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# **Foothills Animal Shelter**

## **Independent Auditor's Report and Financial Statements**

December 31, 2022

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# Foothills Animal Shelter

December 31, 2022

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## Independent Auditor's Report

Board of Directors  
Foothills Animal Shelter  
Golden, Colorado

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the Foothills Animal Shelter and its discretely presented component unit (collectively, the Shelter) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Shelter's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the Foothills Animal Shelter and its discretely presented component unit as of December 31, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Shelter and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *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 the Shelter's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

In performing an audit in accordance with GAAS and *Government 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 the Shelter's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Shelter'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.

Board of Directors  
Foothills Animal Shelter

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2023, on our consideration of the Shelter's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Shelter's internal control over financial reporting and compliance.

**FORVIS, LLP**

Denver, Colorado  
July 27, 2023

# **Foothills Animal Shelter**

## **Management's Discussion and Analysis (Unaudited)**

### **Year Ended December 31, 2022**

The following Management's Discussion and Analysis is designed to provide an analysis of Foothills Animal Shelter's (the Shelter) financial condition and operating results and to inform the reader of the Shelter's financial activities. The financial statements of the Shelter are presented as a local governmental entity of the state of Colorado engaged in the operation of providing an animal shelter to the communities within Jefferson County.

Additionally, the Shelter has a related entity that is a 501(c)(3) Friends of Foothills Animal Shelter (Friends) whose mission is raising funds to support the work of the Shelter. As a supporting organization of the Shelter, the activities of Friends are reported as a "Component Unit" in the audited financials.

The Management's Discussion and Analysis should be read in conjunction with the financial statements.

#### ***2022 Financial Highlights for both the Shelter and Friends***

- Friends increased its donations by 27% from 2021, to \$2.09 million in total. This allowed Friends to transfer approximately \$2.2 million to the Shelter to support its mission.
- Friends' ending Net Position in 2022 is \$438,042 of this, \$322,615 is unrestricted. There is \$115,427 in restricted funds for other purposes.
- The Shelter's 2022 budget anticipated an increase in revenue over 2021 by 35% and an increase in expenses of 36% over 2021. 2022 actual revenue increased 42% and its total expenses increased by 21% over 2021.

#### ***Overview of the Statement of Net Position of the Shelter***

The *Statement of Net Position* presents information on all assets and liabilities. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position is strengthening or losing ground.

Overall the Shelter's Net Position has increased by 49% from 2021 and Friends' Net Position decreased by 39%.

At the end of 2022 the Shelter reported net investment in capital assets of \$91,409, \$1,879,296 in restricted net position and \$2,063,038 in unrestricted net position. Restricted funds are comprised of the following:

- A Capital Improvement Fund equal to a minimum of \$500,000 whose use will be for replacement of capital equipment, new capital equipment and improvements or expansion of our facility. This amount has been set aside since 2012, as required by intergovernmental agreement.
- A Contingency/Emergency Fund, as required by intergovernmental agreement, with a minimum amount of three months operating expenses as calculated from the prior year; \$1,311,612.

# Foothills Animal Shelter

## Management's Discussion and Analysis (Unaudited)

### Year Ended December 31, 2022

- An Animal Relief Fund that is designated for the purpose of offsetting or subsidizing the costs of providing humane services for animals in our care that are victims of abuse or neglect, part of a mass impound, require specialized care, displaced due to natural disasters and/or present with extraordinary health care needs and/or complications. At the end of 2022 the balance in this account was \$67,684.

|                                    | 2022                | 2021                | Variance    |
|------------------------------------|---------------------|---------------------|-------------|
| <b>Assets</b>                      |                     |                     |             |
| Current assets                     | \$ 4,342,623        | \$ 2,865,303        | 52%         |
| Property and equipment             | 91,409              | 111,575             | -18%        |
| Total assets                       | <u>\$ 4,434,032</u> | <u>\$ 2,976,878</u> | <u>49%</u>  |
| <b>Liabilities</b>                 |                     |                     |             |
| Total liabilities                  | <u>\$ 400,289</u>   | <u>\$ 266,594</u>   | <u>50%</u>  |
| <b>Net Position</b>                |                     |                     |             |
| Net investment in capital assets   | \$ 91,409           | \$ 111,575          | -18%        |
| Restricted                         | 1,879,296           | 1,567,568           | 20%         |
| Unrestricted                       | <u>2,063,038</u>    | <u>1,031,141</u>    | <u>100%</u> |
| Total net position                 | <u>4,033,743</u>    | <u>2,710,284</u>    | <u>49%</u>  |
| Total liabilities and net position | <u>\$ 4,434,032</u> | <u>\$ 2,976,878</u> | <u>49%</u>  |

