

**ROUTT COUNTY HUMANE SOCIETY**

Financial Statements

December 31, 2022

# ROUTT COUNTY HUMANE SOCIETY

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## Independent Auditor's Report

The Board of Directors  
Routt County Humane Society  
Steamboat Springs, Colorado

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of the Routt County Humane Society (the Organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Routt County Humane Society as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles (GAAP).

#### ***Basis for Opinion***

We conducted our audit in accordance with U.S. generally accepted auditing standards (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Report on Summarized Comparative Financial Information**

We have previously audited the Organization's December 31, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 13, 2022. In our opinion, the summarized comparative financial information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Cutler + Company, P.C.*

Steamboat Springs, Colorado  
June 26, 2023

**ROUTT COUNTY HUMANE SOCIETY**  
**Statement of Financial Position**  
**December 31, 2022**  
**(with summarized financial information as of December 31, 2021)**

	2022	2021
<b>Assets:</b>		
Cash and cash equivalents	\$ 541,862	\$ 659,922
Accounts receivable	877	8,080
Other assets	6,514	1,500
Security deposit	3,500	3,500
Right-of-use asset	44,027	-
Property and equipment, net of accumulated depreciation	247,542	187,517
<b>Total assets</b>	<b>\$ 844,322</b>	<b>\$ 860,519</b>
<b>Liabilities and net assets:</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 13,556	\$ 15,295
Lease liability	44,027	-
<b>Total liabilities</b>	<b>57,583</b>	<b>15,295</b>
Net assets:		
Without donor restrictions	678,681	684,323
With donor restrictions	108,058	160,901
<b>Total net assets</b>	<b>786,739</b>	<b>845,224</b>
<b>Total liabilities and net assets</b>	<b>\$ 844,322</b>	<b>\$ 860,519</b>

See accompanying notes to financial statements.

**ROUTT COUNTY HUMANE SOCIETY**  
**Statement of Activities**  
**For the Year Ended December 31, 2022**  
(with summarized financial information for the year ended December 31, 2021)

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Revenues and other support:</b>				
Contributions and grants	\$ 239,168	\$ 50,000	\$ 289,168	\$ 456,568
Shelter contract services	178,642	-	178,642	175,138
Program fees:				
Adoptions	60,500	-	60,500	73,323
Wellness	91,309	-	91,309	61,061
Licenses	7,755	-	7,755	9,352
Boarding	1,175	-	1,175	3,255
Training	4,000	-	4,000	3,002
Cremations	4,270	-	4,270	4,165
Other	7,674	-	7,674	6,595
Fundraising events, net of direct costs	129,422	-	129,422	96,548
Interest income	1,923	476	2,399	910
Other	10,622	-	10,622	5,158
Net assets released from restrictions	103,319	(103,319)	-	-
<b>Total revenues and other support</b>	<b>839,779</b>	<b>(52,843)</b>	<b>786,936</b>	<b>895,075</b>
<b>Operating expenses:</b>				
Program services	648,731	-	648,731	540,508
Supporting services:				
Management and general	107,445	-	107,445	144,153
Fundraising	89,245	-	89,245	47,124
<b>Total operating expenses</b>	<b>845,421</b>	<b>-</b>	<b>845,421</b>	<b>731,785</b>
Change in net assets	(5,642)	(52,843)	(58,485)	163,290
Net assets, beginning of year	684,323	160,901	845,224	681,934
Net assets, end of year	<u>\$ 678,681</u>	<u>\$ 108,058</u>	<u>\$ 786,739</u>	<u>\$ 845,224</u>

See accompanying notes to financial statements.

**ROUTT COUNTY HUMANE SOCIETY**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2022**  
(with summarized financial information for the year ended December 31, 2021)

	2022				2021 Total
	Program Services	Management and General	Fundraising	Total	
<b>Expenses:</b>					
Wages and benefits	\$ 380,234	\$ 79,216	\$ 74,670	\$ 534,120	\$ 421,131
Contract labor	-	-	-	-	33,548
Occupancy	76,357	509	-	76,866	73,503
Shelter medical	12,186	-	-	12,186	7,690
Shelter spay/neuter	4,693	-	-	4,693	957
Veterinary supplies	57,214	467	644	58,325	54,887
Shelter supplies	11,175	-	250	11,425	9,833
Crematorium operations	7,873	-	-	7,873	5,464
Vehicle operations	6,777	160	-	6,937	3,089
Professional fees	10	14,637	-	14,647	18,254
Information technology	4,303	4,927	-	9,230	15,954
Insurance	10,233	1,156	-	11,389	6,892
Credit card charges	2,197	4,056	349	6,602	5,898
Repairs and maintenance	5,081	269	-	5,350	4,877
Marketing and advertising	9,869	16	450	10,335	10,749
Staff training and development	6,084	149	-	6,233	803
Dues and subscriptions	4,853	1,883	3,873	10,609	11,091
Depreciation	31,870	-	-	31,870	21,731
Other	17,722	-	9,009	26,731	25,434
<b>Total expenses</b>	<b>\$ 648,731</b>	<b>\$ 107,445</b>	<b>\$ 89,245</b>	<b>\$ 845,421</b>	<b>\$ 731,785</b>

See accompanying notes to financial statements.

