

**NASHVILLE HUMANE ASSOCIATION  
AND SUPPORTING FOUNDATION**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT**

**December 31, 2015 and 2014**

**NASHVILLE HUMANE ASSOCIATION  
AND SUPPORTING FOUNDATION**

**TABLE OF CONTENTS**

Independent Auditor's Report.....	2 – 3
Financial Statements:	
Consolidated Statements of Financial Position .....	4
Consolidated Statements of Activities.....	5 – 6
Consolidated Statements of Functional Expenses .....	7 – 8
Consolidated Statements of Cash Flows.....	9
Notes to Consolidated Financial Statements.....	10 – 20
Additional Information:	
Consolidating Statements of Financial Position .....	21 – 22
Consolidating Statements of Activities.....	23 – 26



## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Nashville Humane Association and Supporting Foundation  
Nashville, Tennessee

We have audited the accompanying consolidated financial statements of Nashville Humane Association and Supporting Foundation (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nashville Humane Association and Supporting Foundation as of December 31, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matter**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information contained on pages 21 – 26 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Frasier, Dean + Howard, PLLC*

June 28, 2016

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2015 and 2014**

<b>Assets</b>	<u><b>2015</b></u>	<u><b>2014</b></u>
Current assets:		
Cash and cash equivalents	\$ 1,047,328	\$ 2,184,628
Prepaid expenses and other	<u>4,094</u>	<u>4,094</u>
Total current assets	1,051,422	2,188,722
Beneficial interests in trusts	761,891	853,731
Investments	16,948,212	15,345,439
Land, building and equipment, net	<u>2,452,063</u>	<u>2,351,855</u>
Total assets	<u><u>\$ 21,213,588</u></u>	<u><u>\$ 20,739,747</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	<u>\$ -</u>	<u>\$ -</u>
Total current liabilities	<u>-</u>	<u>-</u>
Net assets:		
Unrestricted:		
Undesignated	3,026,413	2,803,469
Designated for endowment	<u>15,116,282</u>	<u>14,772,027</u>
Total unrestricted	18,142,695	17,575,496
Temporarily restricted	597,924	672,972
Permanently restricted	<u>2,472,969</u>	<u>2,491,279</u>
Total net assets	<u>21,213,588</u>	<u>20,739,747</u>
Total liabilities and net assets	<u><u>\$ 21,213,588</u></u>	<u><u>\$ 20,739,747</u></u>

See accompanying notes to financial statements.

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:				
Public support:				
Donations	\$ 1,455,695	\$ -	\$ -	\$ 1,455,695
Auxiliary fundraisers	465,961	-	-	465,961
In-kind donations	217,699	-	-	217,699
Grants	270,424	-	-	270,424
Net assets released from restriction	1,518	(1,518)	-	-
Total public support	2,411,297	(1,518)	-	2,409,779
Revenue:				
Adoptions	298,954	-	-	298,954
Other program services	61,086	-	-	61,086
Investment income	210,911	-	-	210,911
Change in value of beneficial interest in trusts	-	(73,530)	(18,310)	(91,840)
Total revenue	570,951	(73,530)	(18,310)	479,111
Total public support and revenue	2,982,248	(75,048)	(18,310)	2,888,890
Expenses:				
Program services:				
Shelter operations	1,427,105	-	-	1,427,105
Rover	307,195	-	-	307,195
CSNP	200,375	-	-	200,375
Total program services	1,934,675	-	-	1,934,675
Supporting services:				
Management and general	158,493	-	-	158,493
Fundraising	321,881	-	-	321,881
Total supporting services	480,374	-	-	480,374
Total expenses	2,415,049	-	-	2,415,049
Change in net assets	567,199	(75,048)	(18,310)	473,841
Net assets at beginning of year	17,575,496	672,972	2,491,279	20,739,747
Net assets at end of year	\$ 18,142,695	\$ 597,924	\$ 2,472,969	\$ 21,213,588

See accompanying notes to financial statements.

