

**NEVADA HUMANE SOCIETY**

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**Audited Financial Statements**

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**December 31, 2012**

**NEVADA HUMANE SOCIETY**  
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**December 31, 2012**

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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, 2012, 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, 2012, 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.

**Other Matters**

The financial statements of Nevada Humane Society as of December 31, 2011, were audited by other auditors whose report dated June 21, 2012, expressed an unmodified opinion on those statements.

**PANGBORN & CO., LTD.**

Reno, Nevada  
July 5, 2013

**NEVADA HUMANE SOCIETY**  
**Statement of Financial Position**  
**December 31, 2012**  
**(With Comparative Totals for December 31, 2011)**

	ASSETS		Totals	
	Unrestricted	Temporarily Restricted	2012	2011 (Memorandum Only)
<b>Current Assets</b>				
Cash and cash equivalents	\$ 810,105	\$ 217,159	\$ 1,027,264	\$ 448,227
Grants and contracts receivable	3,501	-	3,501	52,178
Prepaid expenses	10,256	-	10,256	7,791
Note receivable, current portion	3,457	-	3,457	21,922
Pledges receivable, current portion	1,430	-	1,430	19,225
Prepaid facility lease, current portion	125,946	-	125,946	117,905
<b>Total Current Assets</b>	<u>954,695</u>	<u>217,159</u>	<u>1,171,854</u>	<u>667,248</u>
Property and equipment, net	76,177	-	76,177	81,504
<b>Other assets</b>				
Note receivable, net of current portion	-	-	-	6,059
Pledges receivable, net of current portion	2,288	-	2,288	38,700
Prepaid Facility Lease, net of current portion	3,203,086	-	3,203,086	3,320,991
Investments	-	1,694,150	1,694,150	1,902,193
Other investments	8,000	-	8,000	8,000
<b>Total Other Assets</b>	<u>3,213,374</u>	<u>1,694,150</u>	<u>4,907,524</u>	<u>5,275,943</u>
<b>Total Assets</b>	<u>\$ 4,244,246</u>	<u>\$ 1,911,309</u>	<u>\$ 6,155,555</u>	<u>\$ 6,024,695</u>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>				
Accounts payable	\$ 47,193	\$ -	\$ 47,193	\$ 114,248
Accrued payroll	35,834	-	35,834	35,074
Accrued employee benefits	34,184	-	34,184	47,993
Vouchers payable	9,920	-	9,920	9,920
<b>Total Current Liabilities</b>	<u>127,131</u>	<u>-</u>	<u>127,131</u>	<u>207,235</u>
Deferred pledges	-	-	-	38,700
<b>Total Liabilities</b>	<u>127,131</u>	<u>-</u>	<u>127,131</u>	<u>245,935</u>
<b>Net Assets</b>				
Unrestricted	4,117,115	-	4,117,115	3,768,197
Endowment	-	1,911,309	1,911,309	2,010,563
<b>Total Net Assets</b>	<u>4,117,115</u>	<u>1,911,309</u>	<u>6,028,424</u>	<u>5,778,760</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 4,244,246</u>	<u>\$ 1,911,309</u>	<u>\$ 6,155,555</u>	<u>\$ 6,024,695</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, 2012**  
**(With Comparative Totals for December 31, 2011)**

	Unrestricted	Temporarily Restricted	Totals	
			2012	2011 (Memorandum Only)
<b>Support and Revenues</b>				
Grants and Contributions	\$ 2,992,232	\$ 165,880	\$ 3,158,112	\$ 1,917,859
Program Income and Fees	385,431	-	385,431	566,146
	<u>3,377,663</u>	<u>165,880</u>	<u>3,543,543</u>	<u>2,484,005</u>
Special events revenues	192,112	-	192,112	214,062
Special events expenses	(53,020)	-	(53,020)	(49,322)
Net special events income	139,092	-	139,092	164,740
Net assets released from restriction	265,134	(265,134)	-	-
<b>Total Support and Revenues</b>	<u>3,781,889</u>	<u>(99,254)</u>	<u>3,682,635</u>	<u>2,648,745</u>
<b>Expenses</b>				
Program Services:				
Public service	456,251	-	456,251	406,107
Animal care				
Clinic	694,698	-	694,698	709,886
Shelter	2,071,030	-	2,071,030	2,065,306
Supporting Services				
General and administration	172,966	-	172,966	180,878
Fundraising	187,962	-	187,962	234,616
<b>Total Expenses</b>	<u>3,582,907</u>	<u>-</u>	<u>3,582,907</u>	<u>3,596,793</u>
<b>Other Income and (Expenses)</b>				
Net investment income (loss)	88,494	-	88,494	(71,364)
Interest and dividend income	62,826	-	62,826	101,139
Interest expense	(1,384)	-	(1,384)	(2,758)
<b>Total Other Income (Expenses)</b>	<u>149,936</u>	<u>-</u>	<u>149,936</u>	<u>27,017</u>
<b>Change in Net Assets</b>	<u>348,918</u>	<u>(99,254)</u>	<u>249,664</u>	<u>(921,031)</u>
Net Assets, Beginning of Year	3,768,197	2,010,563	5,778,760	6,699,791
<b>Net Assets, End of Year</b>	<u>\$ 4,117,115</u>	<u>\$ 1,911,309</u>	<u>\$ 6,028,424</u>	<u>\$ 5,778,760</u>

