

**HUMANE SOCIETY OF PAGOSA SPRINGS, INC.**  
**A Colorado Non-Profit Corporation**

**BASIC FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2019**

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.  
A Colorado Non-Profit Corporation

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Board of Directors  
Humane Society of Pagosa Springs, Inc.  
P.O. Box 2230  
Pagosa Springs, CO 81147



*Heidi A. Trainor, CPA, MS Tax*

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

I have audited the accompanying financial statements of Humane Society of Pagosa Springs, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, cash flows, and functional expenses for the year then ended.

The prior year summarized comparative information has been derived from the Organization's financial statements and, in our report dated July 2, 2019; I expressed an unmodified opinion on those financial statements.

### Management's Responsibility for Financial Statements

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

### Auditor's Responsibility

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 the 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Board of Directors  
Humane Society of Pagosa Springs, Inc.  
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**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Humane Society of Pagosa Springs, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script, appearing to read "Heidi Trainor".

Heidi A. Trainor, CPA, PC  
July 15, 2020

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.  
A Colorado Non-Profit Corporation

STATEMENT OF FINANCIAL POSITION  
For the Year Ended December 31, 2019

	2019	2018
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 294,347	\$ 213,721
Accounts Receivable	1,325	--
Prepaid Insurance	5,227	3,594
Inventory	47,810	42,527
Assets with Donor Restrictions in Investments, Land, Buildings and Equipment	20,000	--
Fixed Assets, Net	1,533,608	1,574,172
<b>TOTAL ASSETS</b>	1,902,317	\$ 1,834,014
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 31,712	\$ 9,310
Accrued Expenses	35,552	34,738
Payroll Liabilities	3,525	3,559
Sales Tax Payable	2,430	2,605
Current Portion of Long-Term Debt	15,619	14,859
Total Current Liabilities	88,838	65,071
LONG TERM DEBT - Net of Current Portion	482,336	497,610
Total Liabilities	571,174	562,681
<b>NET ASSETS</b>		
Without Donor Restrictions	1,311,143	1,271,333
With Donor Restrictions	20,000	--
Total Net Assets	1,331,143	1,271,333
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 1,902,317	\$ 1,834,014

See notes to the financial statements.



HUMANE SOCIETY OF PAGOSA SPRINGS, INC.  
A Colorado Non-Profit Corporation

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2019

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>OPERATING REVENUES, GAINS AND OTHER SUPPORT</b>				
Program	\$ 613,415	\$ --	\$ 613,415	\$ 648,309
Grants	5,000	50,800	55,800	1,700
Public Support	204,438	10,378	214,816	127,529
Contribution Income	5,283	--	5,283	--
Interest Income	1,422	--	1,422	928
In-Kind	14,171	--	14,171	47,613
Fundraising	139,181	--	139,181	132,792
Gain on Sale of Assets	--	--	--	6,135
Net Assets Released from Restriction	41,178	(41,178)	--	--
<b>TOTAL OPERATING REVENUES, GAINS AND OTHER SUPPORT</b>	<b>1,024,088</b>	<b>20,000</b>	<b>1,044,088</b>	<b>965,006</b>
<b>OPERATING EXPENSES</b>				
Program	583,823	--	583,823	564,861
Fundraising	50,992	--	50,992	110,096
General and Administrative	349,463	--	349,463	340,954
<b>TOTAL OPERATING EXPENSES</b>	<b>984,278</b>	<b>--</b>	<b>984,278</b>	<b>1,015,911</b>
<b>CHANGE IN NET ASSETS</b>	<b>39,810</b>	<b>20,000</b>	<b>59,810</b>	<b>(50,905)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>1,271,333</b>	<b>--</b>	<b>1,271,333</b>	<b>1,322,238</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 1,311,143</b>	<b>\$ 20,000</b>	<b>\$ 1,331,143</b>	<b>\$ 1,271,333</b>

See notes to the financial statements.

