



**FINANCIAL STATEMENTS**

**DECEMBER 31, 2015 AND 2014**

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## TABLE OF CONTENTS

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	<u>Page</u>
<b>Independent auditor's report</b>	1
<b><u>Financial statements</u></b>	
Statements of financial position	4
Statements of activities	5
Statements of functional expenses	7
Statements of cash flows	10
Notes to the financial statements	11
<b><u>Supplementary Information</u></b>	
Pueblo animal shelter - statement of activities	28



## INDEPENDENT AUDITOR'S REPORT

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Board of Governors  
**The Humane Society Of The Pikes Peak Region**  
Colorado Springs, Colorado

We have audited the accompanying financial statements The Humane Society of the Pikes Peak Region (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2015 and 2014 and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financials statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Humane Society of the Pikes Peak Region as of December 31, 2015 and 2014 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Report on Supplemental Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*BiggsKofford, P.C*

Colorado Springs, Colorado  
April 26, 2016

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**THE HUMANE SOCIETY OF THE PIKES PEAK REGION**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2015 AND 2014**

<b><u>ASSETS</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Current assets:		
Cash and equivalents	\$ 571,836	\$ 999,967
Pledges receivable	1,295,309	-
Bequests	810,526	-
Prepaid expenses and other current assets	242,715	191,719
Total current assets	<u>2,920,386</u>	<u>1,191,686</u>
Cash and investments, board-designated	9,525,928	8,179,184
Cash and investments, capital campaign	2,453,442	1,708,890
Pledges receivable	104,175	-
Property and equipment, net	8,208,074	6,615,919
Beneficial interest in perpetual trusts	986,256	1,065,652
Total assets	<u>\$ 24,198,261</u>	<u>\$ 18,761,331</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current liabilities:		
Accounts payable	\$ 659,113	\$ 381,701
Accrued expenses	780,565	375,472
Deposits	12,400	4,200
Deferred revenue	53,659	163,713
Total current liabilities	<u>1,505,737</u>	<u>925,086</u>
Net assets:		
Unrestricted:		
Board-designated fund for future use	9,525,928	8,179,184
Equity in property and equipment	8,208,074	6,615,919
Undesignated	(53,420)	1,754,996
Total unrestricted	<u>17,680,582</u>	<u>16,550,099</u>
Temporarily restricted	4,025,686	220,494
Permanently restricted	986,256	1,065,652
Total net assets	<u>22,692,524</u>	<u>17,836,245</u>
Total liabilities and net assets	<u>\$ 24,198,261</u>	<u>\$ 18,761,331</u>

The accompanying notes and independent auditor's report  
should be read with these financial statements.

**THE HUMANE SOCIETY OF THE PIKES PEAK REGION**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenues:				
Contract services	\$ 5,354,294	\$ -	\$ -	\$ 5,354,294
Contributions	3,647,853	4,212,575	-	7,860,428
Shelter fees	1,821,887	-	-	1,821,887
Investment income (loss)	(131,479)	-	-	(131,479)
Special events (net of costs of direct benefits to donors of \$31,665)	309,758	-	-	309,758
Gain on sale of assets	-	-	-	-
Change in value of perpetual trusts	-	-	(79,396)	(79,396)
<b>Total public support and revenues</b>	<b>11,002,313</b>	<b>4,212,575</b>	<b>(79,396)</b>	<b>15,135,492</b>
Satisfaction of purpose restrictions	407,383	(407,383)	-	-
	<u>11,409,696</u>	<u>3,805,192</u>	<u>(79,396)</u>	<u>15,135,492</u>
Expenses:				
Program:				
Animal shelter and law enforcement	8,502,454	-	-	8,502,454
Humane education and community outreach	372,662	-	-	372,662
	8,875,116	-	-	8,875,116
Supporting services:				
General and administrative	506,966	-	-	506,966
Fundraising	897,131	-	-	897,131
<b>Total expenses</b>	<b>10,279,213</b>	<b>-</b>	<b>-</b>	<b>10,279,213</b>
Change in net assets	1,130,483	3,805,192	(79,396)	4,856,279
Net assets, beginning of year	16,550,099	220,494	1,065,652	17,836,245
Net assets, end of year	<u>\$ 17,680,582</u>	<u>\$ 4,025,686</u>	<u>\$ 986,256</u>	<u>\$ 22,692,524</u>

The accompanying notes and independent auditor's report  
should be read with these financial statements.