#### **Overview of the Statement of Revenues, Expenses and Changes in Net Position of the Shelter**

The *Statement of Revenues, Expenses and Changes in Net Position* presents information that reflects how the Shelter's net position changed during the past year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

Overall, the Shelter's revenue increased by 42%; an increase amount not anticipated when budgeting for 2022 and Friends continues to have stronger donations than planned.

# Foothills Animal Shelter

## Management's Discussion and Analysis (Unaudited)

### Year Ended December 31, 2022

|                               | 2022                | 2021              | Variance     |
|-------------------------------|---------------------|-------------------|--------------|
| <b>Operating Revenue</b>      |                     |                   |              |
| Charges for services          | \$ 1,351,226        | \$ 1,276,499      | 6%           |
| Dog licensing fees            | 550,330             | 737,461           | -25%         |
| Assessments                   | 876,171             | 875,171           | 0%           |
| Donations and events          | 3,582,863           | 1,578,946         | 127%         |
|                               | <u>6,360,590</u>    | <u>4,468,077</u>  | <u>42%</u>   |
| Total operating revenue       | 6,360,590           | 4,468,077         | 42%          |
| Total operating expenses      | 5,101,504           | 4,229,177         | 21%          |
| <b>Net Operating Income</b>   | 1,259,086           | 238,900           | -427%        |
| <b>Non-operating Revenue</b>  | 64,373              | 2,515             | 2460%        |
| <b>Change in Net Position</b> | <u>\$ 1,323,459</u> | <u>\$ 241,415</u> | <u>-448%</u> |

#### ***Shelter Budgetary Highlights***

The Shelter prepares its budget on a non-GAAP budgetary basis of accounting to recognize capital outlays in addition to operating and non-operating revenue and contributions. Capital contributions of facilities and depreciation are not reflected on the budget since they do not affect "funds available." Budgets are required by state statute.

#### ***Shelter Long-term Debt***

The Shelter does not carry any long-term debt.

#### ***Shelter Capital Assets***

The Shelter sets capital items with a minimum value of \$5,000 per individual item on a depreciation schedule.

# **Foothills Animal Shelter**

## **Management's Discussion and Analysis (Unaudited)**

### **Year Ended December 31, 2022**

#### ***Economic Factors and Next Year's Budget***

In 2021, the Shelter was to focus on the following core elements:

- Completing the creation of the 3-year Strategic Plan to include the following priorities to launch in January 2022:
  - Adoptions
  - Animal Health and Behavior
  - Better Together Programs
  - External Communication
  - Shelter Optimization
  - Staff Development
- Better Together Programs launch and expansion
- Updating Shelter kennel environments and capital improvements
- Skilled staff recruitment and salary adjustments to keep up with inflation

#### ***Requests for Information***

This report is designed to provide a general overview of the Shelter's finances. Questions concerning any of the information provided in this report or requests for additional information should be directed to:

Constance Howard  
Executive Director  
Phone: 720-407-5210  
Email: [choward@fas4pets.org](mailto:choward@fas4pets.org)

Foothills Animal Shelter  
580 McIntyre Street  
Golden, Colorado 80401

# Foothills Animal Shelter

## Statement of Net Position

December 31, 2022

### Assets

|                                                 | <b>Primary<br/>Government<br/>Shelter</b> | <b>Component<br/>Unit<br/>Friends</b> |
|-------------------------------------------------|-------------------------------------------|---------------------------------------|
| <b>Current Assets</b>                           |                                           |                                       |
| Cash and cash equivalents                       | \$ 4,315,616                              | \$ 391,558                            |
| Accounts receivable                             | 380                                       | 31,000                                |
| Prepaid expenses                                | 18,461                                    | 8,618                                 |
| Due from component unit / primary government    | <u>8,166</u>                              | <u>15,032</u>                         |
| Total current assets                            | <u>4,342,623</u>                          | <u>446,208</u>                        |
| <b>Noncurrent Assets</b>                        |                                           |                                       |
| Capital assets, net of accumulated depreciation | <u>91,409</u>                             | <u>-</u>                              |
| Total assets                                    | <u><u>\$ 4,434,032</u></u>                | <u><u>\$ 446,208</u></u>              |

