2013

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

Investments. The Organization's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization's management determines the valuation policies utilizing information provided by the investment advisors and custodians. See fair value measurements below.

Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Fair Value Measurements. The Organization reports using fair value measurements, which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Equities, mutual funds, and bonds are investments which are publicly traded and are valued using quoted prices in active markets. There have been no changes in the methodologies used at December 31, 2014 and 2013.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2014 and 2013

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

Fair Value Measurements (continued). 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.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of financial position.

Accounts Receivable. Accounts receivable are stated net of allowances for uncollectible accounts. At the time accounts receivable are originated, the Organization considers an allowance for doubtful accounts based on the creditworthiness of the client. The allowance is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future uncollectible amounts. The allowance is management's best estimate of uncollectible amounts and is determined based on historical performance that is tracked by the Organization on an ongoing basis. Management believes that all accounts receivable are fully collectible at December 31, 2014 and 2013.

Merchandise and Thrift Store Inventory. Merchandise inventory consisting of pet supplies and merchandise for resale, are stated at the lower of cost (first-in, first-out method) or market.

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

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

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

Depreciation expense for the years ended December 31, 2014 and 2013 was \$272,609 and \$284,666, respectively.

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2014 and 2013

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

Loan Fees. Loan fees have been capitalized and amortized using the straight-line method over the life of the related loan, which is 3 years. Amortization expense was \$4,478 and \$4,500 for the years ended December 31, 2014 and 2013, respectively. Unamortized loan fees of \$8,682 related to the debt agreement refinanced in November 2014 were expensed as a loss on the extinguishment of debt.

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, 2014 and 2013.

Contributions. 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.

Contributed Services. Contributed services are recognized if services received (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. There were no contributed services for the years ended December 31, 2014 and 2013.

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

Advertising. The Organization expenses advertising costs, including donated advertising, as they are incurred. Advertising expenses for the years ended December 31, 2014 and 2013 were \$11,795 and \$11,468, 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. Accordingly, no provision for income taxes has been made.

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

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2014 and 2013

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

Income Taxes (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.

Income tax years from 2011 through the current year are open for examination. Penalties and interest may be assessed on income taxes that are delinquent.

Subsequent Events. The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through May 22, 2015, the date at which the financial statements were available for release.

Note 2 - Investments

The Organization's fair value hierarchy for those investment assets measured at fair value on a recurring basis is as follows at December 31, 2014:

	Level 1	Level 2	Level 3	Total
Beneficial Interest in Trusteed Assets				
Mutual Funds:				
World Bond	\$ 37,437	\$ -	\$ -	\$ 37,437
Large Growth	34,994	-	-	34,994
Foreign Large Blend	26,998	-	-	26,998
Mid-Cap Growth	20,038	-	-	20,038
Mid-Cap Blend	14,424	-	-	14,424
High Yield Bond	12,536	-	-	12,536
Intermediate-term	12,535	-	-	12,535
Exchange Traded	23,485	-	-	23,485
Loan Participation				
Fund	12,076	-	-	12,076
Short Government	9,271	-	-	9,271
Small Growth	8,943	-	-	8,943
Commodities				
Broad Basket	8,236	-	-	8,236
Total Mutual Funds	220,973	-	-	220,973
Corporate Bonds	77,577	-	-	77,577
Cash Equivalents	29,164	-	-	29,164
Mineral Interests	9	-	-	9
Total Investments at Fair Value	\$ 327,723	\$ -	\$ -	\$ 327,723

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2014 and 2013

Note 2 - Investments (continued)

The Organization's fair value hierarchy for those investment assets measured at fair value on a recurring basis is as follows at December 31, 2013:

	Level 1	Level 2	Level 3	Total
U.S. Equities	\$ 5,704	\$ -	\$ -	\$ 5,704
Beneficial Interest in Trusteed Assets				
Mutual Funds:				
World Bond	39,491	-	-	39,491
Large Growth	38,769	-	-	38,769
Foreign Large Blend	31,817	-	-	31,817
Intermediate-term	22,302	-	-	22,302
Large Value	19,359	-	-	19,359
Mid-Cap Blend	14,254	-	-	14,254
Exchange Traded	12,211	-	-	12,211
Mid-Cap Growth	12,272	-	-	12,272
Small Growth	10,744	-	-	10,744
Loan Participation Fund	12,554	-	-	12,554
Short Government	9,499	-	-	9,499
Commodities				
Broad Basket	9,294	-	-	9,294
Total Mutual Funds	232,566	-	-	232,566
Corporate Bonds	88,889	-	-	88,889
Cash Equivalents	11,491	-	-	11,491
Mineral Interests	9	-	-	9
Total Beneficial Interest in Trusteed Assets	332,955	-	-	332,955
Total Investments at Fair Value	\$ 338,659	\$ -	\$ -	\$ 338,659

Changes in Fair Value Levels. The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The Organization evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total net assets available for benefits. For the years ended December 31, 2014 and 2013, there were no significant transfers in or out of levels 1, 2, or 3.

