

Longmont Humane Society, Inc.

(a nonprofit Colorado corporation)

Longmont, Colorado

Financial Statements

December 31, 2016 and 2015

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, 2016 and 2015, and the related statements of activities 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 audit opinion.

Independent Auditor's Report (continued)

Opinion

In our opinion, 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, 2016 and 2015, 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 24, 2017

Longmont Humane Society, Inc.

Statements of Financial Position

December 31	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,249,141	\$ 1,382,144
Investments	203,050	202,534
Accounts receivable	13,705	12,365
Inventory	109,434	85,572
Prepaid expenses and other current assets	8,092	4,493
Total current assets	<u>1,583,422</u>	<u>1,687,108</u>
Property and Equipment		
Building and Improvements	9,316,608	9,316,608
Furniture, fixtures and equipment	399,958	384,420
Vehicles	2,900	2,900
Land improvements	30,412	28,106
Construction in progress	146,325	-
	<u>9,896,203</u>	<u>9,732,034</u>
Less accumulated depreciation	<u>(2,651,279)</u>	<u>(2,389,093)</u>
Net property and equipment	<u>7,244,924</u>	<u>7,342,941</u>
Other Assets		
Cash, restricted for compensating balance	250,000	-
Beneficial interest in trustee assets	317,986	312,864
Loan fees, net	-	6,979
Deposits	11,175	12,325
Total other assets	<u>579,161</u>	<u>332,168</u>
Total assets	<u>\$ 9,407,507</u>	<u>\$ 9,362,217</u>

	2016	2015
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 112,839	\$ 36,244
Accrued wages and taxes	86,285	68,726
Other accrued expenses	66,112	55,757
Deferred revenue	3,744	2,506
Current portion of note payable	52,364	80,120
Total current liabilities	<u>321,344</u>	<u>243,353</u>
Long-Term Liabilities		
Note payable, net of current portion	<u>2,036,907</u>	<u>2,067,569</u>
Total liabilities	<u>2,358,251</u>	<u>2,310,922</u>
Net Assets		
Unrestricted	6,725,878	6,665,570
Temporarily restricted	<u>323,378</u>	<u>385,725</u>
Total net assets	<u>7,049,256</u>	<u>7,051,295</u>
Total liabilities and net assets	<u>\$ 9,407,507</u>	<u>\$ 9,362,217</u>

The accompanying Notes are an integral
part of these financial statements

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Longmont Humane Society, Inc.

Statements of Activities

Years ended December 31

2016

	Unrestricted	Temporarily Restricted	Total
Revenue, Gains, and Support			
Revenue and Gains			
Public clinic	\$ 1,019,520	\$ -	\$ 1,019,520
Adoption, contractual, and other fee income	728,693	-	728,693
Behavior	99,038	-	99,038
Retail merchandise sales	81,305	-	81,305
Retail merchandise cost of sales	(37,516)	-	(37,516)
Thrift store sales	331,175	-	331,175
Thrift store cost of sales, in-kind	(332,482)	-	(332,482)
Interest and dividends	2,160	-	2,160
Increase in value of trustee assets	-	5,122	5,122
Other revenue	14,056	-	14,056
Total revenue	1,905,949	5,122	1,911,071
Support			
Contributions, cash and in-kind	1,460,287	26,011	1,486,298
Special event income	216,988	-	216,988
Special event expenses	(32,500)	-	(32,500)
Net assets released from restriction	93,480	(93,480)	-
Total support	1,738,255	(67,469)	1,670,786
Total revenue and support	3,644,204	(62,347)	3,581,857
Functional Expenses and Losses			
Functional Expenses			
Program services	2,442,107	-	2,442,107
Supporting services			
Fundraising	470,397	-	470,397
General and administrative	666,065	-	666,065
Total functional expenses	3,578,569	-	3,578,569
Losses			
Loss on extinguishment of debt	3,952	-	3,952
Loss on disposal of asset	811	-	811
Realized loss on investments	564	-	564
Decrease in value of trustee assets	-	-	-
Unrealized loss on investments	-	-	-
Total losses	5,327	-	5,327
Total functional expenses and losses	3,583,896	-	3,583,896
Change in Net Assets	60,308	(62,347)	(2,039)
Net Assets, Beginning of Year	6,665,570	385,725	7,051,295
Net Assets, End of Year	\$ 6,725,878	\$ 323,378	\$ 7,049,256