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue:				
Public support:				
Donations	\$ 1,662,824	\$ -	\$ -	\$ 1,662,824
Auxiliary fundraisers	253,349	-	-	253,349
In-kind donations	209,178	-	-	209,178
Grants	267,337	-	-	267,337
Net assets released from restriction	6,749	(6,749)	-	-
Total public support	2,399,437	(6,749)	-	2,392,688
Revenue:				
Adoptions	245,273	-	-	245,273
Other program services	69,074	-	-	69,074
Investment income	1,371,659	-	-	1,371,659
Change in value of beneficial interest in trusts	-	11,093	(9,392)	1,701
Total revenue	1,686,006	11,093	(9,392)	1,687,707
Total public support and revenue	4,085,443	4,344	(9,392)	4,080,395
Expenses:				
Program services:				
Shelter operations	1,306,895	-	-	1,306,895
Rover	274,586	-	-	274,586
CSNP	192,104	-	-	192,104
Total program services	1,773,585	-	-	1,773,585
Supporting services:				
Management and general	185,277	-	-	185,277
Fundraising	293,526	-	-	293,526
Total supporting services	478,803	-	-	478,803
Total expenses	2,252,388	-	-	2,252,388
Change in net assets	1,833,055	4,344	(9,392)	1,828,007
Net assets at beginning of year	15,742,441	668,628	2,500,671	18,911,740
Net assets at end of year	<u>\$ 17,575,496</u>	<u>\$ 672,972</u>	<u>\$ 2,491,279</u>	<u>\$ 20,739,747</u>

See accompanying notes to financial statements.

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2015**

	Program Services			Supporting Services		
	Shelter Operations	Rover	CSNP	Management and General	Fundraising	Total Expenses
Salaries	\$ 581,897	\$ 114,516	\$ 55,904	\$ 29,107	\$ 119,145	\$ 900,569
Shelter supplies	264,631	11,299	14,136	-	-	290,066
Payroll taxes and employee benefits	121,975	24,004	11,718	6,101	24,974	188,772
Fundraising events	-	-	-	-	177,177	177,177
Vet supplies	70,116	47,928	45,476	-	-	163,520
Vet fees	58,469	67,832	34,255	-	-	160,556
Depreciation	75,780	10,982	16,474	6,589	-	109,825
Utilities	55,584	8,056	12,083	4,833	-	80,556
Legal and professional	-	-	-	73,169	-	73,169
Repairs and maintenance	61,422	-	-	-	-	61,422
Insurance	34,092	4,941	7,411	2,965	-	49,409
Advocacy and continuing education	37,036	150	-	-	-	37,186
Bank charges and investment fees	-	-	-	22,123	-	22,123
Miscellaneous	20,586	-	-	-	-	20,586
Office expense	19,802	350	-	-	-	20,152
Telephone	11,320	3,310	2,918	1,518	585	19,651
Auto and truck expenses	2,825	13,191	-	-	-	16,016
Technology	-	-	-	12,088	-	12,088
Equipment rental	7,057	-	-	-	-	7,057
Taxes and licenses	2,750	636	-	-	-	3,386
Cremation services	1,462	-	-	-	-	1,462
Laundry and uniforms	301	-	-	-	-	301
	<u>\$ 1,427,105</u>	<u>\$ 307,195</u>	<u>\$ 200,375</u>	<u>\$ 158,493</u>	<u>\$ 321,881</u>	<u>\$ 2,415,049</u>

See accompanying notes to financial statements.



