

NEVADA HUMANE SOCIETY

Audited Financial Statements

December 31, 2013

NEVADA HUMANE SOCIETY
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Independent Auditor's Report

To the Board of Directors
Nevada Humane Society
Reno, Nevada

We have audited the accompanying financial statements of Nevada Humane Society (a Nevada non-profit corporation), which comprise the statement of financial position as of December 31, 2013, and the related statement of activities and change in net assets, functional expense, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility

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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 Nevada Humane Society, as December 31, 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PANGBORN & Co., LTD.

Reno, Nevada
May 27, 2014

NEVADA HUMANE SOCIETY
Statement of Financial Position
December 31, 2013
(With Comparative Totals for December 31, 2012)

	ASSETS		Totals	
	Unrestricted	Temporarily Restricted	2013	2012 (Memorandum Only)
	Unrestricted	Temporarily Restricted	2013	2012 (Memorandum Only)
Current Assets:				
Cash and cash equivalents	\$ 919,586	\$ 168,212	\$ 1,087,798	\$ 1,027,264
Grants and contracts receivable	28,718	-	28,718	3,501
Prepaid expenses	10,237	-	10,237	10,256
Note receivable, current portion	-	-	-	3,457
Pledge receivables, current portion	1,553	-	1,553	1,430
Prepaid facility lease, current portion	117,905	-	117,905	125,946
Total Current Assets	<u>1,077,999</u>	<u>168,212</u>	<u>1,246,211</u>	<u>1,171,854</u>
Property and equipment, net	<u>199,269</u>	<u>-</u>	<u>199,269</u>	<u>76,177</u>
Other Assets:				
Pledge receivables, net of current portion	1,135	-	1,135	2,288
Prepaid facility lease, net of current portion	3,085,181	-	3,085,181	3,203,086
Investments	-	1,691,817	1,691,817	1,694,150
Other investments	6,000	-	6,000	8,000
Total Other Assets	<u>3,092,316</u>	<u>1,691,817</u>	<u>4,784,133</u>	<u>4,907,524</u>
Total Assets	<u>\$ 4,369,584</u>	<u>\$ 1,860,029</u>	<u>\$ 6,229,613</u>	<u>\$ 6,155,555</u>
 LIABILITIES AND NET ASSETS 				
Current Liabilities:				
Accounts payable	\$ 56,883	\$ -	\$ 56,883	\$ 47,193
Accrued payroll	45,999	-	45,999	35,834
Accrued employee benefits	42,035	-	42,035	34,184
Vouchers payable	9,920	-	9,920	9,920
Total Current Liabilities	<u>154,837</u>	<u>-</u>	<u>154,837</u>	<u>127,131</u>
Net Assets:				
Unrestricted	4,214,747	-	4,214,747	4,117,115
Temporarily restricted	<u>-</u>	<u>1,860,029</u>	<u>1,860,029</u>	<u>1,911,309</u>
Total Net Assets	<u>4,214,747</u>	<u>1,860,029</u>	<u>6,074,776</u>	<u>6,028,424</u>
Total Liabilities and Net Assets	<u>\$ 4,369,584</u>	<u>\$ 1,860,029</u>	<u>\$ 6,229,613</u>	<u>\$ 6,155,555</u>

The attached auditor's report and notes should be read with the financial statements.

NEVADA HUMANE SOCIETY
Statements of Activities
For the Year Ended December 31, 2013
(With Comparative Totals for December 31, 2012)

