



Financial Statements

December 31, 2018

Nevada Humane Society

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Shareholders

Edward R. Cupit, CPA (1943-2010)
Ronald A. Milligan, CPA
Thomas M. Ogden, CPA
Melvin L. Williams, CPA

Independent Auditors' Report

To the Board of Directors of the Nevada Humane Society

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, 2018, 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Nevada Humane Society as of December 31, 2018, 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.

Other Matter

The financial statements of the Nevada Humane Society for the year ended December 31, 2017, were audited by another auditor who expressed an unmodified opinion on those statements on November 7, 2018.

As part of our audit of the December 31, 2018 financial statements, we also audited the adjustments described in Note 13 that were applied to restate the 2017 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2017 financial statements of the organization other than with respect to the adjustment and, accordingly, we do not express an opinion or any other form of assurance on the 2017 financial statements as a whole.

Cupit, Milligan, Ogden & Williams

Reno, Nevada
August 30, 2019

Nevada Humane Society
Statement of Financial Position
December 31, 2018 (with comparative totals at December 31, 2017)

	2018		2017	
	Without Donor Restrictions	With Donor Restrictions	Total	(Memorandum Only) Total
Assets				
<i>Current Assets</i>				
Cash and cash equivalents	\$ 1,094,606	\$ 51,154	\$ 1,145,760	\$ 1,031,784
Grants and contracts receivable	130,837	-	130,837	44,475
Prepaid expenses	71,370	-	71,370	21,239
Prepaid facility lease, current portion	117,905	-	117,905	117,905
<i>Total Current Assets</i>	<u>1,414,718</u>	<u>51,154</u>	<u>1,465,872</u>	<u>1,215,403</u>
<i>Property and Equipment, net</i>	<u>1,264,104</u>	<u>-</u>	<u>1,264,104</u>	<u>1,295,329</u>
<i>Other Assets</i>				
Investments	6,886,764	1,670,958	8,557,722	8,656,955
Land held for investment	6,000	-	6,000	6,000
Prepaid facility lease, net of current portion	2,495,655	-	2,495,655	2,613,560
Other assets	16,088	-	16,088	-
<i>Total Other Assets</i>	<u>9,404,507</u>	<u>1,670,958</u>	<u>11,075,465</u>	<u>11,276,515</u>
Total Assets	<u>\$ 12,083,329</u>	<u>\$ 1,722,112</u>	<u>\$ 13,805,441</u>	<u>\$ 13,787,247</u>
Liabilities and Net Assets				
<i>Current liabilities</i>				
Accounts payable	\$ 154,550	\$ -	\$ 154,550	\$ 133,417
Accrued payroll	132,152	-	132,152	117,643
Accrued employee benefits	85,363	-	85,363	89,472
<i>Total Current Liabilities</i>	<u>372,065</u>	<u>-</u>	<u>372,065</u>	<u>340,532</u>
Total Liabilities	<u>372,065</u>	<u>-</u>	<u>372,065</u>	<u>340,532</u>
Net Assets				
<i>Without Donor Restrictions</i>				
Board designated endowment	6,970,040	-	6,970,040	7,102,668
Undesignated	4,741,224	-	4,741,224	4,409,722
<i>With Donor Restictions</i>	<u>-</u>	<u>1,722,112</u>	<u>1,722,112</u>	<u>1,934,325</u>
Total Net Assets	<u>11,711,264</u>	<u>1,722,112</u>	<u>13,433,376</u>	<u>13,446,715</u>
Total Liabilities and Net Assets	<u>\$ 12,083,329</u>	<u>\$ 1,722,112</u>	<u>\$ 13,805,441</u>	<u>\$ 13,787,247</u>

The accompanying notes are an integral part of these financial statements.