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.  
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STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ending December 31, 2019

	2019					
	SUPPORTING SERVICES					
	Program	Management and General	Fundraising	Total Support	Total Expenses	2018
COMPENSATION AND RELATED EXPENSES:						
Payroll	\$ 248,679	\$ 243,076	\$ 6,533	\$ 249,609	\$ 498,288	\$ 482,056
Payroll Taxes	20,252	20,031	500	20,531	40,783	36,296
<b>TOTAL COMPENSATION AND RELATED EXPENSES</b>	<b>268,931</b>	<b>263,107</b>	<b>7,033</b>	<b>270,140</b>	<b>539,071</b>	<b>518,352</b>
Inventory Cost of Goods Sold	18,703	6,352	--	6,352	25,055	33,526
Marketing	7,045	8,186	--	8,186	15,231	12,784
Security	1,053	844	--	844	1,897	2,686
Building/Equipment Repairs	14,279	3,828	--	3,828	18,107	12,333
Depreciation Expense	69,781	--	--	--	69,781	68,239
Insurance	20,164	1,500	563	2,063	22,227	22,508
Postage and Delivery	23	2,381	--	2,381	2,404	4,233
Auto Expense	2,996	1,696	--	1,696	4,692	8,674
Program Development	34,470	--	--	--	34,470	33,091
Telecommunications	2,194	2,298	--	2,298	4,492	6,127
Bank Charges	612	7,640	--	7,640	8,252	9,641
Fundraising Events	--	--	41,296	41,296	41,296	52,793
Facilities	14,629	15,423	--	15,423	30,052	29,475
Professional Fees	9,917	14,609	1,875	16,484	26,401	24,186
Interest	25,645	--	--	--	25,645	26,361
Veterinary Expense	39,733	--	--	--	39,733	42,943
Crematorium Expense	7,486	--	--	--	7,486	9,480
Staff Incentives	2,530	4,243	--	4,243	6,773	5,315
Supplies	27,171	12,822	--	12,822	39,993	39,687
Miscellaneous Expense	2,290	4,534	225	4,759	7,049	5,864
<b>Total Expenses Before In-Kind</b>	<b>569,652</b>	<b>349,463</b>	<b>50,992</b>	<b>400,455</b>	<b>970,107</b>	<b>968,298</b>
<b>In Kind</b>	<b>14,171</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>14,171</b>	<b>47,613</b>
<b>TOTAL EXPENSES</b>	<b>\$ 583,823</b>	<b>\$ 349,463</b>	<b>\$ 50,992</b>	<b>\$ 400,455</b>	<b>\$ 984,278</b>	<b>\$ 1,015,911</b>

See notes to the financial statements.

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.  
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STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2019

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Retail Sales	\$ 493,717	\$ 530,189
Cash Received from Shelter Services	118,372	118,121
Cash Received from Contributors	220,099	126,360
Cash Received from Grantors	55,800	1,700
Cash Received from Fundraising	139,181	132,792
Cash Received from Interest and Dividends	1,422	928
Cash Paid for Program Expenses	(482,752)	(439,678)
Cash Paid for Fundraising Expenses	(50,992)	(110,096)
Cash Paid for General and Administrative Expenses	(350,491)	(340,954)
Net Cash Provided by Operating Activities	144,356	19,362
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Equipment	(49,217)	(29,680)
Net Cash Used By Investing Activities	(49,217)	(29,680)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of Long-Term Debt	(14,513)	(13,797)
Net Cash Used By Financing Activities	(14,513)	(13,797)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	80,626	(24,115)
CASH AND CASH EQUIVALENTS, Beginning of Year	213,721	237,836
CASH AND CASH EQUIVALENTS, End of Year	\$ 294,347	\$ 213,721
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Change In Net Assets	\$ 59,810	\$ (50,905)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation and Amortization	69,781	68,239
(Increase) Decrease In:		
Accounts Receivable	(1,325)	--
Prepaid Expense	(1,633)	(2,205)
Inventories	(5,283)	1,169
Increase (Decrease) In:		
Accounts Payable	22,402	13
Accrued Vacation	(420)	4,902
Accrued Wages	1,234	2,501
Payroll Liabilities	(35)	(4,252)
Sales Tax Payable	(175)	(100)
Net Cash Provided By Operating Activities	\$ 144,356	\$ 19,362

See notes to the financial statements.



HUMANE SOCIETY OF PAGOSA SPRINGS, INC.  
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NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

**NOTE A – NATURE OF CORPORATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

The Humane Society of Pagosa Springs, Inc. is a non-profit corporation whose primary objective is to protect and prevent cruelty and neglect of animals in Archuleta County, Colorado. The organization is primarily supported by contributions from the public and income from a thrift shop. This organization was started in 1984.