2015		
Unrestricted	Temporarily Restricted	Total
\$ 907,152	\$ -	\$ 907,152
745,122	-	745,122
86,532	-	86,532
78,953	-	78,953
(33,677)	-	(33,677)
340,144	-	340,144
(337,788)	-	(337,788)
2,404	-	2,404
-	-	-
10,098	-	10,098
1,798,940	-	1,798,940
1,303,383	53,692	1,357,075
217,406	-	217,406
(28,894)	-	(28,894)
200,246	(200,246)	-
1,692,141	(146,554)	1,545,587
3,491,081	(146,554)	3,344,527
2,197,425	-	2,197,425
435,684	-	435,684
643,288	-	643,288
3,276,397	-	3,276,397
-	-	-
1,065	-	1,065
-	-	-
-	14,859	14,859
26	-	26
1,091	14,859	15,950
3,277,488	14,859	3,292,347
213,593	(161,413)	52,180
6,451,977	547,138	6,999,115
\$ 6,665,570	\$ 385,725	\$ 7,051,295

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	2016	2015
Cash Flows From Operating Activities		
Change in net assets	\$ (2,039)	\$ 52,180
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	265,399	265,082
Amortization	3,026	3,666
Net unrealized loss on investments	-	26
Change in value of trustee assets	(5,122)	14,859
Loss on disposal of asset	811	1,065
Loss on extinguishment of debt	3,952	-
Provision for bad debts	3,144	3,776
Donated investments	-	(1,273)
Interest paid with long-term debt	9,917	-
Increase (decrease) from changes in assets and liabilities		
Accounts receivable	(4,484)	6,384
Inventory	(23,862)	(11,748)
Prepaid expenses and other current assets	(3,599)	5,205
Deposits	1,150	(3,550)
Accounts payable	76,595	(14,557)
Accrued wages and taxes	17,559	4,700
Other accrued expenses	10,355	2,642
Deferred revenue	1,238	574
Net cash provided by operating activities	<u>354,040</u>	<u>329,031</u>
Cash Flows From Investing Activities		
Purchases of investments	(516)	(201,287)
Purchases of equipment	(170,192)	(2,500)
Proceeds from the sale of equipment	2,000	-
Cash restricted for compensating balance	(250,000)	-
Net cash used by investing activities	<u>(418,708)</u>	<u>(203,787)</u>
Cash Flows From Financing Activities		
Payments on long-term debt	(68,335)	(74,354)
Net cash used by financing activities	<u>(68,335)</u>	<u>(74,354)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(133,003)	50,890
Cash and Cash Equivalents, Beginning of Year	<u>1,382,144</u>	<u>1,331,254</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,249,141</u>	<u>\$ 1,382,144</u>
Supplemental Information		
Cash paid for interest	\$ 93,480	\$ 100,246
Note payable refinanced	\$ 2,088,071	\$ -

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, 2016 and 2015

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.

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

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

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.

Cash required to be held in a financial institution pursuant to a long-term debt agreement are classified as long-term assets in the accompanying statement of financial position.

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.

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

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

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. Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

Debt and Equity Securities. The Organization values securities with readily determinable market values at fair value as determined by quoted market prices on national securities exchanges valued at the closing price on the last business day of the fiscal year. Securities traded on the over-the-counter market are valued at the last reported bid price.

Certificates of Deposit. The Organization values certificates of deposit at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer. Early withdrawal charges may apply in the event the instruments are liquidated prior to their scheduled maturity date.

Beneficial Interest in Trusteed Assets. The Organization is named the beneficiary of trusts. Contribution revenue and the related assets are recognized using the present value of the assets expected to be received. Subsequent changes to the fair value of the assets are recognized as changes in the value of trusteed assets in the accompanying statement of activities.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation 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. There have been no changes in the methodologies used at December 31, 2016 and 2015.

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, 2016 and 2015.

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

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

Inventory. Merchandise inventory consisting of pet supplies and merchandise for resale and, Well Pet Clinic inventory consisting of medications and supplies, 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, 2016 and 2015 was \$265,399 and \$265,082, respectively.

Loan Fees. Loan fees were capitalized and amortized using the straight-line method over the three-year life of the related loan. Amortization expense was \$3,026 and \$3,666 for the years ended December 31, 2016 and 2015, respectively. During 2016, unamortized loan fees were recorded as a loss on extinguishment of debt upon the refinancing of the underlying loan.

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, 2016 and 2015.

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.

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

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

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, 2016 and 2015.

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, 2016 and 2015 were \$7,668 and \$8,885, 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

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.

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

Income tax years from 2013 through the current year are open for examination. Penalties and interest may be assessed on income taxes that are delinquent.

Reclassifications. Certain amounts from the financial statements for the year ended December 31, 2015 have been reclassified to conform to current year presentation, 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 May 24, 2017, the date at which the financial statements were available for release.