**THE HUMANE SOCIETY OF THE PIKES PEAK REGION**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenues:				
Contract services	\$ 5,109,731	\$ -	\$ -	\$ 5,109,731
Contributions	2,541,491	294,323	-	2,835,814
Shelter fees	1,634,985	-	-	1,634,985
Investment income	503,367	-	-	503,367
Special events (net of costs of direct benefits to donors of \$38,790)	303,231	-	-	303,231
Gain on sale of assets	441,478	-	-	441,478
Change in value of perpetual trusts	-	-	(16,473)	(16,473)
<b>Total public support and revenues</b>	<b>10,534,283</b>	<b>294,323</b>	<b>(16,473)</b>	<b>10,812,133</b>
Satisfaction of purpose restrictions	406,843	(406,843)	-	-
	<u>10,941,126</u>	<u>(112,520)</u>	<u>(16,473)</u>	<u>10,812,133</u>
Expenses:				
Program:				
Animal shelter and law enforcement	8,450,021	-	-	8,450,021
Humane education and community outreach	363,528	-	-	363,528
	8,813,549	-	-	8,813,549
Supporting services:				
General and administrative	512,516	-	-	512,516
Fundraising	825,845	-	-	825,845
<b>Total expenses</b>	<b>10,151,910</b>	<b>-</b>	<b>-</b>	<b>10,151,910</b>
Change in net assets	789,216	(112,520)	(16,473)	660,223
Net assets, beginning of year	15,760,883	333,014	1,082,125	17,176,022
Net assets, end of year	<u>\$ 16,550,099</u>	<u>\$ 220,494</u>	<u>\$ 1,065,652</u>	<u>\$ 17,836,245</u>

The accompanying notes and independent auditor's report  
should be read with these financial statements.

**THE HUMANE SOCIETY OF THE PIKES PEAK REGION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2015**

	Program Services			Supporting Services			Total Functional Expenses
	Animal Shelter and Law Enforcement	Humane Education and Community Outreach	Total	General and administrative	Fundraising	Total	
Salaries	\$ 4,523,081	\$ 194,975	\$ 4,718,056	\$ 253,450	\$ 290,121	\$ 543,571	\$ 5,261,627
Employee benefits	577,955	32,369	610,324	19,734	34,983	54,717	665,041
Payroll taxes	349,372	14,933	364,305	18,350	22,221	40,571	404,876
Personnel costs	142,487	3,343	145,830	3,696	7,836	11,532	157,362
<b>Total salaries and related expenses</b>	<b>5,592,895</b>	<b>245,620</b>	<b>5,838,515</b>	<b>295,230</b>	<b>355,161</b>	<b>650,391</b>	<b>6,488,906</b>
Animal care	972,318	15,431	987,749	-	-	-	987,749
Office, shelter and computer costs	324,797	2,753	327,550	15,426	190,784	206,210	533,760
Utilities and telephone	273,687	7,110	280,797	24,237	6,176	30,413	311,210
Printing, postage and mailing services	57,620	42,127	99,747	7,164	220,686	227,850	327,597
Rent	186,900	-	186,900	-	-	-	186,900
Facility maintenance	147,797	7,045	154,842	24,627	5,380	30,007	184,849
Vehicle maintenance	154,869	12	154,881	3,223	237	3,460	158,341
Insurance	278,927	6,972	285,899	16,074	5,497	21,571	307,470
Professional fees	6,873	7,242	14,115	37,348	3,077	40,425	54,540
Contract labor	26,797	-	26,797	12,720	200	12,920	39,717
Public relations	33,265	16,285	49,550	18,369	20,937	39,306	88,856
Equipment maintenance	15,675	-	15,675	-	43	43	15,718
Special event expenses	-	-	-	-	68,975	68,975	68,975
Travel	27,404	3,356	30,760	14,196	4,604	18,800	49,560
Dues and subscriptions	8,428	435	8,863	15,561	513	16,074	24,937
<b>Total expenses before depreciation</b>	<b>8,108,252</b>	<b>354,388</b>	<b>8,462,640</b>	<b>484,175</b>	<b>882,270</b>	<b>1,366,445</b>	<b>9,829,085</b>
Depreciation	394,202	18,274	412,476	22,791	14,861	37,652	450,128
<b>Total Expenses</b>	<b>\$ 8,502,454</b>	<b>\$ 372,662</b>	<b>\$ 8,875,116</b>	<b>\$ 506,966</b>	<b>\$ 897,131</b>	<b>\$ 1,404,097</b>	<b>\$ 10,279,213</b>
Percentage of total functional expenses	82.71%	3.63%	86.34%	4.93%	8.73%	13.66%	100.00%

The accompanying notes and independent auditor's report should be read with these financial statements.