**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2014**

	Program Services			Supporting Services		
	Shelter Operations	Rover	CSNP	Total	Management and General	Total
Salaries	\$ 483,611	\$ 100,905	\$ 44,880	\$ 629,396	\$ 58,597	\$ 161,976
Shelter supplies	248,303	11,704	10,122	270,129	-	-
Payroll taxes and employee benefits	109,581	22,864	10,169	142,614	13,278	36,703
Fundraising events	-	-	-	-	-	165,883
Vet fees	61,813	63,237	40,395	165,445	-	-
Vet supplies	75,128	39,318	47,498	161,944	-	-
Depreciation	70,154	10,167	15,251	95,572	6,100	6,100
Utilities	56,486	8,180	12,270	76,936	4,908	4,908
Repairs and maintenance	63,553	594	-	64,147	-	-
Legal and professional	-	-	-	-	60,398	60,398
Insurance	36,949	5,355	8,032	50,336	3,213	3,213
Advocacy and continuing education	30,000	150	-	30,150	-	-
Telephone	13,017	3,443	3,487	19,947	1,719	2,558
Bank charges and investment fees	-	-	-	-	20,816	20,816
Miscellaneous	19,226	64	-	19,290	-	-
Auto and truck expenses	10,325	8,539	-	18,864	-	-
Office expense	18,272	66	-	18,338	-	-
Technology	-	-	-	-	14,272	14,272
Equipment rental	5,607	-	-	5,607	-	-
Cremation services	3,814	-	-	3,814	-	-
Taxes and licenses	-	-	-	-	1,976	1,976
Laundry and uniforms	1,056	-	-	1,056	-	-
	<u>\$ 1,306,895</u>	<u>\$ 274,586</u>	<u>\$ 192,104</u>	<u>\$ 1,773,585</u>	<u>\$ 185,277</u>	<u>\$ 478,803</u>
						<u>\$ 2,252,388</u>

See accompanying notes to financial statements.

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 473,841	\$ 1,828,007
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	109,825	101,672
Donated stock	(12,281)	-
Unrealized loss (gain) on investments	164,933	(1,015,902)
Change in value of beneficial interest in trusts	91,840	(1,701)
Net cash provided by operating activities	<u>828,158</u>	<u>912,076</u>
Cash flows from investing activities:		
Purchase of land, building and equipment	(210,033)	(17,250)
Purchase of investments	(3,590,223)	(927,198)
Proceeds from sale of investments	1,834,798	1,356,108
Net cash (used in) provided by investing activities	<u>(1,965,458)</u>	<u>411,660</u>
(Decrease) increase in cash and cash equivalents	(1,137,300)	1,323,736
Cash and cash equivalents at beginning of year	<u>2,184,628</u>	<u>860,892</u>
Cash and cash equivalents at end of year	<u>\$ 1,047,328</u>	<u>\$ 2,184,628</u>

See accompanying notes to financial statements.

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2015 and 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

Nashville Humane Association is a nonprofit organization formed in 1946. Nashville Humane Association is committed to finding responsible homes, controlling pet overpopulation, and promoting the humane treatment of animals.

Nashville Humane Association Supporting Foundation is an affiliated nonprofit organization formed in 2004 to raise, manage, and distribute funds exclusively for the benefit of the Nashville Humane Association.

**Principles of Consolidation**

The consolidated statements include the accounts and activities of Nashville Humane Association and Nashville Humane Association Supporting Foundation referred herein as the "Association." All significant intercompany accounts and transactions have been eliminated.

**Basis of Presentation**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

**Unrestricted net assets**

Undesignated – Net assets that are not subject to donor-imposed stipulations or designations by the Board of Directors.

Designated – Net assets that are not subject to donor-imposed stipulations but are currently designated by the Board of Directors for endowment.

**Temporarily restricted net assets** – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Association and/or the passage of time.

**Permanently restricted net assets** – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. Generally, the donors of these assets permit the Association to use all or part of the income earned and any related investments for general or specific purposes.

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2015 and 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Cash Equivalents**

For purposes of the consolidated statements of cash flows, the Association considers all cash and related short-term investments with original maturities of three months or less to be cash equivalents. The Association maintains its cash in bank accounts at national financial institutions, which at times, may exceed the federally insured limits. The Association has not experienced any losses in such accounts; therefore, management believes it is not exposed to any significant credit risk related to cash and cash equivalents.

**Contribution Receivable**

Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Contributions with donor restrictions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the consolidated statements of activities as unrestricted.

**Investments**

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. Gains or losses on such investments are reported as a change in net assets in the period they occur.

**Fair Value Measurements**

The Association has an established process in accordance with Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) guidelines for determining fair values. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models or processes that use primarily market-based or independently-sourced market data and third party information. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. FASB ASC guidance has a three-level valuation hierarchy for fair value measurements. A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2015 and 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fair Value Measurements (Continued)**

The three levels are explained as follows:

*Level 1* – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

*Level 2* – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.

