

**NOCO Humane
f/k/a Larimer Humane Society**

(a nonprofit Colorado corporation)

Financial Statements

June 30, 2024 and 2023

NOCO Humane f/k/a Larimer Humane Society

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Independent Auditor's Report

To the Board of Directors
NOCO Humane f/k/a Larimer Humane Society
Loveland, Colorado

Opinion

We have audited the financial statements of NOCO Humane f/k/a Larimer Humane Society (a nonprofit Colorado corporation), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years 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 NOCO Humane f/k/a Larimer Humane Society as of June 30, 2024 and 2023, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 NOCO Humane f/k/a Larimer Humane Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the evidence we have 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 NOCO Humane f/k/a Larimer Humane Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Independent Auditor's Report (continued)

Auditor's Responsibility 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 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 NOCO Humane f/k/a Larimer Humane Society'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 NOCO Humane f/k/a Larimer Humane Society'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.

Brock and Company, CPAs, P.C.
Certified Public Accountants

Boulder, Colorado
October 7, 2024

NOCO Humane f/k/a Larimer Humane Society

Statements of Financial Position

June 30	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,521,426	\$ 2,025,538
Investments	12,699,913	12,580,099
Accounts receivable	11,813	10,929
Contributions receivable	-	24,700
Prepaid expenses and other current assets	69,974	89,520
Total current assets	<u>14,303,126</u>	<u>14,730,786</u>
Property and Equipment, net	<u>18,910,678</u>	<u>16,430,325</u>
Other Assets		
Beneficial interest in assets held by community foundation	35,598	31,842
Cash surrender value of life insurance	47,786	-
Total other assets	<u>83,384</u>	<u>31,842</u>
Total assets	<u>\$ 33,297,188</u>	<u>\$ 31,192,953</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and other accrued expenses	\$ 192,311	\$ 116,863
Accrued compensation and benefits	425,579	303,514
Deferred revenue	118,159	40,906
Refundable advances	296,594	304,371
Current maturities of notes payable, net	227,528	190,903
Total current liabilities	<u>1,260,171</u>	<u>956,557</u>
Long-Term Liabilities		
Refundable advances, net of current portion	3,754,465	4,051,059
Notes payable, net of current maturities	7,934,256	7,505,346
Total long-term liabilities	<u>11,688,721</u>	<u>11,556,405</u>
Total liabilities	<u>12,948,892</u>	<u>12,512,962</u>
Net Assets		
Without donor restrictions		
Undesignated	11,246,360	12,262,401
Board-designated	2,371,057	2,014,244
Net investment in property and equipment	6,697,835	4,378,646
Total net assets	<u>20,315,252</u>	<u>18,655,291</u>
With donor restrictions		
Total net assets	<u>33,044</u>	<u>24,700</u>
Total net assets	<u>20,348,296</u>	<u>18,679,991</u>
Total liabilities and net assets	<u>\$ 33,297,188</u>	<u>\$ 31,192,953</u>

The accompanying Notes are an integral
part of these financial statements

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NOCO Humane f/k/a Larimer Humane Society

Statement of Activities

Year ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Operating Revenue			
Contract revenue	\$ 3,361,093	\$ -	\$ 3,361,093
License fees	704,847	-	704,847
Adoption fees	495,207	-	495,207
Impound fees	124,206	-	124,206
Other program revenue	158,282	-	158,282
Merchandise sales, net	26,862	-	26,862
Total operating revenue	<u>4,870,497</u>	<u>-</u>	<u>4,870,497</u>
Operating Support			
Contributions	2,820,952	155,000	2,975,952
Contributions, in-kind	2,378,151	-	2,378,151
Special event income, net	241,480	-	241,480
Net assets released from restrictions			
Satisfaction of purpose restrictions	121,956	(121,956)	-
Expiration of time restrictions	24,700	(24,700)	-
Total operating support	<u>5,587,239</u>	<u>8,344</u>	<u>5,595,583</u>
Total operating revenue and support	<u>10,457,736</u>	<u>8,344</u>	<u>10,466,080</u>
Operating Expenses			
Program services	8,720,670	-	8,720,670
Supporting services			
General and administrative	785,673	-	785,673
Fundraising	724,863	-	724,863
Total operating expenses	<u>10,231,206</u>	<u>-</u>	<u>10,231,206</u>
Total operating revenue and support in excess of operating expenses	<u>226,530</u>	<u>8,344</u>	<u>234,874</u>
Other Changes			
Investment income, net	1,409,054	-	1,409,054
Other income	18,877	-	18,877
Gain on sale of equipment	5,500	-	5,500
Total other changes	<u>1,433,431</u>	<u>-</u>	<u>1,433,431</u>
Change in Net Assets	1,659,961	8,344	1,668,305
Net Assets, Beginning of Year	18,655,291	24,700	18,679,991
Net Assets, End of Year	<u>\$ 20,315,252</u>	<u>\$ 33,044</u>	<u>\$ 20,348,296</u>

