



**Financial Statements**

**December 31, 2023**

**Nevada Humane Society**

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## **Independent Auditor's Report**

To the Board of Directors of the Nevada Humane Society

### **Opinion**

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, 2023, 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, 2023, 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, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 24, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Reno, Nevada  
July 23, 2024

**Nevada Humane Society**  
Statement of Financial Position  
December 31, 2023 (with comparative totals at December 31, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	(Memorandum Only) Total
<b>Assets</b>				
<i>Current Assets</i>				
Cash and cash equivalents	\$ 2,292,862	\$ 335,258	\$ 2,628,120	\$ 2,626,309
Contracts receivable	4,018	-	4,018	67,725
Prepaid expenses	93,093	-	93,093	42,206
Other current assets	63,530	-	63,530	98,143
<i>Total Current Assets</i>	<u>2,453,503</u>	<u>335,258</u>	<u>2,788,761</u>	<u>2,834,383</u>
<i>Property and Equipment, net</i>	<u>857,317</u>	<u>-</u>	<u>857,317</u>	<u>885,317</u>
<i>Other Assets</i>				
Investments	12,143,733	2,060,233	14,203,966	12,722,739
Right-of-use lease assets	2,107,296	-	2,107,296	2,190,746
Land held for investment	6,000	-	6,000	6,000
<i>Total Other Assets</i>	<u>14,257,029</u>	<u>2,060,233</u>	<u>16,317,262</u>	<u>14,919,485</u>
<b>Total Assets</b>	<u>\$ 17,567,849</u>	<u>\$ 2,395,491</u>	<u>\$ 19,963,340</u>	<u>\$ 18,639,185</u>
<b>Liabilities and Net Assets</b>				
<i>Current liabilities</i>				
Accounts payable	\$ 180,068	\$ -	\$ 180,068	\$ 137,979
Accrued employee benefits	99,612	-	99,612	122,481
Accrued payroll liabilities	95,087	-	95,087	81,472
Deferred revenue	100,000	-	100,000	100,000
Right-of-use lease obligations, current portion	23,264	-	23,264	13,966
<i>Total Current Liabilities</i>	<u>498,031</u>	<u>-</u>	<u>498,031</u>	<u>455,898</u>
<i>Long-term Liabilities</i>				
Right-of-use lease obligations, net of current portion	59,997	-	59,997	34,840
<i>Total Long-term Liabilities</i>	<u>59,997</u>	<u>-</u>	<u>59,997</u>	<u>34,840</u>
<b>Total Liabilities</b>	<u>558,028</u>	<u>-</u>	<u>558,028</u>	<u>490,738</u>
<b>Net Assets</b>				
<i>Without Donor Restrictions</i>				
Board designated endowment	12,665,035	-	12,665,035	11,587,439
Undesignated	4,344,786	-	4,344,786	4,173,442
<i>With Donor Restrictions</i>	<u>-</u>	<u>2,395,491</u>	<u>2,395,491</u>	<u>2,387,566</u>
<b>Total Net Assets</b>	<u>17,009,821</u>	<u>2,395,491</u>	<u>19,405,312</u>	<u>18,148,447</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 17,567,849</u>	<u>\$ 2,395,491</u>	<u>\$ 19,963,340</u>	<u>\$ 18,639,185</u>

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

**Nevada Humane Society**

Statement of Activities

For the year ended December 31, 2023 (with comparative totals for the year ended December 31, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	(Memorandum Only) Total
<b>Support and Revenue</b>				
Grants and contributions	\$ 4,647,796	\$ 141,661	\$ 4,789,457	\$ 4,459,233
Contributions of nonfinancial assets	619,449	-	619,449	650,503
Program income and fees (net of fee discounts of \$55,706 and \$97,317 in 2023 and 2022, respectively)	1,462,195	-	1,462,195	1,343,728
Special events				
Revenue	396,789	-	396,789	480,882
Cost of direct benefits to donors	(190,656)	-	(190,656)	(228,294)
Net special events revenue	206,133	-	206,133	252,588
Net assets released from restrictions	383,543	(383,543)	-	-
<b>Total Support and Revenue</b>	7,319,116	(241,882)	7,077,234	6,706,052
<b>Expenses</b>				
<i>Program Services</i>				
Public Service	279,559	-	279,559	295,472
Animal Care				
Clinics	2,022,139	-	2,022,139	2,070,946
Shelters	4,101,334	-	4,101,334	3,719,215
<i>Supporting Services</i>				
General and administrative	1,144,459	-	1,144,459	1,027,125
Fundraising	305,386	-	305,386	178,599
<b>Total Expenses</b>	7,852,877	-	7,852,877	7,291,357
<b>Other Income (Expense)</b>				
Net investment income (loss)	1,782,786	249,807	2,032,593	(1,922,141)
Other income (expense)	(85)	-	(85)	678,130
<b>Total Other Income (Expense)</b>	1,782,701	249,807	2,032,508	(1,244,011)
<b>Changes in Net Assets</b>	1,248,940	7,925	1,256,865	(1,829,316)
<b>Net Assets, Beginning of Year</b>	15,760,881	2,387,566	18,148,447	19,977,763
<b>Net Assets, End of Year</b>	\$ 17,009,821	\$ 2,395,491	\$ 19,405,312	\$ 18,148,447

