THE ANIMAL FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

ELLSWORTH • STOUT

CPAs and Consultants

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FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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ELLSWORTH • STOUT
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Independent Auditor's Report

To the Board of Directors
The Animal Foundation

We have audited the accompanying financial statements of The Animal Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Ellsworth & Stout, LLC

Las Vegas, Nevada
June 28, 2018

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THE ANIMAL FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

ASSETS	2017	2016
Current Assets:		
Cash and cash equivalents	$ 637,238	$ 482,356
Cash and cash equivalents, restricted	17,022,310	6,046,658
Investments	2,946,999	2,683,023
Unconditional promises to give, net	8,265,494	16,561,881
Accounts and other receivables, net	279,800	39,210
Inventory	69,915	27,966
Prepaid debt issuance costs	287,033	-
Prepaid expenses	54,473	39,857
Total current assets	29,563,262	25,880,951
Property and Equipment, net	13,807,686	14,393,831
Construction in Progress	4,483,793	1,336,282
Other Assets:		
Investments, net	1,069,769	1,187,055
Beneficial interest in perpetual trust held by others, restricted	2,150,766	1,930,317
Unconditional promises to give, net of current portion	6,971,927	2,089,132
Land held for investment	216,940	216,940
Other assets	108,688	107,502
Total other assets	10,518,090	5,530,946
Total Assets	$ 58,372,831	$ 47,142,010
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 858,515	$ 469,140
Accrued expenses	248,656	220,517
Unearned revenue	388,352	-
Interest payable	50,043	-
Other current liabilities	1,974	-
Current portion of long-term debt	199,174	-
Total current liabilities	1,746,714	689,657
Long-Term Liabilities:		
Long-term debt, net of current	5,337,708	-
Total Liabilities	7,084,422	689,657
Net Assets:		
Unrestricted:		
Undesignated	18,114,003	15,667,108
Board designated	4,420,408	4,157,257
	22,534,411	19,824,365
Temporarily restricted	26,603,232	24,697,671
Permanently restricted	2,150,766	1,930,317
Total net assets	51,288,409	46,452,353
Total Liabilities and Net Assets	$ 58,372,831	$ 47,142,010

See accompanying notes to the financial statements.

THE ANIMAL FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Unrestricted Net Assets		
Revenue and other support:		
Contract revenue	$ 4,267,551	$ 4,236,284
Program revenue, net of discounts of $650,260 and $771,705	1,563,854	1,671,980
Contributions	638,079	982,714
In-kind donations	574,809	357,521
Special events, net of expenses of $101,977 and $84,663	404,777	306,183
Investment income	108,321	103,300
Miscellaneous	41,293	41,081
Net assets released from donor restrictions	7,203,836	1,480,720
	14,802,520	9,179,783
Expenses:		
Program services	8,488,895	7,311,155
Supporting services:		
Fundraising	652,056	686,632
Management and general	1,597,223	1,162,427
	10,738,174	9,160,214
Other income (expense):		
Change in accounting estimate	(1,655,668)	-
Gain (loss) on disposal of fixed asset	(969)	-
Net realized and unrealized gain (loss) on investments	302,337	231,233
	(1,354,300)	231,233
Increase in unrestricted net assets	2,710,046	250,802
Temporarily Restricted Net Assets		
Contributions	9,109,397	4,627,905
Net assets released from donor restrictions	(7,203,836)	(1,480,720)
Increase in temporarily restricted net assets	1,905,561	3,147,185
Permanently Restricted Net Assets		
Net realized and unrealized gains (losses) on investments	220,449	(13,901)
Increase (decrease) in permanently restricted net assets	220,449	(13,901)
Increase in Net Assets	4,836,056	3,384,086
Net Assets, Beginning of Year	46,452,353	43,068,267
Net Assets, End of Year	$ 51,288,409	$ 46,452,353

See accompanying notes to the financial statements.