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NOCO Humane f/k/a Larimer Humane Society

Statement of Activities

Year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Operating Revenue			
Contract revenue	\$ 2,170,804	\$ -	\$ 2,170,804
License fees	739,562	-	739,562
Adoption fees	402,069	-	402,069
Impound fees	82,896	-	82,896
Other program revenue	144,556	-	144,556
Merchandise sales, net	17,628	-	17,628
Total operating revenue	<u>3,557,515</u>	<u>-</u>	<u>3,557,515</u>
Operating Support			
Contributions	1,862,860	24,700	1,887,560
Contributions, in-kind	871,466	-	871,466
Special event income, net	234,502	-	234,502
Net assets released from restrictions			
Expiration of time restrictions	41,850	(41,850)	-
Total operating support	<u>3,010,678</u>	<u>(17,150)</u>	<u>2,993,528</u>
Total operating revenue and support	<u>6,568,193</u>	<u>(17,150)</u>	<u>6,551,043</u>
Operating Expenses			
Program services	5,200,803	-	5,200,803
Supporting services			
General and administrative	723,388	-	723,388
Fundraising	659,963	-	659,963
Total operating expenses	<u>6,584,154</u>	<u>-</u>	<u>6,584,154</u>
Total operating expenses in excess of operating revenue and support	(15,961)	(17,150)	(33,111)
Other Changes			
Investment income, net	1,016,608	-	1,016,608
Other income	9,127	-	9,127
Total other changes	<u>1,025,735</u>	<u>-</u>	<u>1,025,735</u>
Change in Net Assets	1,009,774	(17,150)	992,624
Net Assets, Beginning of Year	<u>17,645,517</u>	<u>41,850</u>	<u>17,687,367</u>
Net Assets, End of Year	<u>\$ 18,655,291</u>	<u>\$ 24,700</u>	<u>\$ 18,679,991</u>

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NOCO Humane f/k/a Larimer Humane Society

Statement of Functional Expenses

Year ended June 30, 2024

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 4,149,247	\$ 181,211	\$ 323,331	\$ 4,653,789
Payroll taxes	327,620	10,333	25,353	363,306
Employee benefits	210,666	26,090	20,400	257,156
Total personnel costs	4,687,533	217,634	369,084	5,274,251
Facility maintenance	726,512	13,502	12,972	752,986
Animal care	616,558	-	-	616,558
Interest expense	-	329,641	-	329,641
Contract labor	282,357	15	-	282,372
Information technology	204,750	11,682	45,879	262,311
Printing expense	91,643	1,424	149,686	242,753
Equipment and supplies	216,548	6,367	3,673	226,588
Occupancy	192,343	13,255	11,573	217,171
Grant expense	194,000	-	-	194,000
Staff and volunteer expense	175,862	8,583	4,831	189,276
Insurance	168,601	10,499	8,827	187,927
Legal and professional	82,107	60,392	13,361	155,860
Transportation expense	110,478	6,917	1,771	119,166
Bank fees	34,491	17,547	33,256	85,294
Postage	69,780	2,142	9,863	81,785
Miscellaneous expense	39,997	24,174	14,859	79,030
Telecommunications	63,292	3,944	3,889	71,125
Advertising	35,765	-	-	35,765
Licenses and dues	11,949	14,062	4,575	30,586
Office expenses and maintenance	25,519	843	925	27,287
Total operating expenses before depreciation	8,030,085	742,623	689,024	9,461,732
Depreciation	690,585	43,050	35,839	769,474
Total operating expenses	\$ 8,720,670	\$ 785,673	\$ 724,863	\$ 10,231,206