**ROUTT COUNTY HUMANE SOCIETY**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2022**  
(with summarized financial information for the year ended December 31, 2021)

	2022	2021
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (58,485)	\$ 163,290
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	31,870	21,731
(Increase) decrease in:		
Accounts receivable	7,203	(3,170)
Agency assets	-	115,271
Other assets	(5,014)	1,792
(Decrease) increase in:		
Accounts payable and accrued expenses	(1,739)	948
Agency liabilities	-	(114,290)
	(26,165)	185,572
<b>Net cash provided (used) by operating activities</b>		
<b>Cash flows from investing activities:</b>		
Payment for acquisition of property and equipment	(91,895)	(50,050)
	(91,895)	(50,050)
<b>Net cash provided (used) by investing activities</b>		
Net change in cash and cash equivalents	(118,060)	135,522
Cash and cash equivalents, beginning of year	659,922	524,400
Cash and cash equivalents, end of year	\$ 541,862	\$ 659,922

See accompanying notes to financial statements.



**ROUTT COUNTY HUMANE SOCIETY**  
**Notes to Financial Statements**  
**December 31, 2022**  
(with summarized financial information as of December 31, 2021 and for the year then ended)

**Note 1: Description of the Organization**

The Routt County Humane Society (the Organization) was incorporated as a Colorado not-for-profit corporation in 1985 to serve the welfare of animals in Routt County, Colorado. The Organization's mission is to be a community resource that helps animals in need through sheltering, adoption, education, veterinary services and community outreach.

The Organization provides routine and emergency veterinary care for shelter animals and spay/neuter services in the City of Steamboat Springs, Colorado (the City). The Organization is funded primarily by shelter contract services, contributions, grants and program fees for services.

**Note 2: Summary of Significant Accounting Policies**

*Basis of Presentation*

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). The accounting policies of the Organization have been designed to conform to GAAP as applicable to not-for-profit organizations.

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Without donor restrictions: Net assets that are not subject to donor-imposed stipulations.

With donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

*Cash and Cash Equivalents*

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

*Concentrations of Credit Risk*

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Organization's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

*Accounts Receivable*

Accounts receivable consist primarily of amounts due from contract services and program fees for services. The Organization believes that all of its receivables are collectible; therefore, no provision for uncollectible accounts has been recorded as of December 31, 2022 and 2021.

*Leases*

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term using a risk-free rate of return. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

**ROUTT COUNTY HUMANE SOCIETY**  
**Notes to Financial Statements**  
**December 31, 2022**  
(with summarized financial information as of December 31, 2021 and for the year then ended)

**Note 2: Summary of Significant Accounting Policies (continued)**

*Property and Equipment, Net*

Property and equipment are stated at cost at the date of acquisition or fair value if acquired through donation. The Organization's management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered. Depreciation is calculated using the straight-line method over the applicable estimated useful lives.

*Revenue Recognition*

Contributions and Grants

Contributions and grants are recognized when cash, securities or other assets and unconditional promises to give are received. Conditional promises to give, that is, those with a measurable performance barrier and a right of return are not recognized until the conditions on which they depend are substantially met. Payments received in advance of the conditions being met are recorded as refundable advances in the statement of financial position.

Contributions and grants received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions and grants that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions in the statement of activities.

Contributions of assets other than cash are recorded at their estimated fair value as of the date of the gift.

Shelter Contract Services

Shelter contract services are recognized as revenue ratably over the contract period.

Program Fees

Revenues from program fees are recognized as earned when the services are provided to the program participants.

*Functional Expenses*

The costs of providing program and supporting services have been summarized on a functional basis in the statement of functional expenses. The Organization incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Organization also incurs expenses that are attributable to more than one function. These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on consistent basis among program and supporting services benefited. The expenses allocated include wages and benefits that are allocated on estimates of time and effort incurred by personnel.

*Advertising*

The Organization expenses the costs of advertising when incurred.

*Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**ROUTT COUNTY HUMANE SOCIETY**  
**Notes to Financial Statements**  
**December 31, 2022**  
(with summarized financial information as of December 31, 2021 and for the year then ended)

**Note 2: Summary of Significant Accounting Policies (continued)**

*Tax Status*

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the Organization qualifies for the charitable contribution deduction. Income from activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. There was no unrelated business income during 2022.

The Organization is subject to routine audits by tax jurisdictions; however, there are currently no audits for any tax periods in progress. The three previous tax years remain subject to examination by the IRS.

