

NEVADA HUMANE SOCIETY
FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016

NEVADA HUMANE SOCIETY
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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, 2016, 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, 2016, 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.

Report on Summarized Comparative Information

The December 31, 2015 financial statements of Nevada Humane Society were audited by us and we expressed an unmodified opinion on those financial statements in our report dated June 15, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Reno, Nevada
September 25, 2017

NEVADA HUMANE SOCIETY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS AT DECEMBER 31, 2015)

	2016	2015 (Memorandum Only)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,062,140	\$ 1,468,888
Grants and contract receivable	116,667	2,226
Deposit on transportation vehicles	-	120,573
Prepaid expenses	14,608	8,261
Prepaid facility lease, current portion	117,905	117,905
Total current assets	1,311,320	1,717,853
NONCURRENT ASSETS		
Property and equipment, net	850,236	311,131
OTHER ASSETS		
Investments	7,592,555	1,617,085
Land held for investment	6,000	6,000
Prepaid facility lease, net of current portion	2,731,465	2,849,370
Total other assets	10,330,020	4,472,455
Total assets	\$ 12,491,576	\$ 6,501,439
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 143,109	\$ 92,213
Accrued payroll	96,590	67,627
Accrued employee benefits	78,491	75,483
Total current liabilities / total liabilities	318,190	235,323
NET ASSETS		
Unrestricted		
Prepaid lease facility	2,849,370	2,967,275
Property and equipment	850,236	311,131
Board designated endowment	5,991,462	-
Undesignated	664,631	902,798
Total unrestricted net assets	10,355,699	4,181,204
Temporarily restricted	1,817,687	2,084,912
Total net assets	12,173,386	6,266,116
Total liabilities and net assets	\$ 12,491,576	\$ 6,501,439

See accompanying notes

NEVADA HUMANE SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)

	2016			2015 (Memorandum Only)
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Grants and contributions	\$ 8,792,491	\$ 383,000	\$ 9,175,491	\$ 3,607,512
Program income and fees (net of fee discounts of \$455,539 and \$444,646 in 2016 and 2015, respectively)	1,293,840	-	1,293,840	1,263,302
Special events (net of costs of direct benefits to attendees of \$125,386 and \$105,132 in 2016 and 2015, respectively)	204,850	-	204,850	171,726
Net assets released from restrictions	719,555	(719,555)	-	-
Total support and revenue	11,010,736	(336,555)	10,674,181	5,042,540
EXPENSES				
Program services				
Public Service	431,516	-	431,516	495,139
Animal Care				
Clinics	1,146,440	-	1,146,440	1,082,441
Shelters	2,853,815	-	2,853,815	2,971,055
Total program services	4,431,771	-	4,431,771	4,548,635
Supporting services				
General and administrative	331,042	-	331,042	223,579
Fundraising	176,373	-	176,373	148,131
Total supporting services	507,415	-	507,415	371,710
Total expenses	4,939,186	-	4,939,186	4,920,345
OTHER INCOME AND (EXPENSES)				
Net realized and unrealized gain (loss) on investments	39,896	18,344	58,240	(122,848)
Other income	14,319	-	14,319	-
Interest and dividend income	48,815	50,986	99,801	61,545
Interest expense	(85)	-	(85)	(89)
	102,945	69,330	172,275	(61,392)
CHANGE IN NET ASSETS	6,174,495	(267,225)	5,907,270	60,803
NET ASSETS, beginning of year	4,181,204	2,084,912	6,266,116	6,205,313
NET ASSETS, beginning of year	\$ 10,355,699	\$ 1,817,687	\$ 12,173,386	\$ 6,266,116

See accompanying notes

NEVADA HUMANE SOCIETY
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)