The accompanying Notes are an integral
part of these financial statements

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NOCO Humane f/k/a Larimer Humane Society

Statement of Functional Expenses

Year ended June 30, 2023

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 2,795,835	\$ 201,118	\$ 301,442	\$ 3,298,395
Payroll taxes	221,068	15,769	23,367	260,204
Employee benefits	198,506	25,892	18,515	242,913
Total personnel costs	3,215,409	242,779	343,324	3,801,512
Interest expense	-	311,895	-	311,895
Animal care	244,047	-	137	244,184
Printing expense	64,889	163	156,637	221,689
Occupancy	153,369	12,172	11,751	177,292
Information technology	135,982	6,706	18,662	161,350
Facility maintenance	134,598	10,682	10,682	155,962
Insurance	123,478	9,275	9,083	141,836
Legal and professional	93,818	41,070	3,669	138,557
Equipment and supplies	84,728	4,985	4,495	94,208
Staff and volunteer expense	75,170	5,989	4,493	85,652
Postage	66,234	456	9,217	75,907
Transportation expense	71,816	2,419	467	74,702
Miscellaneous expense	29,356	18,866	18,238	66,460
Bank fees	35,031	2,807	26,367	64,205
Grant expense	56,000	-	-	56,000
Telecommunications	47,157	3,354	3,540	54,051
Contract labor	30,562	-	-	30,562
Licenses and dues	11,892	12,882	2,313	27,087
Office expenses and maintenance	21,723	1,078	1,078	23,879
Advertising	23,638	-	-	23,638
Total operating expenses before depreciation	4,718,897	687,578	624,153	6,040,435
Depreciation	481,906	35,810	35,810	553,526
Total operating expenses	\$ 5,200,803	\$ 723,388	\$ 659,963	\$ 6,593,961

The accompanying Notes are an integral
part of these financial statements

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NOCO Humane f/k/a Larimer Humane Society

Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended June 30	2024	2023
Cash Flows From Operating Activities		
Change in net assets	\$ 1,668,305	\$ 992,624
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation	769,474	553,526
Amortization of discount on note payable	304,371	311,895
Interest contributions on note payable	(304,371)	(311,895)
Forgiveness of note payable	(495,274)	(495,274)
Gain on sale of equipment	(5,500)	-
Net realized and unrealized gain on investments	(1,031,002)	(718,749)
Donated property and equipment	(1,521,854)	-
Donated investments	(118,860)	-
Increase (decrease) from changes in assets and liabilities		
Accounts receivable	(884)	95
Contributions receivable	24,700	17,150
Prepaid expenses and other current assets	19,546	(39,897)
Accounts payable and other accrued expenses	75,448	9,828
Accrued compensation and benefits	122,065	28,636
Deferred revenue	77,253	(21,027)
Net cash (used) provided by operating activities	<u>(416,583)</u>	<u>326,912</u>
Cash Flows From Investing Activities		
Proceeds from sale of investments	6,284,549	10,788,633
Purchases of investments	(5,306,043)	(10,116,128)
Proceeds from sale of equipment	5,500	-
Purchases of equipment	(1,055,973)	(194,812)
Net cash (used) provided by investing activities	<u>(71,967)</u>	<u>477,693</u>
Cash Flows From Financing Activities		
Payments on note payable	(15,562)	-
Net cash used by financing activities	<u>(15,562)</u>	<u>-</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(504,112)	804,605
Cash and Cash Equivalents, Beginning of Year	2,025,538	1,220,933
Cash and Cash Equivalents, End of Year	\$ 1,521,426	\$ 2,025,538
Supplemental Information		
Property acquired with a note	\$ 672,000	\$ -
Cash paid for interest	\$ 25,269	\$ -

The accompanying Notes are an integral part of these financial statements

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NOCO Humane f/k/a Larimer Humane Society

Notes to Financial Statements

June 30, 2024 and 2023

Note 1 – Nature of Organization and Significant Accounting Policies

Nature of Organization. NOCO Humane f/k/a Larimer Humane Society (the Organization) was formed in April 1969 for the purpose of providing economical, safe, and humane animal treatment and control. In October 2023, the Organization's mission expanded to include new geographical areas. Funding for the Organization is obtained through program service fees and charitable contributions from interested parties.