Nevada Humane Society

Statement of Activities

For the year ended December 31, 2018 (with comparative totals for the year ended December 31, 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	(Memorandum Only) Total
Support and Revenue				
Grants and contributions	\$ 5,013,799	\$ -	\$ 5,013,799	\$ 4,193,893
Program income and fees (net of fee discounts of \$439,684 and \$277,284 in 2018 and 2017, respectively)	1,500,406	-	1,500,406	1,496,648
Special events				
Revenue	317,498	-	317,498	310,490
Cost of direct benefits to donors	(162,570)	-	(162,570)	(114,765)
Net special events revenue	154,928	-	154,928	195,725
Net assets released from restrictions	100,607	(100,607)	-	-
Total Support and Revenue	6,769,740	(100,607)	6,669,133	5,886,266
Expense				
<i>Program Services</i>				
Public Service	291,853	-	291,853	527,188
Animal Care				
Clinics	1,748,024	-	1,748,024	1,465,686
Shelters	3,414,386	-	3,414,386	3,177,496
<i>Supporting Services</i>				
General and administrative	498,152	-	498,152	444,940
Fundraising	286,705	-	286,705	143,949
Total Expense	6,239,120	-	6,239,120	5,759,259
Other Income (Expense)				
Realized and unrealized (loss) gain on investments, net of fees	(526,070)	(161,605)	(687,675)	671,233
Other income	1,071	-	1,071	-
Interest and dividend income	193,253	49,999	243,252	216,811
Total Other Income (Expense)	(331,746)	(111,606)	(443,352)	888,044
Changes in Net Assets	198,874	(212,213)	(13,339)	1,015,051
Net Assets, Beginning of Year, As Restated	11,512,390	1,934,325	13,446,715	12,431,664
Net Assets, End of Year	\$ 11,711,264	\$ 1,722,112	\$ 13,433,376	\$ 13,446,715

The accompanying notes are an integral part of these financial statements.

Nevada Humane Society

Statement of Functional Expenses

For the year ended December 31, 2018 (with comparative totals for the year ended December 31, 2017)

	Program Services			Total Program Services
	Public Service	Animal Care		
		Clinics	Shelters	
Salaries and wages	\$ 175,134	\$ 990,087	\$ 1,770,046	\$ 2,935,267
Payroll taxes	15,753	76,212	140,147	232,112
Employee benefits	34,135	83,091	203,026	320,252
Total Salaries and Related Costs	225,022.00	1,149,390	2,113,219	3,487,631
Accounting	-	-	-	-
Advertising	34,520	-	2,983	37,503
Bad debts	-	-	-	-
Bank and credit card charges	-	-	-	-
Communication expense	-	554	8,182	8,736
Computer services	-	218	2,231	2,449
Depreciation	-	44,515	115,740	160,255
Donated supplies and services	-	1,232	480,391	481,623
Dues and subscriptions	-	6,939	2,845	9,784
Equipment rental and maintenance	-	15,574	34,156	49,730
Facility lease	-	49,493	176,595	226,088
Insurance	-	-	43,741	43,741
Janitorial and facility maintenance	-	628	111,372	112,000
Meals and entertainment	-	140	1,276	1,416
Miscellaneous	-	-	-	-
Office expense	-	78	6,235	6,313
Postage	-	6	1,069	1,075
Printing	-	378	8,254	8,632
Professional services	4,931	39,632	25,264	69,827
Property taxes	-	-	-	-
Staff development	-	1,860	4,142	6,002
Supplies	24,649	430,472	151,949	607,070
Travel	-	4,717	14,692	19,409
Uniforms	-	-	6,326	6,326
Utilities	-	2,198	103,724	105,922
Volunteer expense	2,731	-	-	2,731
Total Expenses	\$ 291,853	\$ 1,748,024	\$ 3,414,386	\$ 5,454,263

The accompanying notes are an integral part of these financial statements.

Nevada Humane Society

Statement of Functional Expenses

For the year ended December 31, 2018 (with comparative totals for the year ended December 31, 2017)