THE ANIMAL FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program Services							
	Adoptions	Public Clinic	Shelter	Life Saving	Total Programs	Fundraising	Management and General	Total
Advertising	$ 45,013	$ 5,536	$ 11,064	$ 7,418	$ 69,031	$ 17,170	$ 4,206	$ 90,407
Animal care	271,135	192,538	727,672	116,029	1,307,374	12,919	852	1,321,145
Bad debt	-	-	17,112	-	17,112	-	19	17,131
Building maintenance	16,635	230	36,712	643	54,220	220	16,922	71,362
Credit card fees	4,861	6,865	2,849	311	14,886	17,893	989	33,768
Depreciation	312,696	2,795	276,205	1,793	593,489	4,895	14,330	612,714
Donated facilities	134,609	3,806	88,781	776	227,972	21,102	3,068	252,142
Donated materials and supplies	137,841	-	52,822	(25)	190,638	12,923	214	203,775
Donated professional services	25,975	8,119	16,904	8,092	59,090	57,006	4,409	120,505
Employee benefits	99,476	9,729	183,538	43,661	336,404	14,724	52,096	403,224
Equipment repairs	5,900	551	17,925	68	24,444	(11)	3,708	28,141
Insurance	56,157	2,121	24,043	1,163	83,484	744	27,088	111,316
Interest expense	-	-	-	-	-	-	4,747	4,747
Other expenses	16,748	5,286	16,107	5,521	43,662	16,520	54,342	114,524
Professional services	84,546	26,965	134,828	26,920	273,259	130,483	209,944	613,686
Rent	28,069	278	10,014	1,128	39,489	2,030	48,358	89,877
Safety and security	3,786	265	4,118	154	8,323	389	8,528	17,240
Salaries and related expenses	1,331,138	346,207	2,539,979	618,022	4,835,346	330,695	1,093,848	6,259,889
Supplies	9,276	4,237	21,101	6,224	40,838	6,001	32,151	78,990
Telephone and Internet	5,475	1,180	9,109	641	16,405	2,249	8,735	27,389
Travel and auto expenses	832	688	6,754	1,425	9,699	2,119	3,932	15,750
Utilities	180,658	3,637	58,695	740	243,730	1,985	4,737	250,452
	$ 2,770,826	$ 621,033	$ 4,256,332	$ 840,704	$ 8,488,895	$ 652,056	$ 1,597,223	$ 10,738,174

See accompanying notes to the financial statements.

THE ANIMAL FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Program Services							
	Adoptions	Public Clinic	Shelter	Life Saving	Total Program	Fundraising	Management and General	Total
Advertising	$ -	$ -	$ -	$ -	$ -	$ 43,053	$ -	$ 43,053
Animal care	218,153	171,556	640,736	3,745	1,034,190	600	610	1,035,400
Bad debt	210	-	59,369	-	59,579	-	-	59,579
Building maintenance	11,751	950	39,538	979	53,218	1,026	1,859	56,103
Credit card fees	6,711	6,155	3,076	-	15,942	11,299	144	27,385
Depreciation	317,809	3,381	282,273	701	604,164	5,877	9,085	619,126
Donated facilities	123,484	3,752	96,587	765	224,588	1,086	3,025	228,699
Donated materials and supplies	79,504	-	18,802	-	98,306	-	-	98,306
Donated professional services	20,367	1,052	912	-	22,331	8,015	-	30,346
Employee benefits	68,388	2,847	164,750	18,329	254,314	5,932	42,202	302,448
Equipment repairs	5,629	833	11,701	13	18,176	505	7,127	25,808
Insurance	52,196	3,278	31,086	670	87,230	1,721	18,888	107,839
Other expenses	20,717	3,135	30,353	1,866	56,071	117,752	25,692	199,515
Professional services	23,263	3,442	148,000	4,839	179,544	148,962	114,878	443,384
Rent	26,708	354	10,441	146	37,649	3,024	1,674	42,347
Safety and security	5,701	421	8,345	206	14,673	832	1,037	16,542
Salaries and related expenses	1,251,737	318,133	2,451,973	241,931	4,263,774	317,933	903,365	5,485,072
Supplies	12,641	2,750	19,893	1,374	36,658	12,539	19,694	68,891
Telephone and internet	5,110	852	7,061	443	13,466	3,098	4,806	21,370
Travel and auto expenses	984	-	2,623	803	4,410	1,558	3,951	9,919
Utilities	154,714	3,886	73,481	791	232,872	1,820	4,390	239,082
	$ 2,405,777	$ 526,777	$ 4,101,000	$ 277,601	$ 7,311,155	$ 686,632	$ 1,162,427	$ 9,160,214