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.

Basis of Presentation. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions. Net assets resulting from revenues generated by receiving contributions that have no donor stipulations, providing services, and receiving interest and other income, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net Assets With Donor Restrictions. Net assets resulting from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished.

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.

Change in Accounting Principle. Effective July 1, 2023, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 326, *Financial Instruments - Credit Losses*, which changes the method of measuring credit losses for most financial assets and certain other instruments that are not measured at fair value through change in net assets. The standard changes the measurement of credit losses from the incurred loss model to the expected loss model, and requires enhanced disclosures to provide information for analysis of the Organization's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the new standard consist of accounts receivable. The impact of the adoption is not considered to be material to the financial statements and primarily resulted in enhanced disclosures.

Cash and Cash Equivalents. Cash consists of checking and savings accounts held at financial institutions. For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents.

NOCO Humane f/k/a Larimer Humane Society

Notes to Financial Statements

June 30, 2024 and 2023

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

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

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 net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

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

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

Level 2 Inputs to the valuation methodology include:

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

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

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

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

NOCO Humane f/k/a Larimer Humane Society

Notes to Financial Statements

June 30, 2024 and 2023

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

Fair Value Measurements (continued). Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

Equity Securities and Mutual Funds. The Organization values equity securities and mutual funds 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.

Real Estate Investment Trusts. The Organization values real estate investment trusts' at the net asset value ("NAV") of units held by the Organization at year end. The NAV, as provided by the holding corporations, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying assets held by the corporation less its liabilities. This practical expedient is not used when it is determined to be probable that the corporation will sell the assets for an amount different than the reported NAV.

Beneficial Interest in Assets Held by Community Foundation. The Organization values the beneficial interest in assets held by community foundation at the net asset value ("NAV") of units held by the Organization at year end. The NAV, as provided by Community Foundation of Northern Colorado (the Foundation), is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the Foundation less its liabilities. This practical expedient is not used when it is determined to be probable that the Foundation will sell the investment for an amount different than the reported NAV.

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 Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at June 30, 2024 and 2023.

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 and Allowance for Credit Losses. Accounts receivable are stated at the amount of consideration from customers, of which the Organization has an unconditional right to receive. The Organization's accounts receivable are primarily derived from contract revenue. The Organization grants credit in the normal course of business to customers and recognizes an expected allowance for credit losses to reduce credit risk. At each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded.

NOCO Humane f/k/a Larimer Humane Society

Notes to Financial Statements

June 30, 2024 and 2023

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

Accounts Receivable and Allowance for Credit Losses (continued). This estimate is calculated on a pooled basis where similar risk characteristics exist. Accounts receivable are evaluated individually when they do not share similar risk characteristics which could exist in circumstances where amounts are considered at risk or uncollectible. The allowance estimate is derived from a review of the Organization's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Organization. The Organization believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Organization's customers have remained fairly constant for many years. Management believes all accounts receivables are fully collectible, and accordingly, no allowance for credit losses has been recorded.

The Organization writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in revenue. The total amount of write-offs was immaterial to the financial statements as a whole for the years ending June 30, 2024 and 2023.

Contributions Receivable. Unconditional promises to give are recognized as revenue in the period received. Contributions receivable are recorded at the amount the Organization expects to receive, allowing for estimated uncollectible contributions. The allowance for uncollectible contributions is estimated based on management's review of specific contributions outstanding. As of June 30, 2023, management believed all contributions receivable were fully collectible, and accordingly, no allowance for doubtful contributions has been recorded. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment. It is the Organization's policy to capitalize property and equipment at cost for purchases over \$1,500, 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 contributions without donor restrictions 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	5 - 52
Machinery and equipment	3 - 7
Vehicles	3 - 5
Furniture and fixtures	5 - 25

Works of Art. It is the Organization's policy to capitalize works of art at cost for purchases, while donations are capitalized at their estimated fair value at the date of gift. Works of art are not depreciated as the estimated useful lives are extraordinarily long.