	Supporting Services			Totals	
	General and Administrative	Fund-Raising	Total Supporting Services	2018	2017
Salaries and wages	\$ 161,776	\$ 28,549	\$ 190,325	\$ 3,125,592	\$ 2,736,654
Payroll taxes	9,944	1,755	11,699	243,811	243,034
Employee benefits	20,234	3,325	23,559	343,811	250,357
Total Salaries and Related Costs	191,954	33,629	225,583	3,713,214	3,230,045
Accounting	66,301	-	66,301	66,301	27,808
Advertising	1,425	48,263	49,688	87,191	123,360
Bad debts	-	-	-	-	1,080
Bank and credit card charges	28,513	3,605	32,118	32,118	81,224
Communication expense	12,763	-	12,763	21,499	39,755
Computer services	21,477	54	21,531	23,980	15,077
Depreciation	17,806	-	17,806	178,061	158,175
Donated supplies and services	-	-	-	481,623	601,294
Dues and subscriptions	1,952	898	2,850	12,634	6,002
Equipment rental and maintenance	16,552	20	16,572	66,302	50,577
Facility lease	14,817	-	14,817	240,905	222,794
Insurance	3,610	-	3,610	47,351	29,737
Janitorial and facility maintenance	4,661	-	4,661	116,661	117,382
Meals and entertainment	8,162	-	8,162	9,578	8,840
Miscellaneous	507	-	507	507	8,246
Office expense	8,437	148	8,585	14,898	10,029
Postage	10,191	72,353	82,544	83,619	68,893
Printing	386	124,786	125,172	133,804	122,041
Professional services	51,944	2,500	54,444	124,271	165,366
Property taxes	451	-	451	451	188
Staff development	4,758	-	4,758	10,760	9,317
Supplies	3,190	316	3,506	610,576	535,114
Travel	21,716	-	21,716	41,125	20,328
Uniforms	4,582	-	4,582	10,908	6,196
Utilities	1,997	-	1,997	107,919	95,019
Volunteer expense	-	133	133	2,864	5,372
Total Expenses	\$ 498,152	\$ 286,705	\$ 784,857	\$ 6,239,120	\$ 5,759,259

The accompanying notes are an integral part of these financial statements.

Nevada Humane Society

Statement of Cash Flows

For the year ended December 31, 2018 (with comparative totals for the year ended December 31, 2017)

	<u>2018</u>	<u>2017 (Memorandum Only) Total</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ (13,339)	\$ 1,015,051
<i>Adjustments to reconcile changes in net assets to net cash provided by operating activities</i>		
Depreciation	178,061	158,175
Prepaid facility lease	117,905	117,905
Donated property and equipment	(67,718)	(317,950)
Net realized and unrealized loss (gain) on investments	634,341	(671,233)
<i>Changes in operating assets and liabilities</i>		
Grants and contracts receivable	(86,362)	72,192
Prepaid expenses	(50,131)	(6,631)
Other assets	(16,088)	-
Accounts payable	21,133	(9,692)
Accrued payroll and employee benefits	10,400	32,034
Net Cash Provided by Operating Activities	<u>728,202</u>	<u>389,851</u>
Cash Flows from Investing Activities		
Funds used for construction, renovation and purchase of equipment	(79,118)	(27,040)
Net purchases of investments	(535,108)	(393,167)
Net Cash Used by Investing Activities	<u>(614,226)</u>	<u>(420,207)</u>
Net Change in Cash and Cash Equivalents	113,976	(30,356)
Cash and Cash Equivalents, Beginning of Year	<u>1,031,784</u>	<u>1,062,140</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,145,760</u>	<u>\$ 1,031,784</u>
Supplemental Disclosure of Cash Flow Information		
<i>Cash paid during the year for</i>		
Income taxes	<u>\$ -</u>	<u>\$ -</u>
Interest	<u>\$ -</u>	<u>\$ -</u>
<i>Non-cash investing and financing activities</i>		
Donated property and equipment	<u>\$ 67,718</u>	<u>\$ 317,950</u>

The accompanying notes are an integral part of these financial statements.

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Activities

The Nevada Humane Society (NHS) was established on February 19, 1932, as a domestic non-profit corporation. NHS is the only open-admission, no-kill shelter in the state of Nevada and was originally created to address the suffering of local stray animals. In 2007, the Board of Directors changed the mission of the organization to one of lifesaving, promoting animal welfare while finding homes and providing care for homeless pets in Northern Nevada. In 2014, NHS expanded to include Carson City, Nevada under a public/private partnership between NHS and Carson City Animal Services (CCAS) under which NHS assumed leadership of Animal Services.