**THE HUMANE SOCIETY OF THE PIKES PEAK REGION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2014**

	Program Services			Supporting Services			Total Functional Expenses
	Animal Shelter and Law Enforcement	Humane Education and Community Outreach	Total	General and administrative	Fundraising	Total	
Salaries	\$ 4,394,295	\$ 177,542	\$ 4,571,837	\$ 238,109	\$ 268,149	\$ 506,258	\$ 5,078,095
Employee benefits	590,464	34,601	625,065	29,180	20,648	49,828	674,893
Payroll taxes	344,282	13,863	358,145	17,405	21,172	38,577	396,722
Personnel costs	123,570	3,739	127,309	4,583	5,141	9,724	137,033
<b>Total salaries and related expenses</b>	<b>5,452,611</b>	<b>229,745</b>	<b>5,682,356</b>	<b>289,277</b>	<b>315,110</b>	<b>604,387</b>	<b>6,286,743</b>
Animal care	1,041,283	12,552	1,053,835	-	-	-	1,053,835
Office, shelter and computer costs	286,624	3,181	289,805	14,488	170,291	184,779	474,584
Utilities and telephone	284,705	8,994	293,699	21,976	6,588	28,564	322,263
Printing, postage and mailing services	68,700	12,680	81,380	6,258	211,325	217,583	298,963
Rent	186,900	-	186,900	-	-	-	186,900
Facility maintenance	127,866	6,051	133,917	18,559	4,275	22,834	156,751
Vehicle maintenance	173,199	629	173,828	2,670	614	3,284	177,112
Insurance	272,952	5,734	278,686	13,165	5,340	18,505	297,191
Professional fees	5,415	-	5,415	67,459	15,879	83,338	88,753
Contract labor	48,429	-	48,429	9,793	-	9,793	58,222
Public relations	40,530	60,414	100,944	21,143	17,657	38,800	139,744
Equipment maintenance	21,894	69	21,963	57	1,046	1,103	23,066
Special event expenses	-	-	-	-	58,133	58,133	58,133
Travel	31,413	5,163	36,576	14,424	4,356	18,780	55,356
Dues and subscriptions	12,137	282	12,419	11,804	980	12,784	25,203
<b>Total expenses before depreciation</b>	<b>8,054,658</b>	<b>345,494</b>	<b>8,400,152</b>	<b>491,073</b>	<b>811,594</b>	<b>1,302,667</b>	<b>9,702,819</b>
Depreciation	395,363	18,034	413,397	21,443	14,251	35,694	449,091
<b>Total Expenses</b>	<b>\$ 8,450,021</b>	<b>\$ 363,528</b>	<b>\$ 8,813,549</b>	<b>\$ 512,516</b>	<b>\$ 825,845</b>	<b>\$ 1,338,361</b>	<b>\$ 10,151,910</b>
Percentage of total functional expenses	83.24%	3.58%	86.82%	5.05%	8.13%	13.18%	100.00%

The accompanying notes and independent auditor's report should be read with these financial statements.

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**THE HUMANE SOCIETY OF THE PIKES PEAK REGION**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 4,856,279	\$ 660,223
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	450,128	449,091
Gain on sale of land	-	(441,478)
In-kind donation of land	(353,226)	-
Net realized and unrealized (gains) losses on investments	304,225	(305,286)
Change in value of perpetual trusts	79,396	16,473
Contribution of bequests	(810,526)	-
Pledges receivable	(1,399,484)	-
Increase in operating assets:		
Prepaid expenses and other current assets	(50,996)	72,926
Increase (decrease) in operating liabilities:		
Accounts payable	277,412	239,620
Accrued expenses	405,093	(57,865)
Deposits	8,200	(3,850)
Deferred revenue	(110,054)	(23,950)
Net cash provided by operating activities	3,656,447	605,904
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchases of property and equipment	(1,689,057)	(515,373)
Proceeds from disposition of land	-	632,901
Purchases of cash and investments, board-designated	(3,568,820)	(1,305,151)
Sale of cash and investments, board-designated	1,173,299	1,068,150
Transfer cash to board-designated funds	-	(632,901)
Release of board-designated funds	-	127,783
Net cash used in investing activities	(4,084,578)	(624,591)
Net increase (decrease) in cash and equivalents	(428,131)	(18,687)
Cash and equivalents, beginning of year	999,967	1,018,654
Cash and equivalents, end of year	\$ 571,836	\$ 999,967