### Liabilities

|                                            |                |              |
|--------------------------------------------|----------------|--------------|
| <b>Current Liabilities</b>                 |                |              |
| Accounts payable                           | \$ 134,899     | \$ -         |
| Accrued liabilities                        | 135,164        | -            |
| Due to component unit / primary government | <u>15,032</u>  | <u>8,166</u> |
| Total current liabilities                  | <u>285,095</u> | <u>8,166</u> |
| <b>Noncurrent Liabilities</b>              |                |              |
| Accrued compensated absences               | <u>115,194</u> | <u>-</u>     |
| Total liabilities                          | <u>400,289</u> | <u>8,166</u> |

### Net Position

|                                    |                            |                          |
|------------------------------------|----------------------------|--------------------------|
| Net investment in capital assets   | 91,409                     | -                        |
| Restricted for                     |                            |                          |
| Capital improvements               | 500,000                    | -                        |
| Operating reserve                  | 1,311,612                  | -                        |
| Animal Relief Fund                 | 67,684                     | 21,676                   |
| Other programs                     | -                          | 93,751                   |
| Unrestricted                       | <u>2,063,038</u>           | <u>322,615</u>           |
| Total net position                 | <u>4,033,743</u>           | <u>438,042</u>           |
| Total liabilities and net position | <u><u>\$ 4,434,032</u></u> | <u><u>\$ 446,208</u></u> |

# Foothills Animal Shelter

## Statement of Revenues, Expenses and Changes in Net Position Year Ended December 31, 2022

|                                               | <b>Primary<br/>Government<br/>Shelter</b> | <b>Component<br/>Unit<br/>Friends</b> |
|-----------------------------------------------|-------------------------------------------|---------------------------------------|
| <b>Revenues</b>                               |                                           |                                       |
| Charges for services                          | \$ 1,351,226                              | \$ -                                  |
| Dog licensing fees                            | 550,330                                   | -                                     |
| Intergovernmental Agreement (IGA) assessments | 876,171                                   | -                                     |
| Donations and events                          | 1,380,562                                 | 2,089,404                             |
| Distributions from component unit             | 2,202,301                                 | -                                     |
|                                               | <hr/>                                     | <hr/>                                 |
| Total revenues                                | 6,360,590                                 | 2,089,404                             |
|                                               | <hr/>                                     | <hr/>                                 |
| <b>Expenses</b>                               |                                           |                                       |
| Communications                                | 1,596                                     | -                                     |
| Personnel                                     | 3,740,814                                 | -                                     |
| Volunteer management                          | 10,158                                    | -                                     |
| Professional services                         | 99,534                                    | -                                     |
| Animal care                                   | 588,264                                   | -                                     |
| Property maintenance and repairs              | 142,594                                   | -                                     |
| Administration                                | 314,466                                   | 72,898                                |
| Utilities                                     | 117,488                                   | -                                     |
| Dog licensing administration                  | 53,610                                    | -                                     |
| Fundraising                                   | 11,291                                    | 104,262                               |
| Programs                                      | 847                                       | 7,705                                 |
| Distributions to primary government           | -                                         | 2,202,301                             |
| Depreciation                                  | 20,842                                    | -                                     |
|                                               | <hr/>                                     | <hr/>                                 |
| Total expenses                                | 5,101,504                                 | 2,387,166                             |
|                                               | <hr/>                                     | <hr/>                                 |
| <b>Net Operating Income (Loss)</b>            | 1,259,086                                 | (297,762)                             |
|                                               | <hr/>                                     | <hr/>                                 |
| <b>Non-operating Revenues</b>                 |                                           |                                       |
| Investment income                             | 64,373                                    | -                                     |
|                                               | <hr/>                                     | <hr/>                                 |
| <b>Change in Net Position</b>                 | 1,323,459                                 | (297,762)                             |
|                                               | <hr/>                                     | <hr/>                                 |
| <b>Net Position, Beginning of Year</b>        | 2,710,284                                 | 735,804                               |
|                                               | <hr/>                                     | <hr/>                                 |
| <b>Net Position, End of Year</b>              | <u>\$ 4,033,743</u>                       | <u>\$ 438,042</u>                     |

