

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

**BASIC FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2018**

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

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Board of Directors  
Humane Society of Pagosa Springs, Inc.  
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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, 2018, 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 June 14, 2018; 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, 2018, 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.



Heidi A. Trainor, CPA, PC  
July 2, 2019

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

STATEMENT OF FINANCIAL POSITION  
For the Year Ended December 31, 2018

	2,018	2,017
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 213,721	\$ 237,836
Prepaid Insurance	3,594	1,389
Inventory	42,527	43,696
Fixed Assets, Net	1,574,172	1,612,731
<b>TOTAL ASSETS</b>	<b>\$ 1,834,014</b>	<b>\$ 1,895,652</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 9,310	\$ 9,297
Accrued Expenses	34,738	27,335
Payroll Liabilities	3,559	7,811
Sales Tax Payable	2,605	2,705
Current Portion of Long-Term Debt	14,859	14,221
Total Current Liabilities	65,071	61,369
LONG TERM DEBT - Net of Current Portion	497,610	512,045
Total Liabilities	562,681	573,414
<b>NET ASSETS</b>		
Without Donor Restriction	1,271,333	1,322,238
Total Net Assets	1,271,333	1,322,238
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,834,014</b>	<b>\$ 1,895,652</b>

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, 2018

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>OPERATING REVENUES, GAINS AND OTHER SUPPORT</b>				
Program	\$ 648,309	\$ --	\$ 648,309	\$ 715,452
Grants	--	1,700	1,700	19,540
Public Support	97,245	30,284	127,529	113,246
Contribution Income	--	--	--	11,416
Interest Income	928	--	928	595
In-Kind	7,161	--	7,161	5,321
Fundraising	132,792	--	132,792	107,970
Gain on Sale of Assets	6,135	--	6,135	--
Net Assets Released from Restriction	31,984	(31,984)	--	--
<b>TOTAL OPERATING REVENUES, GAINS AND OTHER SUPPORT</b>	<b>924,554</b>	<b>--</b>	<b>924,554</b>	<b>973,540</b>
<b>OPERATING EXPENSES</b>				
Program	798,999	--	798,999	799,594
Fundraising	69,644	--	69,644	39,715
General and Administrative	106,816	--	106,816	62,111
<b>TOTAL OPERATING EXPENSES</b>	<b>975,459</b>	<b>--</b>	<b>975,459</b>	<b>901,420</b>
<b>CHANGE IN NET ASSETS</b>	<b>(50,905)</b>	<b>--</b>	<b>(50,905)</b>	<b>72,120</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>1,322,238</b>	<b>--</b>	<b>1,322,238</b>	<b>1,250,118</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 1,271,333</b>	<b>\$ --</b>	<b>\$ 1,271,333</b>	<b>\$ 1,322,238</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, 2018

2018

	SUPPORTING SERVICES			Total Support	Total Expenses	2017
	Program	Management and General	Fundraising			
<b>COMPENSATION AND RELATED EXPENSES:</b>						
Payroll	\$ 433,163	\$ 42,705	\$ 6,188	\$ 48,893	\$ 482,056	\$ 453,460
Payroll Taxes	32,917	2,905	473	3,378	36,295	37,898
<b>TOTAL COMPENSATION AND RELATED EXPENSES</b>	<b>466,080</b>	<b>45,610</b>	<b>6,661</b>	<b>52,271</b>	<b>518,351</b>	<b>491,358</b>
Inventory Cost of Goods Sold	26,960	6,566	--	6,566	33,526	30,573
Marketing	7,039	5,414	331	5,745	12,784	13,777
Security	2,686	-	--	0	2,686	2,286
Building/Equipment Repairs	9,116	3,217	--	3,217	12,333	20,384
Depreciation Expense	68,239	--	--	--	68,239	61,976
Insurance	21,925	--	583	583	22,508	22,356
Postage and Delivery	17	4,216	--	4,216	4,233	4,954
Auto Expense	4,356	4,318	--	4,318	8,674	5,010
Program Development	33,091	--	--	--	33,091	43,543
Telecommunications	2,507	3,620	--	3,620	6,127	6,941
Bank Charges	9,576	-	65	65	9,641	8,849
Fundraising Events	--	--	52,793	52,793	52,793	28,505
Facilities	16,973	16,715	--	16,715	33,688	27,845
Professional Fees	11,267	8,314	1,825	10,139	21,406	20,754
Interest	26,361	--	--	--	26,361	27,274
Veterinary Expense	42,943	--	--	--	42,943	33,280
Crematorium Expense	9,480	--	--	--	9,480	6,177
Staff Incentives	3,883	-	--	0	3,883	6,426
Supplies	33,046	6,641	--	6,641	39,687	31,239
Miscellaneous Expense	3,454	2,185	225	2,410	5,864	2,592
<b>Total Expenses Before In-Kind</b>	<b>798,999</b>	<b>106,816</b>	<b>62,483</b>	<b>169,299</b>	<b>968,298</b>	<b>896,099</b>
<b>In Kind</b>	<b>--</b>	<b>--</b>	<b>7,161</b>	<b>7,161</b>	<b>7,161</b>	<b>5,321</b>
<b>TOTAL EXPENSES</b>	<b>\$ 798,999</b>	<b>\$ 106,816</b>	<b>\$ 69,644</b>	<b>\$ 176,460</b>	<b>\$ 975,459</b>	<b>\$ 901,420</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, 2018

