



**Financial Statements**

**December 31, 2020**

**Nevada Humane Society**

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December 31, 2020

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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, 2020, 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, 2020, 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.

*Cupit, Milligan, Ogden & Williams*

Reno, Nevada  
July 27, 2021

**Nevada Humane Society**  
Statement of Financial Position  
December 31, 2020 (with comparative totals at December 31, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	(Memorandum Only) Total
<b>Assets</b>				
<i>Current Assets</i>				
Cash and cash equivalents	\$ 1,540,953	\$ 204,746	\$ 1,745,699	\$ 1,998,768
Contracts receivable	252,059	-	252,059	6,268
Prepaid expenses	43,381	-	43,381	28,612
Prepaid facility lease, current portion	117,905	-	117,905	117,905
Other current assets	12,775	-	12,775	7,505
<i>Total Current Assets</i>	1,967,073	204,746	2,171,819	2,159,058
<i>Property and Equipment, net</i>	975,409	-	975,409	1,106,368
<i>Other Assets</i>				
Investments	8,661,045	1,966,928	10,627,973	9,774,634
Land held for investment	6,000	-	6,000	6,000
Prepaid facility lease, net of current portion	2,259,845	-	2,259,845	2,377,750
<i>Total Other Assets</i>	10,926,890	1,966,928	12,893,818	12,158,384
<b>Total Assets</b>	\$ 13,869,372	\$ 2,171,674	\$ 16,041,046	\$ 15,423,810
<b>Liabilities and Net Assets</b>				
<i>Current liabilities</i>				
Accounts payable	\$ 143,932	\$ -	\$ 143,932	\$ 149,745
Accrued employee benefits	128,067	-	128,067	101,582
Accrued payroll liabilities	44,048	-	44,048	150,388
Deferred revenue	37,300	-	37,300	-
Accrued interest	4,796	-	4,796	-
<i>Total Current Liabilities</i>	358,143	-	358,143	401,715
<i>Long-term Liabilities</i>				
Paycheck Protection Program note payable	670,114	-	670,114	-
<i>Total Long-term Liabilities</i>	670,114	-	670,114	-
<b>Total Liabilities</b>	1,028,257	-	1,028,257	401,715
<b>Net Assets</b>				
<i>Without Donor Restrictions</i>				
Board designated endowment	9,113,454	-	9,113,454	7,994,335
Undesignated	3,727,661	-	3,727,661	4,965,475
<i>With Donor Restrictions</i>	-	2,171,674	2,171,674	2,062,285
<b>Total Net Assets</b>	12,841,115	2,171,674	15,012,789	15,022,095
<b>Total Liabilities and Net Assets</b>	\$ 13,869,372	\$ 2,171,674	\$ 16,041,046	\$ 15,423,810

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

**Nevada Humane Society**

Statement of Activities

For the year ended December 31, 2020 (with comparative totals for the year ended December 31, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	(Memorandum Only) Total
<b>Support and Revenue</b>				
Grants and contributions	\$ 3,295,613	\$ 11,747	\$ 3,307,360	\$ 4,455,114
Program income and fees (net of fee discounts of \$232,747 and \$348,413 in 2020 and 2019, respectively)	1,268,994	-	1,268,994	1,602,622
Special events				
Revenue	213,324	-	213,324	377,143
Cost of direct benefits to donors	(75,266)	-	(75,266)	(201,980)
Net special events revenue	138,058	-	138,058	175,163
Net assets released from restrictions	138,275	(138,275)	-	-
<b>Total Support and Revenue</b>	<b>4,840,940</b>	<b>(126,528)</b>	<b>4,714,412</b>	<b>6,232,899</b>
<b>Expenses</b>				
<i>Program Services</i>				
Public Service	239,183	-	239,183	287,543
Animal Care				
Clinics	1,810,248	-	1,810,248	1,889,997
Shelters	3,142,206	-	3,142,206	3,099,346
<i>Supporting Services</i>				
General and administrative	803,719	-	803,719	805,336
Fundraising	84,766	-	84,766	237,724
<b>Total Expenses</b>	<b>6,080,122</b>	<b>-</b>	<b>6,080,122</b>	<b>6,319,946</b>
<b>Other Income (Expense)</b>				
Net investment income	1,120,955	235,917	1,356,872	1,520,733
Gain on sale of property and equipment	-	-	-	4,286
Other expense (income)	(468)	-	(468)	1,747
<b>Total Other Income (Expense)</b>	<b>1,120,487</b>	<b>235,917</b>	<b>1,356,404</b>	<b>1,526,766</b>
<b>Changes in Net Assets</b>	<b>(118,695)</b>	<b>109,389</b>	<b>(9,306)</b>	<b>1,439,719</b>
<b>Net Assets, Beginning of Year</b>	<b>12,959,810</b>	<b>2,062,285</b>	<b>15,022,095</b>	<b>13,582,376</b>
<b>Net Assets, End of Year</b>	<b>\$ 12,841,115</b>	<b>\$ 2,171,674</b>	<b>\$ 15,012,789</b>	<b>\$ 15,022,095</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, 2020 (with comparative totals for the year ended December 31, 2019)