# Foothills Animal Shelter

## Statement of Cash Flows

### Year Ended December 31, 2022

|                                                                                                                 | <b>Primary<br/>Government<br/>Shelter</b> | <b>Component<br/>Unit<br/>Friends</b> |
|-----------------------------------------------------------------------------------------------------------------|-------------------------------------------|---------------------------------------|
| <b>Cash Flows from Operating Activities</b>                                                                     |                                           |                                       |
| Cash received from customers                                                                                    | \$ 1,351,226                              | \$ -                                  |
| Cash received from donors                                                                                       | 1,380,562                                 | 2,088,913                             |
| Dog licensing fees received                                                                                     | 549,950                                   | -                                     |
| Cash received from IGA assessments                                                                              | 876,171                                   | -                                     |
| Cash received by (paid to) primary government                                                                   | 2,206,507                                 | (2,206,507)                           |
| Cash paid to vendors and others                                                                                 | (896,334)                                 | (187,446)                             |
| Cash paid to employees                                                                                          | (4,081,091)                               | -                                     |
|                                                                                                                 | <u>1,386,991</u>                          | <u>(305,040)</u>                      |
| <b>Net cash provided by (used in) operating activities</b>                                                      |                                           |                                       |
| <b>Cash Flows from Capital and Related Financing Activities</b>                                                 |                                           |                                       |
| Purchase of capital assets                                                                                      | (676)                                     | -                                     |
| <b>Cash Flows from Investing Activities</b>                                                                     |                                           |                                       |
| Investment income received                                                                                      | 64,373                                    | -                                     |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>                                                     | 1,450,688                                 | (305,040)                             |
| <b>Cash and Cash Equivalents, Beginning of Year</b>                                                             | 2,864,928                                 | 696,598                               |
| <b>Cash and Cash Equivalents, End of Year</b>                                                                   | <u>\$ 4,315,616</u>                       | <u>\$ 391,558</u>                     |
| <b>Reconciliation of Net Operating Income (Loss) to Net<br/>Cash Provided by (Used In) Operating Activities</b> |                                           |                                       |
| Net operating income (loss)                                                                                     | \$ 1,259,086                              | \$ (297,762)                          |
| Depreciation                                                                                                    | 20,842                                    | -                                     |
| Changes in assets and liabilities                                                                               |                                           |                                       |
| Accounts receivable                                                                                             | (380)                                     | (491)                                 |
| Prepaid expenses                                                                                                | (18,461)                                  | (214)                                 |
| Due to (from) component unit / primary government                                                               | 4,206                                     | (4,206)                               |
| Accounts payable and accrued liabilities                                                                        | 83,741                                    | (2,367)                               |
| Accrued compensated absences                                                                                    | 37,957                                    | -                                     |
|                                                                                                                 | <u>\$ 1,386,991</u>                       | <u>\$ (305,040)</u>                   |
| <b>Net cash provided by (used in) operating activities</b>                                                      |                                           |                                       |

# **Foothills Animal Shelter**

## **Notes to Financial Statements**

### **December 31, 2022**

#### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

##### ***Nature of Operations***

The Table Mountain Animal Center was established by an intergovernmental agreement dated March 15, 1976, for the administration and operation of a common animal shelter. In August 2012, an amended intergovernmental agreement changed the name of the shelter to the Foothills Animal Shelter (the Shelter). Current participating entities are as follows:

|                   |                     |
|-------------------|---------------------|
| Jefferson County  | City of Lakewood    |
| City of Arvada    | City of Westminster |
| City of Edgewater | City of Wheat Ridge |
| City of Golden    |                     |

The Shelter's Board of Directors consists of appointed members from the participating entities. Each participating entity is entitled to appoint one member to the board.

