



GaryMcGee & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

Oregon Humane Society

Financial Statements and Other Information
as of and for the Year Ended December 31, 2022
and Report of Independent Accountants

OREGON HUMANE SOCIETY

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Board Chair's Report

The financial statements and other information contained in this report have been prepared by management, which is responsible for the information's integrity and objectivity. The financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis and are deemed to present fairly the financial position of the OREGON HUMANE SOCIETY (OHS) and the changes in its net assets and cash flows. Where necessary, management has made informed judgments and estimates of the outcome of events and transactions, with due consideration given to materiality.

As a means of fulfilling its responsibility for the integrity of financial information included in this report, management relies on a system of internal controls established to ensure, within reasonable limits, that assets are safeguarded against loss or unauthorized use, that transactions are properly recorded and executed in accordance with management's authorization, and that the accounting records can be relied upon to prepare financial statements in accordance with generally accepted accounting principles. This system is augmented by careful selection and training of qualified personnel and the dissemination of written policies and procedures.

The financial statements have been examined by OHS's independent accountants, GARY MCGEE & CO. LLP, whose report follows. Their examinations

were made in accordance with generally accepted auditing standards. The Board of Directors meets periodically with management and the independent accountants to review accounting, auditing, internal accounting controls, and financial reporting matters, and to ensure that all responsibilities are fulfilled with regard to the objectivity and integrity of OHS's financial statements. The Board of Directors also reviews the scope and results of OHS's audit, and current and emerging accounting and financial requirements and practices affecting OHS.

Marveita Redding, *Chair*
Board of Directors
Oregon Humane Society



REPORT OF INDEPENDENT ACCOUNTANTS

*The Board of Directors
Oregon Humane Society:*

Opinion

We have audited the accompanying financial statements of the Oregon Humane Society, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Oregon Humane Society as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Oregon Humane Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about OHS's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

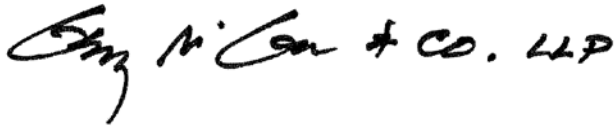
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OHS's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about OHS's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Summarized Comparative Information

We have previously audited the Oregon Humane Society's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 8, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Handwritten signature in black ink that reads "Amy McLean & CO. LLP". The signature is written in a cursive, flowing style.

April 12, 2023

OREGON HUMANE SOCIETY
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022
(WITH COMPARATIVE AMOUNTS FOR 2021)

	2022	2021
Assets:		
Cash and cash equivalents	\$ 3,128,074	2,018,326
Grants, contributions and bequests receivable <i>(note 4)</i>	4,838,175	5,562,792
Prepaid expenses, inventories, and other assets	2,232,896	2,647,060
Investments <i>(note 5)</i>	36,915,339	56,826,231
Property and equipment <i>(note 6)</i>	61,400,778	34,170,355
Beneficial interest in charitable trusts held by others <i>(note 7)</i>	2,295,775	2,522,450
Total assets	\$ 110,811,037	103,747,214
Liabilities:		
Accounts payable and accrued expenses	632,277	654,080
Construction payable	2,148,451	1,293,477
Accrued payroll and related expenses	1,772,939	1,318,096
Line of credit <i>(note 17)</i>	200,000	-
Liabilities under split-interest agreements <i>(note 8)</i>	728,019	591,393
Deferred compensation <i>(note 9)</i>	1,625,406	1,798,016
Total liabilities	7,107,092	5,655,062
Net assets:		
Without donor restrictions:		
Available for general operations and programs	19,787,913	23,520,979
Designated by Board for endowment <i>(note 10)</i>	10,482,900	12,540,003
Net investment in capital assets	59,252,327	32,876,878
Total without donor restrictions	89,523,140	68,937,860
With donor restrictions <i>(note 11)</i>	14,180,805	29,154,292
Total net assets	103,703,945	98,092,152
Commitments and contingencies <i>(notes 7, 8, 9, and 17)</i>		
Total liabilities and net assets	\$ 110,811,037	103,747,214

See accompanying notes to financial statements.

OREGON HUMANE SOCIETY

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022		Total	2021
	Without donor restrictions	With donor restrictions		
Operating revenues, gains, and other support:				
Grants and contributions	\$ 6,031,011	2,331,190	8,362,201	6,673,615
In-kind contributions (<i>note 14</i>)	1,573,563	–	1,573,563	1,504,969
Legacies and bequests	297,238	8,192,196	8,489,434	6,221,292
Special events, less direct costs of \$723,876 in 2022 and \$440,814 in 2021	974,836	–	974,836	1,059,099
Sales and program fees, less cost of sales of \$142,188 in 2022 and \$108,488 in 2021	3,548,771	–	3,548,771	2,087,952
Rental income	508,848	–	508,848	489,596
Operating investment return (<i>note 5</i>)	(2,245,148)	(323,531)	(2,568,679)	1,736,661
Change in the actuarial value of liabilities under split-interest agreements	–	(24,417)	(24,417)	(32,289)
Change in the value of the beneficial interest in charitable trusts	–	(160,174)	(160,174)	61,083
Other	38,116	–	38,116	25,454
Total operating revenues and gains	10,727,235	10,015,264	20,742,499	19,827,432
Appropriation of endowment and Board-designated assets for expenditure (<i>notes 5 and 12</i>)	488,936	321,378	810,314	4,385,247
Net assets released from restrictions for operating purposes (<i>note 13</i>)	11,306,985	(11,306,985)	–	–
Total operating revenues, gains, and other support	22,523,156	(970,343)	21,552,813	24,212,679
Expenses (<i>note 15</i>):				
Program services:				
Sheltering and adoptions	13,336,586	–	13,336,586	10,019,388
Community veterinarian services	1,918,719	–	1,918,719	167,105
Community and education services	1,907,344	–	1,907,344	1,560,335
Humane law enforcement and rescue	852,026	–	852,026	857,543
Behavior consultation and training	1,317,748	–	1,317,748	893,159
Total program services	19,332,423	–	19,332,423	13,497,530
Supporting services:				
Management and general	3,248,405	–	3,248,405	2,212,697
Fundraising	3,966,060	–	3,966,060	3,045,925
Total supporting services	7,214,465	–	7,214,465	5,258,622
Total expenses	26,546,888	–	26,546,888	18,756,152
Increase (decrease) in net assets before non-operating activities	(4,023,732)	(970,343)	(4,994,075)	5,456,527