	Unrestricted	Temporarily Restricted	Totals	
			2013	2012 (Memorandum Only)
Support and Revenues:				
Grants and contributions	\$ 2,936,835	\$ 76,130	\$ 3,012,965	\$ 3,158,112
Program income and fees (Net of fee discounts of \$324,452)	357,755	-	357,755	385,431
Special events (Net of costs of direct benefits to attendees of \$77,160)	217,522	-	217,522	139,092
Net assets released from restriction	229,227	(229,227)	-	-
Total Support and Revenues	3,741,339	(153,097)	3,588,242	3,682,635
Expenses:				
Program Services -				
Public service	429,066	-	429,066	456,251
Animal care				
Clinic	749,492	-	749,492	694,698
Shelter	2,029,540	-	2,029,540	2,071,030
Supporting Services -				
General and administration	342,057	-	342,057	172,966
Fundraising	138,368	-	138,368	187,962
Total Expenses	3,688,523	-	3,688,523	3,582,907
Other Income and (Expenses):				
Net realized and unrealized gains on investments	-	40,283	40,283	88,494
Interest and dividend income	-	61,534	61,534	62,826
Interest expense	(512)	-	(512)	(1,384)
Gain on disposal of land and equipment	45,328	-	45,328	-
Total Other Income (Expenses)	44,816	101,817	146,633	149,936
Change in Net Assets	97,632	(51,280)	46,352	249,664
Net Assets, Beginning of Year	4,117,115	1,911,309	6,028,424	5,778,760
Net Assets, End of Year	\$ 4,214,747	\$ 1,860,029	\$ 6,074,776	\$ 6,028,424

The attached auditor's report and notes should be read with the financial statements.

NEVADA HUMANE SOCIETY
Statement of Funtional Expense - Page 1
For the Year Ended December 31, 2013
(With Comparative Totals for December 31, 2012)

	Program Services			
	Public Service	Animal Care		Subtotal
		Clinic	Shelter	
Salaries and wages	\$ 164,635	\$ 341,044	\$ 945,726	\$ 1,451,405
Employee benefits and payroll taxes	32,207	55,861	130,981	219,049
Total Salary Costs	<u>196,842</u>	<u>396,905</u>	<u>1,076,707</u>	<u>1,670,454</u>
Accounting Fees	-	-	-	-
Advertising	55,863	1,341	-	57,204
Bank charges	-	-	-	-
Bad debts	-	70	300	370
Computer service and expenses	3,727	40	3,319	7,086
Communication expenses	1,797	1,281	4,972	8,050
Contract personnel - temporary	-	-	108	108
Donated supplies and services	-	11,494	499,539	511,033
Dues and subscriptions	266	570	100	936
Equipment rental and maintenance	4,256	3,897	27,238	35,391
Facility lease	-	23,581	82,533	106,114
Facility maintenance	-	493	32,002	32,495
Grants to other organizations	-	-	600	600
Insurance	-	-	11,024	11,024
Janitorial	-	24	42,711	42,735
Meals and entertainment	2,204	871	3,690	6,765
Miscellaneous	1,526	10	2,074	3,610
Office expense	2,268	2,589	4,911	9,768
Postage	8,824	2,536	12,213	23,573
Printing	21,553	372	909	22,834
Professional fees	98,692	58,293	21,318	178,303
Staff development	2,340	2,203	2,251	6,794
Supplies	514	232,083	81,677	314,274
Travel	13,411	2,798	13,886	30,095
Uniforms	-	617	2,332	2,949
Utilities	-	1,725	48,153	49,878
Volunteer expense	920	250	-	1,170
Vouchers issued	14,063	-	3,737	17,800
Workers compensation	-	-	32,162	32,162
Total Expenses Before Depreciation	<u>429,066</u>	<u>744,043</u>	<u>2,010,466</u>	<u>3,183,575</u>
Depreciation	-	5,449	19,074	24,523
Total Expenses	<u>\$ 429,066</u>	<u>\$ 749,492</u>	<u>\$ 2,029,540</u>	<u>\$ 3,208,098</u>

The attached auditor's report and notes should be read with the financial statements.

NEVADA HUMANE SOCIETY
Statement of Funtional Expense - Page 2
For the Year Ended December 31, 2013
(With Comparative Totals for December 31, 2012)

