

NEVADA HUMANE SOCIETY
FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017

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, 2017, 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 as of December 31, 2017, 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, 2016 financial statements of Nevada Humane Society were audited by us and we expressed an unmodified opinion on those financial statements in our report dated September 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kohn & Company LLP

Reno, Nevada
November 7, 2018

NEVADA HUMANE SOCIETY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS AT DECEMBER 31, 2016)

	2017	2016 (Memorandum Only)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,031,784	\$ 1,062,140
Grants and contracts receivable	44,475	116,667
Prepaid expenses	21,239	14,608
Prepaid facility lease, current portion	117,905	117,905
Total current assets	1,215,403	1,311,320
NONCURRENT ASSETS		
Property and equipment, net	1,037,051	850,236
OTHER ASSETS		
Investments	8,656,955	7,592,555
Land held for investment	6,000	6,000
Prepaid facility lease, net of current portion	2,613,560	2,731,465
Total other assets	11,276,515	10,330,020
Total assets	\$ 13,528,969	\$ 12,491,576
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 133,417	\$ 143,109
Accrued payroll	117,643	96,590
Accrued employee benefits	89,472	78,491
Total current liabilities / total liabilities	340,532	318,190
NET ASSETS		
Unrestricted		
Prepaid lease facility	2,731,465	2,849,370
Property and equipment	1,037,051	850,236
Board designated endowment	7,102,668	5,991,462
Undesignated	382,928	664,631
Total unrestricted net assets	11,254,112	10,355,699
Temporarily restricted	1,934,325	1,817,687
Total net assets	13,188,437	12,173,386
Total liabilities and net assets	\$ 13,528,969	\$ 12,491,576

See accompanying notes

NEVADA HUMANE SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)

	2017			2016 (Memorandum Only)
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Grants and contributions	\$ 4,173,893	\$ 20,000	\$ 4,193,893	\$ 9,175,491
Program income and fees (net of fee discounts of \$277,284 and \$455,539 in 2017 and 2016, respectively)	1,496,648	-	1,496,648	1,293,840
Special events (net of costs of direct benefits to attendees of \$114,765 and \$125,386 in 2017 and 2016, respectively)	195,725	-	195,725	204,850
Net assets released from restrictions	80,894	(80,894)	-	-
Total support and revenue	5,947,160	(60,894)	5,886,266	10,674,181
EXPENSES				
Program services				
Public Service	527,188	-	527,188	431,516
Animal Care				
Clinics	1,465,686	-	1,465,686	1,146,440
Shelters	3,177,496	-	3,177,496	2,853,815
Total program services	5,170,370	-	5,170,370	4,431,771
Supporting services				
General and administrative	444,940	-	444,940	331,042
Fundraising	143,949	-	143,949	176,373
Total supporting services	588,889	-	588,889	507,415
Total expenses	5,759,259	-	5,759,259	4,939,186
OTHER INCOME AND (EXPENSES)				
Net realized and unrealized gain on investments	547,116	124,117	671,233	58,240
Other income	-	-	-	14,234
Interest and dividend income	163,396	53,415	216,811	99,801
	<u>710,512</u>	<u>177,532</u>	<u>888,044</u>	<u>172,275</u>
CHANGE IN NET ASSETS	898,413	116,638	1,015,051	5,907,270
NET ASSETS, beginning of year	<u>10,355,699</u>	<u>1,817,687</u>	<u>12,173,386</u>	<u>6,266,313</u>
NET ASSETS, end of year	<u>\$ 11,254,112</u>	<u>\$ 1,934,325</u>	<u>\$ 13,188,437</u>	<u>\$ 12,173,583</u>

See accompanying notes

NEVADA HUMANE SOCIETY
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)

