

THE ANIMAL FOUNDATION
FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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DECEMBER 31, 2014 AND 2013**

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Independent Auditors' Report

To the Board of Directors
The Animal Foundation

We have audited the accompanying financial statements of The Animal Foundation (a nonprofit Foundation), which comprise the statement of financial position as of December 31, 2014, 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.

Auditor's 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 Animal Foundation as of December 31, 2014, 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.

Ellsworth & Stout, LLC

Las Vegas, Nevada
May 9, 2015



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THE ANIMAL FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

ASSETS	2014	2013
Current Assets:		
Cash and cash equivalents	\$ 56,963	\$ 1,266,672
Cash and cash equivalents, restricted	881,150	342,889
Investments	2,851,102	2,992,668
Unconditional promises to give, net	5,089,958	680,527
Accounts and other receivables, net	29,566	39,834
Contributions receivable, net	21,755	209
Inventory	55,686	51,238
Prepaid expenses	44,902	12,796
Total current assets	9,031,082	5,386,833
Property and Equipment, net	15,620,971	16,184,371
Construction in progress	422,158	404,854
Other Assets:		
Investments	1,596,703	1,202,148
Beneficial interest in perpetual trust held by others, restricted	2,039,915	2,035,386
Unconditional promises to give, net of current portion	1,268,315	1,274,364
Land held for investment	216,940	216,940
Other assets	110,278	59,722
Total other assets	5,232,151	4,788,560
Total Assets	\$ 30,306,362	\$ 26,764,618
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 154,972	\$ 199,503
Accrued expenses	154,947	344,954
Unearned revenue	243	146,290
Total current liabilities	310,162	690,747
Total Liabilities	310,162	690,747
Net Assets:		
Unrestricted:		
Undesignated	16,197,372	17,545,889
Board designated	4,519,490	4,194,816
	20,716,862	21,740,705
Temporarily restricted	7,239,423	2,297,780
Permanently restricted	2,039,915	2,035,386
Total net assets	29,996,200	26,073,871
Total Liabilities and Net Assets	\$ 30,306,362	\$ 26,764,618

See accompanying notes to the financial statements.

THE ANIMAL FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Unrestricted Net Assets		
Revenue and other support:		
Contract revenue	\$ 4,109,008	\$ 4,073,744
Program revenue, net	2,222,636	2,429,603
Contributions	494,360	505,264
In-kind donations	409,287	364,971
Special events, net of expenses of \$44,495 and \$48,210	223,374	248,166
Investment income	97,567	77,236
Miscellaneous	52,075	39,839
Net assets released from donor restrictions	381,899	288,982
	<u>7,990,206</u>	<u>8,027,805</u>
Expenses:		
Program services:		
Adoptions	2,271,851	2,123,582
Public Clinic	627,394	378,663
Foster	69,488	-
Rescue	64,081	-
Shelter	4,404,870	4,038,472
	<u>7,437,684</u>	<u>6,540,717</u>
Supporting services:		
Fundraising	641,217	528,022
Management and general	1,069,904	1,069,053
	<u>1,711,121</u>	<u>1,597,075</u>
	<u>9,148,805</u>	<u>8,137,792</u>
Other income (expense):		
Gain (loss) on disposal of fixed asset	-	(3,927)
Net realized and unrealized gain on investments	134,756	582,777
	<u>134,756</u>	<u>578,850</u>
Increase (decrease) in unrestricted net assets	<u>(1,023,843)</u>	<u>468,863</u>
Temporarily Restricted Net Assets		
Contributions	5,323,542	1,975,527
Net assets released from donor restrictions	(381,899)	(288,982)
Increase in temporarily restricted net assets	<u>4,941,643</u>	<u>1,686,545</u>
Permanently Restricted Net Assets		
Net realized and unrealized gain on investments	4,529	137,041
Increase in permanently restricted net assets	<u>4,529</u>	<u>137,041</u>
Increase in net assets	3,922,329	2,292,449
Net Assets, Beginning of Year	<u>26,073,871</u>	<u>23,781,422</u>
Net Assets, End of Year	<u>\$ 29,996,200</u>	<u>\$ 26,073,871</u>

See accompanying notes to the financial statements.