OREGON HUMANE SOCIETY
STATEMENT OF ACTIVITIES, CONTINUED

YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022		Total	2021
	Without donor restrictions	With donor restrictions		
Non-operating activities:				
Contributions restricted for capital purposes	–	2,822,829	2,822,829	2,869,673
Net assets released from restrictions for capital purposes (<i>note 13</i>)	17,452,436	(17,452,436)	–	–
Loss on receivables	–	–	–	(1,008,680)
Paycheck Protection Program loan forgiveness	–	–	–	2,472,942
Contribution of residual net assets of the Willamette Humane Society (<i>note 20</i>)	9,729,621	1,885,437	11,615,058	–
Total endowment and Board-designated investment return, less appropriations for expenditure (<i>notes 5 and 12</i>)	(2,573,045)	(1,258,974)	(3,832,019)	(2,265,550)
Total non-operating activities	24,609,012	(14,003,144)	10,605,868	2,068,385
Increase (decrease) in net assets	20,585,280	(14,973,487)	5,611,793	7,524,912
Net assets at beginning of year	68,937,860	29,154,292	98,092,152	90,567,240
Net assets at end of year	\$ 89,523,140	14,180,805	103,703,945	98,092,152

See accompanying notes to financial statements.

OREGON HUMANE SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022											Total 2021
	Program services					Total	Supporting services				Total 2022	
	Sheltering and adoptions	Community veterinary services	Community and education services	Humane law enforcement and rescue	Behavior consultation and training		Management and general	Technology and facilities costs	Fund- raising	Total		
Salaries	\$ 6,823,894	936,141	934,419	511,014	600,833	9,806,301	1,492,231	1,242,900	1,872,253	4,607,384	14,413,685	10,473,174
Payroll taxes and benefits	1,533,091	166,711	174,631	82,010	130,111	2,086,554	564,314	269,336	378,701	1,212,351	3,298,905	2,516,599
Professional services	22,167	—	14,213	1,979	17,212	55,571	779,319	77,315	31,057	887,691	943,262	554,005
Surgical, medications, and lab	460,109	125,092	—	22,214	—	607,415	—	—	—	—	607,415	350,125
Feed, shelter, and program supplies	947,049	231,354	32,294	19,521	9,901	1,240,119	2,334	1,209	1,646	5,189	1,245,308	651,048
Office expenses	4,228	1,115	639	547	147	6,676	52,607	175,105	12,272	239,984	246,660	191,848
Direct mail	—	—	—	—	—	—	—	—	405,981	405,981	405,981	262,578
Travel and training	65,442	479	5,137	19,590	387	91,035	90,076	7,533	8,671	106,280	197,315	87,978
Occupancy and equipment	22,158	2,471	4,857	493	—	29,979	29,943	454,795	1,664	486,402	516,381	405,302
Repairs and maintenance	11,889	3,354	—	6,717	—	21,960	4,074	702,725	—	706,799	728,759	381,171
Insurance	6,392	—	—	38,109	—	44,501	195,956	61,572	—	257,528	302,029	227,358
Information technology	—	—	—	528	—	528	179,816	486,226	—	666,042	666,570	346,190
Development and promotion	30,754	—	124,397	—	—	155,151	—	—	812,242	812,242	967,393	604,649
Public awareness	—	—	108,526	—	—	108,526	—	—	21,804	21,804	130,330	192,721
Bank fees	32,760	2,101	113,022	—	2,378	150,261	11,024	—	104,397	115,421	265,682	185,575
Depreciation	938,043	8,786	69,993	15,590	99,914	1,132,326	28,851	—	32,949	61,800	1,194,126	957,278
Other	60,047	5,131	11,316	36,346	2,448	115,288	275,961	12,565	13,273	301,799	417,087	368,553
Total expenses before allocations	10,958,023	1,482,735	1,593,444	754,658	863,331	15,652,191	3,706,506	3,491,281	3,696,910	10,894,697	26,546,888	18,756,152
Allocation of technology, facilities and other indirect costs	2,378,563	435,984	313,900	97,368	454,417	3,680,232	(458,101)	(3,491,281)	269,150	(3,680,232)	—	—
Total expenses	\$ 13,336,586	1,918,719	1,907,344	852,026	1,317,748	19,332,423	3,248,405	—	3,966,060	7,214,465	26,546,888	18,756,152

See accompanying notes to financial statements.

OREGON HUMANE SOCIETY

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022	2021
Cash flows from operating activities:		
Cash received from contributors and grantors	\$ 19,337,285	13,279,649
Cash received from service recipients and others	4,237,923	2,729,545
Interest and dividend income	649,124	756,169
Cash paid to employees and suppliers	(24,297,275)	(17,139,710)
Net cash used in operating activities	(72,943)	(374,347)
Cash flows from investing activities:		
Capital expenditures	(21,685,017)	(13,416,632)
Purchase of investments	(4,273,341)	(4,106,162)
Reinvestment of interest and dividend income	(628,251)	(707,210)
Proceeds from the sale of investments	19,456,345	12,651,935
Cash received in the transfer of net assets from Willamette Humane Society (<i>note 20</i>)	3,506,814	-
Net cash used in investing activities	(3,623,450)	(5,578,069)
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment	1,228,566	855,424
Proceeds from contributions restricted to capital acquisition	3,025,837	3,411,931
Proceeds from contributions subject to charitable gift annuity agreements	430,890	256,000
Proceeds from drawdowns on the line of credit	200,000	-
Distributions made under charitable gift annuity agreements	(79,152)	(77,212)
Net cash provided by financing activities	4,806,141	4,446,143
Net increase (decrease) in cash and cash equivalents	1,109,748	(1,506,273)
Cash and cash equivalents at beginning of year	2,018,326	3,524,599
Cash and cash equivalents at end of year	\$ 3,128,074	2,018,326

Supplemental schedule of noncash investing and financing activities:

Paycheck Protection Program loan forgiveness	\$ -	2,472,942
Noncash assets and liabilities, net, received and accepted in the transfer of net assets from Willamette Humane Society (<i>note 20</i>)	8,108,244	-

See accompanying notes to financial statements.

OREGON HUMANE SOCIETY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

1. Organization

The Oregon Humane Society (“OHS”) is a private animal welfare organization, founded in 1868 and incorporated in 1880, whose mission is creating a more humane society with the vision of a world where all animals are treated with compassion, kindness and respect. OHS is a stand-alone, non-profit organization, operating in Portland and Salem, Oregon. OHS is supported primarily by private donations and revenues generated from services provided to care and find homes for homeless animals, to investigate and stop the abuse of animals, and to educate the community on the humane treatment of all animals. Notably, OHS is not an affiliate of national animal welfare organizations.