*Level 3* – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodology used for asset measurement at fair value at December 31, 2015 and 2014:

*Fixed income securities and common stock mutual funds:* Valued at the net asset value (“NAV”) of shares held by the Association at year end.

*Beneficial interests in trusts:* Valued using information obtained from third party sources, including financial statements and other information from detailed listing of holdings from the trust. These valuations are typically performed annually, based on the present value of the estimated future distributions the Association expects to receive over the term of the trust.

**Land, Building and Equipment**

Land, building and equipment are recorded at cost or, if donated, at the estimated fair market value as of the date of donation. Depreciation is provided using the straight-line basis over the estimated useful lives of the respective assets. It is the Association’s policy to capitalize any expenditures over \$500 for land building and equipment. Expenditures for repairs and maintenance are charged to expense as incurred.

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2015 and 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Income Taxes**

The Association is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and the Association is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying consolidated financial statements.

The Association follows FASB ASC guidance that clarifies the accounting for uncertainty in income taxes recognized in an entity's consolidated financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Tax years that remain open for examination include years ended December 31, 2012 through December 31, 2015. There are no tax penalties or interest reported in the accompanying consolidated financial statements.

**Functional Allocation of Expenses**

The costs of providing program and supporting services have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**In-kind Donations**

In-kind donations are recognized at the fair value of items received at the time of donation. Volunteer time is recognized to the extent such time is provided by individuals with specialized training and which would normally need to be purchased. The Association also receives volunteer services from a number of individuals in carrying out its programs that do not meet the criteria for recognition in the consolidated financial statements.

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2015 and 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Beneficial Interests in Trusts**

FASB ASC standards require that the following instruments be recorded as a contribution and an asset at the present value of the Association's ultimate interest:

**Charitable Remainder Trusts**

A donor has established and funded trusts under which specified distributions are to be made to a designated beneficiary over the trusts' term. Upon termination of the trusts, the Association receives a portion of the assets remaining in the trusts.

**Charitable Lead Trust**

A donor has established and funded a trust designating the Association as a beneficiary of specific distributions to be made over a specified period. Upon termination of the trust, the remainder of the trust assets is to be paid to a beneficiary designated by the donor.

**Perpetual Trusts Held by a Third Party**

Donors have established and funded trusts naming outside fiscal agents to invest and manage the trust assets in perpetuity. The Association, each year, will receive a pro-rata share of income from the trust assets in perpetuity.

**Endowment Funds**

The Uniform Prudent Management Institutional Funds Act ("UPMIFA") was enacted in Tennessee effective July 1, 2007. The Not-for-Profit topic of the FASB ASC provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of UPMIFA. It also requires disclosure of a description of the governing board's interpretation of the law that underlies the organization's net asset classification of donor-restricted endowment funds, a description of the organization's policies for the appropriation of endowment assets for expenditures (its endowment spending policies), a description of the organization's endowment investment policies, and additional disclosures not previously required.

**Subsequent Events**

The Association evaluated subsequent events through June 28, 2016, when these consolidated financial statements were available to be issued. The Association is not aware of any significant events that occurred subsequent to the consolidated statement of financial position date but prior to the filing of this report that would have a material impact on the consolidated financial statements.

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2015 and 2014**

**NOTE 2 – INVESTMENTS**

Investments are stated at fair value with fair value determined based on active markets (Level 1), and consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Fixed income securities:		
United States Treasury Notes	\$ 7,221,423	\$ 5,944,711
Other	241	-
Common stock mutual funds:		
Large blend	<u>9,726,548</u>	<u>9,400,728</u>
	<u>\$ 16,948,212</u>	<u>\$ 15,345,439</u>

The following schedule summarizes the investment return for the year ended December 31:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 375,844	\$ 355,757
Unrealized gains, net	<u>(164,933)</u>	<u>1,015,902</u>
	<u>\$ 210,911</u>	<u>\$ 1,371,659</u>

**NOTE 3 – BENEFICIAL INTERESTS IN TRUSTS**

The Association has been named as one of three beneficiaries of charitable remainder trusts, held and administrated by a third party. The Association receives a portion of the assets remaining in the trusts upon termination of the trusts. Based upon earnings at an estimated rate of 6% over the life of the trust, 6% annual distribution to an unrelated specified beneficiary over their lifetime, and a 1.76% discount rate, the present value of future benefits expected to be received by the Association totaled approximately \$573,000 and \$642,000 as of December 31, 2015 and 2014, respectively.

