

NEVADA HUMANE SOCIETY
FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015

NEVADA HUMANE SOCIETY
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DECEMBER 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Nevada Humane Society

Report on the Financial Statements

We have audited the accompanying financial statements of the Nevada Humane Society (a nonprofit organization) which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

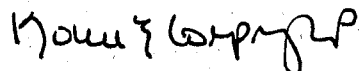
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 the Nevada Humane Society of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Reno, Nevada
June 15, 2016

NEVADA HUMANE SOCIETY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,468,888
Grants and contract receivable	2,226
Deposit on transportation vehicles	120,573
Prepaid expenses	8,261
Prepaid facility lease, current portion	117,905
Total current assets	1,717,853
NONCURRENT ASSETS	
Property and equipment, net	311,131
OTHER ASSETS	
Investments	1,617,085
Land held for investment	6,000
Prepaid facility lease, net of current portion	2,849,370
Total other assets	4,472,455
Total assets	\$ 6,501,439
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 92,213
Accrued payroll	67,627
Accrued employee benefits	75,483
Total current liabilities	235,323
NET ASSETS	
Unrestricted	
Prepaid lease facility	2,967,275
Property and equipment	311,131
Undesignated	902,798
Total unrestricted net assets	4,181,204
Temporarily restricted	2,084,912
Total net assets	6,266,116
Total liabilities and net assets	\$ 6,501,439

See accompanying notes

NEVADA HUMANE SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants and contributions	\$ 3,195,207	\$ 412,305	\$ 3,607,512
Program income and fees (net of fee discounts of \$444,646)	1,263,302	-	1,263,302
Special events (net of costs of direct benefits to attendees of \$105,132)	171,726	-	171,726
Net assets released from restrictions	<u>166,993</u>	<u>(166,993)</u>	
Total support and revenue	4,797,228	245,312	5,042,540
EXPENSES			
Program services			
Public service	495,139	-	495,139
Animal Care			
Clinic	1,082,441	-	1,082,441
Shelter	2,971,055	-	2,971,055
Total program services	<u>4,548,635</u>	<u>-</u>	<u>4,548,635</u>
Supporting services			
General and administrative	223,579	-	223,579
Fundraising	148,131	-	148,131
Total supporting services	<u>371,710</u>	<u>-</u>	<u>371,710</u>
Total expenses	4,920,345	-	4,920,345
OTHER INCOME AND (EXPENSES)			
Net realized and unrealized loss on investments	-	(122,848)	(122,848)
Interest and dividend income	-	61,545	61,545
Interest expense	(89)	-	(89)
	<u>(89)</u>	<u>(61,303)</u>	<u>(61,392)</u>
CHANGE IN NET ASSETS	(123,206)	184,009	60,803
NET ASSETS, beginning of year	<u>4,304,410</u>	<u>1,900,903</u>	<u>6,205,313</u>
NET ASSETS, end of year	<u>\$ 4,181,204</u>	<u>\$ 2,084,912</u>	<u>\$ 6,266,116</u>