2. Program Services

In 2022, OHS completed its ambitious New Road Ahead project, opening its new buildings, including the Community Veterinary Hospital, the Behavior Rehabilitation and Rescue Center, and the Animal Crimes Forensic Center. In addition, OHS merged with Willamette Humane Society on July 1, 2022. As a result of the opening of the new buildings and integrating a new campus in Salem, OHS has reorganized its functional departments to better reflect the services and support that the organization offers to the community.

During the year ended December 31, 2022, OHS incurred program service expenses in the following major categories:

Sheltering and Adoptions – OHS merged with Willamette Humane Society on July 1, 2022. This expanded OHS’s ability to provide services to more of Oregon, the Pacific Northwest and other areas of the country. In 2022 OHS placed 9,825 pets. Through the Second Chance Program, OHS saves more lives by accepting animals from shelters and animal control agencies in the Pacific Northwest, Oregon, California, Washington, Texas, Hawaii, New Mexico and Louisiana. These shelters often face the dual problem of too many abandoned animals and too few adopters. In 2022, 5,581 animals were accepted from 61 organizations.

Live Release Rates for 2022

OHS uses Live Release Rate (LRR) to track the outcome of animals that are brought into its shelters. The LRR accurately reflects the many options for pets that come to the shelter besides adoption – for example, animal transfers to other rescue organizations and animals that are returned to their owners. The LRR does not include end-of-life services.

- OHS saved a total of 9,825 animals
- OHS saved 2,952 dogs
- OHS saved 6,445 cats
- OHS saved 428 small animals
- OHS Portland Campus Live Release Rate 97%
- OHS Salem Campus Live Release Rate 93%

Length of Stay for 2022

OHS calculates the average length of stay (“LOS”) by including the day of arrival through the day of disposition (adoption, transfer, euthanasia or return to owner). The LOS reflects the entirety of the time the animal was in the care of the organization, including stray animal holding periods, time in foster care, behavioral rehabilitation, and protective custody in criminal cases.

- Dog LOS averaged 16 days
- Cat LOS averaged 20 days

Adoption Outreach

Bringing pets into the community for adoption is another way that OHS maintains a high save rate. A total of 265 animals found homes directly through this program.

Medical Services (Shelter-owned pets and pets from other rescue groups)

During the year ended December 31, 2022, OHS performed 9,155 surgeries in the Holman Animal Medical Learning Center (the “AMLC”) on the Portland Campus, including 6,159 shelter and partner spay and neuter surgeries and 675 other essential and emergency surgeries. In addition, the AMLC provided 9,464 medical exams for pets, and taught 100 Oregon State University veterinary students. On the Salem Campus, OHS performed 1,431 surgeries for shelter pets and pets from other rescue groups. This included 746 spays and neuters of community cats.

Best Friends’ Corner

OHS operates a retail store located in the lobby of the Portland shelter. The store stocks everything that a new adopter might need to make their new pet feel at home. It also has numerous training books and tools to improve pet behavior humanely and keep the animal in the home.

In 2022:

- Gross sales: \$359,995
- Net loss: (\$60,628)
- Percentage of overall sales attributed to new adopter sales: 70%

Volunteers

The compassion of OHS’s volunteer force changed the world for each dog, cat, rabbit, rodent, or bird they helped on a daily basis. The lives saved, through a kind word, a walk, a gentle touch, a photo taken, or a new toy, are those of this community’s homeless animals. Foster Care has contributed significant time to OHS’s volunteer hours. Donating 208,453 hours of service to all programs offered at OHS in 2022, volunteers provided services equivalent to 100 full-time employees.

Adult Volunteers

- Total volunteer hours – 205,508 (not including foster volunteer hours)
- Total number of individuals volunteering their time to OHS was 3,244
- Volunteer hours at the Portland Campus for general care, behavior, and enrichment totaled 30,920 (+54%), this includes Animal Care, Admissions, Medical, Cascade Station, local Emergency Animal Shelter, Behavior and Training
- Volunteer hours at the Salem Campus for general care, training and enrichment totaled 6,096
- OHS had 23 teams deploy in 2022 to help other agencies for emergency animal sheltering

Youth and Community Groups Program

- Individuals who participated in the Youth and Community Groups Program numbered 1,458 (+181%) providing 8,628 volunteer hours
- Individual youth volunteers (not including groups) numbered 105, resulting in 7,275 (+208%) hours volunteered
- Groups totaled 142 (+230%) visits with 1,353 (+257%) group volunteers and 3,007 (+261%) hours volunteered

Foster Care

- There were 628 foster care volunteer families, volunteering 203,544 hours
- Animals fostered totaled 2,750

Primary Reasons for Foster Care

- They were too young for adoption
- They were nursing baby animals
- They were underweight or had a medical condition

Community Veterinary Services – In 2022, OHS offered a series of clinics to the public, provided medical services to the Warm Springs Reservation, and opened the new Community Veterinary Hospital to provide greater access to veterinary care for pets owned by the public. During the year ended December 31, 2022, OHS provided care for 268 pets living on the Warm Springs Reservation, served 162 patients through community clinics, had 2,490 patient visits to the new hospital and distributed more than \$119,000 in subsidized care. These services included 592 Spay and Save surgeries, 48 dentistry visits, 164 Urgent Care visits and 1,686 outpatient visits.

ASAP/Spay & Save

The Spay & Save program is operated in coordination with the Animal Shelter Alliance of Portland (“ASAP”), of which OHS is a founding member. ASAP is a coalition of the greater Portland area’s leading animal welfare organizations and the veterinary community. The Spay & Save program works to reduce the number of cats and kittens that come into Portland-area shelters. Over the past 16 years, the Portland metropolitan area shelters have reduced euthanasia in local shelters by a dramatic 91% and now save 95% of cats and dogs, thanks to the efforts of ASAP. In 2022, the Spay & Save program completed 5,486 surgeries, of which 2,318 were performed by OHS staff. This vital program is funded entirely by private donations.

Salem Campus - Community Veterinary Services

OHS provides medical services to members of the community at its Salem Campus. In 2022, OHS provided 746 spay/neuter surgeries to community cats and 798 spay/neuter surgeries to privately owned pets.

Community and Education Services – Educating the community and promoting animals and programs are crucial to helping OHS achieve its mission of finding a home for every animal. In addition to a vibrant education department, OHS’s public relations and marketing department strives to promote humane lessons through the media, special events, and real-time photos of animals available for adoption on OHS’s website.