	<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	\$ 194,437	\$ 1,102,772	\$ 1,561,211	\$ 2,858,420
Payroll taxes	12,270	67,759	105,545	185,574
Employee benefits	19,865	87,342	177,017	284,224
<b>Total Salaries and Related Costs</b>	<b>226,572</b>	<b>1,257,873</b>	<b>1,843,773</b>	<b>3,328,218</b>
Accounting	-	-	-	-
Advertising	-	-	4,258	4,258
Bank and credit card charges	-	-	8,050	8,050
Communication expense	2,885	1,536	54,141	58,562
Computer services	-	1,274	19,875	21,149
Depreciation	-	40,589	105,532	146,121
Donated supplies and services	-	-	386,183	386,183
Dues and subscriptions	1,800	2,305	275	4,380
Equipment rental and maintenance	-	12,400	42,498	54,898
Facility lease	-	23,581	270,339	293,920
Insurance	4,958	4,958	37,821	47,737
Janitorial and facility maintenance	-	90	118,815	118,905
Meals and entertainment	-	-	143	143
Miscellaneous	-	-	319	319
Office expense	7	171	1,247	1,425
Postage	-	57	2,232	2,289
Printing	-	-	283	283
Professional services	595	82,757	35,697	119,049
Property taxes	-	-	113	113
Staff development	-	5,565	1,718	7,283
Supplies	2,306	356,174	119,523	478,003
Travel	60	925	18,186	19,171
Uniforms	-	-	1,211	1,211
Utilities	-	19,993	69,974	89,967
Volunteer expense	-	-	-	-
<b>Total Expenses</b>	<b>\$ 239,183</b>	<b>\$ 1,810,248</b>	<b>\$ 3,142,206</b>	<b>\$ 5,191,637</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, 2020 (with comparative totals for the year ended December 31, 2019)