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Retail Sales	\$ 530,189	\$ 491,816
Cash Received from Shelter Services	118,121	141,688
Cash Received from Contributors	126,360	183,940
Cash Received from Grantors	1,700	42,210
Cash Received from Fundraising	132,792	107,970
Cash Received from Interest and Dividends	928	595
Cash Paid for Program Expenses	(439,678)	(776,584)
Cash Paid for Fundraising Expenses	(110,096)	(39,715)
Cash Paid for General and Administrative Expenses	(340,954)	(62,111)
Net Cash Provided by Operating Activities	19,362	89,809
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Equipment	(29,680)	(23,984)
Building Improvements	--	(24,695)
Net Cash Used By Investing Activities	(29,680)	(48,679)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of Long-Term Debt	(13,797)	(13,116)
Net Cash Used By Financing Activities	(13,797)	(13,116)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(24,115)	28,014
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	237,836	209,822
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	\$ 213,721	\$ 237,836
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Change In Net Assets	\$ (50,905)	\$ 72,120
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation and Amortization	68,239	61,976
(Increase) Decrease In:		
Accounts Receivable	--	560
Prepaid Expense	(2,205)	(998)
Inventories	1,169	(11,446)
Increase (Decrease) In:		
Accounts Payable	13	(33,971)
Accrued Vacation	4,902	970
Accrued Wages	2,501	556
Payroll Liabilities	(4,252)	(293)
Sales Tax Payable	(100)	335
Net Cash Provided By Operating Activities	\$ 19,362	\$ 89,809

See notes to the financial statements.



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

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2018

**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, 2018

**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 June 30, 2018 and 2017, contributed services and materials totaled \$47,613 and \$5,321.

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

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2018

**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, 2017 and 2018.

Forms 990, *Return of Organization Exempt from Income Tax*, for the years ended December 31, 2015, 2016, 2017 and 2018 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, 2018

**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>2018</u>	<u>2017</u>
General fund checking	\$ 103,440	\$ 151,137
General fund CD's	9,172	9,144
General fund Money Markets	<u>101,109</u>	<u>77,555</u>
Total Cash	<u>\$ 213,721</u>	<u>\$ 237,836</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, 2018

**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 \$11,416 as of December 31, 2017 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:

	2018	2017
Automobiles	\$ 46,484	\$ 51,279
Buildings	1,656,431	1,656,431
Improvements	366,188	359,008
Machinery and equipment	86,908	86,908
Land	50,625	50,625
Less:		
Accumulated depreciation	(632,464)	(591,520)
	\$ 1,574,172	\$ 1,612,731

**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 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, 2017 vacation accrual was \$8,868 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, 2018

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

The maturities of long term debt as of December 31, 2018 are as follows:

2019	\$	14,858
2020		15,619
2021		16,418
2022		17,258
2023		18,141
2024-2038		430,175
TOTAL	\$	512,469

**NOTE H – BOARD DESIGNATED NET ASSETS**

As of December 31, net assets without donor restrictions were for the following purposes:

	2018	2017
Invested In Fixed Assets	\$ 1,061,703	\$ 1,086,645
Without Restrictions	209,630	235,593
		\$
TOTAL BOARD DESIGNATED NET ASSETS	\$ 1,271,333	\$ 1,322,238

**NOTE I – CASH FLOW INFORMATION**

Cash paid for interest expense for the year ended December 31, 2017 was \$27,042 and \$26,361 for the year ended December 31, 2018.

**NOTE J – PUBLIC SUPPORT**

The Organization received \$67,276 in 2018 and \$76,051 in 2017 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 23 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, 2018

**NOTE K – RELATED PARTY TRANSACTIONS**

The Board of Directors contributed \$2,075 to the Humane Society during 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 various certificates of deposit and 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>2018</u>	<u>2017</u>
Cash and Cash Equivalents	\$ 213,721	\$ 237,836
Inventory	<u>42,527</u>	<u>43,696</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u>\$ 256,248</u>	<u>\$ 281,532</u>

**NOTE M – SUBSEQUENT EVENT**

There were no subsequent events to report at July 2, 2019, the date in which the Financial Statements were available.