NOCO Humane f/k/a Larimer Humane Society

Notes to Financial Statements

June 30, 2024 and 2023

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

Cash Surrender Value of Life Insurance. The Organization is the owner and beneficiary of a life insurance policy that covers the life of a donor. The policy has a cash surrender value which is reported on the statements of financial position at the surrender value provided to the Organization by the insurance carrier. The cash surrender value of the policy was \$47,786 at June 30, 2024. The death benefit of the policy is \$100,000.

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 June 30, 2024 and 2023.

Refundable Advances. Grant funding received in advance of incurring related expenses are considered refundable advances and are deferred. Revenue is recognized as the related costs are incurred.

Revenue Recognition. The Organization's revenues from contracts with customers is comprised of contract revenue, licenses fees, adoption fees, impound fees, other program fees, and merchandise sales.

Contract revenue consists of animal control services for local municipalities. Any amounts received prior to the performance of the service is recorded as a contract liability. Revenue is recognized evenly over the term of the contract with the local municipalities, which satisfies the Organization's performance obligation. Contract revenue recognized over time for the years ended June 30, 2024 and 2023 was \$3,361,093 and \$2,170,804, respectively.

License fees consist of fees for licensing domesticated animals. Revenue is recognized at the point in time in which the license is granted, which satisfies the Organization's performance obligation. License fee revenue recognized at a point in time for the years ended June 30, 2024 and 2023 was \$704,847 and \$739,562, respectively.

Adoption fees consist of fees in exchange for adopting an animal. Revenue is recognized at the point in time in which the animal is picked up, which satisfies the Organization's performance obligation. Adoption fee revenue recognized at a point in time for the years ended June 30, 2024 and 2023 was \$495,207 and \$402,069, respectively.

Impound fees consist of fees collected when a lost animal is returned to the owner. Revenue is recognized at the point in time in which the animal is returned, which satisfies the Organization's performance obligation. Impound fee revenue recognized at a point in time for the years ended June 30, 2024 and 2023 was \$124,206 and \$82,896, respectively.

NOCO Humane f/k/a Larimer Humane Society

Notes to Financial Statements

June 30, 2024 and 2023

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

Revenue Recognition (continued).

Other program fees consist of fees for surrendered animals, veterinary and humane education services. Any amounts received prior to the performance of the service is recorded as a contract liability. Revenue is recognized at the point in time in which the service is completed, which satisfies the Organization's performance obligation. Other program fee revenue recognized at a point in time for the years ended June 30, 2024 and 2023 was \$158,282 and \$144,556, respectively.

Merchandise sales consist of sales made in the retail store. Revenue is recognized at the point in time in which the merchandise is purchased by the customer, which satisfies the Organization's performance obligation. Gross merchandise sales recognized at a point in time for the years ended June 30, 2024 and 2023 was \$50,810 and \$39,458, respectively.

The Organization had accounts receivable representing net billed amounts due on contracts with customers of \$11,813, \$10,929, and \$11,024 as of June 30, 2024 and 2023, and July 1, 2022, respectively. The Organization did not have any contract assets associated with revenue from contracts with customers as of June 30, 2024 and 2023, or as of July 1, 2022. The Organization occasionally collects fees in advance of services being provided, which are recorded as deferred revenue (contract liabilities) on the statements of financial position. Contract liabilities as of June 30, 2024 and 2023, and July 1, 2022 totaled \$118,159, \$40,906, and \$61,933, respectively. Contract liabilities are generally recognized as revenue during the following year.

Revenues are reported at the amount of consideration which the Organization expects to be entitled in exchange for providing the goods and services. The Organization determines the transaction price based on standard charges for goods and services provided, reduced by discounts and other price concessions.

Contributions. Contributions are recognized when the donation is received. Donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributed Services and Materials. 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. Certain other volunteer services are not recorded in these financial statements as they do not meet the criteria for recognition. Contributed materials are reported at fair market value on the date of gift.

Advertising. The Organization expenses advertising costs, including donated advertising, as they are incurred. Advertising expenses for the years ended June 30, 2024 and 2023 were \$35,765 and \$23,638, respectively.

NOCO Humane f/k/a Larimer Humane Society

Notes to Financial Statements

June 30, 2024 and 2023

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

Income Taxes. The Organization is a nonprofit corporation exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for income taxes has been made.

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 in the statement of functional expenses. Accordingly, 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.