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

**Nevada Humane Society**

## Statement of Functional Expenses

For the year ended December 31, 2023 (with comparative totals for the year ended December 31, 2022)

	<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	\$ 209,376	\$ 1,219,867	\$ 2,200,926	\$ 3,630,169
Payroll taxes	15,246	92,971	164,571	272,788
Employee benefits	34,588	64,067	186,280	284,935
<b>Total Salaries and Related Costs</b>	<b>259,210</b>	<b>1,376,905</b>	<b>2,551,777</b>	<b>4,187,892</b>
Accounting	-	-	-	-
Advertising	-	-	-	-
Bank and credit card processing fees	-	3,476	21,586	25,062
Communication	2,527	128	33,869	36,524
Computer services	-	600	16,277	16,877
Depreciation	-	19,438	50,540	69,978
Donated supplies and services	-	-	422,548	422,548
Donor relations	-	-	-	-
Dues and subscriptions	-	4,471	901	5,372
Equipment rental and maintenance	-	3,534	33,012	36,546
Facility lease	-	24,173	284,163	308,336
Insurance	6,519	6,519	49,469	62,507
Janitorial and facility maintenance	-	7,060	200,527	207,587
Meals and entertainment	-	-	1,205	1,205
Office expense	-	1,393	16,713	18,106
Postage	-	-	140	140
Printing	-	611	2,762	3,373
Professional services	-	72,428	22,983	95,411
Staff development	-	5,253	34,737	39,990
Supplies	1,316	445,709	201,679	648,704
Travel	47	10,004	16,078	26,129
Uniforms	-	3,411	9,901	13,312
Utilities	-	37,026	129,590	166,616
Volunteer expense	9,940	-	877	10,817
<b>Total Expenses</b>	<b>\$ 279,559</b>	<b>\$ 2,022,139</b>	<b>\$ 4,101,334</b>	<b>\$ 6,403,032</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, 2023 (with comparative totals for the year ended December 31, 2022)

	Supporting Services			Totals	
	General and Administrative	Fund-Raising	Total Supporting Services	2023	(Memorandum Only) 2022
Salaries and wages	\$ 487,664	\$ 153,339	\$ 641,003	\$ 4,271,172	\$ 4,003,294
Payroll taxes	65,195	11,168	76,363	349,151	303,514
Employee benefits	113,476	7,190	120,666	405,601	354,555
<b>Total Salaries and Related Costs</b>	<b>666,335</b>	<b>171,697</b>	<b>838,032</b>	<b>5,025,924</b>	<b>4,661,363</b>
Accounting	24,800	-	24,800	24,800	23,400
Advertising	39,619	8,547	48,166	48,166	78,758
Bank and credit card processing fees	1,747	22,301	24,048	49,110	52,317
Communication	21,820	64	21,884	58,408	58,280
Computer services	28,449	11,758	40,207	57,084	71,832
Depreciation	7,775	-	7,775	77,753	91,027
Donated supplies and services	-	16,901	16,901	439,449	363,904
Donor relations	-	37,701	37,701	37,701	18,510
Dues and subscriptions	5,225	200	5,425	10,797	4,219
Equipment rental and maintenance	6,058	30	6,088	42,634	81,510
Facility lease	21,289	-	21,289	329,625	312,216
Insurance	4,106	-	4,106	66,613	60,633
Janitorial and facility maintenance	4,441	-	4,441	212,028	173,548
Meals and entertainment	4,657	231	4,888	6,093	1,367
Office expense	52,627	431	53,058	71,164	14,975
Postage	4,391	7,381	11,772	11,912	14,739
Printing	10,557	26,817	37,374	40,747	61,780
Professional services	174,764	-	174,764	270,175	248,347
Staff development	23,131	-	23,131	63,121	81,045
Supplies	1,385	1,327	2,712	651,416	608,959
Travel	20,628	-	20,628	46,757	53,561
Uniforms	-	-	-	13,312	17,473
Utilities	18,512	-	18,512	185,128	123,444
Volunteer expense	2,143	-	2,143	12,960	14,150
<b>Total Expenses</b>	<b>\$ 1,144,459</b>	<b>\$ 305,386</b>	<b>\$ 1,449,845</b>	<b>\$ 7,852,877</b>	<b>\$ 7,291,357</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, 2023 (with comparative totals for the year ended December 31, 2022)