The accompanying notes and independent auditor's report should be read with this financial statement.

**THE HUMANE SOCIETY OF THE PIKES PEAK REGION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

The Humane Society of the Pikes Peak Region ("Society") is a local, independent nonprofit organized in 1949 for the protection and care of homeless and abused animals. The Society provides services in Colorado Springs, Pueblo, Douglas County and the City of Centennial, helping 24,000 animals annually.

Shelter services include adoption, reuniting lost pets, medical care for sick and injured animals, spaying and neutering, relinquishment prevention, an extensive volunteer program, foster homes and a transfer program supporting Southeast Colorado and New Mexico shelters in need.

Animal Law Enforcement ("ALE") provides contracted services to El Paso County, Colorado Springs, City and County of Pueblo, Fountain, Monument, Calhan, Centennial and Douglas County. These services provide health and public safety protection for the residents and the animals. In 2015, ALE conducted 4,286 cruelty investigations in these areas.

The surgery center provides subsidized spay/neuter services to the public and vaccinations for pet owners in financial need. The Society's veterinary team also provides extensive medical care to rehabilitate shelter animals to prepare them for adoption.

The Society is not affiliated with national animal welfare groups and depends on donations to achieve its mission: a compassionate society where animals are cared for and valued.

Basis of accounting

The financial statements of the Society have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of presentation

The financial statement presentation follows the recommendations of accounting principles generally accepted in the United States of America ("US GAAP") The Society is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, which represent the expendable resources that are available for operations at management's discretion and investment in property and equipment; temporarily restricted net assets, which represent resources restricted by donors as to purpose or by the passage of time; and permanently restricted net assets, which represent resources for which use by the Society is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Society.

See independent auditor's report.

**THE HUMANE SOCIETY OF THE PIKES PEAK REGION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

Use of estimates

The preparation of financial statements in conformity with US GAAP 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. The significant accounting estimates used in the preparation of the Society's financial statements relate to the estimated useful lives of property and equipment, valuation of investment and beneficial interest in perpetual trusts, functional allocation of expenses to program and supporting services.

Cash and equivalents

For purposes of the statement of cash flows, the Society considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

As of December 31, 2015, the Society had approximately \$4,800,000 in excess of FDIC insured limits. The Society manages risks of uninsured funds by maintaining deposits with high quality financial institutions. Management does not believe that the Society is exposed to any significant risk related to cash and equivalents.

Pledges receivable

Pledges receivable consists of pledges made to the Society for the renovation of the shelter. Management regularly reviews pledges receivable, and the Society provides an allowance for uncollectible pledges receivable equal to the estimated uncollectible amounts. The Society's estimate is based on historic collection experience and a review of the current pledges receivable. It is reasonably possible that the Society's estimate for uncollectible pledges receivable will change. Management believes that the entire balance of pledges receivable is collectible as of December 31, 2015 and, accordingly, no allowance for uncollectible pledges has been recorded.

Bequests

The Society is the beneficiary of one-eighth interest of a certain trust held and administered by a financial institution and consists of equity investments and mutual funds. The estimated fair values of the trust assets are recognized as assets and as contribution revenue when the trust was reported to the Society.

See independent auditor's report.

**THE HUMANE SOCIETY OF THE PIKES PEAK REGION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

Investments

Investments are reported 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. See Note 6 for discussion of fair value measurements. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Property and equipment

Property and equipment is stated at cost, or if donated, at the estimated fair value at the date of donation. Depreciation is provided using the straight-line method over the following estimated useful lives:

Building and improvements	15 - 40 Years
Equipment	3 - 10 Years
Vehicles	5 Years

The Society's policy is to capitalize acquisitions of property and equipment costing in excess of \$1,500 and having a useful life exceeding one year.