THE ANIMAL FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014

	Program Services					Total Program	Fundraising	Management and General	Total
	Adoptions	Public Clinic	Foster	Rescue	Shelter				
Advertising	\$ 47,227	\$ 5,960	\$ 4,269	\$ -	\$ 3,371	\$ 60,827	\$ 12,160	\$ -	\$ 72,987
Animal care	103,552	168,088	1,268	1,268	264,648	538,824	1,121	7,131	547,076
Bad debt	-	-	-	-	27,111	27,111	200	-	27,311
Building maintenance	14,829	199	165	165	30,469	45,827	195	3,266	49,288
Clinic expense allocation	89,216	-	-	-	593,417	682,633	-	-	682,633
Credit card fees	9,819	6,309	-	-	3,163	19,291	8,964	-	28,255
Depreciation	315,176	37,247	-	-	286,206	638,629	5,165	8,507	652,301
Donated car expenses	-	-	-	-	-	-	60,009	-	60,009
Donated facilities	74,480	526	2,367	2,367	132,740	212,480	1,758	14,622	228,860
Donated materials and supplies	52,628	2,137	-	-	52,183	106,948	11,496	-	118,444
Donated professional services	3,600	250	-	-	-	3,850	58,133	-	61,983
Dues and subscriptions	5,624	2,967	590	91	6,578	15,850	5,602	6,630	28,082
Employee benefits	62,487	11,453	3,387	3,387	180,022	260,736	6,150	34,114	301,000
Equipment repairs	9,934	392	10	10	13,581	23,927	695	6,262	30,884
Insurance	27,255	783	605	605	23,790	53,038	1,475	22,021	76,534
Miscellaneous	8,994	1,098	34	34	9,455	19,615	15,644	13,212	48,471
Printing	5,709	3,235	680	113	16,052	25,789	30,899	409	57,097
Professional services	83,504	8,987	1,049	945	180,734	275,219	62,594	52,935	390,748
Promotion fees	1,195	9,377	-	-	-	10,572	2,032	-	12,604
Recruitment and retention	2,352	502	143	109	5,069	8,175	731	11,870	20,776
Rent expenses	26,783	488	45	-	5,646	32,962	2,235	1,255	36,452
Safety and security	3,241	355	47	47	5,570	9,260	218	623	10,101
Salaries and related expenses	1,167,074	363,678	51,363	51,474	2,389,640	4,023,229	305,657	843,401	5,172,287
Supplies	12,163	3,352	165	165	18,608	34,453	30,696	17,780	82,929
Telephone and internet	3,245	11	-	-	1,334	4,590	2,350	2,252	9,192
Travel and auto expenses	4,888	-	-	-	4,828	9,716	10,193	3,938	23,847
Utilities	105,259	-	3,301	3,301	125,948	237,809	4,845	19,676	262,330
Volunteer expenses	31,617	-	-	-	24,707	56,324	-	-	56,324
	<u>\$2,271,851</u>	<u>\$ 627,394</u>	<u>\$ 69,488</u>	<u>\$ 64,081</u>	<u>\$4,404,870</u>	<u>\$7,437,684</u>	<u>\$ 641,217</u>	<u>\$1,069,904</u>	<u>\$9,148,805</u>

See accompanying notes to the financial statements.

THE ANIMAL FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2013

	Program Services				Fundraising	Management and General	Total
	Adoptions	Public Clinic	Shelter	Total Program			
Advertising	\$ 29,980	\$ 2,478	\$ 5,726	\$ 38,184	\$ 27,998	\$ -	\$ 66,181
Animal care	105,958	78,174	214,873	399,005	564	4,320	403,889
Bad debt	-	-	10,026	10,026	41,549	-	51,574
Building maintenance	15,451	1,016	45,063	61,530	158	2,889	64,576
Clinic expense allocation	90,860	-	666,306	757,166	-	-	757,166
Credit card fees	10,410	5,947	2,986	19,343	6,828	-	26,171
Depreciation	318,893	35,929	287,966	642,787	2,609	8,241	653,637
Donated car expenses	-	-	-	-	95,527	-	95,527
Donated facilities	164,846	-	47,512	212,358	3,311	8,704	224,372
Donated materials and supplies	49,727	580	50,826	101,133	-	-	101,133
Donated professional services	11,300	-	-	11,300	21,604	6,562	39,466
Employee benefits	55,017	7,119	152,082	214,218	3,801	27,917	245,936
Equipment repairs	12,351	584	8,330	21,264	60	7,733	29,057
Insurance	29,049	668	22,660	52,377	848	14,194	67,419
Miscellaneous	6,811	5,530	6,839	19,180	13,014	14,516	46,710
Printing	9,416	2,514	5,997	17,927	20,599	6,889	45,415
Professional services	27,355	1,472	115,180	144,008	43,968	136,912	324,887
Recruitment and retention	1,171	30	1,643	2,845	73	9,460	12,377
Rent	25,551	13	5,765	31,328	3,525	2,935	37,789
Safety and security	5,427	77	8,435	13,939	67	727	14,734
Salaries and related expenses	994,187	233,922	2,207,466	3,435,575	220,516	776,506	4,432,597
Supplies	8,953	2,022	17,402	28,377	10,471	19,904	58,753
Telephone and internet	2,227	411	2,876	5,514	411	1,232	7,157
Travel and auto expenses	-	-	2,777	2,777	6,387	507	9,671
Uniforms	6,727	179	3,741	10,647	634	1,276	12,557
Utilities	111,716	-	121,835	233,551	3,502	17,629	254,682
Volunteer expenses	30,199	-	24,159	54,358	-	-	54,358
	<u>\$ 2,123,582</u>	<u>\$ 378,663</u>	<u>\$ 4,038,472</u>	<u>\$ 6,540,717</u>	<u>\$ 528,022</u>	<u>\$ 1,069,053</u>	<u>\$ 8,137,792</u>