	<u>2023</u>	<u>(Memorandum Only) 2022</u>
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ 1,256,865	\$ (1,829,316)
<i>Adjustments to reconcile changes in net assets to net cash used by operating activities</i>		
Depreciation	77,753	91,027
Amortization of right-of-use assets	148,324	133,517
Forgiveness of Paycheck Protection Program note payable	-	(670,112)
Net realized and unrealized (gain) loss on investments	(1,689,577)	2,033,264
<i>Changes in operating assets and liabilities</i>		
Contracts receivable	63,707	1,379
Prepaid expenses	(50,887)	19,810
Other current assets	34,613	(79,970)
Accounts payable	42,089	(36,654)
Accrued payroll liabilities and employee benefits	(9,254)	(53)
Deferred revenue	-	100,000
Accrued interest	-	(5,763)
Payment of lease liabilities	(30,418)	(15,612)
<b>Net Cash Used Provided by Operating Activities</b>	<u>(156,785)</u>	<u>(258,483)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(49,754)	(54,020)
Net proceeds (purchases) of investments	208,350	(410,713)
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>158,596</u>	<u>(464,733)</u>
<b>Net Change in Cash and Cash Equivalents</b>	1,811	(723,216)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>2,626,309</u>	<u>3,349,525</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 2,628,120</u>	<u>\$ 2,626,309</u>

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

**Nevada Humane Society**

## Statement of Cash Flows

For the year ended December 31, 2023 (with comparative totals for the year ended December 31, 2022)

	<u>2023</u>	<u>(Memorandum Only) 2022</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>
<b>Supplemental Disclosure of Noncash Investing and Financing Activities</b>		
Recording of right-of-use assets	<u>\$ 56,011</u>	<u>\$ 2,322,070</u>
Recording of right-of-use liabilities	<u>\$ 56,011</u>	<u>\$ 62,225</u>
Derecognition of prepaid facility lease	<u>\$ -</u>	<u>\$ 2,259,845</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 23, 2024, 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.

#### Reclassifications

Certain balances from the 2022 financial statements have been reclassified to conform to the 2023 financial statement presentation. Such reclassifications had no effect on the previously reported change in net assets for the year ended December 31, 2022.

#### 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, 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, 2023 totaled \$2,150,764.

#### 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, 2023.

### 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 property in Lyon County, Nevada valued at its historical cost of \$6,000 at December 31, 2023.

### 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 and international stocks, domestic and international exchange traded funds and mutual funds, and real asset and commodities mutual 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, 2023, 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.

#### Leases

NHS enters into leasing arrangements primarily as a lessee. Leases are classified as operating or finance leases. Both operating and finance leases recognize lease liabilities and associated right-of-use assets. NHS does not have any finance lease agreements as of December 31, 2023.

All significant lease arrangements are recognized as right-of-use ("ROU") assets and lease liabilities at lease commencement. ROU assets represent NHS's right to use an underlying asset for the lease term, and lease liabilities represent its obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date based on the present value of the future lease payments using either the stated rate in the agreement or NHS's incremental borrowing rate.

Operating lease expense is recognized on a straight-line basis over the lease term. Operating lease liabilities represent the present value of the future payments.

Leases with an initial term of 12 months or less (short-term leases) are not recognized in the statement of financial position and the related lease payments are recognized as incurred over the lease term. Lease agreements for which all required payments are made on the inception date are reported as a ROU asset with no corresponding liability. NHS separates lease and non-lease components.

#### 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 are 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. Payment is generally due at the time the services are provided.

### *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.

### Donated Materials and Services

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

Contributions of services are recognized as contributions of nonfinancial assets 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 \$48,166 for the year ended December 31, 2023.

