



**Financial Statements**

**December 31, 2019**

**Nevada Humane Society**

Table of Contents

December 31, 2019

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	Page
<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	6
Notes to Financial Statements	7

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## 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, 2019, 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, 2019, 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.

### Restatement of Summarized Comparative Information

We have previously audited the Nevada Humane Society's financial statements as of and for the year ended December 31, 2018, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 30, 2019. As discussed in Note 12 to the financial statements, the 2018 financial statements have been restated to correct a misstatement. Our opinion on the 2019 financial statements is not modified with respect to this matter.

*Cupit, Milligan, Ogden & Williams*

Reno, Nevada  
October 26, 2020

**Nevada Humane Society**  
Statement of Financial Position  
December 31, 2019 (with comparative totals at December 31, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	(Memorandum Only) (As Restated) Total
<b>Assets</b>				
<i>Current Assets</i>				
Cash and cash equivalents	\$ 1,820,758	\$ 178,010	\$ 1,998,768	\$ 1,145,760
Grants and contracts receivable	6,268	-	6,268	279,837
Prepaid expenses	28,612	-	28,612	71,370
Prepaid facility lease, current portion	117,905	-	117,905	117,905
<i>Total Current Assets</i>	1,973,543	178,010	2,151,553	1,614,872
<i>Property and Equipment, net</i>	1,106,368	-	1,106,368	1,264,104
<i>Other Assets</i>				
Investments	7,890,359	1,884,275	9,774,634	8,557,722
Land held for investment	6,000	-	6,000	6,000
Prepaid facility lease, net of current portion	2,377,750	-	2,377,750	2,495,655
Other assets	7,505	-	7,505	16,088
<i>Total Other Assets</i>	10,281,614	1,884,275	12,165,889	11,075,465
<b>Total Assets</b>	\$ 13,361,525	\$ 2,062,285	\$ 15,423,810	\$ 13,954,441
<b>Liabilities and Net Assets</b>				
<i>Current liabilities</i>				
Accounts payable	\$ 149,745	\$ -	\$ 149,745	\$ 154,550
Accrued payroll	150,388	-	150,388	132,152
Accrued employee benefits	101,582	-	101,582	85,363
<i>Total Current Liabilities</i>	401,715	-	401,715	372,065
<b>Total Liabilities</b>	401,715	-	401,715	372,065
<b>Net Assets</b>				
<i>Without Donor Restrictions</i>				
Board designated endowment	7,994,335	-	7,994,335	6,970,040
Undesignated	4,965,475	-	4,965,475	4,798,083
<i>With Donor Restrictions</i>	-	2,062,285	2,062,285	1,814,253
<b>Total Net Assets</b>	12,959,810	2,062,285	15,022,095	13,582,376
<b>Total Liabilities and Net Assets</b>	\$ 13,361,525	\$ 2,062,285	\$ 15,423,810	\$ 13,954,441

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

**Nevada Humane Society**

Statement of Activities

For the year ended December 31, 2019 (with comparative totals for the year ended December 31, 2018)

	2019		2018	
	Without Donor	With Donor	(Memorandum Only) (As Restated) Total	
	Restrictions	Restrictions	Total	Total
<b>Support and Revenue</b>				
Grants and contributions	\$ 4,344,058	\$ 111,056	\$ 4,455,114	\$ 5,162,799
Program income and fees (net of fee discounts of \$348,413 and \$439,684 in 2019 and 2018, respectively)	1,602,622	-	1,602,622	1,500,406
Special events				
Revenue	377,143	-	377,143	317,498
Cost of direct benefits to donors	<u>(201,980)</u>	<u>-</u>	<u>(201,980)</u>	<u>(162,570)</u>
Net special events revenue	175,163	-	175,163	154,928
Net assets released from restrictions	<u>127,576</u>	<u>(127,576)</u>	<u>-</u>	<u>-</u>
<b>Total Support and Revenue</b>	<u>6,249,419</u>	<u>(16,520)</u>	<u>6,232,899</u>	<u>6,818,133</u>
<b>Expenses</b>				
<i>Program Services</i>				
Public Service	287,543	-	287,543	291,853
Animal Care				
Clinics	1,889,997	-	1,889,997	1,748,024
Shelters	3,099,346	-	3,099,346	3,414,386
<i>Supporting Services</i>				
General and administrative	805,336	-	805,336	498,152
Fundraising	<u>237,724</u>	<u>-</u>	<u>237,724</u>	<u>286,705</u>
<b>Total Expenses</b>	<u>6,319,946</u>	<u>-</u>	<u>6,319,946</u>	<u>6,239,120</u>
<b>Other Income (Expense)</b>				
Net investment income	1,256,181	264,552	1,520,733	(444,423)
Gain on sale of property and equipment	4,286	-	4,286	-
Other income	<u>1,747</u>	<u>-</u>	<u>1,747</u>	<u>1,071</u>
<b>Total Other Income (Expense)</b>	<u>1,262,214</u>	<u>264,552</u>	<u>1,526,766</u>	<u>(443,352)</u>
<b>Changes in Net Assets</b>	1,191,687	248,032	1,439,719	135,661
<b>Net Assets, Beginning of Year</b>	<u>11,768,123</u>	<u>1,814,253</u>	<u>13,582,376</u>	<u>13,446,715</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 12,959,810</u></u>	<u><u>\$ 2,062,285</u></u>	<u><u>\$ 15,022,095</u></u>	<u><u>\$ 13,582,376</u></u>

