NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

As of and for the Years Ended December 31, 2017 and 2016

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

The Board of Directors
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 statement of financial position as of December 31, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 consolidated 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 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 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, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Consolidated Financial Statements

The consolidated financial statements as of December 31, 2016, were audited by other auditors whose report dated June 19, 2017, expressed an unmodified opinion on those statements.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2017 information contained on pages 17, 19, and 20 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 audit 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. The 2016 information contained on pages 18, 21, and 22 was subjected to the auditing procedures applied in the 2016 audit of the basic financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the 2016 consolidated financial statements as a whole.

Cherry Bekaert LLP

Nashville, Tennessee
September 13, 2018

NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,153,308	$ 966,799
Prepaid expenses and other	4,094	4,094
Total Current Assets	1,157,402	970,893
Beneficial interests in trusts	772,747	761,891
Investments	20,267,806	18,163,634
Land, building, and equipment, net	2,224,985	2,336,133
Total Assets	$ 24,422,940	$ 22,232,551
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accrued expenses	$ 35,915	$ -
Total Current Liabilities	35,915	-
Net Assets:		
Unrestricted:		
Undesignated	3,128,853	3,106,960
Designated for endowment	18,179,570	16,057,609
Total Unrestricted	21,308,423	19,164,569
Temporarily restricted	605,633	595,013
Permanently restricted	2,472,969	2,472,969
Total Net Assets	24,387,025	22,232,551
Total Liabilities and Net Assets	$ 24,422,940	$ 22,232,551

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

NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue:				
Public Support:				
Donations	$ 1,102,270	$ -	$ -	$ 1,102,270
Auxiliary fundraisers	411,896	-	-	411,896
In-kind donations	223,104	-	-	223,104
Grants	316,300	-	-	316,300
Net assets released from restriction	278,252	(278,252)	-	-
Total Public Support	2,331,822	(278,252)	-	2,053,570
Revenue:				
Adoptions	267,201	-	-	267,201
Other program services	57,138	-	-	57,138
Investment income	2,202,295	278,016	-	2,480,311
Change in value of beneficial interest in trusts	-	10,856	-	10,856
Total Revenue	2,526,634	288,872	-	2,815,506
Total Public Support and Revenue	4,858,456	10,620	-	4,869,076
Expenses:				
Program Services:				
Shelter operations	1,633,237	-	-	1,633,237
Rover	370,287	-	-	370,287
Community spay/neuter program	184,432	-	-	184,432
Total Program Services	2,187,956	-	-	2,187,956
Supporting Services:				
Management and general	182,785	-	-	182,785
Fundraising	343,861	-	-	343,861
Total Supporting Services	526,646	-	-	526,646
Total Expenses	2,714,602	-	-	2,714,602
Change in net assets	2,143,854	10,620	-	2,154,474
Net assets, beginning of year	19,164,569	595,013	2,472,969	22,232,551
Net assets, end of year	$ 21,308,423	$ 605,633	$ 2,472,969	$ 24,387,025

The accompanying notes to the consolidated financial statements are an integral part of this statement.

NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue:				
Public Support:				
Donations	$ 1,101,645	$ -	$ -	$ 1,101,645
Auxiliary fundraisers	398,286	-	-	398,286
In-kind donations	220,893	-	-	220,893
Grants	264,300	-	-	264,300
Net assets released from restriction	161,041	(161,041)	-	-
Total Public Support	2,146,165	(161,041)	-	1,985,124
Revenue:				
Adoptions	268,593	-	-	268,593
Other program services	41,115	-	-	41,115
Investment income	1,106,350	158,130	-	1,264,480
Change in value of beneficial interest in trusts	-	-	-	-
Total Revenue	1,416,058	158,130	-	1,574,188
Total Public Support and Revenue	3,562,223	(2,911)	-	3,559,312
Expenses:				
Program Services:				
Shelter operations	1,513,016	-	-	1,513,016
Rover	391,765	-	-	391,765
Community spay/neuter program	166,677	-	-	166,677
Total Program Services	2,071,458	-	-	2,071,458
Supporting Services:				
Management and general	154,087	-	-	154,087
Fundraising	314,804	-	-	314,804
Total Supporting Services	468,891	-	-	468,891
Total Expenses	2,540,349	-	-	2,540,349
Change in net assets	1,021,874	(2,911)	-	1,018,963
Net assets, beginning of year	18,142,695	597,924	2,472,969	21,213,588
Net assets, end of year	$ 19,164,569	$ 595,013	$ 2,472,969	$ 22,232,551