##### ***Reporting Entity***

The financial reporting entity consists of the Shelter, organizations for which the Shelter is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the Shelter. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Shelter. Legally separate organizations for which the Shelter is financially accountable are considered part of the reporting entity. Financial accountability exists if the Shelter appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if there is a potential for the organization to provide benefits to, or impose financial burdens on, the Shelter.

Based on the application of these criteria, the Shelter includes Friends of Foothills Animal Shelter (Friends), a non-profit organization as defined in Section 501(c)(3) of the Internal Revenue Code, in its reporting entity. Friends was formed to encourage humanity to animals by education and in cooperation with the Shelter, to raise funds to assist the Shelter in fulfilling its mission, and to engage in any other lawful business or activities for the benefit of the Shelter and the prevention of cruelty to animals. Friends is discretely presented in the Shelter's financial statements and does not issue separate financial statements.

##### ***Basis of Accounting and Presentation***

The Shelter uses an enterprise fund to account for its operations. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where fees are charged to external users for goods or services.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# **Foothills Animal Shelter**

## **Notes to Financial Statements**

### **December 31, 2022**

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for a specific use, it is the Shelter's practice to use restricted resources first, then unrestricted resources as they are needed.

#### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows of resources 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.

#### ***Cash Equivalents***

The Shelter considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2022, cash equivalents consisted primarily of an interest in a local government investment pool, described in Note 2.

#### ***Capital Assets***

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. It is the Shelter's policy to capitalize property and equipment with a cost of \$5,000 or more and a life in excess of one year. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the Shelter:

|                         |              |
|-------------------------|--------------|
| Building Improvements   | 5 - 10 years |
| Furniture and Equipment | 5 - 10 years |
| Vehicles                | 6 years      |

#### ***Compensated Absences***

Shelter policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash.

Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized.

# Foothills Animal Shelter

## Notes to Financial Statements

December 31, 2022

Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at statement of net position date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

### **Net Position**

Net position is restricted when constraints placed on the use of resources are externally imposed. The intergovernmental agreement requires the Shelter to establish a capital improvement fund equal to a minimum of \$500,000, which has been reported as restricted net position in the financial statements. Uses of the fund include replacement or procurement of capital equipment and improvement or expansion of the facility. If funds are used from the capital improvement fund, the fund shall be returned to the minimum balance within a two-year period.

Animal Relief Fund (ARF) monies are placed in reserve for the purpose of offsetting or subsidizing the costs of providing humane services for animals in the care of the Shelter when such animal meet one or more of the following criteria: (1) a victim of abuse or neglect; (2) part of a mass impound; (3) exotic, requiring specialized diet, health care or shelter; (4) displaced due to natural disaster; (5) presenting extraordinary health care needs and/or complications.

The intergovernmental agreement requires the Shelter to establish a contingency/emergency fund equal to a minimum of three months of operating expenses as calculated from the prior year.

### **Note 2: Cash and Investments**

#### **Summary of Carrying Values**

The carrying values of deposits and investments shown above are included in the statement of net position as follows:

|                                        | <b>Primary<br/>Government<br/>Shelter</b> | <b>Component<br/>Unit<br/>Friends</b> |
|----------------------------------------|-------------------------------------------|---------------------------------------|
| Cash on hand                           | \$ 433                                    | \$ -                                  |
| Undeposited funds                      | 11,001                                    | -                                     |
| Deposits                               | 397,877                                   | 391,558                               |
| CSAFE Local Government Investment Pool | 3,906,305                                 | -                                     |
|                                        | <u>\$ 4,315,616</u>                       | <u>\$ 391,558</u>                     |

# **Foothills Animal Shelter**

## **Notes to Financial Statements**

**December 31, 2022**

### ***Deposits***

The Colorado Public Deposit Protection Act (PDPA) requires local government entities to deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2022, the Shelter had bank deposits of \$397,877, collateralized with securities held by the financial institution's agent but not in the Shelter's name. At December 31, 2022, the Shelter and Friends had bank deposits in excess of FDIC insurance limits totaling approximately \$150,000 and \$140,000, respectively.