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

**Nevada Humane Society**

## Statement of Functional Expenses

For the year ended December 31, 2019 (with comparative totals for the year ended December 31, 2018)

	<b>Program Services</b>			
	<b>Public Service</b>	<b>Animal Care</b>		<b>Total Program Services</b>
		<b>Clinics</b>	<b>Shelters</b>	
Salaries and wages	\$ 170,704	\$ 1,086,544	\$ 1,660,415	\$ 2,917,663
Payroll taxes	9,703	79,178	126,010	214,891
Employee benefits	17,003	82,740	193,386	293,129
<b>Total Salaries and Related Costs</b>	<b>197,410</b>	<b>1,248,462</b>	<b>1,979,811</b>	<b>3,425,683</b>
Accounting	-	-	-	-
Advertising	24,811	-	3,237	28,048
Bank and credit card charges	-	-	10,263	10,263
Communication expense	1,220	3,474	34,463	39,157
Computer services	4,985	2,893	10,414	18,292
Depreciation	-	44,061	114,560	158,621
Donated supplies and services	-	-	294,809	294,809
Dues and subscriptions	100	5,991	550	6,641
Equipment rental and maintenance	-	16,911	30,337	47,248
Facility lease	-	23,581	193,885	217,466
Insurance	2,616	2,616	42,883	48,115
Janitorial and facility maintenance	-	1,096	105,372	106,468
Meals and entertainment	-	-	615	615
Miscellaneous	-	-	-	-
Office expense	-	63	3,508	3,571
Postage	1,632	49	1,006	2,687
Printing	4,669	854	76	5,599
Professional services	2,051	75,348	21,806	99,205
Property taxes	-	-	-	-
Staff development	341	3,903	3,131	7,375
Supplies	42,134	436,635	146,468	625,237
Travel	40	1,756	20,080	21,876
Uniforms	-	-	4,007	4,007
Utilities	-	22,304	78,065	100,369
Volunteer expense	5,534	-	-	5,534
<b>Total Expenses</b>	<b>\$ 287,543</b>	<b>\$ 1,889,997</b>	<b>\$ 3,099,346</b>	<b>\$ 5,276,886</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, 2019 (with comparative totals for the year ended December 31, 2018)

	Supporting Services			Totals	
	General and Administrative	Fund-Raising	Total Supporting Services	2019	(Memorandum Only) (As Restated) 2018
Salaries and wages	\$ 438,355	\$ 28,591	\$ 466,946	\$ 3,384,609	\$ 3,125,592
Payroll taxes	33,056	2,156	35,212	250,103	243,811
Employee benefits	71,669	2,055	73,724	366,853	343,811
<b>Total Salaries and Related Costs</b>	<b>543,080</b>	<b>32,802</b>	<b>575,882</b>	<b>4,001,565</b>	<b>3,713,214</b>
Accounting	22,840	-	22,840	22,840	66,301
Advertising	22,171	8,247	30,418	58,466	87,191
Bank and credit card charges	10,696	10,067	20,763	31,026	32,118
Communication expense	5,864	320	6,184	45,341	21,499
Computer services	12,109	12,252	24,361	42,653	23,980
Depreciation	17,625	-	17,625	176,246	178,061
Donated supplies and services	-	9,120	9,120	303,929	481,623
Dues and subscriptions	2,286	233	2,519	9,160	12,634
Equipment rental and maintenance	13,097	55	13,152	60,400	66,302
Facility lease	19,555	-	19,555	237,021	240,905
Insurance	3,760	-	3,760	51,875	47,351
Janitorial and facility maintenance	3,615	-	3,615	110,083	116,661
Meals and entertainment	1,594	-	1,594	2,209	9,578
Miscellaneous	-	-	-	-	507
Office expense	7,300	-	7,300	10,871	14,898
Postage	7,993	34,221	42,214	44,901	83,619
Printing	6,688	93,990	100,678	106,277	133,804
Professional services	47,475	36,373	83,848	183,053	124,271
Property taxes	467	-	467	467	451
Staff development	6,285	-	6,285	13,660	10,760
Supplies	1,922	16	1,938	627,175	610,576
Travel	31,047	-	31,047	52,923	41,125
Uniforms	4,318	-	4,318	8,325	10,908
Utilities	11,152	-	11,152	111,521	107,919
Volunteer expense	2,397	28	2,425	7,959	2,864
<b>Total Expenses</b>	<b>\$ 805,336</b>	<b>\$ 237,724</b>	<b>\$ 1,043,060</b>	<b>\$ 6,319,946</b>	<b>\$ 6,239,120</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, 2019 (with comparative totals for the year ended December 31, 2018)