The accompanying notes to the consolidated financial statements are an integral part of this statement.

NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program Services				Supporting Services			
	Shelter Operations	Rover	Community Spay/Neuter Program	Total	Management and General	Fundraising	Total	Total Expenses
Salaries	$ 693,140	$ 170,727	$ 38,149	$ 902,016	$ 23,439	$ 123,764	$ 147,203	$ 1,049,219
Shelter supplies	284,752	5,241	7,986	297,979	-	-	-	297,979
Payroll taxes and employee benefits	134,029	33,013	7,377	174,419	4,532	23,931	28,463	202,882
Vet fees	90,325	68,399	39,117	197,841	-	-	-	197,841
Fundraising events	-	-	-	-	-	194,776	194,776	194,776
Vet supplies	68,790	53,853	52,394	175,037	-	-	-	175,037
Depreciation	80,206	11,624	17,436	109,266	6,974	-	6,974	116,240
Legal and professional	-	-	-	-	104,033	-	104,033	104,033
Utilities	51,475	7,460	11,190	70,125	4,476	-	4,476	74,601
Advocacy and continuing education	56,345	150	-	56,495	-	-	-	56,495
Repairs and maintenance	56,206	-	-	56,206	-	-	-	56,206
Insurance	34,681	5,026	7,539	47,246	3,016	-	3,016	50,262
Miscellaneous	29,701	-	-	29,701	-	-	-	29,701
Bank charges and investment fees	-	-	-	-	26,412	-	26,412	26,412
Telephone	12,976	3,939	3,244	20,159	1,622	1,390	3,012	23,171
Auto and truck expenses	12,790	9,760	-	22,550	-	-	-	22,550
Office expense	17,036	858	-	17,894	-	-	-	17,894
Technology	-	-	-	-	8,281	-	8,281	8,281
Equipment rental	5,421	-	-	5,421	-	-	-	5,421
Taxes and licenses	2,410	237	-	2,647	-	-	-	2,647
Cremation services	2,360	-	-	2,360	-	-	-	2,360
Laundry and uniforms	594	-	-	594	-	-	-	594
	$ 1,633,237	$ 370,287	$ 184,432	$ 2,187,956	$ 182,785	$ 343,861	$ 526,646	$ 2,714,602

The accompanying notes to the consolidated financial statements are an integral part of this statement.

NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016

	Program Services				Supporting Services			
	Shelter Operations	Rover	Community Spay/Neuter Program	Total	Management and General	Fundraising	Total	Total Expenses
Salaries	$ 613,039	$ 166,556	$ 43,094	$ 822,689	$ 28,051	$ 120,486	$ 148,537	$ 971,226
Shelter supplies	273,064	9,429	11,028	293,521	-	-	-	293,521
Vet fees	90,398	85,265	23,563	199,226	-	-	-	199,226
Payroll taxes and employee benefits	121,419	32,988	8,535	162,942	5,556	23,863	29,419	192,361
Vet supplies	81,526	58,569	39,882	179,977	-	-	-	179,977
Fundraising events	-	-	-	-	-	169,160	169,160	169,160
Depreciation	83,941	12,165	18,250	114,356	7,186	-	7,186	121,542
Utilities	53,820	7,800	11,701	73,321	4,607	-	4,607	77,928
Legal and professional	-	-	-	-	76,162	-	76,162	76,162
Repairs and maintenance	64,291	-	-	64,291	-	-	-	64,291
Insurance	34,715	5,031	7,547	47,293	2,972	-	2,972	50,265
Advocacy and continuing education	31,168	150	-	31,318	-	-	-	31,318
Bank charges and investment fees	-	-	-	-	25,350	-	25,350	25,350
Telephone	12,409	3,605	3,077	19,091	1,526	1,295	2,821	21,912
Miscellaneous	20,553	-	-	20,553	-	-	-	20,553
Office expense	16,010	1,207	-	17,217	-	-	-	17,217
Auto and truck expenses	3,571	8,766	-	12,337	-	-	-	12,337
Equipment rental	7,514	-	-	7,514	-	-	-	7,514
Technology	-	-	-	-	2,677	-	2,677	2,677
Taxes and licenses	2,428	234	-	2,662	-	-	-	2,662
Cremation services	1,855	-	-	1,855	-	-	-	1,855
Laundry and uniforms	1,295	-	-	1,295	-	-	-	1,295
	$ 1,513,016	$ 391,765	$ 166,677	$ 2,071,458	$ 154,087	$ 314,804	$ 468,891	$ 2,540,349

The accompanying notes to the consolidated financial statements are an integral part of this statement.

NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 2,154,474	$ 1,018,963
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	116,240	121,542
Unrealized gains on investments	(2,068,365)	(866,357)
Change in value of beneficial interest in trusts	(10,856)	-
Changes in operating liabilities:		
Accrued expenses	35,915	-
Net cash provided by operating activities	227,408	274,148
Cash flows from investing activities:		
Purchase of land, building, and equipment	(5,092)	(5,612)
Purchase of investments	(733,807)	(1,788,306)
Proceeds from sale of investments	698,000	1,439,241
Net cash used in investing activities	(40,899)	(354,677)
Increase (decrease) in cash and cash equivalents	186,509	(80,529)
Cash and cash equivalents, beginning of year	966,799	1,047,328
Cash and cash equivalents, end of year	$ 1,153,308	$ 966,799

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

Note 1—Nature of organization and 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 and 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 and Supporting Foundation referred collectively 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. Donor-restricted contributions whose restrictions are met in the same reporting period as received are reported as unrestricted support.

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.

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.

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.

Note 1—Nature of organization and summary of significant accounting policies (continued)

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.

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, 2017 and 2016:

Fixed Income Securities and Common Stock Mutual Funds – Valued at the closing price reported on the active market on which the individual securities are traded.

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.

Note 1—Nature of organization and 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 50% likely of being realized upon ultimate settlement. 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 statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates – The preparation of consolidated 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.

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 trusts' assets in perpetuity. The Association, each year, will receive a pro rata share of income from the trusts' assets in perpetuity.

Note 1—Nature of organization and summary of significant accounting policies (continued)

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.

Accounting Pronouncement – In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the statements of activities and changes in net assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of the Association's financial statements, it is not expected to alter the Association's reported financial position. The Association has elected to defer implementation until the applicable required date.

Reclassifications – Certain reclassifications have been made to the 2016 financial statements to conform with the 2017 presentation.

Subsequent Events – The Association evaluated subsequent events through September 13, 2018, when these consolidated financial statements were available to be issued.

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:

	2017	2016
Fixed income securities:		
Untied States Treasury Notes	$ 7,009,520	$ 7,277,073
Common stock mutual funds:		
Large blend	13,258,286	10,886,561
	$ 20,267,806	$ 18,163,634

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

	2017	2016
Interest and dividends	$ 411,946	$ 398,123
Unrealized gains, net	2,068,365	866,357
	$ 2,480,311	$ 1,264,480

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 2.20% discount rate, the present value of future benefits expected to be received by the Association totaled approximately $591,000 and $573,000 as of December 31, 2017 and 2016, 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 15 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 1.20% discount rate, the present value of future benefits expected to be received by the Association totaled approximately $3,200 and $11,000 at December 31, 2017 and 2016, respectively.