	Supporting Services			Totals	
	General and Administrative	Fund-Raising	Total Supporting Services	2020	(Memorandum Only) 2019
Salaries and wages	\$ 447,428	\$ 42,075	\$ 489,503	\$ 3,347,923	\$ 3,384,609
Payroll taxes	28,240	3,005	31,245	216,819	250,103
Employee benefits	58,760	-	58,760	342,984	366,853
<b>Total Salaries and Related Costs</b>	<b>534,428</b>	<b>45,080</b>	<b>579,508</b>	<b>3,907,726</b>	<b>4,001,565</b>
Accounting	21,800	-	21,800	21,800	22,840
Advertising	62,253	5,449	67,702	71,960	58,466
Bank and credit card charges	23,401	696	24,097	32,147	31,026
Communication expense	4,437	143	4,580	63,142	45,341
Computer services	12,932	11,413	24,345	45,494	42,653
Depreciation	16,235	-	16,235	162,356	176,246
Donated supplies and services	-	10,699	10,699	396,882	303,929
Dues and subscriptions	1,814	149	1,963	6,343	9,160
Equipment rental and maintenance	9,436	-	9,436	64,334	60,400
Facility lease	17,051	-	17,051	310,971	237,021
Insurance	2,238	-	2,238	49,975	51,875
Janitorial and facility maintenance	114	-	114	119,019	110,083
Meals and entertainment	346	-	346	489	2,209
Miscellaneous	4,990	248	5,238	5,557	-
Office expense	4,873	-	4,873	6,298	10,871
Postage	17,643	-	17,643	19,932	44,901
Printing	22,431	10,529	32,960	33,243	106,277
Professional services	12,473	360	12,833	131,882	183,053
Property taxes	401	-	401	514	467
Staff development	988	-	988	8,271	13,660
Supplies	4,579	-	4,579	482,582	627,175
Travel	3,633	-	3,633	22,804	52,923
Uniforms	11,153	-	11,153	12,364	8,325
Utilities	9,996	-	9,996	99,963	111,521
Volunteer expense	4,074	-	4,074	4,074	7,959
<b>Total Expenses</b>	<b>\$ 803,719</b>	<b>\$ 84,766</b>	<b>\$ 888,485</b>	<b>\$ 6,080,122</b>	<b>\$ 6,319,946</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, 2020 (with comparative totals for the year ended December 31, 2019)

	<u>2020</u>	<u>(Memorandum Only) 2019</u>
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ (9,306)	\$ 1,439,719
<i>Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities</i>		
Depreciation	162,356	176,246
Amortization of prepaid facility lease	117,905	117,905
Gain on sale of property and equipment	-	(4,286)
Net realized and unrealized gain on investments	(1,273,247)	(1,366,612)
<i>Changes in operating assets and liabilities</i>		
Contracts receivable	(245,791)	273,569
Prepaid expenses	(14,769)	42,758
Other current assets	(5,270)	8,583
Accounts payable	(5,813)	(4,805)
Accrued payroll liabilities and employee benefits	(79,855)	34,455
Deferred revenue	37,300	-
Accrued interest	4,796	-
<b>Net Cash (Used) Provided by Operating Activities</b>	<u>(1,311,694)</u>	<u>717,532</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(31,397)	(19,224)
Proceeds from disposal of property and equipment	-	5,000
Net proceeds from investments	419,908	149,700
<b>Net Cash Provided by Investing Activities</b>	<u>388,511</u>	<u>135,476</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from Paycheck Protection Program note payable	670,114	-
<b>Net Cash Provided by Investing Activities</b>	<u>670,114</u>	<u>-</u>
<b>Net Change in Cash and Cash Equivalents</b>	(253,069)	853,008
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>1,998,768</u>	<u>1,145,760</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 1,745,699</u>	<u>\$ 1,998,768</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.
  - 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 July 27, 2021, 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, 2020 totaled \$730,863.

### Contracts Receivable

Support under contracts are 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, 2020.

### 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, 2020.

#### 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 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, 2020, 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 \$71,960 for the year ended December 31, 2020.

#### 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, 2019 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, 2020, 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	\$ 1,997,758
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	(192,999)
Cash and cash equivalents restricted for grants	(11,747)
Board designations:	
Cash and cash equivalents included in the quasi endowment fund	<u>(452,409)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,340,603</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, 2020, NHS had \$8,661,045 in board designated investments which can be used for general expenditures at the discretion of the board. Additionally, at December 31, 2020, NHS had \$1,966,928 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, 2020, 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, 2020.

The following are major categories of assets measured at fair value (level 1) on a recurring basis for the year ended December 31, 2020:

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Fixed Income:			
Domestic exchange traded funds	\$ 3,565,808	\$ 681,088	\$ 4,246,896
Domestic high yield mutual funds	-	40,946	40,946
Foreign emerging debt mutual funds	-	105,457	105,457
Hedged debt mutual funds	-	55,570	55,570
	<u>3,565,808</u>	<u>883,061</u>	<u>4,448,869</u>
Equities:			
Domestic individual holdings	-	485,623	485,623
Domestic exchange traded funds	5,095,237	347,406	5,442,643
Developed markets individual holdings	-	70,521	70,521
Developed markets exchange traded funds	-	72,544	72,544
Foreign emerging individual holdings	-	62,040	62,040
	<u>5,095,237</u>	<u>1,038,134</u>	<u>6,133,371</u>
Real assets mutual funds	-	45,733	45,733
Cash alternatives	452,409	192,999	645,408
	<u>452,409</u>	<u>192,999</u>	<u>645,408</u>
Total	<u>\$ 9,113,454</u>	<u>\$ 2,159,927</u>	<u>\$ 11,273,381</u>

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Net investment income for the year ended December 31, 2020 consists of the following:

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net realized gains	\$ 365,638	\$ 45,426	\$ 411,064
Net unrealized gains	698,059	164,124	862,183
Interest and dividends	105,713	44,694	150,407
Investment fees	<u>(50,292)</u>	<u>(18,327)</u>	<u>(68,619)</u>
Net investment income	1,119,118	235,917	1,355,035
Interest income, cash and cash equivalent accounts	<u>1,837</u>	<u>-</u>	<u>1,837</u>
Net investment income	<u>\$ 1,120,955</u>	<u>\$ 235,917</u>	<u>\$ 1,356,872</u>

**4. Endowment Fund**

Composition of and changes in endowment funds for the year ended December 31, 2020 were as follows:

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 7,994,336	\$ 1,951,229	\$ 9,945,565
Investment returns:			
Interest and dividends	105,713	44,694	150,407
Net realized gains	365,638	45,426	411,064
Net appreciation	<u>698,059</u>	<u>164,124</u>	<u>862,183</u>
Total return on endowment	1,169,410	254,244	1,423,654
Transfers in	-	-	-
Contributions	-	-	-
Distributions	-	(27,219)	(27,219)
Investment fees	<u>(50,292)</u>	<u>(18,327)</u>	<u>(68,619)</u>
Endowment net assets, end of year	<u>\$ 9,113,454</u>	<u>\$ 2,159,927</u>	<u>\$ 11,273,381</u>



## 5. Property and Equipment

Property and equipment consisted of the following at December 31, 2020:

Leasehold improvements	\$ 480,102
Furniture and equipment	766,845
Vehicles	707,227
Land	<u>258,278</u>
Total property and equipment	2,212,452
Less accumulated depreciation	<u>(1,237,043)</u>
Property and equipment, net	<u>\$ 975,409</u>

Depreciation expense for the year ended December 31, 2020 was \$162,356.

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 \$670,114. 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: 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 3, 2021, the SBA notified the Organization that the full amount of the Paycheck Protection Program note payable in the amount of \$670,114 and accrued interest of \$6,640 had been forgiven.

## 7. Net Assets with Donor Restrictions

Net assets with donor restrictions include the Benson Endowment and donor restricted grants.

## 8. 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.

## 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, 2020, NHS received approximately \$396,882 of in-kind contributions for use in its operations.

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During the year ended December 31, 2020, volunteers donated 17,458 hours of time valued at approximately \$394,724 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 86% of total expenses each year.

**10. Program Income and Fees**

Program income and fees consist of the following at December 31, 2020:

<u>Program</u>	<u>Gross Program Income and Fees</u>	<u>Fee Discounts</u>	<u>Net Program Income and Fees</u>
Adoption service fees	\$ 437,063	\$ (125,400)	\$ 311,663
Clinic service fees	327,549	(107,347)	220,202
Contract fees	728,825	-	728,825
Other fees	8,304	-	8,304
	<u>\$ 1,501,741</u>	<u>\$ (232,747)</u>	<u>\$ 1,268,994</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**

Under normal conditions, NHS holds various fundraising events to help assist current operations including; Heels & Hounds, the Duck Race and Wags & Whiskers. During the year ended December 31, 2020, all events were cancelled or postponed with the exception of the Duck Race which was held virtually.

**12. 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, 2020 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 \$180,000 for the year ended December 31, 2020. 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.

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

### **14. Subsequent Event**

On February 16, 2021, NHS obtained an additional 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 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.