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2014 and 2013

Note 2 - Investments (continued)

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

	2014	2013
Interest and dividends earned on investments	\$ 11,178	\$ 10,285
Unrealized gain (loss) on investments	(7,599)	18,447
Realized gain on investments	821	29,128
	<u>\$ 4,400</u>	<u>\$ 57,860</u>

Note 3 – Inventory

Inventory consists of the following at December 31:

	2014	2013
Merchandise and other	\$ 8,619	\$ 6,262
Well Pet Clinic	17,237	12,173
Thrift stores	56,433	61,904
Allowance for obsolete inventory	(8,465)	(9,286)
	<u>\$ 73,824</u>	<u>\$ 71,053</u>

Note 4 – Long-Term Debt and Pledged Assets

Long-term debt obligations are as follows at December 31:

	2014	2013
Note payable to Citywide Banks, interest at 4.5%, monthly interest only payments through May 2015 then quarterly principal and interest payments of \$44,254 through November 2017 when the remaining principal is due, collateralized by substantially all business assets.	\$ 2,222,043	\$ -
Bond paid in full in 2014	-	2,112,858
	<u>2,222,043</u>	<u>2,112,858</u>
Less current portion	(74,354)	(671,867)
	<u>\$ 2,147,689</u>	<u>\$ 1,440,991</u>

Scheduled maturities of the long-term note payable are as follows at December 31, 2014:

Year	Amount
2015	\$ 74,354
2016	80,120
2017	2,067,569
	<u>\$ 2,222,043</u>

The agreement with Citywide is subject to certain financial covenants, for which the most restrictive pertains to maintaining a minimum of cash on hand.

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2014 and 2013

Note 5 - Commitments

Operating Leases. The Organization leases equipment under a noncancelable operating lease, which expires October 2017. Rent expense under the lease totaled \$3,632 and \$3,172 for the years ended December 31, 2014 and 2013, respectively.

The Organization leases a building for the thrift store under a noncancelable operating lease. The lease requires monthly payments of \$7,079, and expires August 2016. Rent expense under the lease totaled \$116,246 and \$106,528 for the years ended December 31, 2014 and 2013, respectively.

The Organization leases land in Longmont, Colorado under a noncancelable operating lease. The lease requires annual payments of \$1, and expires April 2034. Rent expense, including in-kind, under the lease totaled \$36,000 for each of the years ended December 31, 2014 and 2013.

Future annual minimum lease payments required under all noncancelable operating leases, excluding the in-kind portion of the land lease, are as follows at December 31, 2014:

Year	Land and Facilities	Equipment	Total
2015	\$ 85,818	\$ 3,368	\$ 89,186
2016	58,364	3,368	61,732
2017	1	2,526	2,527
2018	1	-	1
2019	1	-	1
Thereafter	15	-	15
	<u>\$ 144,200</u>	<u>\$ 9,262</u>	<u>\$ 153,462</u>

Note 6 – Temporarily Restricted Net Assets

The balances of temporarily restricted net assets are as follows:

	January 1, 2014 Balance	Receipts	Disbursements	December 31, 2014 Balance
Building Fund	\$ 128,019	\$ 91,439	\$ 100,043	\$ 119,415
Trusted Assets	332,955	11,503	16,735	327,723
2015 General Support	-	100,000	-	100,000
	<u>\$ 460,974</u>	<u>\$ 202,942</u>	<u>\$ 116,778</u>	<u>\$ 547,138</u>

	January 1, 2013 Balance	Receipts	Disbursements	December 31, 2013 Balance
Building Fund	\$ -	\$ 128,019	\$ -	\$ 128,019
Trusted Assets	314,435	26,734	8,214	332,955
	<u>\$ 314,435</u>	<u>\$ 154,753</u>	<u>\$ 8,214</u>	<u>\$ 460,974</u>

The building fund is restricted to debt service on the underlying mortgage and other building maintenance or improvement needs. The trusted assets are restricted to future periods and humane educational programs.

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2014 and 2013

Note 7 - Special Events

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

	2014	2013
Homeward Bound		
Gross proceeds	\$ 123,967	\$ 102,707
Direct costs	(32,257)	(20,715)
Net revenue	<u>\$ 91,710</u>	<u>\$ 81,992</u>
Hair 4 Hounds		
Gross proceeds	\$ 31,692	\$ -
Direct costs	-	-
Net revenue	<u>\$ 31,692</u>	<u>\$ -</u>
Paws in the Park		
Gross proceeds	\$ 30,621	\$ 52,210
Direct costs	(3,049)	(1,827)
Net revenue	<u>\$ 27,572</u>	<u>\$ 50,383</u>
Raise More Money		
Gross proceeds	\$ 6,645	\$ 9,435
Direct costs	(986)	(1,630)
Net revenue	<u>\$ 5,659</u>	<u>\$ 7,805</u>
Dog Wash		
Gross proceeds	\$ 3,717	\$ 6,051
Direct costs	(263)	(715)
Net revenue	<u>\$ 3,454</u>	<u>\$ 5,336</u>
Holiday Photos		
Gross proceeds	\$ 3,019	\$ 3,205
Direct costs	(217)	(395)
Net revenue	<u>\$ 2,802</u>	<u>\$ 2,810</u>
Miscellaneous and other events		
Gross proceeds	\$ 16,496	\$ 11,778
Direct costs	(184)	(351)
Net revenue	<u>\$ 16,312</u>	<u>\$ 11,427</u>
Total		
Gross proceeds	\$ 216,157	\$ 185,386
Direct costs	(36,956)	(25,633)
Net revenue	<u>\$ 179,201</u>	<u>\$ 159,753</u>