	Supporting Services			Totals	
	General and Administration	Fund-raising	Subtotal	2013	2012 (Memorandum Only)
Salaries and wages	\$ 220,700	\$ 18,105	\$ 238,805	\$ 1,690,211	\$ 1,728,692
Employee benefits and payroll taxes	33,567	2,372	35,939	254,988	267,355
Total Salary Costs	254,267	20,477	274,744	1,945,199	1,996,047
Accounting Fees	17,500	-	17,500	17,500	6,092
Advertising	618	11,210	11,828	69,032	47,603
Bank charges	24,024	101	24,125	24,125	22,993
Bad debts	-	20	20	390	580
Computer service and expenses	419	-	419	7,505	3,116
Communication expenses	141	-	141	8,191	8,263
Contract personnel - temporary	36	-	36	144	3,069
Donated supplies and services	-	7,879	7,879	518,912	508,178
Dues and subscriptions	-	-	-	936	849
Equipment rental and maintenance	326	-	325	35,716	32,939
Facility lease	11,791	-	11,791	117,905	117,905
Facility maintenance	64	-	64	32,559	41,712
Grants to other organizations	-	-	-	600	993
Insurance	5,563	-	5,563	16,587	11,769
Janitorial	195	-	195	42,930	42,043
Meals and entertainment	161	336	497	7,262	5,720
Miscellaneous	3,044	-	3,044	6,654	4,113
Office expense	1,795	120	1,915	11,683	12,776
Postage	2,515	321	2,836	26,409	18,010
Printing	147	46,639	46,786	69,620	74,245
Professional fees	16,314	46,405	62,719	241,022	126,259
Staff development	412	1,759	2,171	8,965	7,174
Supplies	-	-	-	314,274	295,961
Travel	-	3,101	3,101	33,196	15,683
Uniforms	-	-	-	2,949	1,568
Utilities	-	-	-	49,878	71,093
Volunteer expense	-	-	-	1,170	654
Vouchers issued	-	-	-	17,800	35,781
Workers compensation	-	-	-	32,162	45,067
Total Expenses Before Depreciation	339,332	138,368	477,699	3,661,275	3,558,255
Depreciation	2,725	-	2,725	27,248	24,652
Total Expenses	\$ 342,057	\$ 138,368	\$ 480,424	\$ 3,688,523	\$ 3,582,907

The attached auditor's report and notes should be read with the financial statements.

NEVADA HUMANE SOCIETY
Statement of Cash Flows
For The Year Ended December 31, 2013
(With Comparative Totals for December 31, 2012)

	2013	2012 (Memorandum Only)
Cash Flows From Operating Activities:		
Cash received from grants and contributions	\$ 3,012,964	\$ 3,220,597
Cash received from program income and fees	357,755	385,431
Cash received from special events	217,523	192,112
Cash paid to vendors and employees	(3,527,633)	(3,583,981)
Interest and dividend income received	57,376	62,826
Interest paid	(512)	(1,384)
Net Cash Flows Provided by Operating Activities	117,473	275,601
Cash Flows From Investing Activities:		
Principal payments from notes receivable	3,457	24,524
Purchase of property and equipment	(168,012)	(17,625)
Proceeds from sale of investments	225,927	446,143
Purchase of investments	(183,311)	(149,606)
Proceeds from sale of equipment	55,000	-
Proceeds from sale of land	10,000	-
Net Cash Flows Provided by (Used in) Investing Activities	(56,939)	303,436
Net Increase in Cash and Cash Equivalents	60,534	579,037
Cash and Cash Equivalents at Beginning of Year	1,027,264	448,227
Cash and Cash Equivalents at End of Year	\$ 1,087,798	\$ 1,027,264
Reconciliation of Change in Net Assets to Net Cash		
Provided (Used) by Operating Activities:		
Change in Net Assets	\$ 46,352	\$ 249,664
Adjustment to reconcile changes in net assets to net cash flows provided (used) by operating activities:		
Depreciation	27,248	24,652
Net realized and unrealized (gains) losses on investments	(40,283)	(88,494)
Gain on sale of land and equipment	(45,328)	-
Donated assets	-	(1,700)
Changes in assets and liabilities:		
Grants and contracts receivable	(25,217)	48,677
Pledges receivable	1,030	54,208
Prepaid facility lease	125,946	109,864
Prepaid expenses	19	(2,465)
Accounts payable	9,690	(67,056)
Accrued payroll	10,165	760
Accrued employee benefits	7,851	(13,809)
Deferred pledges	-	(38,700)
Total adjustments	71,121	25,937
Net Cash Flows Provided by Operating Activities	\$ 117,473	\$ 275,601

The attached auditor's report and notes should be read with the financial statements.