A donor has established a trust held by a third party naming the Association as a beneficiary of a charitable lead trust. Under terms of the split-interest agreement, the Association is to receive 20% of 5% of the trust assets annually for its unrestricted use for a period of fifteen years. Upon termination of the trust, the remaining trust assets are to be distributed to others. Based upon earnings at an estimated rate of 5% over the life of the trust and a 1.54% discount rate, the present value of future benefits expected to be received by the Association totaled approximately \$11,000 and \$15,000 at December 31, 2015 and 2014, respectively.



**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2015 and 2014**

**NOTE 3 – BENEFICIAL INTERESTS IN TRUSTS (Continued)**

The Association is one of five beneficiaries of a perpetual trust. The assets of the trust, totaling approximately \$1,146,000 and \$1,252,000 at December 31, 2015 and 2014, respectively, are held and administered by an outside fiscal agent. The Association has recorded an asset, which is considered permanently restricted, of approximately \$115,000 and \$125,000 at December 31, 2015 and 2014, respectively, representing its beneficial interest in the trust based on the present value of amounts to be received. The Association received approximately \$6,200 and \$5,000 available to the Association from this trust for the years ended December 31, 2015 and 2014, respectively.

The Association is the beneficiary of an additional perpetual trust. The assets of the trust, totaling approximately \$63,000 and \$71,000 at December 31, 2015 and 2014, respectively, are also held and administered by an outside fiscal agent. The Association has recorded an asset, which is considered permanently restricted, of approximately \$63,000 and \$71,000 at December 31, 2015 and 2014, respectively, representing its beneficial interest in the trust based on the present value of amounts to be received. The Association received approximately \$4,200 and \$4,000 available to the Association from this trust for the years ended December 31, 2015 and 2014, respectively.

**NOTE 4 – LAND, BUILDING AND EQUIPMENT**

Land, building and equipment consists of the following at December 31:

	<u>2015</u>	<u>2014</u>
Land	\$ 426,395	\$ 426,395
Building	2,703,200	2,683,977
Furniture and fixtures	62,379	62,379
Equipment	616,697	603,527
Works of art	16,625	16,625
Vehicles	<u>451,880</u>	<u>274,240</u>
	4,277,176	4,067,143
Less: accumulated depreciation	<u>(1,825,113)</u>	<u>(1,715,288)</u>
	<u><b>\$ 2,452,063</b></u>	<u><b>\$ 2,351,855</b></u>

Depreciation expense totaled \$109,825 and \$101,672 for the years ended December 31, 2015 and 2014, respectively.

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2015 and 2014**

**NOTE 5 – NET ASSETS**

Temporarily restricted net assets consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Relief aid	\$ 11,092	\$ 11,092
Teddy Wagon	2,910	4,428
Beneficial interest in trusts	<u>583,922</u>	<u>657,452</u>
	<u>\$ 597,924</u>	<u>\$ 672,972</u>

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support the operations of the Association. Permanently restricted net assets totaled \$2,472,969 and \$2,491,279 at December 31, 2015 and 2014, respectively.

**NOTE 6 – IN-KIND DONATIONS**

The Association receives a significant amount of donated services and items from unpaid volunteers who assist in fundraising, animal care, and special projects. The amount meeting accounting criteria described in Note 1 and recognized in the accompanying financial statements for the years ended December 31, 2015 and 2014 totaled \$217,699 and \$209,178, respectively.

**NOTE 7 – EMPLOYEE BENEFIT PLAN**

The Association has established a Simple IRA Retirement Plan. Under the terms of the plan, the Association will provide a matching contribution up to a maximum of 3% of each eligible employee's annual compensation. Employees are eligible to participate in the plan once compensation exceeds \$1,000 or upon completion of one year of service. Employer contributions totaled \$15,293 and \$14,640 for the years ended December 31, 2015 and 2014, respectively.