	2016						2015	
	Program Services			Supporting Services			Total	Total
	Public Service	Clinics	Animal Care	Shelters	General and Administrative	Fundraising		
Salaries and wages	\$ 193,101	\$ 644,387	\$ 1,301,508	\$ -	\$ 170,938	\$ -	\$ 2,309,934	\$ 2,285,409
Payroll taxes	11,561	45,575	95,778	-	22,129	-	175,043	171,371
Employee benefits	8,593	10,767	120,862	-	13,289	-	153,511	197,881
Total salaries and related costs	213,255	700,729	1,518,148	-	206,356	-	2,638,488	2,654,661
Accounting	-	-	-	-	19,100	-	19,100	20,800
Advertising	75,987	913	3,722	-	1,009	37,038	118,669	169,332
Bad debts	-	43	805	-	350	-	1,198	2,988
Bank and credit card charges	324	-	47,972	-	-	1,000	49,296	32,566
Communication exp	3,457	1,280	26,397	-	1,531	1,300	33,965	29,811
Computer services	530	180	9,363	-	125	-	10,198	21,715
Depreciation	-	-	93,919	-	10,435	-	104,354	61,243
Donate supplies and services	-	2,590	438,945	-	24,700	12,000	478,235	573,193
Dues and subscriptions	150	-	674	-	-	-	824	1,945
Equipment rental and maintenance	6,135	2,218	31,988	-	465	-	40,806	22,809
Facility lease	-	49,492	160,266	-	11,791	-	221,549	221,632
Insurance	-	-	53,154	-	2,855	-	56,009	57,020
Janitorial	-	35	50,709	-	21	-	50,765	41,680
Meals and entertainment	887	152	3,849	-	564	73	5,525	7,576
Miscellaneous	-	-	12,961	-	-	-	12,961	6,964
Office expense	1,526	2,828	11,922	-	5,387	1,020	22,683	23,925
Postage	7,230	1,928	17,251	-	-	48,446	74,855	72,153
Printing	38,143	507	1,696	-	-	74,408	114,754	93,788
Professional services	40,028	18,170	109,946	-	39,429	932	208,505	195,136
Property taxes	-	-	88	-	47	-	135	162
Staff development	-	680	1,678	-	-	-	2,358	5,405
Supplies	39,374	363,650	130,367	-	1,867	63	535,321	470,493
Travel	1,107	170	25,913	-	5,010	93	32,293	27,052
Uniforms	-	875	7,057	-	-	-	7,932	7,377
Utilities	10	-	93,640	-	-	-	93,650	97,190
Volunteer expense	3,373	-	1,385	-	-	-	4,758	1,729
	\$ 431,516	\$ 1,146,440	\$ 2,853,815	\$ -	\$ 331,042	\$ 176,373	\$ 4,939,186	\$ 4,920,345

NEVADA HUMANE SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)

	2016	2015 (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,907,270	\$ 60,803
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	104,354	61,243
Prepaid facility lease	117,905	117,905
Net realized and unrealized (gain) loss on investments	(58,240)	122,848
Changes in certain components of working capital		
(Increase) decrease in:		
Grants and contract receivables	(114,441)	36,989
Accrued interest income	932	2,181
Prepaid expenses	(6,347)	10,427
Deposits	120,573	(120,573)
Increase (decrease) in:		
Accounts payable	50,896	(59,327)
Accrued expenses	31,971	35,028
Net cash flows from operating activities	<u>6,154,873</u>	<u>267,524</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Funds used for construction, renovation and purchase of equipment	(643,459)	(48,928)
Removal of vehicle for fundraising activity	-	19,500
Net proceeds (purchases) from investments	<u>(5,918,162)</u>	<u>15,721</u>
Net cash flows from investing activities	<u>(6,561,621)</u>	<u>(13,707)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(406,748)	253,817
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,468,888</u>	<u>1,215,071</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,062,140</u>	<u>\$ 1,468,888</u>
SUPPLEMENTAL CASH FLOW DATA		
Cash paid during the year for interest	\$ 85	\$ 89

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

NEVADA HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 13,000 formerly homeless pets in 2016.