See accompanying notes to the financial statements.

THE ANIMAL FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash Flows from Operating Activities		
Increase in net assets	$ 4,836,056	3,384,086
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Amortization of unconditional promise to give	(7,229)	(9,806)
Change in accounting estimate	1,655,668	-
Bad debt	17,131	59,579
Depreciation	612,714	619,126
(Gain) loss on disposal of fixed assets	969	-
Amortization of premium (discount) on investment in bonds	6,513	(4,273)
Net realized and unrealized (gain) loss on investments	(522,786)	(217,332)
Debt issuance cost amortization	4,306	-
Changes in operating assets and liabilities:		
(Increase) decrease in unconditional promises to give	1,765,153	(3,562,500)
(Increase) decrease in accounts and other receivables	(257,721)	(74,833)
(Increase) decrease in inventory	(41,949)	(3,082)
(Increase) decrease in prepaid debt issuance costs	(287,033)	-
(Increase) decrease in prepaid expenses	(14,616)	(17,305)
(Increase) decrease in other asset	(1,186)	14,479
Increase (decrease) in accounts payable	389,375	209,432
Increase (decrease) in accrued expenses	28,139	50,441
Increase (decrease) in unearned revenue	388,352	-
Increase (decrease) in interest payable	50,043	-
Increase (decrease) in other current liabilities	1,974	-
Net cash provided by operating activities	8,623,873	448,012
Cash Flows from Investing Activities		
Proceeds from sale of investments	1,040,162	1,181,122
Purchase of investments	(891,028)	(1,062,057)
Purchase of property and equipment	(27,538)	(7,345)
Construction in progress expenditures	(3,147,511)	(727,270)
Net cash used in investing activities	(3,025,915)	(615,550)
Cash Flows from Financing Activities		
Proceeds from long-term debt	5,532,576	-
Net Increase (Decrease) in Cash and Cash Equivalents	11,130,534	(167,538)
Cash and Cash Equivalents, Beginning of Year	6,529,014	6,696,552
Cash and Cash Equivalents, End of Year	$ 17,659,548	$ 6,529,014
Cash and Cash Equivalents, Unrestricted	$ 637,238	$ 482,356
Cash and Cash Equivalents, Restricted	17,022,310	6,046,658
	$ 17,659,548	$ 6,529,014

See accompanying notes to the financial statements.

NOTE 1 – NATURE OF ORGANIZATION

The Animal Foundation (the Foundation) was incorporated in March 1978. The Foundation is a public, nonprofit, multi-service agency whose mission is to save the lives of all healthy and treatable animals in the Las Vegas valley. The vision is to promote a humane and compassionate community for all 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. During 2017 and 2016, 27% and 46%, respectively, of operating support was collectively generated from contracts with the City of Las Vegas, the City of North Las Vegas and Clark County. When non-recurring net pledges received as part of the building expansion project are included, the percentage of total support from municipalities totals 22% and 34% during 2017 and 2016, 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 Accounting Standards Codification (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.