**NOTE 8 – COMMUNITY FOUNDATION OF MIDDLE TENNESSEE INVESTMENTS**

The Community Foundation of Middle Tennessee ("the Community Foundation"), a separate nonprofit organization, maintains investments on behalf of the Association. The Community Foundation has ultimate authority and control over the investments; accordingly, the net assets of the Association do not include these investments.

The Association does anticipate receiving periodic investment earnings on its pro-rata share of the Community Foundation's assets. The balance of the endowment fund held for the benefit of the Association totaled approximately \$1,990,000 and \$2,000,000 at December 31, 2015 and 2014, respectively. The Association received approximately \$107,000 and \$104,000 from these investments for the years ended December 31, 2015 and 2014, respectively.

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2015 and 2014**

**NOTE 9 – ENDOWMENT**

The Association's endowment was established to further its programs. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. 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 of Directors as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Association has interpreted the UPMIFA as requiring that the Association classify as permanently restricted net assets a) the original value of donor-restricted gifts to the permanent endowment, b) the original value of subsequent donor-restricted gifts to the permanent endowment, and c) accumulations (interest, dividends, capital gain/loss) to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are approved for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Association and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Association
- The investment policies of the Association

Endowment net asset composition by type of fund for the year ended December 31, 2015 is as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 2,295,000	\$ 2,295,000
Board-designated endowment funds	<u>15,116,282</u>	<u>-</u>	<u>15,116,282</u>
Total funds	<u>\$ 15,116,282</u>	<u>\$ 2,295,000</u>	<u>\$ 17,411,282</u>

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2015 and 2014**

**NOTE 9 – ENDOWMENT (Continued)**

Changes in endowment net assets for the year ended December 31, 2015:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 14,772,027	\$ 2,295,000	\$ 17,067,027
Investment return	211,150	-	211,150
Transfers, net	135,955	-	135,955
Expenditures	<u>(2,850)</u>	<u>-</u>	<u>(2,850)</u>
Endowment net assets, end of year	<u>\$ 15,116,282</u>	<u>\$ 2,295,000</u>	<u>\$ 17,411,282</u>

Endowment net asset composition by type of fund for the year ended December 31, 2014 is as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 2,295,000	\$ 2,295,000
Board-designated endowment funds	<u>14,772,027</u>	<u>-</u>	<u>14,772,027</u>
Total funds	<u>\$ 14,772,027</u>	<u>\$ 2,295,000</u>	<u>\$ 17,067,027</u>

Changes in endowment net assets for the year ended December 31, 2014:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 12,972,916	\$ 2,295,000	\$ 15,267,916
Investment return	1,372,178	-	1,372,178
Transfers	429,732	-	429,732
Expenditures	<u>(2,799)</u>	<u>-</u>	<u>(2,799)</u>
Endowment net assets, end of year	<u>\$ 14,772,027</u>	<u>\$ 2,295,000</u>	<u>\$ 17,067,027</u>

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2015 and 2014**

**NOTE 9 – ENDOWMENT (Continued)**

The Association has adopted investment and spending policies 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. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to provide a real total return, net of investment management fees, that is consistent with spending policy requirements. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Association's investment policy is to generally maintain 0%-20% in cash and cash equivalents, 25%-100% in fixed income securities, and 0%-65% in domestic equities.

The Association may authorize an annual distribution of up to 4% of the market value calculated on a rolling three-year average market value. The Nashville Humane Association Supporting Foundation made a distribution of \$200,000 to the Nashville Humane Association during 2015. No distributions were made in 2014.

**NOTE 10 – CONCENTRATIONS**

During the year ended December 31, 2015, the Association received a contribution from a donor which totaled approximately \$326,000.

During the year ended December 31, 2014, the Association received a contribution from a donor which totaled approximately \$490,000.