	2017				2016			
	Program Services		Supporting Services		Program Services		Supporting Services	
	Public Service	Clinics	Animal Care	Shelters	General and Administrative	Fundraising	Total	Total
Salaries and wages	\$ 203,544	\$ 820,938	\$ 1,487,599	\$ -	\$ 190,887	\$ 33,686	\$ 2,736,654	\$ 2,309,934
Payroll taxes	26,513	61,486	137,253	-	15,115	2,667	243,034	175,043
Employee benefits	13,273	23,285	206,438	-	6,257	1,104	250,357	196,242
Total salaries and related costs	243,330	905,709	1,831,290	-	212,259	37,457	3,230,045	2,681,219
Accounting	-	-	-	-	27,808	-	27,808	19,100
Advertising	97,259	235	3,698	-	2,863	19,305	123,360	118,669
Bad debts	-	-	978	-	102	-	1,080	1,198
Bank and credit card charges	39	-	13,870	-	46,885	20,430	81,224	49,296
Communication expense	11,409	1,294	25,372	-	1,680	-	39,755	33,965
Computer services	718	5,923	1,159	-	7,277	-	15,077	10,198
Depreciation	-	39,544	102,814	-	15,817	-	158,175	104,354
Donated supplies and services	1,464	21,858	573,884	-	3,774	314	601,294	478,235
Dues and subscriptions	353	4,424	1,123	-	102	-	6,002	4,603
Equipment rental and maintenance	282	3,274	46,480	-	24	517	50,577	40,806
Facility lease	-	49,492	161,511	-	11,791	-	222,794	221,549
Insurance	-	-	27,590	-	2,147	-	29,737	24,002
Janitorial and facility maintenance	17	2,356	114,732	-	277	-	117,382	99,462
Meals and entertainment	2,128	272	5,812	-	609	19	8,840	5,525
Miscellaneous	-	196	1,226	-	6,824	-	8,246	12,961
Office expense	3,318	780	4,331	-	1,600	-	10,029	8,180
Postage	10,799	774	10,838	-	25,814	20,668	68,893	74,855
Printing	69,116	451	1,546	-	14,316	36,612	122,041	114,754
Professional services	37,648	22,407	47,648	-	51,775	5,888	165,366	208,505
Property taxes	-	-	163	-	25	-	188	135
Staff development	1,014	6,195	2,108	-	-	-	9,317	2,358
Supplies	37,381	397,956	91,458	-	5,653	2,666	535,114	486,624
Travel	7,099	2,043	11,113	-	-	73	20,328	32,293
Uniforms	-	57	6,139	-	-	-	6,196	7,932
Utilities	-	446	89,055	-	5,518	-	95,019	93,650
Volunteer expense	3,814	-	1,558	-	-	-	5,372	4,758
	\$ 527,188	\$ 1,465,686	\$ 3,177,496	\$ 444,940	\$ 143,949	\$ 5,759,259	\$ 4,939,186	

See accompanying notes

NEVADA HUMANE SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)

	<u>2017</u>	<u>2016</u> (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,015,051	\$ 5,907,270
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	158,175	104,354
Prepaid facility lease	117,905	117,905
Donated property and equipment	(317,950)	
Net realized and unrealized (gain) loss on investments	(671,233)	(58,240)
Changes in certain components of working capital		
(Increase) decrease in:		
Grants and contracts receivables	72,192	(114,441)
Accrued interest income	-	932
Prepaid expenses	(6,631)	(6,347)
Deposits	-	120,573
Increase (decrease) in:		
Accounts payable	(9,692)	50,896
Accrued payroll and employee expenses	32,034	31,971
Net cash flows from operating activities	<u>389,851</u>	<u>6,154,873</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Funds used for construction, renovation and purchase of equipment	(27,040)	(643,459)
Net proceeds (purchases) from investments	<u>(393,167)</u>	<u>(5,918,162)</u>
Net cash flows from investing activities	<u>(420,207)</u>	<u>(6,561,621)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(30,356)	(406,748)
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,062,140</u>	<u>1,468,888</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,031,784</u>	<u>\$ 1,062,140</u>

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

NEVADA HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 12,000 formerly homeless pets in 2017.

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 \$174,254 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 8,800 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, 2017

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, 2017. The uninsured balance at December 31, 2017 totals \$760,767.