Reclassification

Certain amounts in the prior financial statements have been reclassified for comparative purposes to conform to the presentation in the current period financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Accounts Receivable

Accounts receivable consist primarily of fees due from program services and are non-interest bearing. Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Foundation provides for losses on accounts receivable using the allowance method. It is the Foundation's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. As of December 31, 2017, and 2016, the estimated allowance for uncollectible accounts to accounts receivable was $17,000 and $34,000, respectively.

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, and valued based on the lower of cost or market.

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. Investments in bonds are reported net of premium amortization of $25,155 and $18,642 for the years ended December 31, 2017 and 2016, respectively.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Materials, Services and Facilities

Generally, donated materials and facilities, 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:

	2017	2016
Donated use of facilities	$ 252,142	$ 228,699
Materials and supplies	202,887	98,957
Professional services	119,780	29,865
	$ 574,809	$ 357,521

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.

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, *Revenue Recognition*. For the years ended December 31, 2017 and 2016, program revenues were recorded net of discounts of $650,260 and $771,705, 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 Section 509(a)(2). Therefore, no provision for income taxes is made in the accompanying financial statements.

Management has evaluated the tax positions taken within their tax returns and does not believe there are any significant uncertain positions taken on the returns. Therefore, no provision or liability for uncertain tax positions has been included in these financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (continued)

The Foundation is no longer subject to potential income tax examinations by tax authorities for years before 2014.

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.

New Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09 (Topic 606) pertaining to revenue from contracts with customers, including a number of subsequent updating pronouncements. This pronouncement is effective for non-public companies for annual periods beginning after December 15, 2018, with early adoption permitted for periods beginning after December 15, 2016. Although a final determination of the potential impact of this new accounting pronouncement has not yet been completed, it appears that the substance of the new accounting principle, which is to change current revenue recognition guidance to a single, principle-based model that requires an entity to recognize revenue in a manner that depicts the transfer of goods or services to its customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, is consistent with the position of the Foundation's existing revenue recognition practices. Management is still evaluating the effects of this standard on the Foundation's financial statements.

In February 2016, the FASB issued ASU 2016-02, (Topic 842): *Leases*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). This ASU requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. Lessors should account for leases, in according with this ASU, using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. The ASU requires a modified retrospective approach with optional practical expedients and other special transition provisions. The ASU is effective for non-public companies for annual reporting periods beginning after December 15, 2019, with early adoption permitted. The adoption of this guidance is not expected to have a material impact on the Foundation's financial statements.

In August 2016, the FASB issued ASU 2016-14 pertaining to Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. This pronouncement is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. Management has not yet evaluated the effects of this standard on the Foundation's financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (continued)

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): *Classification of Certain Cash Receipts and Cash Payments*. This ASU provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. The ASU requires a retrospective application; however, if it is impracticable to apply the guidance retrospectively for some of the issues, the guidance for those issues would be applied prospectively as of the earliest date practicable. The ASU is effective for non-public companies for annual reporting periods beginning after December 15, 2018, with early adoption permitted. Management is currently evaluating the impact the adoption of this guidance will have on its statement of cash flows.

NOTE 3 – FAIR VALUE MEASUREMENTS

The Foundation measures certain financial assets and liabilities at fair value on a recurring basis, and certain non-financial assets and liabilities on a nonrecurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. Fair value disclosures are reflected in a three-level hierarchy, maximizing the use of observable inputs and minimizing the use of unobservable inputs.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels are defined as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for an identical asset or liability in an active market.

Level 2 – inputs to the valuation methodology include quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement of the asset or liability.