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

Note 2 - Fair Value Measurements

The following table summarizes the Organization's fair value of assets and liabilities measured on a recurring basis by fair value hierarchy as of December 31, 2016:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 203,050	\$ -	\$ 203,050
Beneficial interest in trusteed assets	-	-	317,986	317,986
	<u>\$ -</u>	<u>\$ 203,050</u>	<u>\$ 317,986</u>	<u>\$ 521,036</u>

The following table summarizes the Organization's fair value of assets and liabilities measured on a recurring basis by fair value hierarchy as of December 31, 2015:

	Level 1	Level 2	Level 3	Total
Debt and equity securities				
U.S. Equities	\$ 1,247	\$ -	\$ -	\$ 1,247
Certificates of deposit	-	201,287	-	201,287
Beneficial interest in trusteed assets			312,864	312,864
	<u>\$ 1,247</u>	<u>\$ 201,287</u>	<u>\$ 312,864</u>	<u>\$ 515,398</u>

The changes in the investments for which the Organization has used Level 3 inputs to determine the fair values are as follows:

	Beneficial Interest in Trusteed Assets
Balance as of January 1, 2015	\$ 327,723
Change in value of trusteed assets	(14,859)
Balance as of December 31, 2015	312,864
Change in value of trusteed assets	5,122
Balance as of December 31, 2016	<u>\$ 317,986</u>

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.

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

Note 2 - Fair Value Measurements (continued)

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

	2016	2015
Change in value of trustee assets	\$ 5,122	\$ (14,859)
Interest and dividends earned on investments	2,160	2,404
Realized gain (loss) on investments	(564)	-
Unrealized loss on investments	-	(26)
	<u>\$ 6,718</u>	<u>\$ (12,481)</u>

Note 3 - Inventory

Inventory consists of the following at December 31:

	2016	2015
Thrift store merchandise	\$ 57,659	\$ 59,205
Well Pet Clinic	49,942	25,764
Retail merchandise and other	10,479	9,483
Allowance for obsolete inventory	(8,646)	(8,880)
	<u>\$ 109,434</u>	<u>\$ 85,572</u>

Note 4 - Long-Term Debt and Pledged Assets

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

	2016	2015
Note payable to Vectra Banks, bears interest at 3.65%, is due in monthly installments of \$10,733, including principal and interest. The note is collateralized by personal property, certain intangible assets, and a specified cash account, which is required to have a minimum balance of \$250,000. The note matures in August 2023, at which time all outstanding principal and interest becomes due.	\$ 2,089,271	\$ -
Note refinanced in 2016	-	2,147,689
	<u>2,089,271</u>	<u>2,147,689</u>
Less current portion	<u>(52,364)</u>	<u>(80,120)</u>
	<u>\$ 2,036,907</u>	<u>\$ 2,067,569</u>

The agreement with Vectra Banks is subject to certain financial covenants, for which the most restrictive requires the maintenance of a minimum debt service coverage ratio. The agreement limits property and equipment acquisitions and new debt.

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

Note 4 – Long-Term Debt and Pledged Assets (continued)

Scheduled maturities of the long-term note payable are as follows at December 31, 2016:

Year	Amount
2017	\$ 52,364
2018	55,404
2019	57,461
2020	59,593
2021	61,805
Thereafter	1,802,644
	<u>\$ 2,089,271</u>

Note 5 – Temporarily Restricted Net Assets

The following summarizes the changes in net assets temporarily restricted for the years ended December 31:

	Building Fund	Trusteed Assets	2015 General Support	Total
Balance, January 1, 2015	\$ 119,415	\$ 327,723	\$ 100,000	\$ 547,138
Receipts	53,692	-	-	53,692
Expenditures and losses	(100,246)	(14,859)	(100,000)	(215,105)
Balance, December 31, 2015	72,861	312,864	-	385,725
Receipts	26,011	5,156	-	31,167
Expenditures and losses	(93,480)	(34)	-	(93,514)
Balance, December 31, 2016	<u>\$ 5,392</u>	<u>\$ 317,986</u>	<u>\$ -</u>	<u>\$ 323,378</u>

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

Note 6 - Commitments

Operating Leases. The Organization leases equipment under multiple noncancelable operating leases, which expire through October 2017. Rent expense under the leases totaled \$6,496 and \$6,047 for the years ended December 31, 2016 and 2015, 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 2020. Rent expense under the lease, including utilities and taxes, totaled \$117,488 and \$116,596 for the years ended December 31, 2016 and 2015, respectively.

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

Note 6 - Commitments (continued)

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, 2016 and 2015.