**Basis of Presentation**

The financial statements of the Organization are prepared using the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net Assets Without Donor Restriction – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets With Donor Restriction – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

**Contributions**

Contributions, which include unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until such time as the conditions are substantially met.

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.  
A Colorado Non-Profit Corporation

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

**NOTE A - NATURE OF CORPORATION AND SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

Contributions of non-cash assets are recognized at their estimated fair market value on the date of contribution. Contributions to be collected in future years are recorded at fair value when the promise is made.

A substantial number of volunteers donate significant amounts of time in the furtherance of the Organization's objectives. The value of these services is not recognized in these financial statements as they do not meet the specific criteria for recognition under generally accepted accounting principles.

**Cash and Cash Equivalents**

The Organization considers all highly liquid assets purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist primarily of checking accounts and certificates of deposit that are stated at fair value, which approximates cost. The Organization maintains its cash and cash equivalents in depository institution accounts that are within federally insured limits. The Organization has not experienced any losses in such accounts.

**Property and Equipment**

Property and equipment are carried at cost or, if donated, at the fair value on the date of donation. The Organization follows a policy whereby it capitalizes purchases of property and equipment greater than \$500. Depreciation is recorded using the straight-line method over the following estimated useful lives:

Buildings and Improvements	40 years
Furniture, fixtures, and equipment	3 to 10 years

**In-Kind Gifts**

The Organization recognizes contribution revenue for certain donated services and materials received at the fair value of those services and materials. During the years ending December 31, 2019 and 2018, contributed services and materials totaled \$14,171 and \$47,613.



HUMANE SOCIETY OF PAGOSA SPRINGS, INC.  
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NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

**NOTE A - NATURE OF CORPORATION AND SIGNIFICANT ACCOUNTING POLICIES**

(Continued)

**Functional Allocation of Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Income Taxes**

The Internal Revenue Service has classified the Organization as tax-exempt under Section 501(c)3 of the Internal Revenue Code. Accordingly, no provision for Federal income tax has been made in the financial statements. The Organization follows the guidance of Accounting Standards Codification (ASC) 740, *Accounting for Income Taxes* (ASC 740), related to uncertainties in income taxes, which prescribes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. There are no such uncertain tax positions for the Organization for the year ended December 31, 2019 and 2018.

Forms 990, *Return of Organization Exempt from Income Tax*, for the years ended December 31, 2016, 2017, 2018 and 2019 are subject to examination by the Internal Revenue Service, generally for three years after filing.

**Subsequent Events**

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued.

**Use of Estimates**

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.  
A Colorado Non-Profit Corporation

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

**NOTE B – CASH AND CASH EQUIVALENTS**

**Deposits**

Following is a reconciliation of the Humane Society's cash as shown in the basic financial statements:

	<u>2019</u>	<u>2018</u>
General fund checking	\$ 132,126	\$ 103,440
General fund CD's	--	9,172
General fund Money Markets	<u>162,221</u>	<u>101,109</u>
Total Cash	<u>\$ 294,347</u>	<u>\$ 213,721</u>

The Organization maintains its cash deposits in accounts at various financial institutions which, at times during the year may exceed the federally insured limits. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution.

**NOTE C - ADVERTISING COSTS**

Advertising costs are expensed as incurred.

**NOTE D – INVENTORY**

The Organization receives contributions of goods and materials (inventory) and processes these contributions as merchandise available for sale in its retail thrift store. Financial accounting standards require that contributions received be recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received and that they be measured at their fair value.

The Organization believes that the inventory of contributed goods and materials does not possess an attribute that is easily measurable or verifiable with sufficient reliability to determine an inventory value at the time of donation. It is only through the value-added processes that prepare the donated inventory for sale that the donated inventory has value.

Accordingly, contributed goods and materials inventory are valued at zero prior to being offered for sale.



HUMANE SOCIETY OF PAGOSA SPRINGS, INC.  
A Colorado Non-Profit Corporation

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

**NOTE D – INVENTORY** (Continued)

The Organization considers the costs associated with bringing the donated inventory to sale (i.e., donation collection, transportation, sorting and pricing expenses) in its estimate of the fair value of inventory. The difference between year-end inventory valuations is shown on the Statement of Activities as Contribution Income. Contribution Income was \$5,283 as of December 31, 2019 and (\$1,169) as of December 31, 2018. The 2018 decrease of \$1,169 is reported in cost of sales.