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

Supporting Services			Totals		
General and Administration	Fund-raising	Subtotal	2012	2011 (Memorandum Only)	
\$ 77,538	\$ 45,562	\$ 123,100	\$ 1,728,692	\$ 1,729,126	
21,644	3,486	25,130	267,355	285,513	
99,182	49,048	148,230	1,996,047	2,014,639	
6,092	-	6,092	6,092	15,073	
-	3,336	3,336	47,603	43,175	
22,993	-	22,993	22,993	28,333	
425	-	425	580	620	
239	74	313	3,116	6,770	
1,545	-	1,545	8,263	8,629	
68	-	68	3,069	3,932	
-	34,208	34,208	508,178	461,591	
-	104	104	849	676	
3,622	-	3,622	32,939	31,032	
11,791	-	11,791	117,905	117,905	
-	-	-	41,712	40,274	
8	-	8	993	800	
5,699	-	5,699	11,769	21,238	
-	-	-	42,043	42,698	
87	313	400	5,720	4,939	
-	-	-	4,113	8,849	
1,556	54	1,610	12,776	13,120	
2,022	59	2,081	18,010	22,670	
235	57,493	57,728	74,245	88,173	
11,455	42,095	53,550	126,259	104,646	
-	676	676	7,174	7,394	
-	-	-	295,961	277,431	
2	16	18	15,683	13,045	
-	-	-	1,568	5,946	
51	-	51	71,093	103,559	
-	-	-	654	81	
-	-	-	35,781	24,522	
3,429	486	3,915	45,067	55,885	
170,501	187,962	358,463	3,558,255	3,567,645	
2,465	-	2,465	24,652	29,148	
<u>\$ 172,966</u>	<u>\$ 187,962</u>	<u>\$ 360,928</u>	<u>\$ 3,582,907</u>	<u>\$ 3,596,793</u>	

**NEVADA HUMANE SOCIETY**  
**Statement of Cash Flows**  
**For The Year Ended December 31, 2012**  
**(With Comparative Totals for December 31, 2011)**

	2012	2011 (Memorandum Only)
<b>Cash Flows From Operating Activities:</b>		
Cash received from grants and contributions	\$ 3,220,597	\$ 1,866,364
Cash received from program income and fees	385,431	566,146
Cash received from special events	192,112	214,062
Cash paid to vendors and employees	(3,583,981)	(3,539,998)
Interest and dividend income received	62,826	101,139
Interest paid	(1,384)	(2,758)
Net Cash Flows Provided (Used) by Operating Activities	<u>275,601</u>	<u>(795,045)</u>
<b>Cash Flows From Investing Activities:</b>		
Principal payments from notes receivable	24,524	12,466
Purchase of property and equipment	(17,625)	(3,515)
Proceeds from sale of investments	446,143	699,169
Purchase of investments	(149,606)	-
Net Cash Flows Provided (Used in) by Investing Activities	<u>303,436</u>	<u>708,120</u>
<b>Cash Flows From Financing Activities:</b>		
Principal payments on line of credit	-	(200,000)
Net Cash Flows Provided (Used) by Financing Activities	<u>-</u>	<u>(200,000)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	579,037	(286,925)
Cash and Cash Equivalents at Beginning of Year	448,227	735,152
Cash and Cash Equivalents at End of Year	<u>\$ 1,027,264</u>	<u>\$ 448,227</u>
<b>Reconciliation of Change in Net Assets to Net Cash</b>		
<b>Provided (Used) by Operating Activities:</b>		
Change in Net Assets	\$ 249,664	\$ (921,031)
Adjustment to reconcile changes in net assets to net cash flows provided (used) by operating activities:		
Depreciation	24,652	29,148
Net realized and unrealized (gains) losses on investments	(88,494)	71,364
Donated assets	(1,700)	-
Changes in assets and liabilities:		
Grants and contracts receivable	48,677	(51,495)
Pledges receivable	54,208	-
Prepaid facility lease	109,864	115,474
Prepaid expenses	(2,465)	-
Accounts payable	(67,056)	201
Accrued payroll	760	(38,706)
Accrued employee benefits	(13,809)	-
Deferred pledges	(38,700)	-
Total adjustments	<u>25,937</u>	<u>125,986</u>
Net Cash Flows Provided (Used) by Operating Activities	<u>\$ 275,601</u>	<u>\$ (795,045)</u>

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

**NEVADA HUMANE SOCIETY**  
**Notes to Financial Statements**  
**December 31, 2012**

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**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 8,816 formerly homeless pets in 2012.

**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 \$66,000 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.



**NEVADA HUMANE SOCIETY**  
**Notes to Financial Statements**  
**December 31, 2012**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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, 2012 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.