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, 2015:

Year	Land and Facilities	Equipment	Total
2017	\$ 85,818	\$ 4,636	\$ 90,454
2018	88,431	1,350	89,781
2019	91,105	1,350	92,455
2020	61,939	1,350	63,289
2021	1	1,125	1,126
Thereafter	13	-	13
	<u>\$ 327,307</u>	<u>\$ 9,811</u>	<u>\$ 337,118</u>

Note 7 - Special Events

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

	2016	2015
Homeward Bound		
Gross proceeds	\$ 152,937	\$ 139,724
Direct costs	(24,608)	(22,319)
Net revenue	<u>\$ 128,329</u>	<u>\$ 117,405</u>
Paws in the Park		
Gross proceeds	\$ 24,945	\$ 32,193
Direct costs	(4,991)	(3,690)
Net revenue	<u>\$ 19,954</u>	<u>\$ 28,503</u>
Miscellaneous and other events		
Gross proceeds	\$ 39,106	\$ 45,489
Direct costs	(2,901)	(2,885)
Net revenue	<u>\$ 36,205</u>	<u>\$ 42,604</u>
Total		
Gross proceeds	\$ 216,988	\$ 217,406
Direct costs	(32,500)	(28,894)
Net revenue	<u>\$ 184,488</u>	<u>\$ 188,512</u>

Longmont Humane Society, Inc.

Notes to Financial Statements

December 31, 2016 and 2015

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.

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, 2016

	Program Services	Supporting Services		Total Expenses
		Fundraising	General and Administrative	
Compensation and benefits	\$ 1,683,798	\$ 262,410	\$ 240,543	\$ 2,186,751
Public clinic expenses	296,994	-	-	296,994
Rent	32,400	116,596	4,491	153,487
Utilities	62,786	5,232	36,625	104,643
Insurance	14,582	-	82,634	97,216
Interest expense	-	-	93,480	93,480
Repairs and maintenance	68,678	-	22,893	91,571
Kennel supplies	61,170	-	-	61,170
Development expenses	1,513	48,910	-	50,423
Legal and professional	-	-	30,611	30,611
Thrift store expenses	-	25,349	-	25,349
Bank fees	-	-	22,556	22,556
Fee related expenses	20,890	-	-	20,890
Miscellaneous expenses	-	-	18,574	18,574
Office supplies	6,001	3,001	3,001	12,003
Telephone and internet	7,111	1,016	2,032	10,159
Behavior expenses	8,351	-	-	8,351
Volunteer program expenses	7,065	1,247	-	8,312
Advertising	3,834	3,834	-	7,668
Postage	1,012	2,631	405	4,048
Dues and subscriptions	2,567	171	685	3,423
Amortization	1,816	-	1,210	3,026
Foster care expenses	1,480	-	-	1,480
Vehicle expenses	486	-	54	540
Staff development	334	-	111	445
Total expenses before depreciation	2,282,868	470,397	559,905	3,313,170
Depreciation	159,239	-	106,160	265,399
Total expenses	<u>\$ 2,442,107</u>	<u>\$ 470,397</u>	<u>\$ 666,065</u>	<u>\$ 3,578,569</u>

Longmont Humane Society, Inc.

Schedule of Functional Expenses

Year ended December 31, 2015

	Program Services	Supporting Services		Total Expenses
		Fundraising	General and Administrative	
Compensation and benefits	1,503,422	234,299	214,775	1,952,496
Public clinic expenses	259,011	-	-	259,011
Rent	32,400	116,596	3,599	152,595
Utilities	64,892	5,408	37,854	108,154
Interest expense	-	-	100,246	100,246
Insurance	14,274	-	80,883	95,157
Repairs and maintenance	57,503	-	19,168	76,671
Kennel supplies	46,852	-	-	46,852
Development expenses	1,333	43,116	-	44,449
Legal and professional	-	-	38,137	38,137
Fee related expenses	24,225	-	-	24,225
Thrift store expenses	-	24,060	-	24,060
Bank fees	-	-	22,350	22,350
Miscellaneous expenses	-	-	12,684	12,684
Telephone and internet	7,797	1,114	2,228	11,139
Office supplies	5,172	2,586	2,586	10,344
Advertising	4,443	4,442	-	8,885
Volunteer program expenses	5,423	957	-	6,380
Behavior expenses	5,046	-	-	5,046
Postage	1,151	2,991	460	4,602
Amortization	2,200	-	1,466	3,666
Dues and subscriptions	1,732	115	462	2,309
Staff development	950	-	317	1,267
Vehicle expenses	365	-	40	405
Foster care expenses	185	-	-	185
Total expenses before depreciation	2,038,376	435,684	537,255	3,011,315
Depreciation	159,049	-	106,033	265,082
Total expenses	<u>\$ 2,197,425</u>	<u>\$ 435,684</u>	<u>\$ 643,288</u>	<u>\$ 3,276,397</u>