NEVADA HUMANE SOCIETY
Notes to Financial Statements
December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

Nevada Humane Society (the Society) was established on February 19, 1932, as a domestic non-profit corporation, organized to prevent cruelty to animals, establish and maintain a veterinary hospital and animal shelter, and provide education of a public sentiment of humanity and gentleness toward domestic and other animal programs and services offered to the community include the following:

Adoption Services - Owner surrendered pets and pets that pass their stray hold period at the county animal shelter are accepted for adoption into new homes. Adoption policies are designed to ensure permanent and successful placement. Homes were found for approximately 9,658 formerly homeless pets in 2013.

Foster Care Program - Over 7,000 volunteer Families provided pets with temporary care in their homes.

Mobile Spay/Neuter/Adoption Van - Allows the Society to extend its work beyond the shelter walls.

Clinic - Provides spay or neuter surgeries, vaccinations and care for all dogs and cats passing through the shelter. Low-cost spay/neuter services are provided for public animals on a financial need basis.

Pet Food Assistance Program - Provides pet food on a temporary basis for people who are unable to afford food for their pets.

Veterinary Assistance and Spay/Neuter - Available for cats and dogs in conjunction with the Shakespeare Animal Fund and the cat voucher program. These programs, funded in part by various grants, subsidized \$100,000 in cat spays and neuters, in addition to low-cost surgeries provided through the Clinic and other clinics.

Volunteer Opportunities, Education Programs and Other Services - The animal help desk provided free assistance to over 22,635 people with animal related issues or problems. The Society hosted dog training and other educational opportunities for volunteers and the general public. Volunteer opportunities include a wide variety of activities within the shelter as well as the "Hiking Buddies" program in which volunteers take dogs on hikes.

Disaster Preparedness - The Society works with Washoe County Regional Animal Services (WCRAS) to meet the needs of animals during disasters.

Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation:

The Society's financial statements are in accordance with ASC Topic 958, Financial Statements for Not-for-Profit Organizations. This statement provides standards for financial reporting by not-for-profit organizations and requires the classification of net assets as follows:

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that are to be maintained permanently by the Organization. As of December 31, 2013 there were no permanently restricted net assets.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Society pursuant to those stipulations.

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations.

NEVADA HUMANE SOCIETY
Notes to Financial Statements
December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Cash and Cash Equivalents:

The Society maintains its cash and equivalents in bank deposit accounts and brokerage money market accounts which, at times, may exceed insured limits. The Society has not experienced any losses in such accounts. The Society believes it is not exposed to any significant credit risk on cash and cash equivalents. Bank deposit accounts and money market accounts were insured by the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC) at December 31, 2013 and 2012.

Grant and Contracts Receivable:

Support under grants and contracts is recorded when the related amounts are due from grantor agencies. Grants and contracts receivable are reported net of allowance for doubtful accounts of \$3,469.

Pledges Receivable:

Pledges are stated at net realizable value, in accordance with financial accounting standards, and recognized as support in the period received. Conditional pledges are recognized when the conditions on which they depend are substantially met.

Investments:

In accordance with provisions of ASC Topic 320, Investments - Debt and Equity Securities generally accepted accounting principles require that nonprofit organizations report certain investments at fair value. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. 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. Information about the fair value of investments and the unrealized gains and losses is discussed in Note 3. The fair value of substantially all securities is determined by quoted market prices. The estimated fair value of securities without any quoted market prices is based on similar types of securities that are traded in the market.

Property and Equipment:

Property and equipment of the Society exceeding the capitalization threshold of \$500 are capitalized and recorded in the Society's records. Property and equipment are recorded at cost. Donated property is recorded at its estimated fair market value at the date received. Depreciation is calculated using the straight-line method over the assets estimated useful life of five to thirty-nine years. Maintenance and repairs are charged to expenses as incurred. Renewals and betterments that materially extend the lives of the assets are capitalized.

Contributions:

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net assets classes. When a donor restriction expires, that is, when a stipulated time restriction ends or purposed restriction is accomplished, 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 whose restrictions are met in the same reporting period are reported as unrestricted support.