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 October 7, 2024, the date at which the financial statements were available for release.

Note 2 – Liquidity and Availability

The Organization's financial assets available for general expenditures within one year are as follows at June 30:

	<u>2024</u>	<u>2023</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,521,426	\$ 2,025,538
Investments	12,699,913	12,580,099
Accounts receivable	11,813	10,929
Contributions receivable	-	24,700
Beneficial interest in assets held by foundation	35,598	31,842
	<u>14,268,750</u>	<u>14,673,108</u>
Less amounts not available to be used within one year for general expenditure:		
Designated by the board of directors for capital projects and operations	(2,335,459)	(1,982,402)
Board designated endowment fund	(35,598)	(31,842)
	<u>(2,371,057)</u>	<u>(2,014,244)</u>
Financial assets available for general expenditures within one year	<u>\$11,897,693</u>	<u>\$12,658,864</u>

The Organization receives significant contributions and promises to give that are restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

NOCO Humane f/k/a Larimer Humane Society

Notes to Financial Statements

June 30, 2024 and 2023

Note 2 – Liquidity and Availability (continued)

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability; maintaining adequate liquid assets to fund near-term operating needs; and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. To achieve these guiding principles, the Organization forecasts its future cash flows and monitors its liquidity monthly. Additionally, in the event of an unanticipated liquidity need, the Organization could draw upon its board designated funds if the governing board approves the action. During the years ended June 30, 2024 and 2023, the level of liquidity and reserves was managed within the guiding principles.

Note 3 – Fair Value Measurements

The following table summarizes the Organization's fair value of assets measured on a recurring basis by fair value hierarchy as of June 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities				
United States	\$ 6,553,663	\$ -	\$ -	\$ 6,553,663
International	1,894,625	-	-	1,894,625
Real estate	176,130	-	-	176,130
Mutual funds	<u>4,007,148</u>	-	-	<u>4,007,148</u>
	<u>\$ 12,631,566</u>	<u>\$ -</u>	<u>\$ -</u>	<u>12,631,566</u>
Investments measured at net asset value				<u>68,347</u>
Total investments				<u>\$12,699,913</u>

The following table summarizes the Organization's fair value of assets measured on a recurring basis by fair value hierarchy as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities				
United States	\$ 6,259,878	\$ -	\$ -	\$ 6,259,878
International	2,240,824	-	-	2,240,824
Real estate	168,721	-	-	168,721
Mutual funds	<u>3,910,676</u>	-	-	<u>3,910,676</u>
	<u>\$ 12,580,099</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$12,580,099</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.

NOCO Humane f/k/a Larimer Humane Society

Notes to Financial Statements

June 30, 2024 and 2023

Note 3 – Fair Value Measurements (continued)

The Organization evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total net assets available for benefits. For the years ended June 30, 2024 and 2023, there were no significant transfers in or out of fair value levels.

The following sets forth a summary of the Organization's assets reported at NAV at June 30, 2024:

<u>Investment</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Real Estate				
Investment Trusts	\$68,347	N/A	Redemptions will only be made upon written request of the Organization	None
Beneficial interest in assets held by community foundation	\$35,598	N/A		None

The following sets forth a summary of the Organization's assets reported at NAV at June 30, 2023:

<u>Investment</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Beneficial interest in assets held by community foundation	\$31,842	N/A	Redemptions will only be made upon written request of the Organization	None

Net investment income consisted of the following for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 458,202	\$ 373,551
Net unrealized gain on investments	815,992	912,069
Net realized gain (loss) on investments	<u>215,010</u>	<u>(193,320)</u>
	1,489,204	1,092,300
Investment fees	<u>(80,150)</u>	<u>(75,692)</u>
Net investment income	<u>\$ 1,409,054</u>	<u>\$ 1,016,608</u>

NOCO Humane f/k/a Larimer Humane Society

Notes to Financial Statements

June 30, 2024 and 2023

Note 4 – Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2024</u>	<u>2023</u>
Land	\$ 1,604,150	\$ 1,454,150
Building and improvements	18,536,493	17,024,528
Machinery and equipment	982,912	527,481
Vehicles	596,430	502,867
Furniture and fixtures	436,514	421,054
Works of art	87,623	58,975
Assets not in service	976,708	-
	<u>23,220,830</u>	<u>19,989,055</u>
Less accumulated depreciation	<u>(4,310,152)</u>	<u>(3,558,730)</u>
Net property and equipment	<u>\$18,910,678</u>	<u>\$16,430,325</u>

Depreciation expense for the years ended June 30, 2024 and 2023 was \$769,474 and \$553,526, respectively.

