



**Financial Statements**

**December 31, 2021**

**Nevada Humane Society**

Table of Contents

December 31, 2021

---

	Page
<b>Independent Auditor's Report</b>	1
<b>Financial Statements</b>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	7
Notes to Financial Statements	8

***Cupit, Milligan,  
Ogden & Williams***  
*Certified Public Accountants*

**Shareholders**

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

---

**Independent Auditor's Report**

To the Board of Directors of the Nevada Humane Society

**Opinion**

We have audited the accompanying financial statements of Nevada Humane Society (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Nevada Humane Society and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Nevada Humane Society's ability to continue as a going concern for one year after the date that the financial statements are issued.

**Auditor's Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

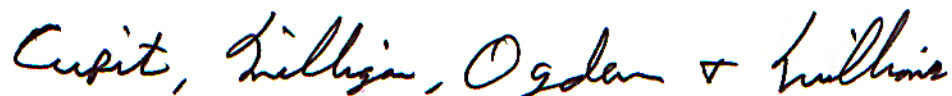
In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Nevada Humane Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Nevada Humane Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

#### **Report on Summarized Comparative Information**

We have previously audited the Nevada Humane Society's December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 27, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Reno, Nevada  
July 26, 2022

**Nevada Humane Society**  
Statement of Financial Position  
December 31, 2021 (with comparative totals at December 31, 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	(Memorandum Only) Total
<b>Assets</b>				
<i>Current Assets</i>				
Cash and cash equivalents	\$ 3,062,347	\$ 287,178	\$ 3,349,525	\$ 1,745,699
Contracts receivable	69,104	-	69,104	252,059
Prepaid expenses	62,016	-	62,016	43,381
Prepaid facility lease, current portion	117,905	-	117,905	117,905
Other current assets	18,173	-	18,173	12,775
<i>Total Current Assets</i>	<u>3,329,545</u>	<u>287,178</u>	<u>3,616,723</u>	<u>2,171,819</u>
<i>Property and Equipment, net</i>	<u>922,325</u>	<u>-</u>	<u>922,325</u>	<u>975,409</u>
<i>Other Assets</i>				
Investments	12,201,042	2,144,247	14,345,289	10,627,973
Land held for investment	6,000	-	6,000	6,000
Prepaid facility lease, net of current portion	2,141,940	-	2,141,940	2,259,845
<i>Total Other Assets</i>	<u>14,348,982</u>	<u>2,144,247</u>	<u>16,493,229</u>	<u>12,893,818</u>
<b>Total Assets</b>	<u>\$ 18,600,852</u>	<u>\$ 2,431,425</u>	<u>\$ 21,032,277</u>	<u>\$ 16,041,046</u>
<b>Liabilities and Net Assets</b>				
<i>Current liabilities</i>				
Accounts payable	\$ 174,633	\$ -	\$ 174,633	\$ 143,932
Accrued employee benefits	143,549	-	143,549	128,067
Accrued payroll liabilities	60,457	-	60,457	44,048
Accrued interest	5,763	-	5,763	4,796
Deferred revenue	-	-	-	37,300
<i>Total Current Liabilities</i>	<u>384,402</u>	<u>-</u>	<u>384,402</u>	<u>358,143</u>
<i>Long-term Liabilities</i>				
Paycheck Protection Program note payable	670,112	-	670,112	670,114
<i>Total Long-term Liabilities</i>	<u>670,112</u>	<u>-</u>	<u>670,112</u>	<u>670,114</u>
<b>Total Liabilities</b>	<u>1,054,514</u>	<u>-</u>	<u>1,054,514</u>	<u>1,028,257</u>
<b>Net Assets</b>				
<i>Without Donor Restrictions</i>				
Board designated endowment	12,957,150	-	12,957,150	9,113,454
Undesignated	4,589,188	-	4,589,188	3,727,661
<i>With Donor Restrictions</i>	<u>-</u>	<u>2,431,425</u>	<u>2,431,425</u>	<u>2,171,674</u>
<b>Total Net Assets</b>	<u>17,546,338</u>	<u>2,431,425</u>	<u>19,977,763</u>	<u>15,012,789</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 18,600,852</u>	<u>\$ 2,431,425</u>	<u>\$ 21,032,277</u>	<u>\$ 16,041,046</u>