	<u>2019</u>	<u>(Memorandum Only) (As Restated) 2018</u>
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ 1,439,719	\$ 135,661
<i>Adjustments to reconcile changes in net assets to net cash provided by operating activities</i>		
Depreciation	176,246	178,061
Amortization of prepaid facility lease	117,905	117,905
Donated property and equipment	-	(67,718)
Gain on sale of property and equipment	(4,286)	-
Net realized and unrealized (gain) loss on investments	(1,366,612)	634,341
<i>Changes in operating assets and liabilities</i>		
Grants and contracts receivable	273,569	(235,362)
Prepaid expenses	42,758	(50,131)
Other assets	8,583	(16,088)
Accounts payable	(4,805)	21,133
Accrued payroll and employee benefits	34,455	10,400
	<u>717,532</u>	<u>728,202</u>
<b>Net Cash Provided by Operating Activities</b>		
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(19,224)	(79,118)
Proceeds from disposal of property and equipment	5,000	-
Net proceeds from (purchases of) investments	149,700	(535,108)
	<u>135,476</u>	<u>(614,226)</u>
<b>Net Cash Provided (Used) by Investing Activities</b>		
<b>Net Change in Cash and Cash Equivalents</b>	853,008	113,976
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>1,145,760</u>	<u>1,031,784</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 1,998,768</u>	<u>\$ 1,145,760</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>
<i>Non-cash investing and financing activities</i>		
Donated property and equipment	<u>\$ -</u>	<u>\$ 67,718</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.
  - The PUPS on Parole program pairs dogs from NHS with qualified inmates with the goal to help dogs that have behavioral challenges receive training and behavior modification so they can be placed up for adoption.
- 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 October 26, 2020, 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, 2019 totaled \$1,419,581.

### 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, 2019.

### 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 holds donated property in Lyon County, Nevada valued at \$6,000 at December 31, 2019.

#### 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 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 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 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 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, 2019, 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 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.

### 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. No contract liabilities were recognized at December 31, 2019.

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 \$58,466 for the year ended December 31, 2019.

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, 2018 from which the summarized information was derived. As discussed in Note 12 to these financial statements, the 2018 financial statements have been restated to correct a misstatement.

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

On January 1, 2019, NHS adopted FASB ASU 2014-09, "Revenue from Contracts with Customers," and all subsequent amendments to the ASU (collectively, ASC 606), which creates a single framework for recognizing revenue. The guidance outlines a five-step process for revenue recognition that focuses on transfer of control as opposed to transfer of risks and rewards. Major provisions include defining performance obligations, recognition of variable consideration and whether revenue should be recognized at a point in time or over time. Program income and fees and special events revenue fall within the scope of ASC 606 and are presented in the revenue section of the statement of activities and changes in net assets and are recognized when NHS satisfies its obligation to the customer.

The Organization adopted ASC 606 using the modified retrospective method. There was no cumulative-effect adjustment to net assets as a result of adopting the new guidance.

## 2. Liquidity and Availability of Resources

The following reflects NHS's financial assets at December 31, 2019, 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	\$ 2,005,036
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	(66,954)
Cash and cash equivalents donor restricted for specific purpose	(111,056)
Board designations:	
Cash and cash equivalents included in the quasi endowment fund	<u>(103,976)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,723,050</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, 2019, NHS had \$7,890,359 in board designated investments which can be used for general expenditures at the discretion of the board. Additionally, at December 31, 2019, NHS had \$1,884,275 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:

<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, 2019, 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, 2019.