Note 5 – Notes Payable, Commitments, and Refundable Advances

Long-term debt obligations consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
Promissory note payable to Larimer County, noninterest bearing (discounted using an effective interest rate of 4%), annual principal payments of \$495,274 through October 2048, collateralized by a first deed of trust on a building.	\$11,556,405	\$12,051,679
Promissory note payable to PNC Bank, N.A., bearing interest at 2.00% over the daily simple Secured Overnight Financing Rate (7.33% at June 30, 2024), variable monthly principal and interest payments due through November 2030, collateralized by a first deed of trust on a building.	656,438	-
Less unamortized discount	<u>(4,051,059)</u>	<u>(4,355,430)</u>
	8,161,784	7,696,249
Less current maturities	<u>(227,528)</u>	<u>(190,903)</u>
	<u>\$ 7,934,256</u>	<u>\$ 7,505,346</u>

NOCO Humane f/k/a Larimer Humane Society

Notes to Financial Statements

June 30, 2024 and 2023

Note 5 – Notes Payable, Commitments, and Refundable Advances (continued)

Scheduled maturities of the long-term debt obligations are as follows at June 30, 2024:

Year ended June 30	Notes Payable	Amortization of Discount	Total
2025	\$ 524,122	\$ 296,594	\$ 227,528
2026	526,014	288,499	237,515
2027	527,935	280,075	247,860
2028	530,004	271,307	258,697
2029	532,407	262,182	270,225
Thereafter	9,572,361	2,652,402	6,919,959
	<u>\$ 12,212,843</u>	<u>\$ 4,051,059</u>	<u>\$ 8,161,784</u>

Commitments. During 2014, the Organization initiated a campaign to provide funding for the new facility. A component of that campaign was the passage of a Larimer County sales tax initiative which allowed for a dedicated sales tax to help fund the construction of the new facility. The agreement with Larimer County provided that Larimer County construct the new facility with sales tax proceeds. Upon completion of the new facility, Larimer County transferred the property to the Organization in exchange for a non-interest bearing promissory note and a commitment to operate the facility and be available to provide animal control services for at least thirty years. For each year the facility is in operation, the promissory note is forgiven 1/30th. If the Organization fails to meet the commitment, Larimer County can foreclose on the building and the land on which it is built. The Organization placed the new facility in service in August 2017.

Refundable Advances. The contribution of imputed interest on the noninterest bearing note payable is determined by the excess of the fair value of the donated property over the present value of the note. Property received in advance of fulfilling the conditions of the contribution are due back to the grantor if the property is not available for use as an animal shelter for a thirty-year period. Revenue is recognized as the conditions are met. Refundable advances related to the donated interest at June 30, 2024 and 2023 was \$4,051,059 and \$4,355,430, respectively.

Note 6 – Board-designated Net Assets

Facilities Fund. Board designated net assets are unrestricted net assets subject to self imposed limits by action of the governing body. As of June 30, 2024 and 2023, the Board of Directors designated \$2,335,459 and \$1,982,402, respectively, of net assets without donor restrictions for capital projects and building repairs.

Board-designated Endowment. The Board of Directors established an agency endowment fund with Community Foundation of Northern Colorado (the Foundation). The funds held by the Foundation were contributed by the Organization for the benefit of the Organization.

NOCO Humane f/k/a Larimer Humane Society

Notes to Financial Statements

June 30, 2024 and 2023

Note 6 – Board-designated Net Assets (continued)

The Board of Directors has determined that these net assets meet the definition of endowment funds under the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Organization is governed subject to the Articles of Incorporation and Bylaws for the Organization and contributions are received subject to the terms of the governing documents.

The Organization's investment policy is to provide a reasonable, predictable, and sustainable amount of funds available for the uses intended by the original endowment. Given the Organization's commitment to support both current and future needs, the Organization advocates a total-return approach to investing and to fund distribution. The long-term investment focus is to meet needs for both distributions in the present and to provide growth in assets and income over time through the investment of excess earnings and capital appreciation.