## **ADDITIONAL INFORMATION**

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**December 31, 2015**

	<b>Nashville Humane Association</b>	<b>Nashville Humane Association Supporting Foundation</b>	<b>Consolidated</b>
<b>Current assets:</b>			
Cash and cash equivalents	\$ 584,017	\$ 463,311	\$ 1,047,328
Prepaid expenses and other	4,094	-	4,094
Total current assets	588,111	463,311	1,051,422
Beneficial interests in trusts	761,891	-	761,891
Investments	241	16,947,971	16,948,212
Land, building and equipment, net	2,452,063	-	2,452,063
Total assets	<u>\$ 3,802,306</u>	<u>\$ 17,411,282</u>	<u>\$ 21,213,588</u>
<b>Current liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ -
Total current liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net assets:</b>			
Unrestricted			
Undesignated	3,026,413	-	3,026,413
Designated	-	15,116,282	15,116,282
Total unrestricted	3,026,413	15,116,282	18,142,695
Temporarily restricted	597,924	-	597,924
Permanently restricted	177,969	2,295,000	2,472,969
Total net assets	<u>3,802,306</u>	<u>17,411,282</u>	<u>21,213,588</u>
Total liabilities and net assets	<u>\$ 3,802,306</u>	<u>\$ 17,411,282</u>	<u>\$ 21,213,588</u>

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**December 31, 2014**

	<b>Nashville Humane Association</b>	<b>Nashville Humane Association Supporting Foundation</b>	<b>Consolidated</b>
Current assets:			
Cash and cash equivalents	\$ 463,040	\$ 1,721,588	\$ 2,184,628
Prepaid expenses and other	4,094	-	4,094
Total current assets	467,134	1,721,588	2,188,722
Beneficial interests in trusts	853,731	-	853,731
Investments	-	15,345,439	15,345,439
Land, building and equipment, net	2,351,855	-	2,351,855
Total assets	<u>\$ 3,672,720</u>	<u>\$ 17,067,027</u>	<u>\$ 20,739,747</u>
Current liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Total current liabilities	-	-	-
Net assets:			
Unrestricted			
Undesignated	2,803,469	-	2,803,469
Designated	-	14,772,027	14,772,027
Total unrestricted	2,803,469	14,772,027	17,575,496
Temporarily restricted	672,972	-	672,972
Permanently restricted	196,279	2,295,000	2,491,279
Total net assets	3,672,720	17,067,027	20,739,747
Total liabilities and net assets	<u>\$ 3,672,720</u>	<u>\$ 17,067,027</u>	<u>\$ 20,739,747</u>



**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2015**

	Nashville Humane Association	Nashville Humane Association Supporting Foundation	Consolidated
<b><u>Unrestricted</u></b>			
Public support and revenue:			
Public support:			
Donations	\$ 1,455,695	\$ -	\$ 1,455,695
Auxiliary fundraisers	465,961	-	465,961
In-kind donations	217,699	-	217,699
Grants	270,424	-	270,424
Net assets released from restriction	1,518	-	1,518
Total public support	2,411,297	-	2,411,297
Revenue:			
Adoptions	298,954	-	298,954
Other program services	61,086	-	61,086
Investment income	(239)	211,150	210,911
Total revenue	359,801	211,150	570,951
Total public support and revenue	2,771,098	211,150	2,982,248
Expenses:			
Program services:			
Shelter operations	1,427,105	-	1,427,105
Rover	307,195	-	307,195
CSNP	200,375	-	200,375
Total program services	1,934,675	-	1,934,675
Supporting services:			
Management and general	155,643	2,850	158,493
Fundraising	321,881	-	321,881
Total supporting services	477,524	2,850	480,374
Total expenses	2,412,199	2,850	2,415,049
Change in unrestricted net assets	358,899	208,300	567,199
Unrestricted net assets at beginning of year	2,803,469	14,772,027	17,575,496
Transfer of net assets from Nashville Humane Association to Nashville Humane Association Supporting Foundation	(335,955)	335,955	-
Transfer of net assets to Nashville Humane Association from Nashville Humane Association Supporting Foundation	200,000	(200,000)	-
Unrestricted net assets at end of year	\$ 3,026,413	\$15,116,282	\$ 18,142,695