See accompanying notes

NEVADA HUMANE SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services			Supporting Services		Total
	Public Service	Animal Care Clinic	Shelter	General and Administrative	Fundraising	
Salaries and wages	\$ 193,159	\$ 555,103	\$ 1,413,875	\$ 123,272	\$ -	\$ 2,285,409
Payroll taxes	15,099	40,124	107,340	8,767	41	171,371
Employee benefits	17,871	30,559	133,911	15,332	208	197,881
Total salaries and related costs	226,129	625,786	1,655,126	147,371	249	2,654,661
Accounting	-	-	7,165	13,635	-	20,800
Advertising	138,751	1,796	-	6,586	22,199	169,332
Bad debts	393	-	1,027	1,568	-	2,988
Bank and credit card charges	10,487	10,487	10,487	-	1,105	32,566
Communication exp	4,654	1,121	21,842	2,194	-	29,811
Computer services	1,128	-	20,587	-	-	21,715
Depreciation	-	15,311	39,808	6,124	-	61,243
Donate supplies and services	-	11,247	549,571	-	12,375	573,193
Dues and subscriptions	430	200	655	660	-	1,945
Equipment rental and maintenance	9,403	1,020	12,075	-	311	22,809
Facility lease	-	49,493	160,348	11,791	-	221,632
Insurance	3,023	-	47,498	6,499	-	57,020
Janitorial	-	104	41,576	-	-	41,680
Meals and entertainment	2,444	478	3,672	500	482	7,576
Miscellaneous	-	-	-	6,964	-	6,964
Office expense	2,120	2,184	13,627	5,994	-	23,925
Postage	6,785	1,473	8,151	5,574	50,170	72,153
Printing	29,196	237	3,344	6,101	54,910	93,788
Professional services	39,549	17,454	132,683	-	5,450	195,136
Property taxes	-	-	140	22	-	162
Staff development	1,885	1,995	1,150	-	375	5,405
Supplies	11,603	339,233	117,578	1,996	83	470,493
Travel	5,452	2,466	18,712	-	422	27,052
Uniforms	-	334	7,043	-	-	7,377
Utilities	-	-	97,190	-	-	97,190
Volunteer expense	1,707	22	-	-	-	1,729
	\$ 495,139	\$ 1,082,441	\$ 2,971,055	\$ 223,579	\$ 148,131	\$ 4,920,345

See accompanying notes

NEVADA HUMANE SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 60,803
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation	61,243
Prepaid facility lease	117,905
Net realized and unrealized loss on investments	122,848
Changes in certain components of working capital	
(Increase) decrease in:	
Grants and contract receivables	36,989
Accrued interest income	2,181
Prepaid expenses	10,427
Deposits	(120,573)
Increase (decrease) in:	
Accounts payable	(59,327)
Accrued expenses	35,028
Net cash flows from operating activities	<u>267,524</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Funds used for construction, renovation and purchase of equipment	(48,928)
Removal of vehicle for fundraising activity	19,500
Net proceeds (purchases) from investments	15,721
Net cash flows from investing activities	<u>(13,707)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	253,817
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,215,071</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,468,888</u>
SUPPLEMENTAL CASH FLOW DATA	
Cash paid during the year for interest	\$ 89

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

NEVADA HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Nevada Humane Society (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 13,102 formerly homeless pets in 2015.

Foster Care Program – Over 1,761 volunteer families provided pets for temporary care in their homes.

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 – Services available for cats and dogs. These programs, funded in part by various grants, subsidized \$290,000 in cat spays and neuters, in addition to low-cost surgeries provided through the Clinic and other clinics. This includes medical care for the Pets for Life program, spay/neuter programs and Social-Se-Catery.

Volunteer Opportunities, Education Programs, and Other Services – The animal help desk staff provided free assistance to over 19,252 individuals and 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 State of America.

Basis of Presentation

The Society reports information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, based upon the existence or absence of donor-imposed restrictions.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time or purpose 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.

NEVADA HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The Society reports restricted contributions whose restrictions are met in the same reporting period in which the contributions are received as unrestricted support.

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 Security Investor Protection Corporation (SIPC) at December 31, 2015. The uninsured balance at December 31, 2015 totals \$1,174,879.

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. At December 31, 2015, all amounts were considered collectible by management.

Investments

Investments consist of debt and equity securities. 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 investment and the unrealized gains and losses is discussed in Note 2. 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.

The Society holds certain donated property valued at \$6,000 in Lyon County, Nevada as investment property at December 31, 2015.

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 assets are capitalized.

Compensated Absences

Employees of the Society depending on job classification, length of services, 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, 2015.

Designated Net Assets

The Society has designated a portion of its net assets for property and equipment and includes amounts expended in connection with a prepaid lease as discussed in Note 10.

NEVADA HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the related net asset classes. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose 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.

Contributions In-Kind

Contributed services are recognized as revenue if the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and typically would need to be purchased if not provided by donation. Contributed services are recorded at the fair value of the service provided. Contributed services that do not meet the above criteria are not recognized as revenues and are not reported in the accompanying financial statements.

Advertising

Advertising costs are charged to program and supporting services when incurred. Advertising costs totaled \$169,332 for the year ended December 31, 2015.