In 2022:

- Visitors to the Portland campus totaled 60,671 (on average, 170 people visited the OHS Portland campus each day – open 357 days)
- Adoptions at the Portland campus averaged 24 per day
- OHS issued 51 media releases
- OHS had 3,437 television, radio and web news stories
- OHS hosted or participated in six major events
- OHS’s magazine reached 36,000 readers each quarter
- OHS’s website averaged 45,000 daily visitors
- The average stay on OHS’s website was 58 seconds

Humane Education

Sometimes the most significant lessons are learned not by listening to a speaker, but by experiencing with the heart. In humane education, OHS strives to reach the hearts as well as the minds of children, teens, and adults OHS has the opportunity to meet.

- Humane Education had 103,799 points of impact, including 11,598 children and 3,818 adults; of which 4,588 of those people were reached with virtual education
- Humane Education made 6 non-school, off-site presentations reaching 250 individuals
- School visits included 54 schools – 8 virtual visits and 161 classrooms visited with 3,465 individuals reached
- Seven weeks of summer camp sessions were attended by 218 campers with 20 virtual camp video points of impact
- Twelve after-school clubs had 172 points of impact
- Five special events for Humane Education reached 179 individuals
- Twenty-three in-shelter tours reached 414 individuals

Humane Law Enforcement and Rescue – OHS has three Humane Special Agents who are commissioned by the Superintendent of Oregon State Police to enforce Oregon’s tough animal cruelty laws statewide. OHS has officers in the field handling a variety of animal welfare complaints. In 2022, there were 3,614 calls and e-mail messages to OHS’s cruelty complaint line and website. Humane Special Agents investigated 560 new cases of animal cruelty, leading to 2,239 animals helped, including 365 animals who entered the care of OHS. Five investigations performed by Humane Special Agents in 2022 led to criminal charges. The Humane Law Enforcement Department also assisted law enforcement and similar agencies 133 times and provided 199 veterinary forensic services. OHS’s goal is to save lives and enhance the relationship between people and their pets, while ensuring that the roughly two million pets in the region are protected from abuse or neglect.

Rescue

Many OHS staff and volunteers are certified technical rescuers and disaster responders.

- OHS staff and volunteers deployed 23 times to aid in emergency situations
- The OHS Technical Response Team performed 41 technical rescues/responses

Behavior Consultation and Training – OHS’s behavior consultation and training services are summarized as follows:

- Provided 907 private consultations
- Public training classes offered numbered 731
- People numbering 2,946 attended OHS training classes and workshops
- Volunteer trainings totaling 42 included 302 volunteers who attended those trainings
- 40 dogs and 45 cats were helped through the Behavior Modification Program
- 40 dogs and 43 cats were adopted through the Behavior Modification Program
- A volume of 1,804 phone calls and emails were handled by the Behavior Help Line, a free service provided to the community by OHS

- Top issues for cat owners: resident pet incompatibility and litter box issues
- Top issues for dog owners: leash reactivity issues, anxious/fearful behavior, and dog/cat incompatibility

Community Support – OHS draws its support from across Oregon and beyond, counting donors from all of the state’s counties and nearly every city and town. During 2022, 35,379 individuals, businesses, and foundations made donations to support OHS’s work. Of these, 1,460 donors were recognized as members of the President’s Circle, honoring their annual commitment of \$1,000 or more.

Donors are offered a broad array of giving options, including:

- PAWS monthly gift program, 5,424 with generous donors who participate with a recurring donation.
- The *Autos-for-Animals* vehicle donation program, which received 547 cars, trucks, RV’s, and motorcycles.
- Gifts from estates and trusts, which comprise a significant portion of OHS’s operating income. OHS encourages supporters to remember the organization in their estate plans. During the year, 71 new probate estates and matured trusts were opened. Additionally, 165 households shared that they had included OHS in their estate plan.
- Pet owners can ensure the welfare of animals that might outlive them by participating in the *Friends Forever*[™] estate-planning-for-pets program. During the year, 84 households enrolled in Friends Forever from across the Northwest. Eleven pets were received under the auspices of the program. Four charitable gift annuities were issued.

In all, 126,974 gifts of all kinds plus sales were received during the year ended December 31, 2022.

Salem Thrift Store

OHS operates a thrift store based in Salem, OR that sells donated items to the public to benefit the animals cared for at the organization. Donations include items such as clothing, home décor, household goods, collectibles, sporting goods, and jewelry.

3. Summary of Significant Accounting Policies

The significant accounting policies followed by OHS are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

Basis of Presentation – Net assets, revenues, gains and losses are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of OHS and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor-imposed stipulations. From time to time, OHS’s Board of Directors may designate a portion of these net assets for particular purposes and objectives.
- *Net assets with donor restrictions* – Net assets subject to donor-imposed stipulations that will be met either by actions of OHS and/or the passage of time. These balances represent the unexpended portion of donor-restricted contributions and investment return to be used for specific programs and activities as directed by the donor. The balances also include net assets subject to donor-imposed stipulations that they be maintained permanently by the organization (e.g., endowment funds). Generally, the donors of these assets permit OHS to use all or part of the income earned on related investments for general or specific purposes.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are also reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the opinion of management, such differences, if any, would not be significant.

Cash Equivalents – For purposes of the financial statements, OHS considers all liquid investments having initial maturities of three months or less to be cash equivalents. Cash and cash equivalents held as part of OHS’s investment portfolio, and where management’s intention is to use the cash to acquire investments to be held long-term, are classified as investments.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair value in the statement of financial position. Whenever available, quotations from organized securities exchanges are used as the basis for fair value. For investments not traded on organized exchanges, fair value estimates are provided by investment managers.

Net investment return, which includes both current yield (interest and dividend income) and net change in the fair value of investments, is reported in the statement of activities, net of investment expenses. Interest income is accrued as earned. All security transactions are recorded on a trade date basis.

OHS has some exposure to investment risks, including interest rate, market and credit risks, for marketable securities. Due to the level of risk exposure, it is possible that near-term valuation changes for investment securities may occur to an extent that could materially affect the amounts reported in the accompanying financial statements.

Inventories – Inventories consist of pet supplies sold at Best Friends’ Corner, a store located within OHS’s facility. Inventories are valued at the lower of cost or market value on a first-in, first-out basis. Inventories also include vehicles donated to OHS. These vehicles were sold at auction subsequent to December 31. The vehicles are valued at their auction sale prices (i.e., fair market value), totaling \$110,025 at December 31, 2022.

Capital Assets and Depreciation – Property and equipment are carried at cost and at market value when acquired by gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which is generally 5 to 40 years for buildings and related improvements; 3 to 10 years for furniture, equipment, and fixtures; and 5 years for vehicles.