### ***Investments***

The Shelter is required to comply with state statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

- Obligations of the United States and certain U.S. agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

### ***Investment in External Investment Pool***

At December 31, 2022, the Shelter had \$3,906,305 invested in the Colorado Surplus Asset Fund Trust (CSAFE), an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating CSAFE. CSAFE operates in conformity with the Securities and Exchange Commission's Rule 2a-7. CSAFE is measured at the net asset value per share, with each share valued at \$1.00. CSAFE is rated AAAM by Standard and Poor's.

Investments of CSAFE are limited to those allowed by state statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments. CSAFE is designed to provide local governments with a convenient method for investing in short-term investments carefully chosen to provide maximum safety and liquidity, while still maximizing interest earnings.

# Foothills Animal Shelter

## Notes to Financial Statements

### December 31, 2022

#### ***Interest Rate Risk***

State statutes generally limit investments to a maturity of five years, unless the governing board authorizes the investment for a period in excess of five years.

#### ***Credit Risk***

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

#### ***Custodial Credit Risk***

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Shelter will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Shelter's investment policy requires that investments be placed with two or more financial institutions and in such amounts or proportions of total investments or assets as may be reasonable and prudent.

#### ***Concentration of Credit Risk***

State statutes generally do not limit the amount that may be invested in any one issuer.

### **Note 3: Capital Assets**

Capital assets activity for the year ended December 31, 2022, was:

|                                 | <b>Balance<br/>12/31/2021</b> | <b>Additions</b>          | <b>Deletions</b>   | <b>Balance<br/>12/31/2022</b> |
|---------------------------------|-------------------------------|---------------------------|--------------------|-------------------------------|
| <b>Capital Assets</b>           |                               |                           |                    |                               |
| Buildings and improvements      | \$ 160,971                    | \$ -                      | \$ -               | \$ 160,971                    |
| Furniture and equipment         | 177,672                       | 676                       | -                  | 178,348                       |
| Vehicles                        | 21,649                        | -                         | -                  | 21,649                        |
|                                 | <u>360,292</u>                | <u>676</u>                | <u>-</u>           | <u>360,968</u>                |
| <b>Accumulated Depreciation</b> |                               |                           |                    |                               |
| Buildings and improvements      | (99,405)                      | (11,282)                  | -                  | (110,687)                     |
| Furniture and equipment         | (127,663)                     | (9,560)                   | -                  | (137,223)                     |
| Vehicles                        | (21,649)                      | -                         | -                  | (21,649)                      |
|                                 | <u>(248,717)</u>              | <u>(20,842)</u>           | <u>-</u>           | <u>(269,559)</u>              |
| <b>Capital Assets, Net</b>      | <u><u>\$ 111,575</u></u>      | <u><u>\$ (20,166)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 91,409</u></u>       |

# **Foothills Animal Shelter**

## **Notes to Financial Statements**

### **December 31, 2022**

#### **Note 4: Pension Plans**

##### ***401(k) Plan***

All employees with one year of service and at least 21 years of age are eligible to participate in the plan. Participant contributions are fully vested on the date of eligibility. The Shelter provides a discretionary matching contribution, subject to annual approval by the Board of Directors. Historically, the Shelter has matched 100% of employee contributions up to 3% of eligible compensation. For the year ended December 31, 2022, the Shelter contributed approximately \$37,000 to the plan and employees contributed approximately \$115,000 to the plan.

##### ***457 Plan***

Certain former employees were given the option of voluntarily contributing to a deferred compensation plan. The plan is administered by TDAmeritrade and is closed to new applicants.

#### **Note 5: Commitments and Contingencies**

##### ***Facility Financing Agreement***

In August 2010, the Shelter entered into an agreement with Jefferson County to lease a county-owned facility for 50 years, from August 9, 2010, and terminating August 9, 2060. The lease agreement requires annual lease payments of \$10. An intergovernmental agreement between the Cities of Arvada, Lakewood, Wheat Ridge, Golden and Westminster and Jefferson County implemented a county-wide dog licensing program to finance the construction of the facility.

In August 2012, the participating entities amended the intergovernmental agreement to permit dog licensing fees from the county-wide dog licensing program, to be used for operating costs of the Shelter, capital improvements, and maintenance. The participating entities pay an assessment to Jefferson County to repay debt service related to the construction of the facility.