The following summarizes the changes in net assets designated by the board of directors as an endowment fund for the years ended June 30, 2024 and 2023:

Balance, July 1, 2022	\$	29,402
Net investment gain		2,440
Balance, June 30, 2023		<u>31,842</u>
Net investment gain		3,756
Balance, June 30, 2024	\$	<u>35,598</u>

Note 7 – Net Assets With Donor Restrictions

The following summarizes the changes in net assets with donor restrictions for the years ended June 30, 2024 and 2023:

	Purpose Restrictions	Time Restrictions	Total
Balance, July 1, 2022	\$ -	\$ 41,850	\$ 41,850
Additions	-	24,700	24,700
Releases	-	(41,850)	(41,850)
Balance, June 30, 2023	-	<u>24,700</u>	<u>24,700</u>
Additions	155,000	-	155,000
Releases	(121,956)	(24,700)	(146,656)
Balance, June 30, 2024	\$ <u>33,044</u>	\$ <u>-</u>	\$ <u>33,044</u>

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Notes to Financial Statements

June 30, 2024 and 2023

Note 8 – In-kind Contributions

The Organization received the following contributions of nonfinancial assets for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Building and equipment	\$ 1,521,854	\$ -
Forgiveness of note payable	495,274	495,274
Forgiveness of interest	304,371	311,895
Supplies and materials	49,152	5,322
Professional services	7,500	-
Sculptures	-	58,975
	<u>\$ 2,378,151</u>	<u>\$ 871,466</u>

The Organization entered into a promissory note that is forgiven annually as the Organization remains in operation. Additionally, the stated interest rate on the promissory note is less than what would be charged for similar debt. The Organization valued the forgiven interest at the Organization's incremental borrowing rate at the commencement of the note. A contributed building and sculptures received by the Organization was recorded at appraised value. Contributed equipment, supplies and materials received by the Organization are valued at the current price for similar items as located on publicly available websites. Contributed professional services are reported using current rates for similar services.

All donated nonfinancial assets were utilized by the Organization's programs and supporting services. The donor-imposed restrictions associated with the in-kind contributions were met within each fiscal year.

Note 9 – Special Events

The following summarizes net revenue from special events for the year ended June 30, 2024:

	<u>Top Cat & Tails Gala</u>	<u>Fire Hydrant 5k</u>	<u>Other Events</u>	<u>Total</u>
Gross proceeds	\$ 242,658	\$ 99,429	\$ 63,238	\$ 405,325
Direct costs	(129,057)	(17,730)	(17,058)	(163,845)
	<u>\$ 113,601</u>	<u>\$ 81,699</u>	<u>\$ 46,180</u>	<u>\$ 241,480</u>

The following summarizes net revenue from special events for the year ended June 30, 2023:

	<u>Top Cat & Tails Gala</u>	<u>Fire Hydrant 5k</u>	<u>Other Events</u>	<u>Total</u>
Gross proceeds	\$ 238,399	\$ 97,636	\$ 22,148	\$ 358,183
Direct costs	(106,971)	(16,395)	(315)	(123,681)
	<u>\$ 131,428</u>	<u>\$ 81,241</u>	<u>\$ 21,833</u>	<u>\$ 234,502</u>

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Notes to Financial Statements

June 30, 2024 and 2023

Note 10 – Retirement Plan

The Organization provides for a deferred compensation plan under Internal Revenue Code Section 403(b) which allows an employee to defer a portion of their annual compensation subject to current Internal Revenue Code limits. The Organization provides discretionary matching contributions to the plan which are vested proportionately over a period of five years. The Organization contributed \$52,284 and \$51,209 to the plan for the years ended June 30, 2024 and 2023, respectively.

Note 11 – Concentrations

Major Customers. The Organization had a customer who comprised 11% of total operating revenue and support for the year ended June 30, 2024. The Organization had two customers who comprised 26% of total operating revenue and support for the year ended June 30, 2023.

Bank Deposits. At certain times of the year, the Organization maintained cash balances in excess of federally insured limits.

Geographical. The Organization receives predominantly all of its support and revenue from Larimer and Weld counties in Colorado.