See accompanying notes to the financial statements.

THE ANIMAL FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 3,922,329	2,292,449
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Amortization of unconditional promise to give	(3,382)	(24,064)
Discount of unconditional promise to give to present value	-	529,018
Bad debt	27,311	51,574
Depreciation	652,301	653,637
(Gain) loss on disposal of fixed assets	-	3,927
Amortization of premium on investment in bonds	13,562	12,184
Net realized and unrealized gain on investments	(139,285)	(719,818)
Changes in operating assets and liabilities:		
(Increase) decrease in unconditional promises to give	(4,400,000)	(1,983,909)
(Increase) decrease in accounts and other receivables	(17,043)	(17,925)
(Increase) decrease in contributions receivable	(21,546)	(209)
(Increase) decrease in inventory	(4,448)	(14,966)
(Increase) decrease in prepaid expenses	(32,106)	28,936
(Increase) decrease in other asset	(50,556)	(59,722)
Increase (decrease) in accounts payable	(44,531)	72,565
Increase (decrease) in accrued expenses	(190,007)	114,190
Increase (decrease) in unearned revenue	(146,047)	(130,136)
Net cash provided by (used in) operating activities	<u>(433,448)</u>	<u>807,732</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	723,128	573,174
Purchase of investments	(854,924)	(552,385)
Proceeds from sale of equipment	-	94
Purchase of property and equipment	(88,900)	(81,899)
Construction in progress expenditures	(17,304)	(52,385)
Net cash used in investing activities	<u>(238,000)</u>	<u>(113,401)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(671,448)	694,331
Cash and Cash Equivalents, Beginning of Year	<u>1,609,561</u>	<u>915,230</u>
Cash and Cash Equivalents, End of Year	<u>\$ 938,113</u>	<u>\$ 1,609,561</u>
Cash and cash equivalents, unrestricted	\$ 56,963	\$ 1,266,672
Cash and cash equivalents, restricted	<u>881,150</u>	<u>342,889</u>
	<u>\$ 938,113</u>	<u>\$ 1,609,561</u>

See accompanying notes to the financial statements.

**THE ANIMAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 1 – NATURE OF ORGANIZATION

The Animal Foundation (the Foundation) was incorporated in March 1978. The Animal Foundation is a public, nonprofit, multi-service agency dedicated to making a difference in the lives of animals in the Las Vegas Valley. To promote the humane treatment of animals, the Foundation operates the Valley's largest open-admission shelter, lost and found services, rabies observation, foster home and adoption services, affordable vaccination clinic, low-cost spaying and neutering services, community education, and humane and sensitive euthanasia.

The Foundation receives most of its revenues and support from the Southern Nevada region, with approximately 31% and 39% of the total support being collectively generated from contracts with the City of Las Vegas, the City of North Las Vegas and Clark County during 2014 and 2013, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Foundation is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The accompanying financial statements have been presented in accordance with accounting principles generally accepted in the United States of America applicable to not-for-profit organizations, principally ASC 958, *Not-for-Profit Entities*. Under ASC 958, the Foundation is required to report information regarding its financial position and changes in financial position according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

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 judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

Inventory

Inventories primarily consist of medical supplies and equipment, as well as animal microchips. Inventory costs are measured using the first in, first out (FIFO) inventory method.