NEVADA HUMANE SOCIETY
Notes to Financial Statements
December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions In-Kind:

Contributions in-kind are recognized in accordance with an applicable accounting standard. Donated equipment and goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which the Society would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. The Society also receives donated services that do not require specific expertise but are central to the Society's operations. While these contributed services are not reflected in the financial statements the estimated value of these services is disclosed.

Advertising:

Advertising costs are charged to program and supporting services when incurred. Advertising costs totaled \$69,032 for the year ended December 31, 2013.

Compensated Absences:

Employees of the Society depending on job classification, length of service and other factors are entitled to paid vacations. Accrued employee benefits represent the Society's liability for the cost of unused employee vacation at December 31, 2013.

Functional Expense Allocation:

Expenses that can be identified with a specific program are applied directly according to their natural expense classification. Non-specific program costs are allocated to programs and support services based on the best estimates of management.

Exempt Status:

The Society is a not-for-profit organization, exempt from federal income tax under Internal Revenue Code Section 501(c)(3), and has been classified as an organization that is not a private foundation under Section 509(a)(2) receiving a substantial part of its support from the general public as provided internal Revenue Codes Section 170(b)(1)(A)(VI). Accordingly, no liability for federal and state income taxes has been provided in the financial statements.

Management has determined that The Society does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. The Organization has exempt tax filings open to the Internal Revenue Service for years ending December 31, 2010, 2011, and 2012.

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 and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, making it reasonably possible that a change in these estimates could occur in the near term.

Contingencies:

Certain conditions may exist as of the date the financial statements are issued which may result in a loss to the Society but will only be resolved when one or more future events occur or fail to occur. The Society's management and its legal counsel assess such contingent liabilities and such assessment inherently involves an exercise of judgment.

NEVADA HUMANE SOCIETY
Notes to Financial Statements
December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contingencies (continued):

In assessing loss contingencies related to legal proceedings that are pending against the Society or unasserted claims that may result in such proceedings the Society's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates it is probable that a material loss has incurred and the amount of the liability can be estimated the estimated liability would be accrued in the Society's financial statements. If the assessment indicates that a potentially material loss contingencies is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material would be disclosed as of December 31 , 2013 the Society has not recorded any contingencies.

Summarized Financial Information for 2012:

The financial statements include certain prior-year's summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly such information should be read in conjunction with the Society's financial statements for the year ended December 31, 2012 from which the summarized information was derived.

Date of Management's review

The Society has evaluated subsequent events through May 27, 2014, the date which the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

NOTE 2 – PLEDGES RECEIVABLE

In 2009, the Society began the annual Pets Alive Partners Event. Pledge receivables generated from this event are \$2,688 as of December 31, 2013. Pledges of \$1,135 are considered long-term, with the following payments due:

Year ending December 31,	
2015	\$ 675
2016	<u>460</u>
	<u><u>\$ 1,135</u></u>

Discounts on pledges receivable are reported net of allowance for doubtful accounts of \$24,188.

NOTE 3 – INVESTMENTS AND FAIR VALUE

The Society reports its fair value measures using a fair value hierarchy defined by generally accepted accounting principles (GAAP) that prioritizes the inputs to valuation techniques used to measure fair value.

The three levels of the fair value hierarchy under GAAP are:

- Level 1 - Quoted prices in active markets that are accessible at the measurement date for identical assets;
- Level 2 – Observable inputs based on quoted prices in non-active markets or in active markets for similar assets or liabilities. Inputs other than quoted prices that are observable, or inputs that are not directly observable, but are corroborated by observable market data.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the measurement of assets and liabilities.

NEVADA HUMANE SOCIETY
Notes to Financial Statements
December 31, 2013

NOTE 3 – INVESTMENTS AND FAIR VALUE (Continued)

The following are the major categories of assets measured at fair value (Level 1) on a recurring basis for the year ended December 31, 2013:

	Temporarily Restricted
Fixed Income:	
Government obligations	\$ 82,922
Corporate obligations	389,657
Domestic mutual funds	181,216
International mutual funds	199,165
	852,960
Equities:	
Domestic mutual funds	271,607
International mutual funds	68,498
Common trust funds	237,828
	577,933
Complementary strategies	86,094
Real asset funds	173,830
	\$ 1,690,817

There are no Level 2 or Level 3 investments held by the Society at December 31, 2013.