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 by Internal Revenue Codes Section 170(b)(1)(A)(VI). Accordingly, no liability for federal 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.

Functional Allocation of Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the Statements of Activities. Expenses that can be identified with a specific program are applied directly according to their natural expense classification. Non-specific program costs have been allocated among the programs and supporting services benefited on the basis of actual expenditures and on estimates used by the management.

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 the estimates could occur in the near term.

Data of Management's Review

The Society has evaluated subsequent events through June 15, 2016, the date which the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

NEVADA HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 2 - INVESTMENTS AND FAIR VALUE

Investments consist of debt and equity securities held by the Society as temporarily restricted net assets. Accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Society uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Society measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs would be used only when Level 1 or Level 2 inputs are not available. There were no investments valued utilizing Level 2 and Level 3 inputs at December 31, 2015.

The following are the major categories of assets measured at fair value (Level 1) on at December 31, 2015:

	Temporarily Restricted
Fixed income: Government obligations	\$ 52,322
Corporate obligations	220,515
Domestic mutual funds	303,678
International mutual funds	130,819
	707,334
Equities:	
Consumer discretionary	37,870
Consumer staples	11,865
Financials	55,557
Health care	27,129
Industrials	28,133
Information technology	47,096
Materials	14,267
International equities	46,599
Domestic mutual funds	155,065
International mutual funds	141,164
	564,745
Complementary strategies	150,098
Real asset funds	194,908
	\$ 1,617,085

Net investment income for the year ended December 31, 2015 consists of the following:

Net realized gains	\$ 16,726
Net unrealized loss on holdings	(139,574)
Interest and dividends	61,545
	\$ (61,303)

Related expenses for investment fees totaled \$13,503 are reflected in the accompanying financial statements in bank and credit card charges for the year ended December 31, 2015.

NEVADA HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2015:

Leasehold improvements	\$ 142,238
Furniture and equipment	323,691
Vehicles	307,338
	<u>773,267</u>
Less accumulated depreciation	(462,136)
	<u>\$ 311,131</u>

Depreciation expense for the year ended December 31, 2015 was \$61,243.

The Society received donated real property located at 2825 Longley Lane, restricted to the use of charitable or civic purposes that provides 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 4 - TEMPORARY RESTRICTED NET ASSETS

Temporary restricted net assets are available for the following purposes:

Financial emergencies	\$ 1,672,607
Spay/neuter and marketing	52,920
Spay/neuter and prevention care	67,385
Equipment	292,000
	<u>\$ 2,084,912</u>

NOTE 5 - 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 6 - DONATED SUPPLIES AND SERVICES

The estimated fair value of donated supplies and services received are recorded as contributions. The Society received approximately \$562,946 of in-kind contributions for the year ending December 31, 2015.

During the year ended December 31, 2015, volunteers donated 43,259 hours of time valued at \$432,590 to the Society. No amounts are reflected for these services in the statement of activities because the criteria for recognition of such volunteer efforts have not been satisfied. If the donated services were reflected in the statement of functional expenses, program service expenses would represent 91% of total expenses.

NEVADA HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 7 - PROGRAM INCOME AND FEES

For the year ended December 31, 2015, program income and fees consist of the following:

Program	Gross Program Income and Fees	Fee Discounts	Program Income and Fees, net
Adoption service fees	\$ 457,653	\$ 139,906	\$ 317,747
Clinic service fees	440,639	273,927	166,712
Contract fees	809,656	30,813	778,843
	<u>\$ 1,707,948</u>	<u>\$ 444,646</u>	<u>\$ 1,263,302</u>

NOTE 8 - 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, 2015 are as follows:

Special Event	Revenue	Cost of Direct Benefits to Attendees	Net Revenue
Blue Jeans Ball	\$ 99,532	\$ 30,326	\$ 69,206
Duck Race	59,805	56,454	3,351
Heels & Hounds	42,391	14,171	28,220
Miscellaneous	74,630	4,181	70,449
	<u>\$ 276,358</u>	<u>\$ 105,132</u>	<u>\$ 171,226</u>

NOTE 9 - 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 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 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, 2015 were \$117,905 and will continue at the same annual rate through the year 2021.