Revenue Recognition – With regard to revenues, OHS evaluates whether each transfer of assets is (1) an exchange (reciprocal) transaction in which a resource provider receives commensurate value in return for the assets transferred, or (2) a nonreciprocal transfer (a contribution or a grant), where no value is exchanged.

- *Exchange Transactions* – If the transfer of assets is determined to be an exchange transaction, OHS recognizes revenue when or as it satisfies the required performance obligations and transfers the promised good or service to a customer, and when the customer obtains control of that good or service.

OHS’s exchange transactions include revenues from sales, adoption fees, fees for veterinary procedures, and other program fees. These revenues are generally recognized at the time of service delivery.

- *Contributions and Grants* – If the transfer of assets is determined to be a contribution, OHS evaluates whether the contribution is conditional based upon whether the agreement includes both (1) a barrier that must be overcome to be entitled to the funds and (2) either a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets.
- *Outstanding Legacies* – OHS is the beneficiary under various wills and trust agreements, the total realizable amounts of which may not be presently determinable. OHS’s share of such bequests is recorded when the probate court has declared the testamentary instrument valid and the proceeds are measurable.

Contributions – Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the donor’s commitment is received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions and grants received with donor stipulations that limit the use of the donated assets are reported as net assets with donor restrictions.

Unconditional promises to give with payments due in future periods, are recorded as increases in net assets with donor restrictions at the estimated present value of future cash flows using credit adjusted discount rates which articulate to the collection period of the respective pledge. Such discount rates are not subsequently revised. Amortization of the discount is recorded as additional contribution revenue in subsequent years in the appropriate net asset class.

Unconditional contributions and grants receivable are reported net of an allowance for estimated uncollectible promises. Promises to give are written off when deemed uncollectible.

When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions of capital assets without donor stipulations concerning the use of such long-lived assets are reported as revenues of the net assets without donor restrictions class. Contributions of cash or other assets to be used to acquire capital assets with such donor stipulations are reported as net assets with donor restrictions; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Beneficial Interest in Trusts – OHS receives contributions of property in which the donor or donor-designated beneficiary may retain a life interest. The assets are invested and administered by a trustee, and distributions are made to the beneficiaries during the term of the agreement. OHS records its interest in these trusts at fair value based on estimated future cash receipts. Subsequent adjustments to the assets' carrying value are reported as a change in the value of beneficial interest in charitable trusts in the accompanying financial statements and are classified as net assets with or without donor restrictions, depending on the existence of donor-imposed purpose or time restrictions, if any.

Obligations to Beneficiaries – Obligations to beneficiaries of split-interest agreements are recorded when incurred at the present value of the distributions to be made to the donor-designated beneficiaries. Distributions are paid over the lives of the beneficiaries or another specified period. Present values are determined using discount rates established by the Internal Revenue Service and actuarially-determined expected lives. Obligations to beneficiaries of gift annuities and charitable trusts are revalued annually at December 31 to reflect actual experience; the discount rate is not changed. The net revaluations, together with any remaining recorded obligations after all gift obligations under terminated agreements have been satisfied, are recorded as a net change in the actuarial value of liabilities under split-interest agreements.

Concentrations of Credit Risk – OHS's financial instruments consist primarily of cash equivalents and investments, which may subject OHS to concentrations of credit risk as, from time to time, for example, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). In addition, the market value of securities is dependent on the ability of the issuer to honor its contractual commitments, and the investments are subject to changes in market values.

All interest-bearing checking and savings accounts, money market deposit accounts, and certificates of deposit are insured by the FDIC for up to \$250,000 per depositor, per insured bank, for each account ownership category. As of December 31, 2022, OHS had \$2,569,841 in cash accounts that were in excess of FDIC coverage.

During 2022, OHS established a demand deposit (DDM) sweep account, a daily sweep service for the capital campaign bank accounts that provides FDIC insurance coverage to investors by automatically depositing funds into interest-bearing deposit accounts at one or more banks. This service is expected to be expanded to all accounts in 2023.

Certain receivables may also, from time to time, subject OHS to concentrations of credit risk. To minimize its exposure to significant losses from customer or donor insolvencies, OHS's management evaluates the financial condition of its customers and donors, and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics. When necessary, receivables are reported net of an allowance for uncollectible accounts.

Advertising and Marketing Expenses – Advertising and marketing costs are charged to expense as they are incurred. Advertising expense for 2022 totaled \$395,874 (including donated advertising expenses valued at \$211,234).

Income Taxes – OHS is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law, and derives its public charity status as an organization described in Sections 170(b)(1)(A)(vi) and 509(a)(1) of the Internal Revenue Code.

Operating Results – Operating results reported in the statement of activities reflect all transactions that change net assets without donor restriction, except capital contributions and grants, capital releases, net investment return on endowment and related assets (less the amount appropriated by the Board to support current operations), and the contribution of net assets from the Willamette Humane Society. In accordance with OHS’s endowment distribution policy, only the portion of total investment return distributed under this policy to meet operating needs is included in operating revenue. Operating investment income consists of dividends, interest and other investment return earned on net assets without donor restrictions, and non-endowed investments.

Subsequent Events – Subsequent events have been evaluated by management through April 12, 2023, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2021 – The accompanying financial information as of and for the year ended December 31, 2021 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

Other Significant Accounting Policies – Other significant accounting policies are set forth in the financial statements and the following notes.

4. Grants, Contributions, and Bequests Receivable

Grants, contributions, and bequests receivable at December 31, 2022 are summarized as follows:

<i>Unconditional promises expected to be collected in:</i>	
Less than one year	\$ 3,917,241
One year to five years	1,026,985
	4,944,226
Less allowance for uncollectable pledges	(65,555)
Less discount ¹	(40,496)
	\$ 4,838,175

¹ Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 2.25%.

The gross value of outstanding grants, contributions, and bequests receivable totaling \$4,944,226 is summarized as follows:

Bequests receivable ²	\$ 3,138,746
Capital campaign pledges receivable	1,703,681
Other expendable grants and contributions receivable	101,799
	\$ 4,944,226

² Bequests receivable at December 31, 2022 include \$3,138,746 in purpose-unrestricted bequests. OHS is also the beneficiary of numerous other estates, which include real property and other assets. However, because the value of OHS’s remaining interest in the assets of the estates is dependent upon the future and uncertain sale of estate property, legal costs, and the realization of other assets, no additional receivables have been included in the accompanying financial statements.