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

**Nevada Humane Society**

Statement of Activities

For the year ended December 31, 2021 (with comparative totals for the year ended December 31, 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	(Memorandum Only) Total
<b>Support and Revenue</b>				
Grants and contributions	\$ 7,702,236	\$ 100,000	\$ 7,802,236	\$ 3,307,360
Program income and fees (net of fee discounts of \$84,400 and \$232,747 in 2021 and 2020, respectively)	1,354,473	-	1,354,473	1,268,994
Special events				
Revenue	247,325	-	247,325	213,324
Cost of direct benefits to donors	(97,338)	-	(97,338)	(75,266)
Net special events revenue	149,987	-	149,987	138,058
Net assets released from restrictions	37,636	(37,636)	-	-
<b>Total Support and Revenue</b>	<b>9,244,332</b>	<b>62,364</b>	<b>9,306,696</b>	<b>4,714,412</b>
<b>Expenses</b>				
<i>Program Services</i>				
Public Service	274,875	-	274,875	239,183
Animal Care				
Clinics	1,809,617	-	1,809,617	1,810,248
Shelters	3,409,111	-	3,409,111	3,142,206
<i>Supporting Services</i>				
General and administrative	972,485	-	972,485	803,719
Fundraising	181,260	-	181,260	84,766
<b>Total Expenses</b>	<b>6,647,348</b>	<b>-</b>	<b>6,647,348</b>	<b>6,080,122</b>
<b>Other Income (Expense)</b>				
Net investment income	1,430,655	197,387	1,628,042	1,356,872
Other income (expense)	677,584	-	677,584	(468)
<b>Total Other Income (Expense)</b>	<b>2,108,239</b>	<b>197,387</b>	<b>2,305,626</b>	<b>1,356,404</b>
<b>Changes in Net Assets</b>	<b>4,705,223</b>	<b>259,751</b>	<b>4,964,974</b>	<b>(9,306)</b>
<b>Net Assets, Beginning of Year</b>	<b>12,841,115</b>	<b>2,171,674</b>	<b>15,012,789</b>	<b>15,022,095</b>
<b>Net Assets, End of Year</b>	<b>\$ 17,546,338</b>	<b>\$ 2,431,425</b>	<b>\$ 19,977,763</b>	<b>\$ 15,012,789</b>

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

**Nevada Humane Society**

## Statement of Functional Expenses

For the year ended December 31, 2021 (with comparative totals for the year ended December 31, 2020)

	<b>Program Services</b>			<b>Total Program Services</b>
	<b>Public Service</b>	<b>Animal Care</b>		
		<b>Clinics</b>	<b>Shelters</b>	
Salaries and wages	\$ 208,542	\$ 1,012,897	\$ 1,791,432	\$ 3,012,871
Payroll taxes	15,525	71,755	117,841	205,121
Employee benefits	25,617	79,955	191,534	297,106
<b>Total Salaries and Related Costs</b>	<b>249,684</b>	<b>1,164,607</b>	<b>2,100,807</b>	<b>3,515,098</b>
Accounting	-	-	-	-
Advertising	-	-	-	-
Bank and credit card charges	-	-	25,758	25,758
Communication expense	3,210	1,536	43,396	48,142
Computer services	1,870	5,105	14,695	21,670
Depreciation	-	31,101	80,861	111,962
Donated supplies and services	-	-	433,279	433,279
Dues and subscriptions	80	2,656	275	3,011
Equipment rental and maintenance	285	7,199	37,373	44,857
Facility lease	-	23,581	278,164	301,745
Insurance	5,513	5,513	42,882	53,908
Janitorial and facility maintenance	-	350	117,798	118,148
Meals and entertainment	-	240	286	526
Miscellaneous	-	-	1,144	1,144
Office expense	-	469	3,693	4,162
Postage	-	-	51	51
Printing	-	-	121	121
Professional services	893	179,179	6,684	186,756
Property taxes	-	-	294	294
Staff development	75	3,982	261	4,318
Supplies	2,980	360,461	139,122	502,563
Travel	1,724	6,453	19,586	27,763
Uniforms	-	-	2,435	2,435
Utilities	-	17,185	60,146	77,331
Volunteer expense	8,561	-	-	8,561
<b>Total Expenses</b>	<b>\$ 274,875</b>	<b>\$ 1,809,617</b>	<b>\$ 3,409,111</b>	<b>\$ 5,493,603</b>

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

**Nevada Humane Society**

Statement of Functional Expenses

For the year ended December 31, 2021 (with comparative totals for the year ended December 31, 2020)