**Nevada Humane Society**  
Notes to Financial Statements  
December 31, 2019

The following are major categories of assets measured at fair value (level 1) on a recurring basis for the year ended December 31, 2019:

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Fixed Income:			
Corporate obligations	\$ -	\$ 50,883	\$ 50,883
Domestic exchange traded funds	1,517,509	-	1,517,509
Domestic mutual funds	-	810,014	810,014
International mutual funds	-	95,136	95,136
	<u>1,517,509</u>	<u>956,033</u>	<u>2,473,542</u>
Equities:			
Domestic individual holdings	-	353,487	353,487
International individual holdings	-	77,495	77,495
Domestic exchange traded funds	4,511,610	-	4,511,610
Domestic mutual funds	1,861,240	221,015	2,082,255
International mutual funds	-	184,716	184,716
	<u>6,372,850</u>	<u>836,713</u>	<u>7,209,563</u>
Complementary strategies	-	57,126	57,126
Real assets funds	-	34,403	34,403
Cash alternatives	103,976	66,954	170,930
	<u>103,976</u>	<u>66,954</u>	<u>170,930</u>
Total	<u>\$ 7,994,335</u>	<u>\$ 1,951,229</u>	<u>\$ 9,945,564</u>

Net investment income for the year ended December 31, 2019 consists of the following:

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net realized gains	\$ 54,683	\$ 28,399	\$ 83,082
Net unrealized gains	1,086,783	196,747	1,283,530
Interest and dividends	164,301	53,637	217,938
Investment fees	(49,745)	(14,231)	(63,976)
	<u>1,256,022</u>	<u>264,552</u>	<u>1,520,574</u>
Net investment income	1,256,022	264,552	1,520,574
Interest income, cash and cash equivalent accounts	159	-	159
	<u>159</u>	<u>-</u>	<u>159</u>
Net investment income	<u>\$ 1,256,181</u>	<u>\$ 264,552</u>	<u>\$ 1,520,733</u>



#### 4. Endowment Fund

Composition of and changes in endowment funds for the year ended December 31, 2019 were as follows:

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 6,970,040	\$ 1,722,112	\$ 8,692,152
Investment returns:			
Interest and dividends	164,301	53,637	217,938
Net realized gains	54,683	28,399	83,082
Net appreciation	1,086,783	196,747	1,283,530
Total return on endowment	1,305,767	278,783	1,584,550
Transfers in	-	-	-
Contributions	163,273	3,046	166,319
Distributions	(395,000)	(38,481)	(433,481)
Investment fees	(49,745)	(14,231)	(63,976)
Endowment net assets, end of year	<u>\$ 7,994,335</u>	<u>\$ 1,951,229</u>	<u>\$ 9,945,564</u>

#### 5. Property and Equipment

Property and equipment consisted of the following at December 31, 2019:

Leasehold improvements	\$ 480,102
Furniture and equipment	756,039
Vehicles	686,636
Land	<u>258,278</u>
Total property and equipment	2,181,055
Less accumulated depreciation	<u>(1,074,687)</u>
Property and equipment, net	<u>\$ 1,106,368</u>

Depreciation expense for the year ended December 31, 2019 was \$176,246.

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 and donor restricted grants.

**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, 2019, NHS received approximately \$303,930 of in-kind contributions for use in its operations.

During the year ended December 31, 2019, volunteers donated 37,680 hours of time valued at approximately \$852,000 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 85% of total expenses each year.

**9. Program Income and Fees**

Program income and fees consist of the following at December 31, 2019:

<u>Program</u>	<u>Gross Program Income and Fees</u>	<u>Fee Discounts</u>	<u>Net Program Income and Fees</u>
Adoption service fees	\$ 559,767	\$ (153,106)	\$ 406,661
Clinic service fees	626,985	(195,307)	431,678
Contract fees	731,537	-	731,537
Other fees	32,746	-	32,746
	<u>\$ 1,951,035</u>	<u>\$ (348,413)</u>	<u>\$ 1,602,622</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.

### 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, 2019 were as follows:

<u>Special Event</u>	<u>Revenue</u>	<u>Cost of Direct Benefit to Attendees</u>	<u>Net Revenue</u>
Heels & Hounds	\$ 133,197	\$ (74,862)	\$ 58,335
Duck Race	110,821	(54,863)	55,958
Wags & Whiskers	133,125	(72,255)	60,870
	<u>\$ 377,143</u>	<u>\$ (201,980)</u>	<u>\$ 175,163</u>

### 11. 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 payments for the year ended December 31, 2019 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 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 \$103,648 for the year ended December 31, 2019. In addition, as noted in Note 9, 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. Restatement

The prior year financial statements, which are presented for comparative purposes, were restated to recognize revenue from a grant awarded to NHS in 2018. The restatement resulted in an increase in the grant and contract receivable, grants and contributions revenue and the ending balance of net assets of \$149,000.

### 13. Subsequent Events

#### Promissory Note

On April 14, 2020, NHS obtained a Promissory Note under the Small Business Administration (SBA) Paycheck Protection Program in the amount of \$670,114. The loan accrues interest at a rate of .98% and matures on April 14, 2022. 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 during the 24-week period following the disbursement date: payroll, rent and utilities. For any amount not forgiven, monthly payments commence on the date SBA remits the loan forgiveness amount to the lender.

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 the Organization's operations will be impacted is currently unknown.