### 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, 2022 from which the summarized information was derived.



## 2. Liquidity and Availability of Resources

The following reflects NHS's financial assets at December 31, 2023, 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	\$ 3,536,706
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	(93,597)
Cash and cash equivalents restricted for specific programs	(241,661)
Board designations:	
Cash and cash equivalents included in the quasi endowment fund	<u>(521,301)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 2,680,147</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, 2023, NHS had \$12,143,733 in board designated investments which can be used for general expenditures at the discretion of the board. Additionally, at December 31, 2023, NHS had \$2,060,233 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, 2023, 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, 2023.

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The following are major categories of assets measured at fair value (Level 1) on a recurring basis for the year ended December 31, 2023:

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Fixed Income:			
Domestic investment grade	\$ -	\$ 89,893	\$ 89,893
Domestic non-taxable	-	70,452	70,452
Domestic high yield mutual funds	-	44,752	44,752
Reinsurance	-	88,200	88,200
Other fixed income	-	198,834	198,834
Core bond exchange traded funds	1,928,174	278,787	2,206,961
Government bond exchange traded funds	1,745,450	216,820	1,962,270
	<u>3,673,624</u>	<u>987,738</u>	<u>4,661,362</u>
Equities:			
Domestic individual holdings	-	594,266	594,266
Domestic exchange traded funds	4,542,563	227,682	4,770,245
Developed markets individual holdings	-	69,201	69,201
Developed markets exchange traded funds	1,912,274	93,032	2,005,306
Foreign emerging exchange traded funds	930,559	50,580	981,139
Derivatives exchange traded funds	1,143,602	-	1,143,602
	<u>8,528,998</u>	<u>1,034,761</u>	<u>9,563,759</u>
Real assets mutual funds	-	37,734	37,734
Options	(58,888)	-	(58,888)
Cash alternatives	521,301	93,597	614,898
	<u>521,301</u>	<u>93,597</u>	<u>614,898</u>
Total	<u>\$ 12,665,035</u>	<u>\$ 2,153,830</u>	<u>\$ 14,818,865</u>

Net investment income for the year ended December 31, 2023 consists of the following:

	<u>Board Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net realized gains (losses)	\$ 1,253,839	\$ (32,948)	\$ 1,220,891
Net unrealized gains	221,950	246,736	468,686
Interest and dividends	366,617	60,852	427,469
Investment fees	(59,620)	(24,833)	(84,453)
	<u>(59,620)</u>	<u>(24,833)</u>	<u>(84,453)</u>
Net investment income	<u>\$ 1,782,786</u>	<u>\$ 249,807</u>	<u>\$ 2,032,593</u>

#### 4. Endowment Fund

Composition of and changes in endowment funds for the year ended December 31, 2023 were as follows:

	Board Designated	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 11,587,440	\$ 1,947,822	\$ 13,535,262
Investment returns:			
Interest and dividends	366,617	60,852	427,469
Net realized gains (losses)	1,253,839	(32,948)	1,220,891
Net unrealized gains	221,950	246,736	468,686
Total return on endowment	1,842,406	274,640	2,117,046
Transfers in	-	-	-
Contributions	-	-	-
Distributions	(705,191)	(43,799)	(748,990)
Investment fees	(59,620)	(24,833)	(84,453)
Endowment net assets, end of year	<u>\$ 12,665,035</u>	<u>\$ 2,153,830</u>	<u>\$ 14,818,865</u>

#### 5. Property and Equipment

Property and equipment consisted of the following at December 31, 2023:

Leasehold improvements	\$ 566,615
Furniture and equipment	844,442
Vehicles	663,603
Land	<u>258,278</u>
Total property and equipment	2,332,938
Less accumulated depreciation	<u>(1,475,621)</u>
Property and equipment, net	<u>\$ 857,317</u>

NHS received a donation of 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. Right-of-Use (ROU) Assets and Lease Liabilities and Other Lease Agreements

NHS leases their Reno, Nevada facilities from Washoe County, Nevada. The lease originated in January 2006 and is for a period of fifteen years with two renewal options, each for ten years. All monthly payments of \$9,825 were prepaid at the inception of the lease agreement. The prepaid lease payments are reported as a ROU asset with no corresponding ROU lease liability. NHS also leases land used for the operation of a solar energy system. The lease

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requires monthly payments of \$1,301 through April 2026. NHS also has a lease agreement for copy machines. The lease requires monthly payments of \$1,234 through March 2028.