	Supporting Services			Totals	
	General and Administrative	Fund-Raising	Total Supporting Services	2021	(Memorandum Only) 2020
Salaries and wages	\$ 482,675	\$ 99,571	\$ 582,246	\$ 3,595,117	\$ 3,347,923
Payroll taxes	34,971	7,165	42,136	247,257	216,819
Employee benefits	58,995	-	58,995	356,101	342,984
<b>Total Salaries and Related Costs</b>	<b>576,641</b>	<b>106,736</b>	<b>683,377</b>	<b>4,198,475</b>	<b>3,907,726</b>
Accounting	22,500	-	22,500	22,500	21,800
Advertising	72,279	6,296	78,575	78,575	71,960
Bank and credit card charges	21,254	8,579	29,833	55,591	32,147
Communication expense	12,101	576	12,677	60,819	63,142
Computer services	48,278	8,678	56,956	78,626	45,494
Depreciation	12,440	-	12,440	124,402	162,356
Donated supplies and services	-	9,696	9,696	442,975	396,882
Dues and subscriptions	2,335	249	2,584	5,595	6,343
Equipment rental and maintenance	8,461	-	8,461	53,318	64,334
Facility lease	13,092	-	13,092	314,837	310,971
Insurance	3,744	-	3,744	57,652	49,975
Janitorial and facility maintenance	258	-	258	118,406	119,019
Meals and entertainment	359	-	359	885	489
Miscellaneous	9,904	14,520	24,424	25,568	5,557
Office expense	6,890	-	6,890	11,052	6,298
Postage	17,197	-	17,197	17,248	19,932
Printing	56,590	3,067	59,657	59,778	33,243
Professional services	47,186	11,855	59,041	245,797	131,882
Property taxes	31	-	31	325	514
Staff development	7,588	-	7,588	11,906	8,271
Supplies	10,471	9,978	20,449	523,012	482,582
Travel	4,679	1,030	5,709	33,472	22,804
Uniforms	7,500	-	7,500	9,935	12,364
Utilities	8,592	-	8,592	85,923	99,963
Volunteer expense	2,115	-	2,115	10,676	4,074
<b>Total Expenses</b>	<b>\$ 972,485</b>	<b>\$ 181,260</b>	<b>\$ 1,153,745</b>	<b>\$ 6,647,348</b>	<b>\$ 6,080,122</b>

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



**Nevada Humane Society**

## Statement of Cash Flows

For the year ended December 31, 2021 (with comparative totals for the year ended December 31, 2020)

	<u>2021</u>	<u>(Memorandum Only) 2020</u>
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ 4,964,974	\$ (9,306)
<i>Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities</i>		
Depreciation	124,402	162,356
Amortization of prepaid facility lease	117,905	117,905
Forgiveness of Paycheck Protection Program note payable	(670,114)	-
Net realized and unrealized gain on investments	(1,605,822)	(1,273,247)
<i>Changes in operating assets and liabilities</i>		
Contracts receivable	182,955	(245,791)
Prepaid expenses	(18,635)	(14,769)
Other current assets	(5,398)	(5,270)
Accounts payable	30,701	(5,813)
Accrued payroll liabilities and employee benefits	31,891	(79,855)
Deferred revenue	(37,300)	37,300
Accrued interest	967	4,796
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>3,116,526</u>	<u>(1,311,694)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(71,318)	(31,397)
Net (purchases) proceeds from investments	(2,111,494)	419,908
<b>Net Cash (Used) Provided by Investing Activities</b>	<u>(2,182,812)</u>	<u>388,511</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from Paycheck Protection Program note payable	670,112	670,114
<b>Net Cash Provided by Investing Activities</b>	<u>670,112</u>	<u>670,114</u>
<b>Net Change in Cash and Cash Equivalents</b>	1,603,826	(253,069)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>1,745,699</u>	<u>1,998,768</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 3,349,525</u>	<u>\$ 1,745,699</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
<i>Cash paid during the year for</i>		
Income taxes	<u>\$ -</u>	<u>\$ -</u>
Interest	<u>\$ -</u>	<u>\$ -</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 July 26, 2022, 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 restrictions.

### 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 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, 2021 totaled \$2,575,706.

### Contracts Receivable

Support under contracts is recorded when the related amounts are due from the 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, 2021.

### 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 changes in net assets in the statement of activities. 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 owns donated property in Lyon County, Nevada valued at \$6,000 at December 31, 2021.

### 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 consist 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 Directors, 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 stocks, domestic and international exchange traded funds and 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 Directors 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 Board of Directors of NHS.

Both the corpus and earnings of the Board Designated Endowment may be spent at the discretion of the Board of Directors; however, the Board of Directors has adopted a policy of appropriating for distribution each year up to a maximum of 7% of the endowment fund's average market value, calculated based on 12 rolling calendar quarters ending September 30 of the prior calendar year.