The Association is one of five beneficiaries of a perpetual trust. The assets of the trust, totaling approximately $1,202,000 and $1,112,000 at December 31, 2017 and 2016, 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 at December 31, 2017 and 2016, 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, 2017 and 2016, respectively.

The Association is the beneficiary of an additional perpetual trust. The assets of the trust, totaling approximately $65,000 and $63,000 at December 31, 2017 and 2016, 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 at December 31, 2017 and 2016, representing its beneficial interest in the trust based on the present value of amounts to be received. The Association received approximately $2,100 and $1,100 available to the Association from this trust for the years ended December 31, 2017 and 2016, respectively.

Note 4—Land, building, and equipment

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

	2017	2016
Land	$ 426,395	$ 426,395
Building	2,703,200	2,703,200
Furniture and fixtures	62,379	62,379
Equipment	627,402	622,309
Works of art	16,625	16,625
Vehicles	451,880	451,880
	4,287,881	4,282,788
Less accumulated depreciation	(2,062,896)	(1,946,655)
	$ 2,224,985	$ 2,336,133

Depreciation expense totaled $116,240 and $121,542 for the years ended December 31, 2017 and 2016, respectively.

Note 5—Net assets

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

	2017	2016
Relief aid	$ 10,855	$ 10,855
Teddy Wagon	-	236
Beneficial interest in trusts	594,778	583,922
	$ 605,633	$ 595,013

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 at December 31, 2017 and 2016.

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 consolidated financial statements for the years ended December 31, 2017 and 2016 totaled $223,104 and $220,893, respectively.

Note 7—Employee benefit plan

The Association has established a Simple IRA Retirement Plan (the “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 $10,810 and $13,321 for the years ended December 31, 2017 and 2016, 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 funds held for the benefit of the Association totaled approximately $3,700,000 and $3,500,000 at December 31, 2017 and 2016, respectively. The Association received approximately $172,000 and $101,000 from these investments for the years ended December 31, 2017 and 2016, respectively.

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, and 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, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 2,295,000	$ 2,295,000
Board-designated endowment funds	18,179,570	-	-	18,179,570
Total Funds	$ 18,179,570	$ -	$ 2,295,000	$ 20,474,570

Changes in endowment net assets for the year ended December 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 16,057,609	$ -	$ 2,295,000	$ 18,352,609
Investment return	2,202,269	278,016	-	2,480,285
Transfers, net	(354,524)	-	-	(354,524)
Appropriations from temporarily restricted	278,016	(278,016)	-	-
Expenditures	(3,800)	-	-	(3,800)
Endowment net assets, end of year	$ 18,179,570	$ -	$ 2,295,000	$ 20,474,570

Note 9—Endowment (continued)

Endowment net asset composition by type of fund for the year ended December 31, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 2,295,000	$ 2,295,000
Board-designated endowment funds	16,057,609	-	-	16,057,609
Total Funds	$ 16,057,609	$ -	$ 2,295,000	$ 18,352,609

Changes in endowment net assets for the year ended December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endlowment net assets, beginning of year	$ 15,116,282	$ -	$ 2,295,000	$ 17,411,282
Investment return	1,106,402	158,130	-	1,264,532
Transfers, net	(320,056)	-	-	(320,056)
Appropriations from temporarily restricted	158,130	(158,130)	-	-
Expenditures	(3,149)	-	-	(3,149)
Endowment net assets, end of year	$ 16,057,609	$ -	$ 2,295,000	$ 18,352,609

The Association reports earnings on permanently restricted endowment funds originally as temporarily restricted and then appropriates such earnings to unrestricted net assets available for operations of the Association.

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 and Supporting Foundation made a distribution of $400,000 to the Nashville Humane Association during 2017 and 2016.