THE ANIMAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014 AND 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments in debt and equity securities with readily determinable fair values are carried at fair value based on quoted prices in active markets (all Level 1 measurements) in the Statement of Financial Position. Unrealized gains and losses are included in the accompanying Statement of Activities. The Foundation initially records its real estate investments at the fair value as of the dates the investments are donated to the Foundation and thereafter carries such investments primarily at current appraised values (Level 2 measurements). The Foundation considers the measurement of its beneficial interest in the trust to be a Level 3 measurement within the fair value hierarchy because even though that measurement is based on the fair values of the trust assets reported by the trustee, the Foundation will never receive those assets or have the ability to direct the trustee to redeem them.

Property and Equipment

The Foundation capitalizes significant expenditures for property and equipment at cost, generally those that exceed \$1,000. Property and equipment that are contributed to the Foundation are recorded at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range between three to thirty-nine years.

Contributed Materials and Services

Generally, donated materials, if significant in amount, are recorded at their fair market value, provided the Foundation has a clearly measurable and objective basis for determining the value. In the case of materials where such values cannot reasonably be determined, the donation is not recorded. Donated professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Foundation recognized the following in-kind donations in the following years:

	<u>2014</u>	<u>2013</u>
Free use of facilities	\$ 228,860	\$ 224,372
Materials and supplies	118,444	101,133
Professional services	61,983	39,466
	<u>\$ 409,287</u>	<u>\$ 364,971</u>

Unpaid volunteers have donated their time to the Foundation's programs. The value of such services has not been reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for recognition as contributed services.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires by a stipulated time restriction lapsing or by the purpose of the restriction having been accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same period received are reported as unrestricted support.

**THE ANIMAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014 AND 2013**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Program revenues are earned at the time services are rendered. At times, discounts are offered against program fees. These discounts are recognized as a reduction in the Statement of Activities in accordance with FASB ASC 958-605-45-2 under the topic of Revenue Recognition. For the years ended December 31, 2014 and 2013, program revenues were recorded net of discounts of \$743,504 and \$225,313, respectively

Income Taxes

In February 1979, the Foundation received notification from the Internal Revenue Service that the Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as a public charity under Sections 509(a)(1) and 170(b)(1)(A)(vi). As such, the Foundation is exempt from Federal income tax. Therefore, no provision for income taxes is made in the accompanying financial statements.

The Foundation is no longer subject to potential income tax examinations by tax authorities for years before 2011.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on management's estimates.

Advertising

Advertising costs are expensed as incurred.

NOTE 3 – FAIR VALUE MEASUREMENTS

The following table provides information by level on the fair value of the investments as of December 31, 2014:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Recurring fair value measurements:</u>				
Beneficial interest in perpetual trust	\$2,039,915	\$ -	\$ -	\$ 2,039,915
Bonds	1,596,703	1,596,703	-	-
Land held for investment	216,940	-	216,940	-
Mutual funds	171,125	171,125	-	-
Stocks	2,679,977	2,679,977	-	-
	<u>\$6,704,660</u>	<u>\$ 4,447,805</u>	<u>\$ 216,940</u>	<u>\$ 2,039,915</u>

THE ANIMAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014 AND 2013

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

The following table provides information by level on the fair value of the investments as of December 31, 2013:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Recurring fair value measurements:</u>				
Beneficial interest in perpetual trust	\$2,035,386	\$ -	\$ -	\$ 2,035,386
Bonds	1,202,148	1,202,148	-	-
Land held for investment	216,940	-	216,940	-
Mutual funds	271,252	271,252	-	-
Stocks	2,721,416	2,721,416	-	-
	<u>\$6,447,142</u>	<u>\$ 4,194,816</u>	<u>\$ 216,940</u>	<u>\$ 2,035,386</u>

Fair value for the beneficial interest in perpetual trust is measured using the fair value of the assets held in the trust as reported by the trustee as of December 31, 2014 (see Note 7). The Foundation considers the measurement of its beneficial interest in the trust to be a Level 3 measurement within the fair value hierarchy because even though that measurement is based on the fair values of the trust assets reported by the trustee, the Foundation will never receive those assets or have the ability to direct the trustee to redeem them.

The Foundation recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

The following table presents information about fair value measurements that use significant unobservable inputs (Level 3):

Beneficial interest in perpetual trust

Balance - January 1, 2014	\$ 2,035,386
Total gains or losses recognized in the change in permanently restricted net assets:	
Change in value of perpetual trust	4,529
Balance - December 31, 2014	<u>\$ 2,039,915</u>

The Board of Directors reviews and approves the Foundation's fair value measurement policies and procedures annually. At least annually, the finance committee and the Board determine if the valuation techniques used in fair value measurements are still appropriate.