Description of Program and Supporting Services

Program Services

- Public Service includes all functions related to:
 - The Trap-Neuter-Return program (TNR) which allows feral cats to be spayed and neutered and provided with rabies and FVRCP vaccinations.
 - Animal Services in Carson City, NV including: dog licensing, bite investigations, reporting lost and found animals and enforcement of state and local animal regulations, except wildlife.
 - Low-cost spay, neuter and vaccination services are provided to the public.
- Animal Care includes all functions related to:
 - The NHS clinic which provides spay or neuter surgeries, vaccinations and care for all dogs and cats passing through the shelter.
 - The NHS shelters provide care primarily to dogs and cats, but also to rabbits, gerbils, hamsters, reptiles, birds and other small animals. All animals receive loving care from trained animal care staff and volunteers. Adoption counselors help match animals to their forever homes based on age and lifestyle. At NHS shelters, the Animal Help Desk provides free assistance and information to anyone who has a question regarding their pet or other animals in the community with the intent of keeping pets in their homes and out of shelters.

Supporting Services

- General and Administrative - These services include functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination of the NHS's programs, and manage the financial and budgetary responsibilities.
- Fundraising - These services include functions related to generating financial support for NHS and include costs related to special events and donor relations.

Basis of Accounting

NHS prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. In preparing these financial statements, NHS has evaluated events and transactions for potential recognition or disclosure through August 30, 2019, the date the financial statements were available to be issued.

Financial Statement Presentation

NHS follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) No. 958, Not for Profit Entities. Under ASC No. 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions as follows:

- Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.
- Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of NHS or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with an initial maturity of three months or less. NHS maintains its cash and cash equivalents in bank deposit accounts and brokerage money market accounts which, at times, may exceed insured limits. NHS has not experienced any losses in such accounts and does not believe that it is exposed to any significant credit risk on its cash and cash equivalents. Bank deposit accounts and money market accounts are insured by the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC). The uninsured balance at December 31, 2018 totaled \$755,207.

Grants and Contracts Receivable

Support under grants and contracts are recorded when the related amounts are due from the grantor or contracting agencies. NHS does not anticipate any collection losses with respect to the receivable balance and therefore, no allowance for doubtful accounts was established at December 31, 2018.

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. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions are met either by the passage of time or by use in the reporting period in which the income and gains are recognized. Information about the fair value of investments and the unrealized gains and losses is discussed in Note 3. The fair value of substantially all securities is determined by quoted market prices.

The estimated fair value of securities without quoted market prices is based on similar types of securities that are traded in the market.

NHS holds donated property in Lyon County, Nevada valued at \$6,000 at December 31, 2018.

Endowment

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. NHS's endowment funds consists of the Dorothy Benson Humane Endowment Trust (Benson Endowment), established in 1987, and a Board designated endowment, established in 2016.

Investment policies related to the endowed funds are as follows:

Return Objective and Risk Parameters

NHS 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 NHS is to provide for the good of the wealth entrusted to it. 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 on investment.

Interpretation of Relevant Law

In the absence of explicit donor stipulations to the contrary, NHS follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) by enforcing the intent of the donor. Accordingly, NHS 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.

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

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

Spending Policy

Earnings from the Benson Endowment are distributed monthly and are considered to be available for unrestricted use. The principal may be distributed only upon approval of the endowment trust Trustee and approval of a two-thirds majority vote of the entire Board of Directors of NHS.

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires to be retained as perpetual funds. Such deficiencies are reflected as decreases in net assets with donor restrictions for the period. At December 31, 2018, there were no endowment fund deficiencies.

Property and Equipment

Property and equipment with an acquisition cost in excess of \$500 and with an expected useful life of more than one year are capitalized at cost. Donated property is recorded at its estimated fair value at the date it is received. Property and equipment are depreciated over their estimated useful lives of five to thirty-nine years using the straight-line method.

Maintenance and repairs are charged to expense as incurred. Renewals and betterments that materially extend the lives of the 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 NHS's liability for the cost of unused employee vacation at year end.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions restricted by a donor for specific purposes or future periods are reported as net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions are met either by the passage of time or by use in the reporting period in which the income is recognized.

In-Kind Contributions

Donated materials are reflected as in-kind contributions in the accompanying statement of activities at their estimated fair values at the date of receipt with a corresponding amount recorded as expense.

Contributions of services are recognized as in-kind revenue when the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation in accordance with ASC No. 958-605-25-16, Not for Profit Entities – Contributions Received. Contributions of services are measured at their fair market value.