Fair values of assets measured at December 31, 2017 are as follows:

	Total	(Level 1)	(Level 2)	(Level 3)
Recurring fair value measurements:				
Beneficial interest in perpetual trust	$2,150,766	$ -	$ -	$ 2,150,766
Bonds	1,180,526	1,180,526	-	-
Mutual funds	118,950	118,950	-	-
Stocks	2,717,292	2,717,292	-	-
Land held for investment	216,940	-	216,940	-
	$6,384,474	$ 4,016,768	$ 216,940	$ 2,150,766

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

Fair values of assets measured at December 31, 2016 are as follows:

	Total	(Level 1)	(Level 2)	(Level 3)
Recurring fair value measurements:				
Beneficial interest in perpetual trust	$ 1,930,317	$ -	$ -	$ 1,930,317
Bonds	1,187,055	1,187,055	-	-
Mutual funds	119,055	119,055	-	-
Stocks	2,563,968	2,563,968	-	-
Land held for investments	216,940	-	216,940	-
	$ 6,017,335	$ 3,870,078	$ 216,940	$ 1,930,317

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, 2017 (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, 2017	$ 1,930,317
Total gains or losses recognized in the change in permanently restricted net assets:	
Change in value of perpetual trust	220,449
Balance - December 31, 2017	$ 2,150,766

The Board of Directors reviews and approves the Foundation's fair value measurement policies and procedures on an as-needed basis. The finance committee and the Board determine if the valuation techniques used in fair value measurements are still appropriate. The policies, procedures, and valuation techniques used in fair value measurements have remained unchanged for the years ended December 31, 2017 and 2016.

NOTE 4 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are recorded as receivables and revenue when received. As of December 31, 2017 and 2016, unconditional promises to give are as follows:

	2017	2016
Receivable in less than one year	$ 8,291,454	$ 16,582,236
Receivable in one to five years	4,108,582	1,380,000
Receivable in more than five years	5,134,275	1,330,000
Total unconditional promises to give	17,534,311	19,292,236
Less discounts to net present value	(2,296,890)	(641,223)
Net unconditional promises to give	$ 15,237,421	$ 18,651,013

The following table presents unconditional promises to give at December 31, 2017 and 2016, as shown on the statement of financial position:

	2017	2016
Current unconditional promises to give	$ 8,265,494	$ 16,561,881
Present value of noncurrent unconditional promises to give	6,971,927	2,089,132
Total unconditional promises to give, net of present value	$ 15,237,421	$ 18,651,013

NOTE 5 – PROPERTY AND EQUIPMENT

As of December 31, 2017 and 2016, property and equipment consisted of the following:

	2017	2016
Buildings	$ 20,345,347	$ 20,345,347
Computers and software	123,757	137,110
Furniture and equipment	439,270	477,410
Leasehold improvements	20,371	20,371
Vehicles	258,994	249,929
	21,187,739	21,230,167
Less: accumulated depreciation	(7,380,053)	(6,836,336)
	$ 13,807,686	$ 14,393,831

Depreciation expense for the years ended December 31, 2017 and 2016 was $612,714 and $619,126, 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 2017 and beyond to raise funds to complete the project.

As of December 31, 2017 and 2016, costs of $3,147,511 and $727,270, respectively have been capitalized to the construction in progress account of which $50,043 and $0, respectively was construction interest capitalized.

The expansion plans, deemed the Campus Completion Project, have a total budget of $31,484,721. As of the date of issuance, the Foundation has secured $13,184,006 in municipal appropriations plus $132,997 to be paid in bond issuance costs, and approximately $16,416,800 in private donations, of which $6,035,275 was pledged subsequent to year end.

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, 2017, the fair market value of the Foundation's share is $2,150,765. 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. As of December 31, 2017 and 2016, amounts received were $67,535 and $72,804, respectively.

NOTE 8 – LAND HELD FOR INVESTMENT

In August 2009, the Foundation had various parcels of land bequeathed to it with the 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, 2017 and 2016.

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are held for the following purposes at December 31, 2017 and 2016:

	2017	2016
Adoptions	$ 134,333	$ -
Building	26,001,830	23,361,100
Capital Reserve	185,079	
Life Saving programs	281,990	1,300,728
Other programs	-	35,843
	$ 26,603,232	$ 24,697,671

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS (Continued)

Temporarily restricted net assets consist of cash and cash equivalents of $17,022,310 and $6,046,658, net unconditional promises to give of $9,561,422 and $18,651,013, and accounts and other receivables of $19,500 and $0, as of December 31, 2017 and 2016, respectively.