### *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, 2021, there were no endowment fund deficiencies.

### Property and Equipment

Property and equipment with an acquisition cost in excess of \$1,000 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 three 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.

#### Program Income and Fees and Special Events Income

Revenue from contracts with customers consists of adoption, clinic, contract and other fees and special event registrations. Revenues are recognized when control of the promised goods or services is transferred to customers, in an amount that reflects the consideration NHS expects to be entitled to in exchange for those goods or services. These revenues are recognized net of discounts and refunds. Revenue is recognized using the five-step approach, as follows:

- Identification of the contract with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, performance obligations are satisfied.

#### *Performance Obligations and Significant Judgments*

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each performance obligation identified in the arrangement based on the relative standalone selling price of each distinct good or service and recognized as revenue when, or as, the performance obligation is satisfied.

Special event revenues are recognized at a point in time when the related event is held. Adoption, clinic and other fees are considered to have a single performance obligation and are recognized when the services are complete.

#### *Contract Balances*

The timing of billings, cash collections, and revenue recognition result in contract assets and contract liabilities reported in the statement of financial position as receivables and deferred revenue. Contract assets consists of contract receivables which are recognized only to the extent that it is probable that NHS will collect substantially all of the consideration to which it is entitled in exchange for the services provided. Contract liabilities consists of deferred revenue which represents deposits taken for special events occurring after year end.

#### In-Kind Contributions

Donated materials are included in grants and 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 \$78,575 for the year ended December 31, 2021.

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, 2020 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.

**2. Liquidity and Availability of Resources**

The following reflects NHS's financial assets at December 31, 2021, 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	\$ 3,418,629
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	(187,178)
Cash and cash equivalents restricted for specific programs	(100,000)
Board designations:	
Cash and cash equivalents included in the quasi endowment fund	<u>(756,108)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 2,375,343</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

**Nevada Humane Society**  
Notes to Financial Statements  
December 31, 2021

---

December 31, 2021, NHS had \$12,201,042 in board designated investments which can be used for general expenditures at the discretion of the board. Additionally, at December 31, 2021, NHS had \$2,144,247 in donor restricted investments. 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:

- Level 1* Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2* 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
- Level 3* 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, 2021, 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, 2021. The following are major categories of assets measured at fair value (Level 1) on a recurring basis for the year ended December 31, 2021:

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Fixed Income:			
Domestic exchange traded funds	\$ 5,196,807	\$ 652,584	\$ 5,849,391
Domestic high yield mutual funds	-	43,298	43,298
Foreign emerging debt mutual funds	-	97,042	97,042
Hedged debt mutual funds	-	54,926	54,926
	<u>5,196,807</u>	<u>847,850</u>	<u>6,044,657</u>
Equities:			
Domestic individual holdings	-	608,347	608,347
Domestic exchange traded funds	7,004,235	415,930	7,420,165
Developed markets individual holdings	-	107,462	107,462
Developed markets exchange traded funds	-	54,175	54,175
Foreign emerging individual holdings	-	59,860	59,860
	<u>7,004,235</u>	<u>1,245,774</u>	<u>8,250,009</u>
Real assets mutual funds	-	50,623	50,623
Cash alternatives	756,108	187,178	943,286
	<u>756,108</u>	<u>187,178</u>	<u>943,286</u>
Total	<u>\$ 12,957,150</u>	<u>\$ 2,331,425</u>	<u>\$ 15,288,575</u>



**Nevada Humane Society**  
Notes to Financial Statements  
December 31, 2021

---

Net investment income for the year ended December 31, 2021 consists of the following:

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net realized gains	\$ 147,123	\$ 7,329	\$ 154,452
Net unrealized gains	1,276,235	175,135	1,451,370
Interest and dividends	77,842	40,916	118,758
Investment fees	<u>(70,557)</u>	<u>(25,993)</u>	<u>(96,550)</u>
Net investment income	1,430,643	197,387	1,628,030
Interest income, cash and cash equivalent accounts	<u>12</u>	<u>-</u>	<u>12</u>
Net investment income	<u>\$ 1,430,655</u>	<u>\$ 197,387</u>	<u>\$ 1,628,042</u>

**4. Endowment Fund**

Composition of and changes in endowment funds for the year ended December 31, 2021 were as follows:

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 9,113,454	\$ 2,159,927	\$ 11,273,381
Investment returns:			
Interest and dividends	77,842	40,916	118,758
Net realized gains	147,123	7,329	154,452
Net appreciation	<u>1,276,235</u>	<u>175,135</u>	<u>1,451,370</u>
Total return on endowment	1,501,200	223,380	1,724,580
Transfers in	-	-	-
Contributions	2,413,053	1,250	2,414,303
Distributions	-	(27,139)	(27,139)
Investment fees	<u>(70,557)</u>	<u>(25,993)</u>	<u>(96,550)</u>
Endowment net assets, end of year	<u>\$ 12,957,150</u>	<u>\$ 2,331,425</u>	<u>\$ 15,288,575</u>

## 5. Property and Equipment

Property and equipment consisted of the following at December 31, 2021:

Leasehold improvements	\$ 534,406
Furniture and equipment	772,879
Vehicles	718,207
Land	<u>258,278</u>
Total property and equipment	2,283,770
Less accumulated depreciation	<u>(1,361,445)</u>
Property and equipment, net	<u>\$ 922,325</u>

Depreciation expense for the year ended December 31, 2021 was \$124,402.

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. Paycheck Protection Program - Note Payable

NHS obtained a promissory note under the Small Business Administration (SBA) Paycheck Protection Program in the amount of \$670,112. The loan accrues interest at a rate of .98% and matures on February 16, 2026. The Organization may apply for forgiveness of the amount due on the loan in an amount equal to the sum of the following costs incurred by the Organization: payroll, rent and utilities. For any amount not forgiven, monthly payments commence on the date the SBA remits the loan forgiveness amount to the lender.

On May 23, 2022, the SBA notified the Organization that the full amount of the Paycheck Protection Program note payable in the amount of \$670,112 plus accrued interest had been forgiven.

## 7. Net Assets with Donor Restrictions

Net assets with donor restrictions include the Benson Endowment of \$2,331,425 and purpose restricted grant funding of \$100,000.

## 8. Private Grants

NHS was the recipient of a number of grants during the year. Some 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.

**9. 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, 2021, NHS received approximately \$442,975 of in-kind contributions for use in its operations.

During the year ended December 31, 2021, volunteers donated 20,607 hours of time valued at approximately \$575,528 to NHS. 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 approximately 84% of total expenses each year.

**10. Program Income and Fees**

Program income and fees consist of the following at December 31, 2021:

<u>Program</u>	<u>Gross Program Income and Fees</u>	<u>Fee Discounts</u>	<u>Net Program Income and Fees</u>
Adoption service fees	\$ 537,432	\$ (83,154)	\$ 454,278
Clinic service fees	165,498	(1,246)	164,252
Contract fees	728,397	-	728,397
Other fees	7,546	-	7,546
	<u>\$ 1,438,873</u>	<u>\$ (84,400)</u>	<u>\$ 1,354,473</u>

Included in contract fees, are fees earned under a professional animal service and enforcement agreement with Carson City under which, NHS functions 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 October 30, 2029 unless the agreement is amended, superseded or terminated. At the end of that term, the agreement will automatically renew for 60-day periods until the agreement is terminated, renewed or renegotiated.

**11. Special Events**

During the year ended December 31, 2021, special events consisted of the Duck Race.

**12. Other Income**

During the year ended December 31, 2020, the Organization obtained a promissory note under the SBA Paycheck Protection Program in the amount of \$670,114. During the year ended December 31, 2021, the amount due including accrued interest was forgiven in full and \$676,754 was recognized as other income.

**13. Leases**

NHS leases its facilities from Washoe County, Nevada. As part of the agreement, NHS has prepaid 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 expense recognized for the year ended December 31, 2021 was \$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 30, 2019 with Carson City, Nevada to lease the Carson City Animal Shelter facility for a period of ten years ending on October 30, 2029. The fair value of rent, included in grants and contributions in the accompanying financial statements, was \$180,000 for the year ended December 31, 2021. In addition, as noted in Note 10, 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.

#### **14. Defined Contribution Plan**

NHS sponsors a 401(k) Plan to provide retirement benefits to eligible employees. Employee contributions are limited to a maximum annual amount set by the IRC. There were no matching or discretionary contributions made by NHS for the year ended December 31, 2021.

#### **15. Risk and Uncertainties**

##### COVID-19

The novel strain of the coronavirus (COVID-19) has spread globally and has resulted in authorities imposing, and businesses and individuals implementing, numerous unprecedented measures to try to contain the virus, such as travel bans, quarantines, social distancing orders, and shutdowns. These measures have impacted and may further impact NHS's workforce, special events and general operations. The pandemic has increased global economic and demand uncertainty; however, the degree to which NHS's operations will be impacted is currently unknown.