Unless explicit donor stipulations specify how donated assets must be used, gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted gifts and contributions. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net assets. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when acquired long-lived assets are placed in service.

Contributed services

The value of contributed services that meet the requirements for recognition in the financial statements during the years ended December 31, 2015 and 2014 were not material and have not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Society; however, these services are not reflected in the financial statements since they do not meet the criteria for recognition as contributed services. The Society received approximately 100,000 volunteer hours for the years ended December 31, 2015 and 2014.

See independent auditor's report.

**THE HUMANE SOCIETY OF THE PIKES PEAK REGION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

Donated materials and rent

Donated materials are recorded in the financial statements at their estimated fair value on the date of receipt. The Society received donated materials and animal care supplies of approximately \$590,000 and \$218,000 for the years ended December 31, 2015 and 2014, respectively. For the years ended December 31, 2015 and 2014, the Society received donated rent of approximately \$186,900 in each year in connection with the use of the Pueblo facility owned by Pueblo County.

Net assets and contributions

The net assets of the Society have been reported separately by class of net assets as follows:

- a) **Unrestricted** - amounts invested in property and equipment and those currently available for use in the Society's general operating activities.
- b) **Temporarily restricted** - amounts which are stipulated by donors for specific operating purposes or restricted due to time restrictions (see Note 7).
- c) **Permanently restricted** - amounts which are not available for program expenses or other organizational needs (see Note 7).

Contributions are recognized as revenue when the donor makes a promise to give to the Society that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), unconditional temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions with restrictions that are met in the same reporting period as the contribution is made are reported as unrestricted support.

See independent auditor's report.

**THE HUMANE SOCIETY OF THE PIKES PEAK REGION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

Net assets and contributions (continued)

The Society reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Society reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Allocation of expenses

The cost of providing the various program and supporting activities has been presented on a functional basis in the statement of activities. Expenses are generally charged to a functional department as incurred for the related activities based upon ratios determined by management.

Advertising expenses

The Society expenses advertising costs as they are incurred. Total advertising expenses of \$34,399 for 2015 and \$81,878 for 2014, are included in the printing, postage and mailing services caption on the statement of functional expenses.

Income taxes

The Society is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Society qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Society evaluates the effect of uncertain tax positions, if any, and provides for those positions in accordance with the provisions of FASB ASC 450, Contingencies. The Society discloses any material adjustments as a result of tax examinations. The Society reports interest and penalties resulting from these adjustments as interest expense and other expenses, as applicable. There were no tax examinations or adjustments relating therefrom for the years ended December 31, 2015 and 2014. Management believes tax returns for the years 2012 and later are subject to audit by the applicable taxing jurisdictions.

See independent auditor's report.

**THE HUMANE SOCIETY OF THE PIKES PEAK REGION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

---

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

Subsequent events

Management has evaluated subsequent events through the date of the attached audit report, the date on which the financial statements were available to be issued.

**2. PLEDGES RECEIVABLE**

Pledges receivable consist of the following as of December 31, 2015:

Capital campaign - shelter renovation	<u>\$ 1,295,309</u>
Amounts due in:	
Less than one year	\$ 1,295,309
One to five years	<u>104,175</u>
	<u>\$ 1,399,484</u>

**3. CASH AND INVESTMENTS, BOARD-DESIGNATED**

Cash and investments, board-designated, consists of the following:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Cash and equivalents	\$ 3,281,601	\$ 416,424
Corporate obligations	580,073	615,398
Fixed income mutual funds	946,381	1,204,777
Domestic equities	4,039,061	4,818,743
International equities	333,150	315,033
REITs and real estate funds	<u>345,662</u>	<u>808,809</u>
	<u>\$ 9,525,928</u>	<u>\$ 8,179,184</u>

See independent auditor's report.

**THE HUMANE SOCIETY OF THE PIKES PEAK REGION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

---

**3. CASH AND INVESTMENTS, BOARD-DESIGNATED (CONTINUED)**

Investment income (loss) on cash and investments, board-designated, consists of the following:

	<b>Years ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
Interest and dividends	\$ 181,488	\$ 213,634
Net realized and unrealized gain (loss)	(304,225)	305,286
Investment fees paid	(53,979)	(56,307)
	<b>\$ (176,716)</b>	<b>\$ 462,613</b>

It is the policy of the Board of Directors of the Society to review its plans for future needs and to designate appropriate sums to assure adequate financing for the needs identified. Amounts designated by the Board of Directors for specific future needs are treated as board-designated unrestricted net assets. The balance can be transferred to the undesignated portion of unrestricted net assets at the Board's discretion. Amounts designated for future use by the Board are \$9,525,928 and \$8,179,184 as of December 31, 2015 and 2014, respectively.