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, 2017, the Board of Directors had designated $4,420,408 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 investment revenue earned during the year is considered unrestricted and can be used for the Foundation's operations.

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, 2017 were as follows:

Board-designated endowment net assets, beginning of year	$ 4,157,257
Investment income	105,312
Net appreciation	302,338
Amounts appropriated for expenditure	(144,499)
Board-designated endowment net assets, end of year	$ 4,420,408

NOTE 11 – LEASE AGREEMENTS

The Foundation leases office equipment and land under non-cancelable operating lease agreements expiring through 2021. Total lease expense under these agreements for the years ended December 31, 2017 and 2016 were $84,351 and $38,967, respectively.

Future minimum lease payments are as follows for the years ending December 31:

2018	$ 55,416
2019	44,065
2020	11,683
2021	2,541
	$ 113,704

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.

NOTE 13 – SHELTER SERVICES AGREEMENTS

The 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 2015. Collectively, the three jurisdictions agreed to fund the Foundation for original animal care and shelter expenses based on the aggregate funding amount determined in the agreements. The contract is subject to an annual rate adjustment on January 1 of each year, 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) called for yearly payments to the Foundation of $812,148 and $643,163 for the years ended December 31, 2017 and 2016, respectively. The original agreement dated May 21, 2008, had an option to renew for up to 2 five-year terms. In May 2015, NLVAC exercised the option to implement its first five-year renewal option. The renewal authorized performance of the contract from July 1, 2015 to July 1, 2020.

The agreement with the City of Las Vegas Animal Control (CLVAC) called for yearly payments of $1,618,117 and $1,651,399 for the years ended December 31, 2017 and 2016, respectively. This agreement will terminate on the day before the tenth anniversary of the effective date, February 18, 2015, with an option to extend for up to 2 five-year periods at the sole discretion of CLVAC.

The agreement with Clark County Animal Control (CCAC) called for yearly payments to the Foundation of $1,902,346 and $1,990,334 for the years ended December 31, 2017 and 2016, respectively. This agreement will terminate on the day before the fifth anniversary of the effective date, March 17, 2015, with an option to extend for up to 3 five-year periods at the sole discretion of CCAC.

NOTE 14 – CONTINGENCIES

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 $0 and $1,739 were recorded and included in accrued expenses on the statement of activities for the years ended December 31, 2017 and 2016, 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.

The Foundation is involved, from time to time, in some legal disputes incidental to the conduct of its business. Except as noted below and based on consultation with legal counsel, the Foundation does not believe that any disputes, either individually or in the aggregate, to which the Foundation is a party will have a material adverse effect on the Foundation's financial position or operating activities.

NOTE 15 – RELATED PARTY SERVICES

The Foundation received marketing services from a family member of an individual within management. The total payments made to this related party were approximately $77,995 for the year ended December 31, 2017.

NOTE 16 – BONDS

Pursuant to the terms of a Financing Agreement ("Financing Agreement") among the Public Finance Authority ("Issuer"), the Foundation, and ZB, N.A. dba Nevada State Bank ("Bank") dated September 29, 2017, the Issuer issued $14,070,000 aggregate principal amount of its Revenue Bonds (The Animal Foundation Project) Series 2017A and Series 2017B (collectively, the "Bonds").

The Bonds were issued to provide funds to accomplish: (a) renovations to the Lied Animal Shelter, a 48,000 square foot existing facility used to house and care for lost and abandoned animals that also houses a public animal clinic, which renovations will include replacing the HVAC, plumbing and electrical systems, floors and kennels; (b) construction of a new 5-stall barn proposed to house small and medium-sized farm animals; (c) construction, furnishing and equipping of The Engelstad Adoption Building, a 28,000 square foot new facility proposed to house, care for, and display animals available for adoption which will also include administrative offices and a community education and meeting/event space with a courtyard; (d) miscellaneous capital expenditures; and (e) paying certain costs incurred in connection with the issuance of the Bonds.