Foster Care Program – Volunteer families provided temporary care for pets 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 \$271,858 in cat spays and neuters, in addition to low-cost surgeries provided through the Clinic and other clinics. This program provides 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 8,845 individuals 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 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, 2016

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 are insured by the Federal Deposit Insurance Corporation (FDIC) and the Security Investor Protection Corporation (SIPC) at December 31, 2016. The uninsured balance at December 31, 2016 totals \$734,988.

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, 2016 and 2015, all amounts were considered collectible by management.

Investments

Investments consist of debt and equity securities and pooled investments held at a community foundation. 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. Pooled funds are reported at the fair value reported by the entity holding the assets. 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, 2016 and 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

Depending on job classification, length of services, and other factors, employees are entitled to paid vacations. Accrued employee benefits represent the Society's liability for the cost of unused employee vacation at December 31, 2016 and 2015.

Designated Net Assets

The Society has designated a portion of its net assets for property and equipment, amounts to be expended in connection with a prepaid lease as discussed in Note 10, and endowment funds to be used for financial emergencies.

NEVADA HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

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 restricted by the donor for specific purposes or future periods 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 \$118,669 and \$169,332 for the years ended December 31, 2016 and 2015, respectively.

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 and does not expect any material change in uncertain tax positions within the next twelve months.

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 September 25, 2017, 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, 2016

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, 2016 and 2015.

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

	2016			2015
	Board Designated Unrestricted	Temporarily Restricted	Total	Temporarily Restricted
Fixed income: Government obligations	\$ 390,286	\$ -	\$ 390,286	\$ 52,322
Corporate obligations	579,109	215,934	795,043	220,515
Domestic mutual funds	1,892,139	410,339	2,302,478	303,678
International mutual funds	227,187	67,152	294,339	130,819
	<u>3,088,721</u>	<u>693,425</u>	<u>3,782,146</u>	<u>707,334</u>
Equities:				
Consumer discretionary	84,155	26,695	110,850	37,870
Consumer staples	63,526	9,236	72,762	11,865
Energy	38,391	-	38,391	-
Financials	144,633	51,484	196,117	55,557
Health care	99,702	32,828	132,530	27,129
Industrials	86,280	28,141	114,421	28,133
Information technology	161,864	54,315	216,179	47,096
Materials	14,716	7,717	22,433	14,267
Telecommunication services	15,680	-	15,680	-
Utilities	21,226	-	21,226	-
International equities	249,415	51,492	300,907	46,599
Domestic mutual funds	571,926	206,874	778,800	155,065
International mutual funds	444,543	133,546	578,089	141,164
	<u>1,996,057</u>	<u>602,328</u>	<u>2,598,385</u>	<u>564,745</u>
Complementary strategies	262,094	246,581	508,675	150,098
Real Estate Investment Trust (REITs)	183,879	-	183,879	-
Real asset funds	387,926	115,894	503,820	194,908
Investment pool funds	15,650	-	15,650	-
	<u>\$ 5,934,327</u>	<u>\$ 1,658,228</u>	<u>\$ 7,592,555</u>	<u>\$ 1,617,085</u>

NEVADA HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE 2 - INVESTMENTS AND FAIR VALUE (Continued)

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

	2016	2015
Net realized gains (losses)	\$ (14,574)	\$ 16,726
Net unrealized gains (losses)	72,814	(139,574)
Interest and dividends	99,801	61,545
	\$ 158,041	\$ (61,303)

Related expenses for investment fees totaled \$28,948 and \$13,503 are reflected in the accompanying financial statements in bank and credit card charges for the years ended December 31, 2016 and 2015, respectively.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2016	2015
Leasehold improvements	\$ 154,973	\$ 142,238
Furniture and equipment	637,835	323,691
Vehicles	623,918	307,338
	1,416,726	773,267
Less accumulated depreciation	(566,490)	(462,136)
	\$ 850,236	\$ 311,131

Depreciation expense for the years ended December 31, 2016 and 2015 was \$104,354 and \$61,243, respectively.

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:

	2016	2015
Financial emergencies	\$ 1,746,374	\$ 1,672,607
Spay/neuter and marketing	-	52,920
Spay/neuter and prevention care	-	67,385
Equipment	71,313	292,000
	\$ 1,817,687	\$ 2,084,912

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.