The Society had adopted investment and spending policies for the board-designated fund that were attempting to provide a predictable stream of funding while seeking to maintain the purchasing power of the assets. Specifically, the primary investment management objectives of the fund are to emphasize long-term growth of principal while avoiding excessive risk and ensuring the ability to meet all expected cash flow needs by investing in securities which could be sold readily and efficiently. Short-term volatility is tolerated in as much as it has been consistent with the volatility of a comparable market index.

To satisfy its long-term investment objectives, the Society relied on a total return strategy in which investment returns were achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targeted a diversified asset allocation that placed a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

The Society's expected distributions from the board-designated fund are approximately 4% of assets annually, although this percentage may have varied.

See independent auditor's report.

**THE HUMANE SOCIETY OF THE PIKES PEAK REGION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

---

**3. CASH AND INVESTMENTS, BOARD-DESIGNATED (CONTINUED)**

Investment income on the statement of activities includes the following:

	<b>Years ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
Investment income on cash and investments, board-designated fund for future use:		
Interest and dividends	\$ 181,488	\$ 213,634
Net realized and unrealized gain (loss)	(304,225)	305,286
Investment fees paid	(53,979)	(56,307)
Investment income from perpetual trusts	45,237	40,754
	<b>\$ (131,479)</b>	<b>\$ 503,367</b>

**4. BENEFICIAL INTEREST IN PERPETUAL TRUSTS**

The Society is a 5% beneficiary of the income of the Jacqueline G. Archer Charitable Trust whose principal is to be held in perpetuity. The Society's share of the fair market value of this trust totaled \$650,494 and \$701,581 as of December 31, 2015 and 2014, respectively. The Society received \$30,000 of investment income from this trust in each of the years ended December 31, 2015 and 2014, respectively.

The Society is a 5% beneficiary of the income of the George M. White Charitable Trust whose principal is to be held in perpetuity. The Society's share of the fair market value of this trust totaled \$70,339 and \$75,782 as of December 31, 2015 and 2014, respectively. The Society received \$3,637 and \$3,492 of investment income from this trust for the years ended December 31, 2015 and 2014, respectively.

The Society is an 11% beneficiary of the income of the Donald A. and Phyllis F. Hibbard Charitable Trust whose principal is to be held in perpetuity. The Society's share of the fair market value of this trust totaled \$265,423 and \$288,289 as of December 31, 2015 and 2014, respectively. The Society received \$11,600 and \$7,262 of investment income from this trust for the years ended December 31, 2015 and 2014, respectively.

See independent auditor's report.

**THE HUMANE SOCIETY OF THE PIKES PEAK REGION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

---

**5. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
Land	\$ 997,265	\$ 397,265
Building and improvements	8,159,903	8,231,943
Equipment	848,567	787,308
Vehicles	1,039,669	934,663
Computer equipment	254,498	247,519
Construction in process	1,341,022	-
	12,640,924	10,598,698
Accumulated depreciation	(4,432,850)	(3,982,779)
	<b>\$ 8,208,074</b>	<b>\$ 6,615,919</b>

**6. DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES**

US GAAP defines fair value as 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. Therefore, the term "price" refers to the exit price as opposed to the entry price, which is the price paid to acquire the asset or received to assume the liability. US GAAP also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

**Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

**Level 2:** Prices determined using significant other observable inputs. 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;

See independent auditor's report.

**THE HUMANE SOCIETY OF THE PIKES PEAK REGION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

---

**6. DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)**

- 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** - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The Society has no assets or liabilities valued using Level 3 inputs.

The asset 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 measurement.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for the Society's assets measured at fair value. There have been no changes in the methodologies used for the years ended December 31, 2015 and 2014.

Fixed income mutual funds and equities: Valued at quoted prices for identical assets in active markets.

U.S. government obligations, corporate obligations, preferred securities, alternative investments , REITs and real estate funds: Valued at quoted prices for similar assets in active markets.