Grant and Contracts Receivable

Support under grants and contracts is recorded when the related amounts are due from grantor and contracting agencies. At December 31, 2017 and 2016, all amounts were considered collectible by management. Therefore, no allowance for doubtful accounts is included in the financial statements.

Investments

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, 2017 and 2016.

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, 2017 and 2016.

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 9, and endowment funds to be used for financial emergencies.

NEVADA HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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 \$123,360 and \$118,669 for the years ended December 31, 2017 and 2016, 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 November 7, 2018, 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, 2017

NOTE 2 - INVESTMENTS AND FAIR VALUE

Investments consist of debt and equity securities held by the Society as Board designated and temporarily restricted endowments. 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, 2017 and 2016.

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

	2017			2016	
	Board Designated Unrestricted	Temporarily Restricted	Total	Total	
Fixed income:					
Government obligations	\$ 495,178	\$ -	\$ 495,178	\$ 390,286	
Corporate obligations	949,856	159,003	1,108,859	795,043	
Domestic mutual funds	471,303	501,402	972,705	2,302,478	
International mutual funds	275,693	72,428	348,121	294,339	
	<u>2,192,030</u>	<u>732,833</u>	<u>2,924,863</u>	<u>3,782,146</u>	
Equities:					
Consumer discretionary	138,650	32,909	171,559	110,850	
Consumer staples	66,413	9,433	75,846	72,762	
Energy	37,520	-	37,520	38,391	
Financials	218,183	51,876	270,059	196,117	
Health care	154,063	35,135	189,198	132,530	
Industrials	121,987	24,244	146,231	114,421	
Information technology	278,030	57,166	335,196	216,179	
Materials	14,777	6,425	21,202	22,433	
Telecommunication services	22,461	-	22,461	15,680	
Utilities	36,346	-	36,346	21,226	
International equities	443,838	49,049	492,887	300,907	
Domestic mutual funds	1,124,642	172,905	1,297,547	778,800	
International mutual funds	652,733	169,954	822,687	578,089	
	<u>3,309,643</u>	<u>609,096</u>	<u>3,918,739</u>	<u>2,598,385</u>	
Complementary strategies	656,594	312,328	968,922	508,675	
Real Estate Investment Trust (REITs)	204,330	-	204,330	183,879	
Real asset funds	476,131	148,320	624,451	503,820	
Investment pool funds	15,650	-	15,650	15,650	
	<u>\$ 6,854,378</u>	<u>\$ 1,802,577</u>	<u>\$ 8,656,955</u>	<u>\$ 7,592,555</u>	

NEVADA HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 2 - INVESTMENTS AND FAIR VALUE (Continued)

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

	2017	2016
Net realized gains (losses)	\$ 24,108	\$ (14,574)
Net unrealized gains (losses)	647,125	72,814
Interest and dividends	216,811	99,801
	\$ 888,044	\$ 158,041

Investment fees totaling \$57,064 and \$28,948 for the years ended December 31, 2017 and 2016, respectively, are included in bank and credit card charges in the accompanying statement of activities.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2017	2016
Leasehold improvements	\$ 472,923	\$ 154,973
Furniture and equipment	664,875	637,835
Vehicles	623,918	623,918
	1,761,716	1,416,726
Less accumulated depreciation	(724,665)	(566,490)
	\$ 1,037,051	\$ 850,236

Depreciation expense for the years ended December 31, 2017 and 2016 was \$158,175 and \$104,354, 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:

	2017	2016
Financial emergencies	\$ 1,872,552	\$ 1,746,374
Spay/neuter and prevention care	17,500	-
Equipment	44,273	71,313
	\$ 1,934,325	\$ 1,817,687

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 issues of this nature.

NEVADA HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 6 - DONATED SUPPLIES, SERVICES, AND PROPERTY

The estimated fair value of donated supplies, services, and property received are recorded as contributions. The Society received \$601,294 and \$478,235 of in-kind contributions for use in its operations during the years ending December 31, 2017 and 2016, respectively. During 2017, the Society also received donated solar panels valued at \$317,950 that is included in fixed assets in the accompanying financial statements.