THE ANIMAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014 AND 2013

NOTE 4 – UNCONDITIONAL PROMISES TO GIVE, NET

Unconditional promises to give are recorded as receivables and revenue when received. As of December 31, 2014 and 2013, unconditional promises to give are as follows:

	<u>2014</u>	<u>2013</u>
Receivable in less than one year	\$5,183,909	\$ 683,909
Receivable in one to five years	500,000	500,000
Receivable in more than five years	<u>1,200,000</u>	<u>1,300,000</u>
Total unconditional promises to give	6,883,909	2,483,909
Less discounts to net present value	<u>(525,636)</u>	<u>(529,018)</u>
Net unconditional promises to give	<u><u>\$6,358,273</u></u>	<u><u>\$1,954,891</u></u>

The following table presents unconditional promises to give at December 31, 2014 and 2013, as shown on the statement of financial position:

	<u>2014</u>	<u>2013</u>
Current unconditional promises to give	\$5,089,958	\$ 680,527
Present value of noncurrent unconditional promises to give	<u>1,268,315</u>	<u>1,274,364</u>
Total unconditional promises to give, net of present value	<u><u>\$6,358,273</u></u>	<u><u>\$1,954,891</u></u>

NOTE 5 – PROPERTY AND EQUIPMENT

As of December 31, 2014 and 2013, property and equipment consisted of the following:

	<u>2014</u>	<u>2013</u>
Buildings	\$ 20,345,347	\$ 20,345,347
Computers and software	126,435	100,513
Furniture and equipment	707,516	644,537
Leasehold improvements	<u>20,371</u>	<u>20,371</u>
	21,199,669	21,110,768
Less: accumulated depreciation	<u>(5,578,698)</u>	<u>(4,926,397)</u>
	<u><u>\$ 15,620,971</u></u>	<u><u>\$ 16,184,371</u></u>

Depreciation expense for the years ended December 31, 2014 and 2013 was \$652,301 and \$653,637, respectively.

NOTE 6 – BUILDING EXPANSION PROJECT

In 2011, the Foundation resumed plans to expand its facilities. It started a capital campaign to underwrite a campus-wide renovation and the development of a new structure to house cats and exotic animal adoption areas, public education facilities, and administrative offices. This campaign has continued through 2014 and beyond to raise funds to complete the project.

**THE ANIMAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014 AND 2013**

NOTE 6 – BUILDING EXPANSION PROJECT (Continued)

As of December 31, 2014 and 2013, costs of \$422,158 and \$404,854 respectively have been capitalized to the construction in progress account. There was no construction interest capitalized during 2014 and 2013.

The expansion plans, deemed the Campus Completion Project, have a total budget of \$28,782,959. Currently the Foundation has secured \$1,087,770 in municipal appropriations and \$8,000,000 in private donation pledges. Funding efforts will continue through 2015.

NOTE 7 – BENEFICIAL INTEREST IN PERPETUAL TRUST HELD BY OTHERS

During 2013, the Foundation received 33% beneficial interest in a perpetual trust which is held by others. As of December 31, 2014, the fair market value of the Foundation’s share is \$2,039,915. Changes in the value of the trust have been reported in the statement of activities as increases in permanently restricted net assets. The entire fair value of the underlying assets is included in permanently restricted net assets. The Foundation receives quarterly disbursements of 33% of the income generated by the investments held by the trust.

NOTE 8 – LAND HELD FOR INVESTMENT

In August 2009, the Foundation had various parcels of land bequeathed to it with Foundation’s ownership of each parcel ranging from 20% to 100%. The various parcels are located in the Pahrump, Nevada area and are held as an investment. The estimated fair value of the real estate based on county assessments was approximately \$216,940 as of December 31, 2014 and 2013.

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are held for the following purposes at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Adoptions	\$ 25,000	\$ 105,000
Animal Care	3,000	-
Building	7,211,323	2,111,600
Other programs	100	40,000
Public clinic	-	41,180
	<u>\$ 7,239,423</u>	<u>\$ 2,297,780</u>

Temporarily restricted net assets consist of cash and cash equivalents of \$881,150 and \$342,889, and net unconditional promises to give of \$6,358,273 and \$1,954,891 as of December 31, 2014 and 2013, respectively.