In February 2022, the participating entities amended the agreement to establish and codify annual assessments, to consolidate and simplify the annual billing of license fees to each municipality and to make effective various other administrative changes.

## **Required Supplementary Information**

# Foothills Animal Shelter

## Budgetary Comparison Schedule and Related Notes

### Year Ended December 31, 2022

|                                                    | Original &<br>Final<br>Budget | Actual                     | Variance                   |
|----------------------------------------------------|-------------------------------|----------------------------|----------------------------|
| <b>Revenues</b>                                    |                               |                            |                            |
| Charges for services                               | \$ 1,263,500                  | \$ 1,351,226               | \$ 87,726                  |
| Dog licensing fees                                 | 744,830                       | 550,330                    | (194,500)                  |
| IGA assessments                                    | 876,170                       | 876,171                    | 1                          |
| Donations and events                               | 835,000                       | 1,380,562                  | 545,562                    |
| Distributions from component unit                  | 1,522,000                     | 2,202,301                  | 680,301                    |
| Investment income                                  | 5,000                         | 64,373                     | 59,373                     |
|                                                    | <u>5,246,500</u>              | <u>6,424,963</u>           | <u>1,178,463</u>           |
| Total revenues                                     |                               |                            |                            |
| <b>Expenditures</b>                                |                               |                            |                            |
| Communications                                     | 25,000                        | 1,596                      | 23,404                     |
| Personnel                                          | 3,946,298                     | 3,740,814                  | 205,484                    |
| Volunteer management                               | 8,100                         | 10,158                     | (2,058)                    |
| Professional services                              | 102,400                       | 99,534                     | 2,866                      |
| Animal care                                        | 527,000                       | 588,264                    | (61,264)                   |
| Property maintenance and repairs                   | 172,500                       | 142,594                    | 29,906                     |
| Administration                                     | 171,400                       | 315,313                    | (143,913)                  |
| Utilities                                          | 109,750                       | 117,488                    | (7,738)                    |
| Dog licensing administration                       | 149,000                       | 53,610                     | 95,390                     |
| Fundraising                                        | -                             | 11,291                     | (11,291)                   |
| Capital outlay                                     | 35,000                        | 676                        | 34,324                     |
|                                                    | <u>5,246,448</u>              | <u>5,081,338</u>           | <u>165,110</u>             |
| Total expenditures                                 |                               |                            |                            |
| <b>Change in Net Position,<br/>Budgetary Basis</b> | <u><u>\$ 52</u></u>           | <u><u>1,343,625</u></u>    | <u><u>\$ 1,343,573</u></u> |
| <b>Reconciliation to GAAP basis</b>                |                               |                            |                            |
| Add/(less)                                         |                               |                            |                            |
| Depreciation                                       |                               | (20,842)                   |                            |
| Capital outlay                                     |                               | 676                        |                            |
| Other                                              |                               | <u>-</u>                   |                            |
| <b>Change in Net Position, GAAP Basis</b>          |                               | <u><u>\$ 1,323,459</u></u> |                            |

**Foothills Animal Shelter**  
**Budgetary Comparison Schedule and Related Notes (continued)**  
**Year Ended December 31, 2022**

***Notes to Schedule***

Annual budgets are adopted by the Board of Directors on a non-GAAP budgetary basis, whereby capital outlay is budgeted as an expense and depreciation and any related gain/loss on disposals are not budgeted. All appropriations lapse at fiscal year-end.

The Shelter follows these procedures to establish the budgetary information reflected in the financial statements:

- The Executive Director submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments
- Prior to December 31, the budget is legally adopted through passage of a resolution



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**Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with  
*Government Auditing Standards***

**Independent Auditor's Report**

Board of Directors  
Foothills Animal Shelter  
Golden, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Foothills Animal Shelter and its discretely presented component unit (collectively, the Shelter), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Shelter's basic financial statements, and have issued our report thereon dated July 27, 2023.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Shelter's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Shelter's internal control. Accordingly, we do not express an opinion on the effectiveness of the Shelter's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Board of Directors  
Foothills Animal Shelter

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Shelter's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

The purpose of this communication is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Shelter's internal control or compliance. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Shelter's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**FORVIS, LLP**

Denver, Colorado  
July 27, 2023