NEVADA HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE 6 - DONATED SUPPLIES AND SERVICES

The estimated fair value of donated supplies and services received are recorded as contributions. The Society received \$491,024 and \$562,946 of in-kind contributions for the years ending December 31, 2016 and 2015, respectively.

During the years ended December 31, 2016 and 2015, volunteers donated 43,746 and 43,259 hours of time valued at \$437,460 and \$432,590, respectively, 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 16% of total expenses.

NOTE 7 - PROGRAM INCOME AND FEES

For the year ended December 31, 2016, program income and fees consist of the following:

Program	2016			2015		
	Gross Program Income and Fees	Fee Discounts	Program Income and Fees, net	Gross Program Income and Fees	Fee Discounts	Program Income and Fees, net
Adoption service fees	\$ 498,409	\$ 155,821	\$ 342,588	\$ 457,653	\$ 139,906	\$ 317,747
Clinic service fees	446,692	271,858	174,834	440,639	273,927	166,712
Contract fees	804,278	27,860	776,418	809,656	30,813	778,843
	<u>\$ 1,749,379</u>	<u>\$ 455,539</u>	<u>\$ 1,293,840</u>	<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 direct expenses from these events for the years ending December 31 are as follows:

Special Event	2016			2015		
	Revenue	Cost of Direct Benefits to Attendees	Net Revenue	Revenue	Cost of Direct Benefits to Attendees	Net Revenue
Blue Jeans Ball	\$ 142,135	\$ 46,393	\$ 95,742	\$ 99,532	\$ 30,326	\$ 69,206
Duck Race	125,621	56,800	68,821	59,805	56,454	3,351
Heels & Hounds	57,656	18,984	38,672	42,391	14,171	28,220
Miscellaneous	4,824	3,209	1,615	74,630	4,181	70,449
	<u>\$ 330,236</u>	<u>\$ 125,386</u>	<u>\$ 204,850</u>	<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, 2016 were \$117,905 and will continue at the same annual rate through the year 2041.

NEVADA HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE 9 - LEASES (Continued)

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 years ended December 31, 2016 and 2015 was \$103,648 each year. 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 years ended December 31, 2016 and 2015 was \$2,235 and \$1,949, respectively, 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 years ended December 31, 2016 and 2015 was \$13,517 and \$15,037, respectively.

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,		
2017	\$	229,349
2018		229,349
2019		200,162
2020		117,905
2021		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 was completed in 2016 and the Society received a grant for \$383,000 to furnish 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 its own electricity and working to improve the environment without a large capital outlay and annual maintenance costs. Energy savings are 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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NOTE 12 - PURPOSE OF ENDOWMENT FUND

The Society established, with restricted donations, The Dorothy Benson Humane Endowment Trust in 1987 and the Nevada Humane Society Designated Endowment Trust in 2016 from unrestricted bequests received. Earnings from the temporarily restricted endowments are distributed monthly and are considered to be available for unrestricted use. The principal, considered temporarily restricted or designated net assets, 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 and board designated endowment funds. 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.

See Note 12 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 years ended December 31:

	2016			2015
	Board Designated Unrestricted	Temporarily Restricted	Total	Temporarily Restricted
Endowment net assets, beginning of year	\$ -	\$ 1,670,614	\$ 1,670,614	\$ 1,790,126
Contributions	5,979,383	-	5,979,383	-
Investment income	48,815	50,986	99,801	59,551
Net realized gains (losses)	(7,244)	(7,831)	(15,075)	16,726
Net appreciation (depreciation)	(13,300)	86,615	73,315	(139,574)
Amount appropriated for expenditures	(16,192)	(54,010)	(70,202)	(56,215)
Endowment net assets, end of year	<u>\$ 5,991,462</u>	<u>\$ 1,746,374</u>	<u>\$ 7,737,836</u>	<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

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NOTE 13 - 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 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.

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.