During the years ended December 31, 2017 and 2016, volunteers donated 38,274 and 43,746 hours of time valued at \$382,740 and \$437,640, 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 more than 90% of total expenses each year.

NOTE 7 - PROGRAM INCOME AND FEES

Program income and fees consist of the following for the years ended December 31:

Program	2017		
	Gross		Program
	Program	Fee	Income and
	Income	Discounts	Fees, net
Adoption service fees	\$ 478,502	\$ 80,890	\$ 397,612
Clinic service fees	482,278	174,254	308,024
Contract fees	813,152	22,140	791,012
	\$ 1,773,932	\$ 277,284	\$ 1,496,648

Program	2016		
	Gross		Program
	Program	Fee	Income and
	Income	Discounts	Fees, net
Adoption service fees	\$ 498,409	\$ 155,821	\$ 342,588
Clinic service fees	446,692	271,858	174,834
Contract fees	804,278	27,860	776,418
	\$ 1,749,379	\$ 455,539	\$ 1,293,840

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	2017		
	Revenue	Cost of Direct	Net
		Benefits to	Revenue
		Attendees	
Wags & Whiskers	\$ 182,915	\$ 58,681	\$ 124,234
Duck Race	-	-	-
Heels & Hounds	66,976	23,394	43,582
Miscellaneous	50	2,129	(2,079)
Walk For Animals	60,549	30,561	29,988
	\$ 310,490	\$ 114,765	\$ 195,725

NEVADA HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 8 - SPECIAL EVENTS (Continued)

Special Event	2016		
	Revenue	Cost of Direct Benefits to Attendees	Net Revenue
Wags & Whiskers	\$ 142,135	\$ 46,393	\$ 95,742
Duck Race	125,621	56,800	68,821
Heels & Hounds	57,656	18,984	38,672
Miscellaneous	4,824	3,209	1,615
Walk For Animals	-	-	-
	\$ 330,236	\$ 125,386	\$ 204,850

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 years ended December 31, 2017 and 2016 were \$117,905 and \$99,462, respectively. The lease payments are expected continue at the same annual rate through the year 2041.

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, 2017 and 2016 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.

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,		
2018	\$	221,549
2019		195,638
2020		117,905
2021		117,905
2022		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 private grant for \$383,000 to furnish the shelter.

NEVADA HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

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.

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:

	2017		
	Board Designated Unrestricted	Temporarily Restricted	Total
Endowment net assets, beginning of year	\$ 5,991,462	\$ 1,746,374	\$ 7,737,836
Contributions	440,899	-	440,899
Investment income	163,396	53,415	216,811
Net realized gains (losses)	15,891	8,217	24,108
Net appreciation (depreciation)	534,203	112,922	647,125
Fees and expenditures	(43,183)	(48,376)	(91,559)
Endowment net assets, end of year	\$ 7,102,668	\$ 1,872,552	\$ 8,975,220
	2016		
	Board Designated Unrestricted	Temporarily Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 1,670,614	\$ 1,670,614
Contributions	5,979,383	-	5,979,383
Investment income	48,815	50,986	99,801
Net realized gains (losses)	(7,244)	(7,831)	(15,075)
Net appreciation (depreciation)	(13,300)	86,615	73,315
Fees and expenditures	(16,192)	(54,010)	(70,202)
Endowment net assets, end of year	\$ 5,991,462	\$ 1,746,374	\$ 7,737,836

NEVADA HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

NOTE 13 - ENDOWMENT FUND (Continued)

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.

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.

NOTE 14 - SUBSEQUENT DISCOVERY OF FACTS

After the initial issuance of the 2017 financial statements dated August 14, 2018, the Society identified a contribution of solar panels valued at \$317,950 that was not reflected in the financial statements. Accordingly, the financial statements have been restated to reflect the contributed asset and related depreciation expense.