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2014 and 2013

Note 8 - Concentrations

Concentrations of Credit Risk. The Organization's primary customers are local governments and individuals. The Organization performs ongoing credit evaluations of its customers and generally does not require collateral. The Organization provides reserves for credit losses, as necessary, based on a thorough review of all outstanding accounts. Such losses and yearly provisions have been within management's expectations.

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

The Organization's investments subject to credit risk consist primarily of mutual funds. The credit risk is reduced by maintaining the investments in a variety of funds. The investment funds are held and managed by a single financial institution trustee.

Geographical Concentration. The Organization receives predominantly all of its support and revenue from Longmont, Colorado and surrounding communities.

Longmont Humane Society, Inc.

Schedule of Functional Expenses

Year ended December 31, 2014

		Supporting Services		
	Program Services	Fundraising	General and Administrative	Total Expenses
Compensation and benefits	\$ 1,447,219	\$ 225,541	\$ 206,745	\$ 1,879,505
Public clinic expenses	216,248	-	-	216,248
Rent	32,400	116,246	3,600	152,246
Utilities	63,000	5,250	36,750	105,000
Interest expense	-	-	100,043	100,043
Insurance	14,031	-	79,511	93,542
Repairs and maintenance	64,366	-	21,455	85,821
Legal and professional	-	-	71,107	71,107
Development expenses	1,824	58,983	-	60,807
Kennel supplies	53,361	-	-	53,361
Thrift store expenses	-	26,541	-	26,541
Fee related expenses	21,439	-	-	21,439
Bank fees	-	-	19,012	19,012
Miscellaneous expenses	-	-	12,624	12,624
Office supplies	6,266	3,133	3,133	12,532
Advertising	5,897	5,898	-	11,795
Telephone and internet	7,321	1,046	2,092	10,459
Behavior expenses	5,352	-	-	5,352
Volunteer program expenses	3,903	689	-	4,592
Amortization	2,687	-	1,791	4,478
Postage	962	2,500	385	3,847
Investment fees	-	-	1,877	1,877
Dues and subscriptions	1,335	89	356	1,780
Foster care expenses	477	-	-	477
Vehicle expenses	412	-	46	458
Total expenses before depreciation	1,948,500	445,916	560,527	2,954,943
Depreciation	163,565	-	109,044	272,609
Total expenses	\$ 2,112,065	\$ 445,916	\$ 669,571	\$ 3,227,552

Longmont Humane Society, Inc.

Schedule of Functional Expenses

Year ended December 31, 2013

	Program Services	Supporting Services		Total Expenses
		Fundraising	General and Administrative	
Compensation and benefits	\$ 1,234,255	\$ 192,352	\$ 176,322	\$ 1,602,929
Public clinic expenses	198,574	-	-	198,574
Rent	29,821	106,529	6,178	142,528
Interest expense	-	-	128,288	128,288
Utilities	59,441	4,953	34,674	99,068
Repairs and maintenance	70,410	-	23,470	93,880
Insurance	13,738	-	77,849	91,587
Legal and professional	-	-	60,063	60,063
Development expenses	1,795	58,045	-	59,840
Kennel supplies	47,812	-	-	47,812
Thrift store expenses	-	24,767	-	24,767
Bank fees	-	-	21,325	21,325
Fee related expenses	20,943	-	-	20,943
Office supplies	6,793	2,206	2,682	11,681
Advertising	5,734	5,734	-	11,468
Miscellaneous expenses	-	-	8,633	8,633
Telephone and internet	5,593	799	1,598	7,990
Investment fees	-	-	5,693	5,693
Behavior expenses	4,951	-	-	4,951
Volunteer program expenses	3,839	677	-	4,516
Amortization	2,700	-	1,800	4,500
Postage	758	1,970	303	3,031
Dues and subscriptions	1,706	114	455	2,275
Vehicle expenses	618	-	69	687
Foster care expenses	325	-	-	325
Total expenses before depreciation	1,709,806	398,146	549,402	2,657,354
Depreciation	170,800	-	113,866	284,666
Total expenses	<u>\$ 1,880,606</u>	<u>\$ 398,146</u>	<u>\$ 663,268</u>	<u>\$ 2,942,020</u>