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**CONSOLIDATING STATEMENT OF ACTIVITIES (Continued)**  
**For the Year Ended December 31, 2015**

	<b>Nashville Humane Association</b>	<b>Nashville Humane Association Supporting Foundation</b>	<b>Consolidated</b>
<b><u>Temporarily restricted</u></b>			
Public support:			
Donations	\$ -	\$ -	\$ -
Net assets released from restriction	(1,518)	-	(1,518)
Total public support	(1,518)	-	(1,518)
Revenue:			
Change in value of beneficial interest in trusts	(73,530)	-	(73,530)
Total revenue	(73,530)	-	(73,530)
Change in temporarily restricted net assets	(75,048)	-	(75,048)
Temporarily restricted net assets at beginning of year	672,972	-	672,972
Temporarily restricted net assets at end of year	<u>\$ 597,924</u>	<u>\$ -</u>	<u>\$ 597,924</u>
<b><u>Permanently restricted</u></b>			
Permanently restricted net assets at beginning of year	\$ 196,279	\$ 2,295,000	\$ 2,491,279
Change in value of beneficial interest in trusts	(18,310)	-	(18,310)
Permanently restricted net assets at end of year	<u>\$ 177,969</u>	<u>\$ 2,295,000</u>	<u>\$ 2,472,969</u>

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2014**

	Nashville Humane Association	Nashville Humane Association Supporting Foundation	Consolidated
<b>Unrestricted</b>			
Public support and revenue:			
Public support:			
Donations	\$ 1,662,824	\$ -	\$ 1,662,824
Auxiliary fundraisers	253,349	-	253,349
In-kind donations	209,178	-	209,178
Grants	267,337	-	267,337
Net assets released from restriction	6,749	-	6,749
Total public support	2,399,437	-	2,399,437
Revenue:			
Adoptions	245,273	-	245,273
Other program services	69,074	-	69,074
Investment income	(519)	1,372,178	1,371,659
Total revenue	313,828	1,372,178	1,686,006
Total public support and revenue	2,713,265	1,372,178	4,085,443
Expenses:			
Program services:			
Shelter operations	1,306,895	-	1,306,895
Rover	274,586	-	274,586
CSNP	192,104	-	192,104
Total program services	1,773,585	-	1,773,585
Supporting services:			
Management and general	182,478	2,799	185,277
Fundraising	293,526	-	293,526
Total supporting services	476,004	2,799	478,803
Total expenses	2,249,589	2,799	2,252,388
Change in unrestricted net assets	463,676	1,369,379	1,833,055
Unrestricted net assets at beginning of year	2,769,525	12,972,916	15,742,441
Transfer of net assets from Nashville Humane Association to Nashville Humane Association Supporting Foundation	(429,732)	429,732	-
Unrestricted net assets at end of year	\$ 2,803,469	\$14,772,027	\$17,575,496

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**CONSOLIDATING STATEMENT OF ACTIVITIES (Continued)**  
**For the Year Ended December 31, 2014**

	<b>Nashville Humane Association</b>	<b>Nashville Humane Association Supporting Foundation</b>	<b>Consolidated</b>
<b><u>Temporarily restricted</u></b>			
Public support:			
Donations	\$ -	\$ -	\$ -
Net assets released from restriction	(6,749)	-	(6,749)
Total public support	(6,749)	-	(6,749)
Revenue:			
Change in value of beneficial interest in trusts	11,093	-	11,093
Total revenue	11,093	-	11,093
Change in temporarily restricted net assets	4,344	-	4,344
Temporarily restricted net assets at beginning of year	668,628	-	668,628
Temporarily restricted net assets at end of year	<u>\$ 672,972</u>	<u>\$ -</u>	<u>\$ 672,972</u>
<b><u>Permanently restricted</u></b>			
Permanently restricted net assets at beginning of year	\$ 205,671	\$ 2,295,000	\$ 2,500,671
Change in value of beneficial interest in trusts	(9,392)	-	(9,392)
Permanently restricted net assets at end of year	<u>\$ 196,279</u>	<u>\$ 2,295,000</u>	<u>\$ 2,491,279</u>