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 fully insured by the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC) at December 31, 2012 and 2011.

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 \$3,501.

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.

**NEVADA HUMANE SOCIETY**  
**Notes to Financial Statements**  
**December 31, 2012**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 5. 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.

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.

**NEVADA HUMANE SOCIETY**  
**Notes to Financial Statements**  
**December 31, 2012**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Advertising:

Advertising costs are charged to program and supporting services when incurred. Advertising costs totaled \$47,603 for the year ended December 31, 2012.

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, 2012.

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, 2009, 2010, and 2011.

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.

**NEVADA HUMANE SOCIETY**  
**Notes to Financial Statements**  
**December 31, 2012**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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. 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, 2012 the Society has not recorded any contingencies.

Summarized Financial Information for 2011:

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, 2011 from which the summarized information was derived.

Date of Management's review

The Society has evaluated subsequent events through July 5, 2013, the date which the financial statements were available to be issued.

**NOTE 2 – NOTE RECEIVABLE**

The Society has a secured note receivable with an interest rate of 7.5%, with a monthly payment of principal and interest of \$375 and the last payment due in 2013. At December 31, 2012 the scheduled principal payments due on the note are as follows:

Year ending December 31:

2013	\$ <u>3,457</u>
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**NEVADA HUMANE SOCIETY**  
**Notes to Financial Statements**  
**December 31, 2012**

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**NOTE 3 – PLEDGES RECEIVABLE**

In 2009, the Society began the annual Pets Alive Partners Event. Pledges receivable generated from this event are \$3,718 as of December 31, 2012. Pledges of \$2,288 are considered long-term, with the following payments due:

Year ending December 31:

2014	\$ 1,343
2015	585
2016	<u>360</u>
	<u>\$ 2,288</u>

Discounts on pledges receivable are reported net of allowance for doubtful accounts of \$33,457.

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

Leasehold improvements	\$ 110,980
Furniture and equipment	215,389
Vehicles	<u>85,469</u>
	411,838
Less accumulated depreciation	<u>(335,661)</u>
	<u>\$ 76,177</u>

Depreciation expense for the year ended December 31, 2012 was \$24,652.

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.

**NOTE 5 – INVESTMENTS**

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.

**NEVADA HUMANE SOCIETY**  
**Notes to Financial Statements**  
**December 31, 2012**

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**NOTE 5 – INVESTMENTS (continued)**

Investments are comprised of debt and equity securities, which consist of both donated and purchased amounts; all are carried at their fair value based on the quoted market prices of the securities at December 31, 2012. Net realized gains and losses on securities are included on the Statement of Activities. For the purpose of determining gross realized gains and losses, the cost of securities sold is based on specific identification.

The composition of securities, classified as temporarily restricted other assets, are as follows at December 31, 2012:

<u>Fixed Income</u>		
Government obligations	\$ 112,500	
Corporate obligations	452,506	
Domestic mutual funds	160,068	
International mutual funds	<u>158,249</u>	<u>\$ 883,323</u>
 <u>Equities</u>		
Domestic mutual funds	132,452	
International mutual funds	69,022	
Common trust funds	<u>219,813</u>	<u>421,287</u>
Complementary strategies		<u>194,367</u>
Real asset funds		<u>195,173</u>
Total Securities		<u>\$ 1,694,150</u>

Changes in endowment net assets and temporarily restricted, as of December 31, 2012 are as follows:

	<u>Dorothy Benson Humane Endowment</u>
Endowment net assets, beginning of year	\$ 1,986,563
Investment income	68,803
Net realized gains	21,851
Net appreciation (depreciation)	66,643
Amount appropriated for expenditures	<u>(398,431)</u>
Endowment net assets, end of year	<u>\$ 1,745,429</u>

**NEVADA HUMANE SOCIETY**  
**Notes to Financial Statements**  
**December 31, 2012**

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**NOTE 5 – INVESTMENTS (continued)**

Net Investment income for the year ended December 31, 2012 consists of the following:

Net realized gains	\$ 21,851
Net unrealized gains on holdings	66,643
Interest and dividends	<u>62,826</u>
	<u>\$ 151,320</u>

Related expenses for investment fees totaled \$14,431 for the year ended December 31, 2012.

**NOTE 6 – 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, 2012 were \$6,675 and have been included in accounts payable.

**NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

Financial emergencies	\$ 1,745,429
Spay and neuter	24,000
Mobile van	<u>141,880</u>
	<u>\$ 1,911,309</u>

**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 ultimately 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 \$508,000 of contributions in-kind for the year ending December 31, 2012.

During the year ended December 31, 2012 volunteers donated 42,357 hours of time valued at \$424,570 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.

**NEVADA HUMANE SOCIETY**  
**Notes to Financial Statements**  
**December 31, 2012**

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**NOTE 14 - 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, 2012, future minimum operating lease payments are as follows:

Year ending December 31:

2013	\$ 15,960
2014	<u>7,980</u>
	<u>\$ 23,940</u>

Equipment rental expense for the year ended, December 31, 2012 was \$ 19,704.

**NOTE 15 – 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.