*Comparative Financial Statements*

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Certain prior year amounts have been reclassified to conform to the current year presentation.

*Adoption of New Accounting Policies*

Effective January 1, 2022, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and its related amendments. The standard requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization elected not to restate the comparative prior period (December 31, 2021). As a result of implementing ASU No. 2016-02, the Organization recognized a right-of-use asset of \$100,229 and a lease liability of \$100,229 in its statement of financial position as of January 1, 2022. The adoption did not result in significant effect on amounts reported in the statement of activities for the year ended December 31, 2022.

**Note 3: Liquidity and Availability of Financial Assets**

Financial assets available for general expenditure within one year of December 31, 2022:

Cash and cash equivalents	\$	541,862
Accounts receivable		877
		542,739
Less amounts not available to be used:		
Net assets with donor restrictions		(118,310)
		\$ 424,429

As part of the Organization's liquidity management, the Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**ROUTT COUNTY HUMANE SOCIETY**

**Notes to Financial Statements**

**December 31, 2022**

(with summarized financial information as of December 31, 2021 and for the year then ended)

**Note 4: Property and Equipment, Net**

Property and equipment, net consisted of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>	<u>Estimated Useful Life</u>
Leasehold improvements	\$ 26,084	\$ 26,084	15 years
Vehicles	221,739	129,843	5-7 years
X-Ray equipment	65,900	65,900	15 years
Equipment and fixtures	<u>42,784</u>	<u>42,784</u>	5-7 years
	356,507	264,611	
Less accumulated depreciation	<u>(108,965)</u>	<u>(77,094)</u>	
	<u>\$ 247,542</u>	<u>\$ 187,517</u>	

**Note 5: Animal Shelter Services**

The Organization entered into an agreement with the City in October 2019, as amended in November 2020, to operate and manage the City's animal shelter. Terms of the agreement require the City to pay compensation to the Organization with 5% maximum annual Consumer Price Index (CPI) increase. The term of the agreement is through December 31, 2022 and City has the option to extend. The Organization received \$94,354 and \$92,503 from the City for contracted animal shelter services for the years ended December 31, 2022 and 2021, respectively.

The Organization also entered into an agreement for animal shelter services with Routt County, Colorado (the County) in conjunction with the City contract. Terms of the agreement require the County to pay compensation to the Organization upon mutual agreement as part of the County's annual budgeting process. The agreement could be extended upon mutual agreement of the Organization and County. The Organization received \$84,288 and \$82,635 from the County for contracted animal shelter services for the years ended December 31, 2022 and 2021, respectively.

**Note 6: Net Assets With Donor Restrictions**

Net assets with donor restrictions were as follows as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Crematorium operations	\$ 71,349	\$ 78,746
Spay/Neuter vet trailer	-	43,067
Animal transport program	16,055	18,434
Yellow Dog Project	<u>20,654</u>	<u>20,654</u>
	<u>\$ 108,058</u>	<u>\$ 160,901</u>

Net assets released from net assets with donor restrictions during the year ended December 31, 2022 were as follows:

Purchase of spay/neuter vet trailer	\$ 93,067
Crematorium operations	7,873
Animal transport program	<u>2,379</u>
	<u>\$ 103,319</u>

**ROUTT COUNTY HUMANE SOCIETY**  
**Notes to Financial Statements**  
**December 31, 2022**  
(with summarized financial information as of December 31, 2021 and for the year then ended)

**Note 7: Lease**

The Organization entered into a lease agreement for offices and an additional large room effective September 24, 2018 through September 23, 2023. Terms of the agreement include initial monthly rent of \$3,500 increasing annually by 3%. During the year ended December 31, 2020, the Organization amended the lease to rent additional office space in the same building for \$1,000 per month.

The right-of-use asset and corresponding liability associated with future operating lease payments as of December 31, 2022 are as follows:

	Operating
Right-of-use assets	\$ 44,027
Lease liability	\$ 44,027
Discount rate	2.96%
Remaining lease term (years)	0.75

Lease cost reported within occupancy in the statement of functional expenses for the year ended December 31, 2022 is as follows:

Operating lease cost	\$ 58,822
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The minimum lease payments under the operating lease as of December 31, 2022 are as follows:

Year ended December 31,	
2023	\$ 39,514
	\$ 39,514

**Note 8: Employee Retirement Plan**

The Organization offers employees the opportunity for participation in a SIMPE IRA retirement plan. The Organization matches a percentage of participating employee wages determined on an annual basis. During the years ended December 31, 2022 and 2021, the Organization made matching contributions of 2% of participating employee wages to the plan totaling \$6,497 and \$5,606, respectively.

**Note 9: Subsequent Events**

The Organization has evaluated subsequent events through June 26, 2023, which is the date the financial statements were available to be issued.