Beneficial interest in perpetual trusts: Valued using income approach in the form of present value techniques.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Society 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.

See independent auditor's report.

**THE HUMANE SOCIETY OF THE PIKES PEAK REGION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**6. DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)**

The following table sets forth by level, within the fair value hierarchy, the Society's assets measured on a recurring basis at fair value as of December 31, 2015 and 2014:

	<b>December 31, 2015</b>		
	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>
Cash and money market	\$ 5,735,043	\$ 5,735,043	\$ -
Corporate obligations	580,073	-	580,073
Fixed income mutual funds	946,381	946,381	-
Domestic equities	4,039,061	4,039,061	-
International equities	333,150	333,150	-
REITs and real estate funds	345,662	-	345,662
	<u>11,979,370</u>	<u>11,053,635</u>	<u>925,735</u>
Beneficial interest in perpetual trusts	986,256	-	986,256
Total	<u>\$ 12,965,626</u>	<u>\$ 11,053,635</u>	<u>\$ 1,911,991</u>
	<b>December 31, 2014</b>		
	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>
Cash and money market	\$ 2,125,314	\$ 2,125,314	\$ -
Corporate obligations	615,398	-	615,398
Fixed income mutual funds	1,204,777	1,204,777	-
Domestic equities	4,818,743	4,818,743	-
International equities	315,033	315,033	-
REITs and real estate funds	808,809	-	808,809
	<u>9,888,074</u>	<u>8,463,867</u>	<u>1,424,207</u>
Beneficial interest in perpetual trusts	1,065,652	-	1,065,652
Total	<u>\$ 10,953,726</u>	<u>\$ 8,463,867</u>	<u>\$ 2,489,859</u>

See independent auditor's report.

**THE HUMANE SOCIETY OF THE PIKES PEAK REGION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

---

**6. DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)**

The following table represents the cost and fair value of the Society's investments as of December 31, 2015 and 2014:

	<b>2015</b>	
	<u>Cost</u>	<u>Estimated Fair Value</u>
Cash and equivalents	\$ 5,735,043	\$ 5,735,043
Corporate obligations	581,109	580,073
Fixed income mutual funds	1,035,783	946,381
Domestic equities	2,444,081	4,039,061
International equities	303,529	333,150
REITs and real estate funds	322,833	345,662
	<u>\$ 10,422,378</u>	<u>\$ 11,979,370</u>
	<b>2014</b>	
	<u>Cost</u>	<u>Estimated Fair Value</u>
Cash and equivalents	\$ 2,125,314	\$ 2,125,314
Corporate obligations	609,051	615,398
Fixed income mutual funds	1,236,448	1,204,777
Domestic equities	2,963,664	4,818,743
International equities	231,228	315,033
REITs and real estate funds	616,480	808,809
	<u>\$ 7,782,185</u>	<u>\$ 9,888,074</u>

See independent auditor's report.

**THE HUMANE SOCIETY OF THE PIKES PEAK REGION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

---

**7. TEMPORARILY RESTRICTED NET ASSETS**

As of December 31, 2015 and 2014, temporarily restricted net assets are available for the following purposes:

	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
KIND news	\$ 9,413	\$ 4,789
Sr. Citizen pet program	12,268	17,249
2015 License plates, SN, medical, etc.	-	17,500
Emergency response	135,079	180,956
Shelter care/medical	15,000	-
Capital campaign	3,853,926	-
 Total temporarily restricted net assets	 \$ 4,025,686	 \$ 220,494

**8. PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets consist of investments in perpetuity, the income from which is expendable to support the Society's programs as follows:

	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
Beneficial interest in perpetual trusts	\$ 986,256	\$ 1,065,652

In previous years, donors have established irrevocable perpetual trusts, naming the Society as one of its beneficiaries. Under the terms of the trust agreements, the Society is to receive a stated percentage of the interest earned on the corpus of the trust assets, at the date of the donor's death, in perpetuity for its unrestricted use. The Society's percentage of the assets held in the trusts totaled \$986,256 and \$1,065,652 as of December 31, 2015 and 2014, respectively, and is reported at fair value in the Society's statement of financial position.

See independent auditor's report.