Net Investment income for the year ended December 31, 2013 consists of the following:

Net realized gains	\$ 17,226
Net unrealized gains on holdings	23,057
Interest and dividends	61,534
	\$ 101,817

Related expenses for investment fees totaled \$13,650 for the year ended December 31, 2013.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Leasehold improvements	\$ 110,980
Furniture and equipment	227,659
Vehicles	223,539
	562,178
Less accumulated depreciation	(362,909)
	\$ 199,269

Depreciation expense for the year ended December 31, 2013 was \$27,248.

The Society acquired donated real property located at 2825 Longley Lane, restricted to the use of charitable or civic purposes that provide animal services to the community, storage for pet and shelter donations, training center, rehabilitation center, or an animal clinic facility. The property cannot be transferred, sold, exchanged or encumbered without written consent from the Donor.

NEVADA HUMANE SOCIETY
Notes to Financial Statements
December 31, 2013

NOTE 5 – LINES OF CREDIT

The Society has various unsecured credit lines with banks and vendors for \$30,000. Amount borrowed from the credit lines bear interest at an annual percentage rate of 9.25%. The outstanding balances on the credit lines at December 31, 2013 were \$7,889 and have been included in accounts payable.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Financial emergencies	\$ 1,783,899
Spay/neuter and marketing	64,000
Equipment	<u>12,130</u>
	<u>\$ 1,860,029</u>

NOTE 7 – ECONOMIC DEPENDENCY

The Society is considered economically dependent on donations from local businesses, private foundations and individuals.

NOTE 8 – PRIVATE GRANTS

The Society was the recipient of a number of grants during the year. Most of these grants are subject to spending restrictions. If it were determined by the grantor that the funds had not been expended for the purpose intended the Society could be liable for a refund of part or all of such grant funds. Management does not anticipate any problems of this nature.

NOTE 9 – DONATED SUPPLIES AND SERVICES

The estimated fair value of donated supplies and services received are recorded as contributions. The Society received approximately \$519,000 of contributions in-kind for the year ending December 31, 2013.

During the year ended December 31, 2013 volunteers donated 35,752 hours of time valued at \$357,520 to the Society. No amounts of these services are reflected in the statement of activities because the criteria for recognition of such volunteer efforts have not been satisfied.

NOTE 10 - PROGRAM INCOME AND FEES

At December 31, 2013, program income and fees consist of the following:

<u>Program</u>	<u>Gross Program Income and Fees</u>	<u>Fee Discounts</u>	<u>Program Income and Fees, net</u>
Adoption service fee	\$ 428,375	\$ 175,920	\$ 252,455
Clinic service fees	168,476	107,676	60,800
Contract fees	<u>85,356</u>	<u>40,856</u>	<u>44,500</u>
	<u>\$ 682,207</u>	<u>\$ 324,452</u>	<u>\$ 357,755</u>

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NOTE 11 – SPECIAL EVENTS

The Society has various fundraising events to help assist current operations. The revenue and expenses from these events for the year ending December 31, 2013 are as follows:

<u>Special Event</u>	<u>Revenue</u>	<u>Cost of Direct Benefits to Attendees</u>	<u>Net Revenue</u>
Duck Race	\$ 76,971	\$ 31,163	\$ 45,808
Walf for Animals	80,375	11,918	68,457
Pets Alive Partners	1,945	40	1,905
Blue Jeans Ball	80,170	34,039	46,131
Miscellaneous	55,221	0	55,221
	<u>\$ 294,682</u>	<u>\$ 77,160</u>	<u>\$ 217,522</u>

NOTE 12 - RETIREMENT PLAN

The Society maintained a 401(K) Profit Sharing Plan to provide retirement benefits to all eligible employees. The Society may match 100% of the employee's contributions, up to a maximum of 3% of the employee's payroll compensation. The Society's did not make a contribution for the year ended December 31, 2013. The plan was terminated on June 30, 2013.