5. Investments

At December 31, 2022, investments consist of the following:

Equity mutual funds	\$ 20,667,008
Fixed income mutual funds	13,522,025
Fixed income exchange-traded funds	24,435
Equity exchange-traded funds	13,837
Equity securities	5,230
	<hr/>
	34,232,535
Plus beneficial interest in assets held at the Oregon Community Foundation ¹	954,763
Plus cash equivalents	1,728,041
	<hr/>
	\$ 36,915,339
	<hr/>

¹ OHS holds a beneficial interest in the net assets of ten funds (together the "Oregon Humane Society Fund" or the "Fund") invested and managed by the Oregon Community Foundation ("OCF"), a separate and unaffiliated nonprofit organization. OHS was assigned six of these funds as part of the merger with the Willamette Humane Society (note 20). Under the terms of its agreement with OCF, OHS receives semi-annual distributions of income earned on the investment of the Fund's assets, based on a percentage of the aggregate value of the assets held in the Fund.

OHS accounts for its beneficial interest in the Fund by measuring and subsequently re-measuring the fair market value of the Fund using the equity method of accounting, which approximates the present value of the estimated expected future cash flow that will inure to OHS. Under this method, the initial balance of the Fund was recorded at its fair value on the date the Fund was established, and is increased or decreased by the Fund's investment return or losses, and decreased by any distributions.

The Fund's assets are invested at the discretion of OCF's Board of Directors and are held in a mixture of asset classes designed to maximize return while minimizing risk. OHS's share of the aggregate valuation disclosed in the preceding table has been provided by OCF. OHS generally receives periodic distributions of the net investment return earned on these assets (generally 4.25% of the average fair market value of the funds using a trailing 13-quarter average). Additional distributions can be made at any time by the affirmative vote of a majority of OHS's Board of Directors and the approval of OCF.

Investments in common stocks are reported at market value as quoted on major stock exchanges. Fixed income instruments are reported at quoted market prices. Investments in equity and fixed income funds, and mutual funds, are valued at quoted values by the issuers.

Investment performance for all accounts managed under investment agreements is periodically reviewed by OHS's finance committee and Board of Directors.

Investments are held for the following purposes:

Donor-restricted endowment funds	\$ 6,535,913
Unappropriated endowment earnings	692,339
Board-designated funds	10,482,900
Other	19,204,187
	<hr/>
	\$ 36,915,339
	<hr/>

Total investment return for the year ended December 31, 2022 is summarized as follows:

Interest and dividends	\$ 649,124
Net decline in the fair value of investments	(6,239,508)
	<hr/>
	\$ (5,590,384)
	<hr/>

Operating investment return	\$ (2,568,679)
Endowment and Board-designated investment return	(3,021,705)
	<hr/>
	\$ (5,590,384)
	<hr/>

Total endowment and Board-designated investment return for the year ended December 31, 2022 is summarized as follows:

Total endowment and Board-designated investment return	\$ (3,021,705)
Less endowment assets appropriated for expenditure (note 12)	(810,314)
	<hr/>
	\$ (3,832,019)
	<hr/>

6. Property and Equipment

A summary of property and equipment as of December 31, 2022, is as follows:

Land	\$ 10,778,205
Land improvements	1,083,624
Buildings and improvements	54,975,961
Equipment, furniture and fixtures	4,967,617
Vehicles	805,035
Software	431,204
Work-in-progress	506,594
	<hr/>
	73,548,240
Less accumulated depreciation	(12,147,462)
	<hr/>
	\$ 61,400,778

7. Beneficial Interest in Charitable Trusts Held by Others

At December 31, 2022, OHS was the beneficiary of eight irrevocable charitable remainder trusts and two perpetual trusts established by the wills of donors, as follows:

Long-term receivables from charitable remainder trusts ¹	\$ 1,623,223
Beneficial interest in perpetual trusts ²	672,552
	<hr/>
	\$ 2,295,775

¹ With respect to the charitable remainder trusts, upon the deaths of the income beneficiaries, OHS will receive all or a portion of the remaining assets of the trusts. Total trust assets at December 31, 2022 are valued at \$9,205,175, of which \$3,271,570 represents assets allocated to OHS. A beneficial interest in charitable trusts of \$1,623,223 is recorded at December 31, 2022, representing the actuarially-determined present value of the estimated future cash flows that will inure to OHS, using discount rates which range from 3.0% to 6.0%. OHS has no control over the investment of trust assets, which are managed by independent third parties. One of the trusts included in this balance, with a current valuation of \$217,442, is restricted for investment in OHS's endowment when the trust assets are received.

² OHS has recorded its interest in five perpetual trusts for which OHS has been named partial beneficiary. OHS was assigned three of these perpetual trusts as part of the merger with the Willamette Humane Society (note 20). OHS's recorded beneficial interest in the trusts is based on the percentage stated in the trust documents multiplied by the fair market value of the trust assets, which consist of money funds, mutual funds, government bonds, corporate bonds, and equity securities at December 31, 2022. OHS has no control over the investment of trust assets, which are managed by independent third parties. In accordance with the terms of the trust, OHS receives distributions of income generated by the trust assets. During the year ended December 31, 2022, OHS received distributions of \$8,787. These distributions have been included with interest and dividend income in the statement of activities.

8. Liabilities Under Split-Interest Agreements

At December 31, 2022, OHS reported obligations to beneficiaries of charitable gift annuities totaling \$728,019. OHS had entered into 33 charitable gift annuity agreements, whereby OHS has agreed, in return for the gifted assets, to make payments to gift beneficiaries for the balance of their lives. The liability represents the actuarially-determined present value of the estimated future payments to be made to the beneficiaries using discount rates that range from 1.11% to 4.96%. Upon the death of the beneficiary (and, in certain cases, the beneficiary's spouse), OHS will, by its own policy, be free to utilize the balance of the remaining assets.

The issuance of charitable gift annuities in the State of Oregon is generally regulated by the Insurance Division of the State of Oregon, Department of Consumer and Business Services. However, Oregon House Bill 2092, signed into law in 2005, eliminated the regulatory program for charitable gift annuities in the State's Insurance Code, replacing it with a conditional exemption from the Insurance Code for organizations, such as OHS, with at least \$300,000 in net assets, a continuous history of at least five years, and that maintain a separate trust fund as a reserve fund adequate to meet the future payments under all outstanding annuity agreements.

At December 31, 2022, OHS held as part of its investment portfolio \$1,116,453 in assets associated with charitable gift annuities as well as \$430,890 held as cash.

9. Retirement Plans and Deferred Compensation Arrangements

OHS provides substantially all full-time, and certain part-time, employees with a qualified safe harbor retirement plan, as described under Section 401(k) of the Internal Revenue Code. Employees who have completed at least 90 days of service and are over 18 years of age qualify to participate in the plan. Employees may elect to make voluntary contributions to the plan on a pre-tax basis, up to the limits allowed by law.