The Society entered into an operating lease on October 1, 2014 with Carson City, Nevada (Carson City) to lease the Carson City Animal Shelter facility for a period of five years ending on September 30, 2019 for consideration of \$1.00. The fair value of rent, included in grants and contributions in the accompanying financial statements, for the year ended December 31, 2015 was \$103,648. In addition as noted below, the Society has entered into a professional services arrangement with the City of Carson City, Nevada, to provide animal services at an annual rate of \$300,000. If the professional services arrangement is terminated, the Carson City facilities agreement terminates.

On December 31, 2014, the Society entered into lease agreements with Pitney Bowes for two mail machines. Quarterly lease payments are \$156 for sixty months. Rental expense for the year ended December 31, 2015 was \$1,949 for the mail machines.

In June of 2015, the Society entered into a non-cancelable operating lease for a copier. The terms of the lease agreement required monthly payments of \$546 for forty-eight months and excess image charges ranging from \$0.008 to \$0.048 per image, billed each quarter. Rental expense for the year ended December 31, 2015 was \$15,037.

NEVADA HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 9 - LEASES (Continued)

Future minimum lease payments, including the in-kind value of the Carson City lease and the prepaid lease, for the next five years are as follows:

Year End December 31,		
2016	\$	229,349
2017		229,349
2018		229,349
2019		200,162
2020		117,905

NOTE 10 - ANIMAL SERVICES AND ENFORCEMENT COMMITMENT

The Society entered into a professional animal service and enforcement agreement on October 1, 2014 with Carson City to function as the Animal Services Manager of Animal Services as defined in the Carson City Municipal Code. The Society will also provide enforcement staff to perform the necessary duties to protect the welfare and safety of animals and citizens in carrying out the requirements and needs of Title 7 – Animals of the Carson City Municipal Code. The City has agreed to pay on the first of each month, installments of \$58,333 for animal service rendered. The commitment will end on September 31, 2019 unless terminated upon the City's issuance of a certificate of occupancy for a new shelter, at which time the contract terms will be for ten years, renewable every five years, for a maximum time period of ninety-nine years. The new shelter is currently being built by Carson City and is expected to be completed in 2016. The Society expects to incur costs for furniture and fixtures of \$300,000 for the shelter.

NOTE 11 - RENEWABLE GENERATIONS INCENTIVE PROGRAM

During 2011, the Society entered into various agreements to participate in a 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.

NOTE 12 - PURPOSE OF ENDOWMENT FUND

The Society established, with restricted donations, 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 due or to continue the day to day operations.

NOTE 13 - ENDOWMENT FUND

The Society's endowment fund consists of funds restricted by donors. 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, 2015. See Note 12 for information regarding the purpose of the Society's endowment fund.

NEVADA HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 13 - ENDOWMENT FUND (Continued)

Following is a summary of the changes in the endowment net assets for the year ended December 31, 2015:

	Temporarily Restricted
Endowment net assets, beginning of year	\$ 1,790,126
Investment income	59,551
Net realized gains	16,726
Net appreciation (depreciation)	(139,574)
Amount appropriated for expenditures	(56,215)
Endowment net assets, end of year	\$ <u>1,670,614</u>

Interpretation of Relevant Law

In the absence of explicit donor stipulations to the contrary, the Society follows the Prudent Management of Institutional Funds Act (Uniform Act) by enforcing the intent of the donor. Accordingly, The Society may appropriate accumulated funds for expenditures as determined to be prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. The Society's endowment fund is classified as temporarily restricted based upon the donor requirements until such time as funds are appropriated for expenditure by the Society in a manner consistent with the donor requirements and the standard of prudence prescribed by Uniform Act. In accordance with Uniform Act, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Society, 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 appreciation of investments
- Other resources of the Society
- The Society's investment policies

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 Uniform Act requires to be retained as perpetual funds. Such deficiencies are reflected as decreases in unrestricted 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.

NEVADA HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015

NOTE 13 - ENDOWMENT FUND (Continued)

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.