Note 10—Concentrations

The Association maintains its cash in bank accounts at national financial institutions whose accounts are insured by the Federal Deposit Insurance Company up to statutory 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. Uninsured balances at December 31, 2017 and 2016 totaled approximately $693,000 and $516,000, respectively.

ADDITIONAL INFORMATION

NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

	Nashville Humane Association	Nashville Humane Association Supporting Foundation	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 946,544	$ 206,764	$ 1,153,308
Prepaid expenses and other	4,094	-	4,094
Total Current Assets	950,638	206,764	1,157,402
Beneficial interests in trusts	772,747	-	772,747
Investments	-	20,267,806	20,267,806
Land, building, and equipment, net	2,224,985	-	2,224,985
Total Assets	$ 3,948,370	$ 20,474,570	$ 24,422,940
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accrued expenses	$ 35,915	$ -	$ 35,915
Total Current Liabilities	35,915	-	35,915
Net Assets:			
Unrestricted:			
Undesignated	3,128,853	-	3,128,853
Designated	-	18,179,570	18,179,570
Total Unrestricted	3,128,853	18,179,570	21,308,423
Temporarily restricted	605,633	-	605,633
Permanently restricted	177,969	2,295,000	2,472,969
Total Net Assets	3,912,455	20,474,570	24,387,025
Total Liabilities and Net Assets	$ 3,948,370	$ 20,474,570	$ 24,422,940

NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

	Nashville Humane Association	Nashville Humane Association Supporting Foundation	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 777,824	$ 188,975	$ 966,799
Prepaid expenses and other	4,094	-	4,094
Total Current Assets	781,918	188,975	970,893
Beneficial interests in trusts	761,891	-	761,891
Investments	-	18,163,634	18,163,634
Land, building, and equipment, net	2,336,133	-	2,336,133
Total Assets	$ 3,879,942	$ 18,352,609	$ 22,232,551
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accrued expenses	$ -	$ -	$ -
Total Current Liabilities	-	-	-
Net Assets:			
Unrestricted			
Undesignated	3,106,960	-	3,106,960
Designated	-	16,057,609	16,057,609
Total Unrestricted	3,106,960	16,057,609	19,164,569
Temporarily restricted	595,013	-	595,013
Permanently restricted	177,969	2,295,000	2,472,969
Total Net Assets	3,879,942	18,352,609	22,232,551
Total Liabilities and Net Assets	$ 3,879,942	$ 18,352,609	$ 22,232,551

NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	Nashville Humane Association	Nashville Humane Association Supporting Foundation	Total
Unrestricted			
Public Support and Revenue:			
Public Support:			
Donations	$ 1,102,270	$ -	$ 1,102,270
Auxiliary fundraisers	411,896	-	411,896
In-kind donations	223,104	-	223,104
Grants	316,300	-	316,300
Net assets released from restriction	236	278,016	278,252
Total Public Support	2,053,806	278,016	2,331,822
Revenue:			
Adoptions	267,201	-	267,201
Other program services	57,138	-	57,138
Investment income	26	2,202,269	2,202,295
Total Revenue	324,365	2,202,269	2,526,634
Total Public Support and Revenue	2,378,171	2,480,285	4,858,456
Expenses:			
Program Services:			
Shelter operations	1,633,237	-	1,633,237
Rover	370,287	-	370,287
Community spay/neuter program	184,432	-	184,432
Total Program Services	2,187,956	-	2,187,956
Supporting Services:			
Management and general	178,985	3,800	182,785
Fundraising	343,861	-	343,861
Total Supporting Services	522,846	3,800	526,646
Total Expenses	2,710,802	3,800	2,714,602
Change in unrestricted net assets	(332,631)	2,476,485	2,143,854
Unrestricted net assets, beginning of year	3,106,960	16,057,609	19,164,569
Transfer of net assets from Nashville Humane Association to Nashville Humane Association Supporting Foundation	(45,476)	45,476	-
Transfer of net assets to Nashville Humane Association from Nashville Humane Association Supporting Foundation	400,000	(400,000)	-
Unrestricted net assets, end of year	$ 3,128,853	$ 18,179,570	$ 21,308,423

NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION

CONSOLIDATING STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED DECEMBER 31, 2017

	Nashville Humane Association	Nashville Humane Association Supporting Foundation	Total
Temporarily Restricted			
Public Support:			
Donations	$ -	$ -	$ -
Net assets released from restriction	(236)	(278,016)	(278,252)
Total Public Support	(236)	-	(236)
Revenue:			
Investment income	-	278,016	278,016
Change in value of beneficial interest in trusts	10,856	-	10,856
Total Revenue	10,856	278,016	288,872
Change in temporarily restricted net assets	10,620	-	288,636
Temporarily restricted net assets, beginning of year	595,013	-	595,013
Temporarily restricted net assets, end of year	$ 605,633	$ -	$ 883,649
Permanently Restricted			
Permanently restricted net assets, beginning of year	$ 177,969	$ 2,295,000	$ 2,472,969
Change in value of beneficial interest in trusts	-	-	-
Permanently restricted net assets, end of year	$ 177,969	$ 2,295,000	$ 2,472,969

NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

	Nashville Humane Association	Nashville Humane Association Supporting Foundation	Total
Unrestricted			
Public Support and Revenue:			
Public Support:			
Donations	$ 1,101,645	$ -	$ 1,101,645
Auxiliary fundraisers	398,286	-	398,286
In-kind donations	220,893	-	220,893
Grants	264,300	-	264,300
Net assets released from restriction	2,911	158,130	161,041
Total Public Support	1,988,035	158,130	2,146,165
Revenue:			
Adoptions	268,593	-	268,593
Other program services	41,115	-	41,115
Investment income	(52)	1,106,402	1,106,350
Total Revenue	309,656	1,106,402	1,416,058
Total Public Support and Revenue	2,297,691	1,264,532	3,562,223
Expenses:			
Program Services:			
Shelter operations	1,513,016	-	1,513,016
Rover	391,765	-	391,765
Community spay/neuter program	166,677	-	166,677
Total Program Services	2,071,458	-	2,071,458
Supporting Services:			
Management and general	150,938	3,149	154,087
Fundraising	314,804	-	314,804
Total Supporting Services	465,742	3,149	468,891
Total Expenses	2,537,200	3,149	2,540,349
Change in unrestricted net assets	(239,509)	1,261,383	1,021,874
Unrestricted net assets, beginning of year	3,026,413	15,116,282	18,142,695
Transfer of net assets from Nashville Humane Association to Nashville Humane Association Supporting Foundation	(79,944)	79,944	-
Transfer of net assets to Nashville Humane Association from Nashville Humane Association Supporting Foundation	400,000	(400,000)	-
Unrestricted net assets, end of year	$ 3,106,960	$ 16,057,609	$ 19,164,569

NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED DECEMBER 31, 2016

	Nashville Humane Association	Nashville Humane Association Supporting Foundation	Total
Temporarily Restricted			
Public Support:			
Donations	$ -	$ -	$ -
Net assets released from restriction	(2,911)	(158,130)	(161,041)
Total Public Support	(2,911)	-	(2,911)
Revenue:			
Investment income	-	158,130	158,130
Change in value of beneficial interest in trusts	-	-	-
Total Revenue	-	158,130	158,130
Change in temporarily restricted net assets	(2,911)	-	155,219
Temporarily restricted net assets, beginning of year	597,924	-	597,924
Temporarily restricted net assets, end of year	$ 595,013	$ -	$ 753,143
Permanently Restricted			
Permanently restricted net assets, beginning of year	$ 177,969	$ 2,295,000	$ 2,472,969
Change in value of beneficial interest in trusts	-	-	-
Permanently restricted net assets, end of year	$ 177,969	$ 2,295,000	$ 2,472,969