The weighted average remaining life of the lease agreements was 7.89 years with a weighted average interest rate of 4.23% at December 31, 2023. Lease expense and fixed cash payments related to lease agreements were \$148,324 and \$30,418 for the year ended December 31, 2023, respectively. The following table shows ROU assets and ROU lease liabilities, and the associated financial statement line items, as of December 31, 2023:

	<u>Financial Statement Line Items</u>	<u>Amount</u>
Right-of-use assets:		
Operating leases	Right-of-use lease assets	<u>\$ 2,107,296</u>
Total right-of-use assets		<u><u>\$ 2,107,296</u></u>
Lease Liabilities:		
Operating leases	Right-of-use lease obligations, current portion	\$ 23,264
	Right-of-use lease obligations, net of current portion	<u>59,997</u>
Total lease liabilities		<u><u>\$ 83,261</u></u>
Lease liability maturities are as follows for the years ending December 31,		
	2024	\$ 30,419
	2025	30,419
	2026	20,011
	2027	14,807
	2028	3,702
	Thereafter	<u>-</u>
		99,358
	Less: Imputed interest	<u>(16,097)</u>
	Total lease liabilities	<u><u>\$ 83,261</u></u>

Other lease agreements - NHS entered into an operating lease agreement 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. No lease payments are required under the agreement and instead, the fair value of rent is recognized as contribution revenue. For the year ended December 31, 2023, the fair value of the rent was determined to be \$180,000. 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.

**7. Net Assets with Donor Restrictions**

Net assets with donor restrictions include the Benson Endowment of \$2,153,830 and purpose restricted grants and contributions of \$241,661.

**8. Contributions of Nonfinancial Assets**

NHS receives contributed nonfinancial assets for use in its operations. During the year ended December 31, 2023, contributions of nonfinancial assets consisted of the following:

Supplies and materials	\$ 321,377
Rent of the Carson City, NV facilities	180,000
Marketing services	<u>118,072</u>
Total contributions of nonfinancial assets	<u>\$ 619,449</u>

None of the contributed items had donor-imposed restrictions, all items were used in operations and none were monetized.

Contributed supplies and materials are used to care for pets in the organization's shelters. In valuing supplies and materials, NHS estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products. Contributed rent was valued based on similar properties available for rent in the local market. Contributed marketing services were valued based on reports from the service provider.

During the year ended December 31, 2023, volunteers donated 25,656 hours of time valued at approximately \$763,523 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 83% of total expenses.

**9. Program Income and Fees**

Program income and fees consist of the following at December 31, 2023:

<u>Program</u>	<u>Gross Program Income and Fees</u>	<u>Fee Discounts</u>	<u>Net Program Income and Fees</u>
Adoption service fees	\$ 656,782	\$ (55,526)	\$ 601,256
Clinic service fees	148,927	(180)	148,747
Contract fees	699,973	-	699,973
Other fees	<u>12,219</u>	<u>-</u>	<u>12,219</u>
	<u>\$ 1,517,901</u>	<u>\$ (55,706)</u>	<u>\$ 1,462,195</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 year ended December 31, 2023 were as follows:

<u>Special Event</u>	<u>Revenue</u>	<u>Cost of Direct Benefit to Attendees</u>	<u>Net Revenue</u>
Heels & Hounds	\$ 201,976	\$ (100,598)	\$ 101,378
Duck Race	194,813	(90,058)	104,755
	<u>\$ 396,789</u>	<u>\$ (190,656)</u>	<u>\$ 206,133</u>

### 11. 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, 2023.

### 12. Professional Services

Professional services consisted of the following for the year ended December 31, 2023:

Consultants and other outside services	\$ 96,705
Outsourced veterinarian services	76,772
Legal	59,474
Information technology support	37,224
Total professional services	<u>\$ 270,175</u>

### 13. Employee Retention Credit

Under the Employee Retention Credit (ERC) program, NHS was eligible to claim refunds for payroll taxes paid in certain quarters as a result of reduction in revenue, in those quarters, as prescribed under the program. In 2023, NHS applied for refundable tax credits of \$904,568. The amended returns were prepared by a service provider for total fees of \$75,000, of which \$65,000 is due upon receipt of receiving the ERC refunds. NHS accounts for the gain on ERC in accordance with ASC 450-30, Gain Contingencies. Under ASC 450-30, the gain on ERC is recognized only after either 1) the IRS affirms NHS's eligibility or 2) the statute of limitations that applies to the IRS's ability to audit NHS's eligibility has expired. Neither of those conditions were met as of December 31, 2023, and as such, no gain was recorded.