NOTE 13 - LEASES

The Society leases its facilities from Washoe County, Nevada. As part of the lease agreement, the Society has prepaid the lease payments of \$9,825, per month, through January of 2041. The prepaid lease payments for twelve months have been reflected as a prepaid expense; the balance has been reflected in other assets. The lease, originating in January of 2006, is for a period of fifteen years with two renewal options – each for ten years. Annual lease payments for the year ended December 31, 2012 were \$117,905 and will continue at the same annual rate through the year 2021.

In March of 2009, the Society entered into a non-cancelable operating lease for three copiers. The terms of the lease agreement require monthly payments of \$1,330 for sixty-three months and excess image charges ranging from \$0.0567 to \$0.1136 per image, billed each quarter.

At December 31, 2013, future minimum operating lease payments are as follows:

Year ending December 31:

2014	<u>\$ 7,980</u>
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Equipment rental expense for the year ended, December 31, 2013 was \$ 19,154.

NOTE 14 – RENEWABLE GENERATIONS INCENTIVE PROGRAM

During 2011, the Society entered into various agreements to participate in Renewable Generations incentive program. With the installation of a photovoltaic solar system on site and by assigning the incentive payments to the contractor, the Society benefits from making their own electricity and working to improve the environment without a large capital outlay and annual maintenance costs. Energy savings is estimated to be \$14,000 per year. The Society, at its option, may elect to purchase the solar system in ten years.

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Notes to Financial Statements
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NOTE 15 - PURPOSE OF ENDOWMENT FUND

The Society established The Dorothy Benson Humane Endowment Trust in 1987. Earnings from the endowment are distributed monthly and are considered to be available for unrestricted use. The principal, considered temporarily restricted may be distributed only in the event of a financial emergency. A financial emergency will be deemed to occur only if the Society's accountant, the appointed trustees, and a two thirds majority vote from the Board of Trustees determine that the Society will be unable to pay its debts as they become do or to continue the day to day operations.

NOTE 16 – ENDOWMENT FUND

The Society’s endowment fund comprises funds designated by the Board of Trustees to function as an endowment. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, are classified and reported as unrestricted, temporarily restricted and permanently restricted net assets based solely on the existence or absence of donor-imposed restrictions.

The Society considers all endowment fund assets temporarily restricted at December 31, 2013. See Note 15 for information regarding the purpose of the Society’s endowment fund.

Following is a summary of the changes in the endowment net assets for the year ended December 31, 2013:

	<u>Temporarily Restricted</u>
Endowment net assets, beginning of year	\$ 1,745,429
Investment income	61,534.00
Net realized gains	17,226.00
Net appreciation (depreciation)	23,057.00
Amount appropriated for expenditures	<u>(63,347.00)</u>
Endowment net assets, end of year	<u>\$ 1,783,899</u>

Interpretation of Relevant Law

In the absence of explicit donor stipulations to the contrary, the Society has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date. As a result of this interpretation, the Society classifies as temporarily restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. 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 Organization in a manner consistent with the standard of prudence described in UPMIFA.

The Organization takes into consideration the following factors in its determination to appropriate or accumulate donor-restricted endowment funds in accordance with UPMIFA:

- The duration and preservation of the fund
- The purposes of the Organization, the board designated and donor-restricted endowment funds
- General economic conditions, including the possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The Organization’s investment policies

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NOTE 16 – ENDOWMENT FUND (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires to be retained as perpetual funds. Such deficiencies are not anticipated based upon the nature of the investments and the Organization's intent to hold the investments to maturity. However, if such deficiencies were to occur, they would be reflected as decreases in unrestricted or temporarily restricted net assets for the period.

Return Objectives and Risk Parameters

The Society has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets over the long term.

The specific goal of the Society is to provide for the good of the wealth entrusted to it, not only for its own operation, but for its constituent lodges as well. The primary investment objective is to preserve endowment assets by limiting exposure to unnecessary risk. Under this policy, the endowment assets are invested in corporate and government obligations, domestic and international mutual funds, and real asset funds.

Strategies Employed for Achieving Objectives

The endowment fund investment strategy is reviewed and evaluated by the Finance Committee of the Board of Trustees at least annually with its investment advisors to ensure the portfolio's proper diversification, security and return of investment.

Spending Policy

The Society budgets amounts for distribution based upon available earnings and the related fund objectives as detailed above in Note 15.