The Series 2017A Bonds were issued in the principal amount of $5,676,000 and mature on October 1, 2027. The Series 2017A Bonds have semi-annual payments of principal and interest commencing on April 1, 2018 and thereafter on the first day of each October and April, with a final payment of outstanding principal and accrued interest on October 1, 2027. The Series 2017A Bond payments are based on a 20 year amortization. All of the Series 2017A Bonds were disbursed at closing of the Bonds.

The Series 2017B Bonds were issued in the principal amount of $8,394,000 and mature on October 1, 2024. The Series 2017B Bonds have monthly payments of interest on the first day of each calendar month commencing on November 1, 2017 and continuing until the earlier of October 1, 2024 or the date on which no principal is outstanding. Capital campaign proceeds received by the Foundation are required to be applied to reduce the principal amount of the Series 2017B Bonds.

Regardless of the amount of capital campaign proceeds received by the Foundation, principal on the Series 2017B Bonds is required to be paid so that the outstanding principal balance does not exceed the amounts set out below on the dates set forth below:

(i) On or before October 1, 2020, $6,394,000 or less.

(ii) On or before October 1, 2021, $4,894,000 or less.

(iii) On or before October 1, 2022: $3,894,000 or less.

(iv) On or before October 1, 2023: $3,394,000 or less.

(v) On or before October 1, 2024: all outstanding principal (and accrued interest thereon) shall be paid.

NOTE 16 – BONDS (Continued)

The Series 2017B Bonds are a drawdown facility based on the progress of construction. Other than an initial draw of $50,000 at closing of the Bonds, disbursements of Series 2017B Bond proceeds are subject to the Foundation having received capital campaign proceeds and pledges (including cash already expended by the Foundation) of at least $18,748,649. All capital campaign pledges in excess of $25,000 are required to be in writing to be counted.

Both series of Bonds bear interest at the rate of 3.45%.

The Bonds are secured by: (i) a first Leasehold Deed of Trust, assignment of leases and rents, security agreement and fixture filing on the Foundation's property and campus; (ii) first security interests on furniture, fixtures and equipment; (iii) assignment of the Foundation's capital campaign account at the Bank; (iv) debt service payments from the City of Las Vegas; and (v) an assignment of capital campaign pledges receivable.

The Bonds were purchased by the Bank pursuant to the provisions of the Financing Agreement and a Continuing Covenant and Disbursement Conditions Agreement ("Covenant Agreement") between the Foundation and the Bank dated September 29, 2017. The Covenant Agreement includes a number of financial and operating covenants, including a debt service coverage ratio of at least 1.05 measured annually commencing as of December 31, 2018 and a minimum liquidity covenant of at least $2,000,000, measured semiannually.

As of December 31, 2017, the Foundation was in compliance with the requirements of the Financing Agreement and the Covenant Agreement. As of such date, the principal amount of the Series 2017A Bonds outstanding was $5,676,000 and the principal amount of the Series 2017B Bonds outstanding was $50,000.

NOTE 17 – CHANGE IN ACCOUNTING ESTIMATE

During 2017, a current unconditional promise to give was converted to a long-term pledge due to the donor deciding to finance the pledge. The unconditional promise to give will now be paid through 2027; therefore, the pledge was discounted using present value techniques. Also during 2017, a long-term unconditional promise to give was converted to a short-term pledge and was collected subsequent to December 31, 2017. The remaining present value discount was removed as of December 31, 2017. The amount of the adjustment for fair value for the year ended December 31, 2017 was $1,655,668 and is recorded as a loss in the statement of activities.

NOTE 18 – SUBSEQUENT EVENTS

Management of the Foundation has evaluated subsequent events through June 28, 2018, the date on which the financial statements were available to be issued. No additional events were identified that would require additional disclosure.