THE ANIMAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014 AND 2013

NOTE 10 – ENDOWMENT

During 2013, the Board of Directors established an endowment fund for the long-term financial security of the Foundation. As of December 31, 2014, the Board of Directors had designated \$4,519,490 of unrestricted net assets as a general endowment fund to support the mission of the Foundation. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

The Foundation has a spending policy in which the principal is not to be spent unless it is absolutely necessary for mission critical expenditures. To achieve that objective, the Foundation has adopted an investment policy and its primary investment goal is to minimize the risk of loss of principal while providing a reasonable level of current and future income, as well as provide for a modest appreciation of principal over time. The income earned during the year is considered unrestricted. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions if needed, while growing the fund if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Composition of and changes in endowment net assets for the year ended December 31, 2014 were as follows:

Board-designated endowment net assets, beginning of year	\$ 4,194,816
Net acquisitions	387,356
Net depreciation	<u>(62,682)</u>
Board-designated endowment net assets, end of year	<u><u>\$ 4,519,490</u></u>

NOTE 11 – LEASE AGREEMENTS

The Foundation leases office equipment under non-cancelable operating lease agreements expiring through 2018. Total lease expense under these agreements for the years ended December 31, 2014 and 2013 were \$9,590 and \$7,164, respectively. As of December 31, 2014, future minimum lease payments are due as follows:

2015	\$ 8,568
2016	\$ 5,550
2017	\$ 4,312
2018	\$ 3,486

NOTE 12 – RETIREMENT PLAN

The Foundation established a retirements savings plan pursuant to Section 403(b) of the Internal Revenue Code, which was adopted August 15, 2013 and covers employees who perform services for the Foundation and receive compensation for such services. The Plan is funded solely by employee participant contributions to the plan, pursuant to a salary reduction agreement. The employees could elect to defer amounts according to the maximum allowed under Federal guidelines.

**THE ANIMAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014 AND 2013**

NOTE 13 – CONCENTRATION OF CREDIT RISK

The Foundation has concentrated its credit risk for cash by maintaining deposits in financial institutions, which at times may exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

NOTE 14 – SHELTER SERVICES AGREEMENTS

The Animal Foundation is the contract provider of care and shelter for animals received from the City of North Las Vegas Animal Control, City of Las Vegas Animal Control and Clark County Animal Control. The Shelter Service Agreements were renegotiated and commenced in May 2008 through June 2015. Collectively, the three jurisdictions agreed to fund the Foundation 60% of the original animal care and shelter expenses. The contract is subject to an annual rate adjustment on January 1, 2010, and each succeeding January 1, based on the lower of five percent or the Consumer Price Index (CPI) on an October-to-October basis.

The Shelter Service Agreement entered into with the various agencies is as follows:

The agreement with the City of North Las Vegas Animal Control (NLVAC) calls for a yearly payment to the Foundation of \$604,568 or monthly payments of \$50,381. The compensation payments received as of December 31, 2014 and 2013, including CPI adjustments, were \$624,530 and \$638,221, respectively.

The agreement with the City of Las Vegas Animal Control (CLVAC) requires a yearly payment of \$1,521,805 or monthly payments of \$126,817. The compensation payments received as of December 31, 2014 and 2013, including CPI adjustments, were \$1,764,634 and \$1,728,285, respectively.

The agreement with Clark County Animal Control (CCAC) calls for a yearly payment to the Foundation of \$1,582,632 or monthly payments of \$131,886. The compensation payments received as of December 31, 2014 and 2013, including CPI adjustments, were \$1,719,844 and \$1,707,238, respectively.

NOTE 15 – INSURANCE PROGRAM

The Foundation has implemented a self-insurance or reimbursement program for state unemployment which covers contingencies for future unemployment claims. The program is subject to Nevada Unemployment Compensation Laws and the Foundation registers with the Nevada Employment Security Division, who administers all claims under this program. A contingent liability of \$2,867 and \$48,778 were recorded and included in accrued expenses on the statement of activities for the years ended December 31, 2014 and 2013, respectively. The liability recorded is an estimate of potential future liabilities and expenditures for actual future claims under this program may vary from this estimate.

NOTE 16 – RECLASSIFICATIONS

Certain reclassifications have been made to the 2013 financial statement presentation to correspond to the current year's format. Net assets are unchanged due to these reclassifications.

**THE ANIMAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014 AND 2013**

NOTE 17 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 9, 2015, which is the date the financial statements were available to be issued.