OHS matches employee contributions up to 3.0% of their total annual compensation, plus half of employee contributions between 3.0% and 5.0% of their total annual compensation. Employees select from several investment options. Contributions to the plan from employees and matching contributions from OHS vest as accrued. Matching contributions to the plan by OHS totaled \$434,622 for the year ended December 31, 2022.

Employees who are active participants on December 31, and who have worked at least 1,000 hours in that service year, are eligible for discretionary contributions by OHS. Discretionary contributions to the plan vest at the rate of 33% upon the completion of one year of service, 66% upon the completion of two years of service, and are fully vested upon completion of the third year of service. For the year ended December 31, 2022, OHS accrued \$265,422 in discretionary contributions to the plan, to be paid subsequent to year-end.

In addition, OHS has entered into deferred compensation agreements with selected senior management personnel. The benefits, which are underwritten by OHS's general assets, are to be paid over a ten-year period or in a lump sum, as specified in each individual agreement. At December 31, 2022, the present value of future payments under these agreements totals \$1,625,406.

For 2022, OHS reported retirement expense totaling \$15,726 in amortization of the deferred compensation liability.

10. Board-Designated Net Assets

The following summarizes OHS's Board-designated net assets as of December 31, 2022:

Net assets designated by the Board of Directors for endowment for the following purposes:

F. Swigert quasi-endowment fund	\$ 8,505,935
Building maintenance fund	1,730,666

Funds held at OCF:

Willamette Humane Society	98,103
Medical care	59,963
Animal-assisted interactions	21,707
Humane education	21,654
Investigations and rescue	21,707
Pet rehabilitation and adoption	21,707
Susan Carey cat advancement	1,458

Total Board-designated endowment	\$ 10,482,900
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11. Net Assets with Donor Restrictions

The following summarizes OHS's net assets with donor-imposed restrictions as of December 31, 2022:

<i>Expendable net assets restricted for the following purposes:</i>	
The Lulu Madison Fund ¹	\$ 420,646
Other purposes	151,213
	<hr/> 571,859
<i>Expendable net assets unrestricted as to purpose, but restricted as to time:</i>	
Bequests receivable	3,138,746
Long-term receivables from charitable remainder trusts (<i>note 7</i>) ²	1,405,781
Net carrying value of charitable gift annuities (<i>note 8</i>)	819,324
Contributions receivable	101,799
	<hr/> 5,465,650

Non-expendable restricted net assets:

Endowment unrestricted as to purpose ³	\$ 7,470,744
Beneficial interest in perpetual trusts	672,552
	<hr/> 8,143,296
Total net assets with donor restrictions	<hr/> \$ 14,180,805

¹ The Lulu Madison Fund was created in 2006 from a previous perpetual trust. Through 2025, no more than 5.0% of the fund can be withdrawn and used for operations.

² Long-term receivables from charitable remainder trusts total \$1,623,203, which includes \$217,442 restricted for investment in OHS's endowment and is included in endowment funds in the above table.

³ Endowment funds at December 31, 2022 include \$25,050 held in cash and \$217,442 in long-term receivables from charitable remainder trusts restricted for endowment. The investment return on these funds is unrestricted as to purpose.

12. Endowment

The OHS's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowment ("quasi-endowment.") As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions. The following summarizes OHS's endowment-related activities for the year ended December 31, 2022:

	With donor restrictions			Quasi-endowment	Total endowment
	Accumulated endowment return	Endowment principal	Total		
Endowment net assets at beginning of year	\$ 1,759,658	5,761,718	7,521,376	12,540,003	20,061,379
Contributions, bequests and transfers ¹	191,655	1,077,454	1,269,109	515,942	1,785,051
Change in the value of OHS's beneficial interest in charitable trusts	-	(60,767)	(60,767)	-	(60,767)
Net investment return (<i>note 5</i>)	(937,596)	-	(937,596)	(2,084,109)	(3,021,705)
Appropriation of endowment assets for expenditure (<i>note 5</i>)	(321,378)	-	(321,378)	(488,936)	(810,314)
Endowment net assets at end of year	<hr/> \$ 692,339	6,778,405	7,470,744	10,482,900	17,953,644

¹ Contributions, bequests and transfers includes endowment net assets with donor restrictions totaling \$720,943 and quasi-endowment net assets totaling \$162,412 assigned or transferred to OHS as part of the merger with the Willamette Humane Society (*note 20*).

Interpretation of Relevant Law – The Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) governs Oregon charitable institutions with respect to the management, investment and expenditure of donor-restricted endowment funds.

OHS’s Board of Directors has interpreted Oregon’s adoption of UPMIFA as requiring OHS to adopt investment and spending policies that preserve the fair value of the original gift as of the date of gift, absent explicit donor stipulations to the contrary. Although OHS has a long-term fiduciary duty to the donor (and to others) for a fund of perpetual duration, the preservation of the endowment’s purchasing power is only one of several factors that are considered in managing and investing these funds. Furthermore, in accordance with UPMIFA, a portion of the endowment’s original gift may be appropriated for expenditure in support of the restricted purposes of the endowment if this is consistent with a spending policy that otherwise satisfies the requisite standard of prudence under UPMIFA.

As a result of this interpretation, OHS classifies as endowment principal (1) the original value of gifts donated to the donor-restricted endowment, (2) subsequent gifts to the endowment, and (3) accumulations to the endowment made pursuant to the direction of the applicable donor gift instrument.

Net earnings (realized and unrealized) on the investment of endowment assets are classified as accumulated endowment return until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA and until expended in a manner consistent with the purpose or time restrictions, if any, imposed by the donor. Any investment return classified as endowment principal represents only those amounts required to be retained permanently as a result of explicit donor stipulations.

In the absence of donor stipulations or law to the contrary, losses or appropriations of a donor-restricted endowment reduce accumulated endowment return to the extent that donor-imposed restrictions on net appreciation of the fund have not been satisfied before the loss or appropriation occurs. Any remaining loss or appropriation reduces endowment principal.

Endowments with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowments may fall below the level that the donor or UPMIFA requires OHS to retain as a fund of perpetual duration. In addition, the Board of Directors interprets UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law, and OHS has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater.

Investment and Spending Policies – In accordance with UPMIFA, OHS’s Board of Directors has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs and operations supported by its endowment, while also seeking to maintain the long-term purchasing power of the endowment assets. Therefore, the Board of Directors 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 OHS and the 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 OHS; and
- OHS’s investment policies.

To meet its objective, OHS’s policies limit spending to 4.5% of the fair value of such investments measured on December 31 of the previous year.