**THE HUMANE SOCIETY OF THE PIKES PEAK REGION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

---

**9. ENDOWMENT FUNDS**

The Society's endowment fund consists of donor-related endowment funds. As required by US GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

During 2008, the State of Colorado adopted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The Society has interpreted UPMIFA as requiring the preservation of the original fair value of the gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Society and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible affect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Society
- 7) The investment policies of the Society

**Permanently Restricted Net Assets**

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA

\$ 986,256

The Society has an endowment spending policy that defines the total funds available from the endowment fund in a given year (the distributable income). The distributable income is paid quarterly.

See independent auditor's report.

**THE HUMANE SOCIETY OF THE PIKES PEAK REGION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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**10. RETIREMENT PLAN**

The Society maintains The Humane Society of the Pikes Peak Region Profit Sharing 401(k) plan (the "Plan"). The Plan allows eligible employees to make elective salary reduction contributions. On January 1, 2013 the Society adopted a Safe Harbor Plan. The Society contributes a matching contribution in an amount equal to 100% of an employees contribution of 3%, plus 50% of an employees contribution that exceeds 3% but does not exceed 5%. In addition, the Plan allows for an annual profit sharing contribution at the discretion of the Society. To be eligible for the Society's discretionary matching and non-matching contributions, employees must have completed one year of service, must have attained the age of 21 and be employed on the last day of the Plan year. The Society's contributions for the years ended December 31, 2015 and 2014 were \$104,174 and \$107,290, respectively.

**11. LEASES**

The Society leases certain office equipment under the terms of five non-cancellable operating leases. The agreements expire on various dates through March 2019 and require monthly base rental payments in amounts ranging from \$56 to \$630. Lease expense for the years ended December 31, 2015 and 2014 was \$15,885 and \$14,196, respectively.

Future minimum payments under these leases are as follows:

<u>Years Ending December 31,</u>	
2016	\$ 15,898
2017	13,638
2018	2,028
2019	<u>339</u>
Total	<u>\$ 31,903</u>

**12. CONCENTRATIONS**

The Society has significant investments in fixed income securities, equities, alternative investments, and real estate funds, and is, therefore, subject to credit risk. Investments are made by investment managers engaged by the Society and the investments are monitored by the Society. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Society.

See independent auditor's report.

**THE HUMANE SOCIETY OF THE PIKES PEAK REGION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

---

**12. CONCENTRATIONS (CONTINUED)**

The Society receives contributions from a diverse number of organizations and individuals located predominantly in the Pikes Peak Region of Colorado. The Society receives a significant portion of total revenues from contract services and fees from eleven governmental entities.

The Society received bequests of \$1,145,481 and \$404,303 for the years ended December 31, 2015 and 2014, respectively.

**13. COMMITMENTS**

The Society is expanding their facility and has entered into a construction contract, which is scheduled to be completed in 2016. As of December 31, 2015, the Society incurred and capitalized in "Construction in progress" \$1,341,022. The estimated cost to be incurred in 2016 to complete construction of the facility is approximately \$6,900,000.

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See independent auditor's report.

## **SUPPLEMENTAL INFORMATION**

**THE HUMANE SOCIETY OF THE PIKES PEAK REGION**  
**PUEBLO ANIMAL SHELTER - STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2015**

Revenues:	
Contracts	\$ 1,436,067
Restitution	6,829
Bond payment	630
Licensing fees	149,112
Impound fees	35,750
Shelter	142,501
Clinic	69,514
Net fund raising	279,387
<b>Total revenues</b>	<b>2,119,790</b>
Expenses:	
Salary and related expenses	1,300,647
Facilities	97,411
Vehicles	62,332
Insurance	8,515
Leases	3,742
Operations	263,559
Office	41,388
Marketing	4,898
Professional services	613
Employee relations	2,326
Bank fees and other	5,411
<b>Total expenses</b>	<b>1,790,842</b>
Excess of revenues over expenses before allocations and capital	<b>328,948</b>
Allocations:	
Administration (Accounting, HR, IT, Mgt)	173,838
ALE Administration, Licensing & Call Center	148,393
<b>Total allocations</b>	<b>322,231</b>
Excess of expenses over revenues before capital	6,717
Capital expenditures	71,750
<b>Excess of expenses over revenues</b>	<b>\$ (65,033)</b>

**NOTE: Fundraising includes over \$67,000 from Estates, which is not an expected revenue stream and therefore not included in the budget.**

See independent auditor's report