**NOTE E – PROPERTY AND EQUIPMENT**

The components of property and equipment as of December 31 are as follows:

	2019	2018
Automobiles	\$ 46,484	\$ 46,484
Buildings	1,656,431	1,656,431
Improvements	415,405	366,188
Machinery and equipment	86,908	86,908
Land	50,625	50,625
Less:		
Accumulated depreciation	(702,245)	(632,464)
	\$ 1,553,608	\$ 1,574,172

**NOTE F – COMPENSATED ABSENCES**

Full time employees earn paid time off based on their length of employment. After the first three months of employment, an employee earns ten days of paid time off per year. After two years of continuous employment an employee earns fifteen days of paid time off per year. And after five years of service an employee earns twenty-five days of paid time off per year. Paid time off that is earned but unused at the end of the year is limited to three weeks. The December 31, 2019 vacation accrual was \$14,190 and \$13,769 as of December 31, 2018.

**NOTE G – LONG-TERM DEBT**

On December 23, 2008, the Humane Society of Pagosa Springs, Inc. refinanced their two loans with Citizens Bank with a new loan with Wells Fargo. This loan is payable in 360 monthly installments of \$3,346 including interest at 5%.

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.  
A Colorado Non-Profit Corporation

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

**NOTE G – LONG-TERM DEBT** (Continued)

The maturities of long-term debt as of December 31, 2019 are as follows:

2020	\$	15,619
2021		16,418
2022		17,258
2023		18,141
2024		19,069
2025-2038		411,450
TOTAL	\$	497,955

**NOTE H – NET ASSETS**

As of December 31, net assets were for the following purposes:

	2019	2018
Invested In Fixed Assets Without Donor Restrictions	\$ 1,035,653	\$ 1,061,703
Invested In Fixed Assets With Donor Restrictions	20,000	--
Without Donor Restrictions	275,490	209,603
 TOTAL NET ASSETS	 \$ 1,331,143	 \$ 1,271,306

**NOTE I – CASH FLOW INFORMATION**

Cash paid for interest expense for the year ended December 31, 2019 was \$25,645 and \$26,361 for the year ended December 31, 2018.

**NOTE J – PUBLIC SUPPORT**

The Organization received \$68,078 in 2019 and \$67,276 in 2018 of its Shelter fees from the Town of Pagosa Springs and Archuleta County, based on contracts for impound services that are renewed annually. Even though there is no assurance that these contracts will be renewed on an annual basis, they have been renewed annually for the past 24 years. Management of the Organization firmly believes these contracts will be renewed.

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.  
A Colorado Non-Profit Corporation

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2019

**NOTE K – RELATED PARTY TRANSACTIONS**

The Board of Directors contributed \$625 to the Humane Society during the year ended December 31, 2019 and \$2,075 for the year ended December 31, 2018.

**NOTE L – LIQUIDITY and AVAILABILITY OF FINANCIAL ASSETS**

The Humane Society's working capital and cash flows vary during the year attributable to various fundraising activities and the thrift store sales. Monthly cash outflows are fairly consistent with the exception of individual fundraising events. To manage liquidity the Executive Director maintains a money market account that can be drawn on as needed.

The following reflects the Humane Society's financial assets as of the balance sheet date. There are not any reductions for contractual, donor-imposed restrictions or internal designations that restrict the financial assets for general use within one year of the balance sheet date.

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 294,347	\$ 213,721
Accounts Receivable	1,325	--
Inventory	<u>47,810</u>	<u>42,527</u>
 TOTAL FINANCIAL ASSETS	 343,482	 256,248
 Contractual or Donor -Imposed Restrictions		
Cash Restricted to Capital Expenditures	<u>(20,000)</u>	<u>--</u>
 TOTAL RESTRICTIONS	 <u>(20,000)</u>	 <u>--</u>
 Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	 <u>\$ 323,482</u>	 <u>\$ 256,248</u>

**NOTE M – SUBSEQUENT EVENT**

There were no subsequent events to report at July 15, 2020, the date in which the Financial Statements were available.