A significant portion of NHS's functions and programs are conducted by unpaid volunteers. Time donated by volunteers, including those serving on the board of directors, has not been recognized as it does not meet the criteria established by the ASC.

Advertising

Advertising costs are charged to program and supporting services when incurred. Advertising costs totaled \$87,191 for the year ended December 31, 2018.

Exempt Status

NHS 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 NHS does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures.

Expense Allocation

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

Comparative Totals

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with NHS's financial statements for the year ended December 31, 2017 from which the summarized information was derived.

Reclassification of Prior Year Amounts

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

Recent Accounting Guidance

During the year ended December 31, 2018, NHS adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities." ASU 2016-14 amends guidance concerning the presentation within the financial statements of not-for-profit entities and requires additional information to be disclosed concerning a not-for-profit entity's liquidity and allocation of resources. ASU 2016-14 also requires investment fees to be presented within investment income, net of fees. Previously, investment fees were reported in the bank and credit card charges line item in the accompanying statement of functional expenses.

2. Liquidity and Availability of Resources

The following reflects NHS's financial assets at December 31, 2018, reduced by amounts not available for general use due to contractual or donor-imposed restrictions within one year of the statement of financial position:

Financial assets at year end	\$ 1,276,597
Less those unavailable for general expenditure within one year due to:	
Contractual or donor-imposed restrictions:	
Cash and cash equivalents included in the donor restricted endowment fund	<u>(51,154)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,225,443</u>

As part of NHS's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition to the financial assets reported above, at December 31, 2018, NHS had \$6,970,040 in a board designated endowment fund which can be used for general expenditures at the discretion of the board. Additionally, at December 31, 2018, NHS had \$1,722,122 in a donor restricted endowment fund. The principal balance can be made available to NHS upon request and approval of the Trustee and two-thirds majority vote of the Board of Directors.

3. Fair Value and Investments

Fair value accounting establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

<i>Level 1</i>	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
<i>Level 2</i>	Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
<i>Level 3</i>	Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

At December 31, 2018, NHS's financial instruments consisted of level 1 measurements. NHS did not have any Level 2 or Level 3 financial instruments measured at fair value on a recurring or nonrecurring basis for the year ended December 31, 2018.

Nevada Humane Society
Notes to Financial Statements
December 31, 2018

The following are major categories of assets measured at fair value (level 1) on a recurring basis for the year ended December 31, 2018:

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Fixed Income:			
Corporate obligations	\$ -	\$ 102,629	\$ 102,629
Domestic exchange traded funds	1,399,093	-	1,399,093
Domestic mutual funds	1,180,265	474,650	1,654,915
International mutual funds	-	127,055	127,055
	<u>2,579,358</u>	<u>704,334</u>	<u>3,283,692</u>
Equities:			
Domestic individual holdings	-	217,442	217,442
International individual holdings	-	46,374	46,374
Domestic exchange traded funds	4,307,406	-	4,307,406
Domestic mutual funds	-	195,103	195,103
International mutual funds	-	199,216	199,216
	<u>4,307,406</u>	<u>658,135</u>	<u>4,965,541</u>
Complementary strategies	-	244,224	244,224
Real assets funds	-	64,265	64,265
Cash alternatives	83,276	51,154	134,430
	<u>83,276</u>	<u>51,154</u>	<u>134,430</u>
Total	<u>\$ 6,970,040</u>	<u>\$ 1,722,112</u>	<u>\$ 8,692,152</u>

Net investment income (loss) for the year ended December 31, 2018 consists of the following:

	<u>Board Designated</u>	<u>With Donor Restriction</u>	<u>Total</u>
Net realized gains (losses)	\$ 21,100	\$ 12,894	\$ 33,994
Net unrealized gains (losses)	(499,479)	(160,311)	(659,790)
Interest and dividends	232,086	11,166	243,252
Investment fees	(47,691)	(14,188)	(61,879)
	<u>(47,691)</u>	<u>(14,188)</u>	<u>(61,879)</u>
Net investment income (loss)	<u>\$ (293,984)</u>	<u>\$ (150,439)</u>	<u>\$ (444,423)</u>

4. Endowment Fund

Composition of and changes in endowment funds for the year ended December 31, 2018 were as follows:

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 7,102,668	\$ 1,872,552	\$ 8,975,220
Investment returns:			
Interest and dividends	192,897	49,999	242,896
Net realized gains	21,100	12,894	33,994
Net depreciation	(499,479)	(160,311)	(659,790)
Total return on endowment	(285,482)	(97,418)	(382,900)
Transfers in	-	-	-
Contributions	220,701	-	220,701
Distributions	(20,156)	(38,834)	(58,990)
Investment fees	(47,691)	(14,188)	(61,879)
Endowment net assets, end of year	<u>\$ 6,970,040</u>	<u>\$ 1,722,112</u>	<u>\$ 8,692,152</u>

5. Property and Equipment

Property and equipment consisted of the following at December 31, 2018:

Leasehold improvements	\$ 472,923
Furniture and equipment	743,993
Vehicles	691,636
Land	<u>258,278</u>
Total property and equipment	2,166,830
Less accumulated depreciation	<u>(902,726)</u>
Property and equipment, net	<u>\$ 1,264,104</u>

Depreciation expense for the year ended December 31, 2018 was \$178,061.

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

6. Net Assets with Donor Restrictions

Net assets with donor restrictions include the Benson Endowment.

7. Private Grants

NHS 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, NHS could be liable for a refund of part or all of such grant funds. Management does not anticipate any problems of this nature.

8. Donated Supplies and Services

The estimated fair value of donated supplies, services and property received are recorded as contributions. during the year ended December 31, 2018, NHS received approximately \$481,623 of in-kind contributions for use in its operations.

During the year ended December 31, 2018, volunteers donated 29,243 hours of time valued at approximately \$661,000 to NHS. No amounts are reflected for these services in the statement of activities because the criteria for recognition of such volunteer efforts has not been satisfied. If the donated services were reflected in the statement of functional expenses, program service expenses would represent approximately 90% of total expenses each year.

9. Program Income and Fees

Program income and fees consist of the following at December 31, 2018:

<u>Program</u>	<u>Gross Program Income and Fees</u>	<u>Fee Discounts</u>	<u>Net Program Income and Fees</u>
Adoption service fees	\$ 549,758	\$ (152,899)	\$ 396,859
Clinic service fees	616,255	(286,785)	329,470
Contract fees	736,577	-	736,577
Other fees	37,500	-	37,500
	<u>\$ 1,940,090</u>	<u>\$ (439,684)</u>	<u>\$ 1,500,406</u>

10. Special Events

NHS has various fundraising events to help assist current operations. The revenue and direct expenses from these events for the years ending December 31, 2018 were as follows:

<u>Special Event</u>	<u>Revenue</u>	<u>Cost of Direct Benefit to Attendees</u>	<u>Net Revenue</u>
Heels & Hounds	\$ 91,223	\$ 40,601	\$ 50,622
Duck Race	74,329	53,160	21,169
Wags & Whiskers	151,946	68,809	83,137
	<u>\$ 317,498</u>	<u>\$ 162,570</u>	<u>\$ 154,928</u>

11. Leases

NHS leases its facilities from Washoe County, Nevada. As part of the lease agreement, NHS 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 in current assets, the remaining balance has been reflected in other assets on the statement of financial position. 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, 2018 were \$117,905. The lease payments are expected to continue at the same annual rate through the year 2041.

NHS entered into an operating lease on October 1, 2014 with Carson City, Nevada 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, was \$103,648 for the year ended December 31, 2018. In addition, as noted below, NHS has entered into a professional service arrangement with the City of Carson City, Nevada, to provide animal services. If the professional services arrangement is terminated, the Carson City facilities agreement terminates.

12. Animal Services and Enforcement Agreement

On October 1, 2014, NHS entered into a professional animal service and enforcement agreement with Carson City to function as the Animal Services Manager of Animal Services for a monthly fee of \$58,333. Under the agreement, NHS provides 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 agreement ends on September 30, 2019 unless terminated upon the City's issuance of a certificate of occupancy for a new shelter, at which time the agreement terms will be for ten years, renewable every five years, for a maximum period of ninety-nine years.

13. Restatement

The beginning of year net assets has been restated to recognize the fair market value of land that was donated to NHS in 2008. The land was valued at \$258,278 which is management's best estimate of the fair market value of the land on the date of the donation. The land and donation are further discussed in Note 5.