Continued

Actual endowment return earned in excess of distributions under this policy is reinvested as part of OHS's endowment management and is reported as a non-operating item in the accompanying statement of activities. For years when actual endowment return is less than distributions under the policy, the shortfall is covered by realized and unrealized returns from prior years. If cumulative endowment return is exhausted, any remaining loss or appropriation reduces endowment principal. In years when the overall endowment is underwater, the Board may permit continued spending from principal only in accordance with its policies for spending from underwater endowments. See *Endowments with Deficiencies*.

During the year ended December 31, 2022, OHS's Board of Directors appropriated endowment assets of \$321,378 from donor-restricted endowment funds and \$488,936 in accordance with this policy.

13. Net Assets Released from Restrictions

During the year ended December 31, 2022, the organization incurred various expenses in satisfaction of the restricted purposes specified by donors, or satisfied the restriction by the occurrence of other events. Accordingly, during the year ended December 31, 2022, corresponding net asset reclassifications have been recorded in the accompanying statement of activities, together with other transfers, as described in the following table:

	Without donor restrictions	With donor restrictions
<i>Operating transactions:</i>		
Satisfaction of donor restrictions for operating purposes	\$ 11,306,985	(11,306,985)
<i>Non-operating transactions:</i>		
Satisfaction of donor restrictions for capital purposes	17,452,436	(17,452,436)
	\$ 28,759,421	(28,759,421)

14. In-Kind Contributions

Under generally accepted accounting principles, significant services received which create or enhance a non-financial asset or require specialized skills that OHS would have purchased if not donated are recognized in the statement of activities.

In-kind contributions of land, buildings, equipment, and other materials are recorded where there is an objective basis upon which to value these contributions and where the contributions are an essential part of OHS's activities.

OHS receives contributed services from a large number of volunteers who assist in fundraising and other programmatic efforts on behalf of OHS through their participation in a wide range of businesses and activities. Although OHS benefits significantly from various services provided by the individuals who assist with the care of the animals, no amounts have been recorded in the accompanying financial statements for these contributed services as there is no reasonable method of valuation available nor sufficient control over the time, place, and manner of providing these services to permit recording on a consistent basis.

Contributed materials are valued at the estimated price that would be received for selling similar products in the United States. Contributed professional services and advertising are valued using current rates for similar services. Vehicle donations are valued at their auction sales prices. Donated merchandise is valued at the price at which such merchandise is sold to the public at the OHS Thrift Store.

During the year ended December 31, 2022, OHS recorded \$1,804,368 in such contributions, including their utilization by program services or other activities, as follows:

<i>Sheltering and adoptions programs</i>	
Materials and supplies	\$ 512,145
<i>Other programs</i>	
Materials and supplies	22,322
Advertising	5,000
<i>Management and General</i>	
Materials and supplies	52,478
Professional services	21,339
<i>Fundraising</i>	
Vehicle donations	740,071
Donated merchandise	188,449
Materials and supplies	5,225
Advertising	26,534
	<hr/>
	1,573,563
<i>Special events</i>	
Advertising	179,700
Materials and Supplies	51,105
	<hr/>
	\$ 1,804,368

15. Expenses

The costs of providing the various programs and activities of OHS have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Those expenses include depreciation and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, certain professional services, office expenses, information technology, shared facility costs and other expenses, which are allocated on the basis of estimates of time and effort or full-time-equivalent estimates.

16. Funds Held by the Oregon Community Foundation

In addition to the funds held at the Oregon Community Foundation described in notes 5, 10 and 18, OHS has also been named the beneficiary of numerous funds established at the Oregon Community Foundation and receives a proportionate share of total annual distributions equal to approximately 4.25% of the average fair value of the fund, based on a 13-quarter trailing average. These funds are not reflected in the accompanying financial statements because the Oregon Community Foundation retains variance power over the use of the funds; thus, OHS is precluded from recognizing its potential for future distributions. Distributions from these funds received during the year ended December 31, 2022 are reported as contribution revenue.

17. Other Commitments

OHS has entered into agreements with a construction company for services in connection with certain construction projects not to exceed \$29,733,086. As of December 31, 2022, OHS had incurred \$25,967,065 of costs associated with these agreements and \$3,766,021 remained outstanding.

In addition, during the year ended December 31, 2022, OHS entered into a revolving line of credit commitment of \$6,500,000 with a bank for the purpose of providing bridge financing for construction projects. As of December 31, 2022, \$200,000 had been drawn on this commitment. Monthly interest payments, at an annual rate of 6.75% as of December 31, 2022, are required until May 23, 2025, at which time all unpaid principal and accrued interest is due.

18. Fair Value Measurements

Included in the accompanying financial statements are certain financial instruments carried at fair value. The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale; similarly, the fair value of a liability is the amount at which the liability could be transferred in a current transaction between willing parties.

Fair values are based on quoted market prices when available. When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality.

All financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined under generally accepted accounting principles. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities and the lowest ranking to fair values determined using methodologies and models with unobservable inputs, as follows:

- *Level 1* – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

- *Level 2* – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Level 2 also includes units in funds which only invest in financial assets classified as Level 1, have no redemption gates or lock-up periods, and for which there have been recent transactions at the published monthly net asset value.
- *Level 3* – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect OHS's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Continued

At December 31, 2022, the following financial assets are measured at fair value on a recurring basis:

	Level 1	Level 3	Total
Investments (note 5)	\$ 34,232,535	–	34,232,535
Beneficial interest in assets held at the Oregon Community Foundation (note 5)	–	954,763	954,763
Contributions receivable from charitable remainder trusts (note 7)	–	1,623,223	1,623,223
Beneficial interest in perpetual trust (note 7)	–	672,552	672,552
	\$ 34,232,535	3,250,538	37,483,073

The changes in valuation of Level 3 assets using significant unobservable inputs are as follows:

	Contributions receivable from charitable remainder trusts	Interest in perpetual trust	Beneficial interest in assets held by the Oregon Community Foundation	Total
Fair value at beginning of year	\$ 2,185,478	336,972	101,112	2,623,562
Assigned or transferred as part of the merger with the Willamette Humane Society (note 20)	568,764	404,839	883,369	1,856,972
Contribution of beneficial interest in charitable remainder trusts	594,682	–	–	594,682
Distributions of the remainder portion of charitable remainder trusts	(1,634,786)	–	–	(1,634,786)
Decrease in the carrying value of contributions receivable from charitable remainder trusts	(90,915)	–	–	(90,915)
Net change in the value of a perpetual trust	–	(69,259)	–	(69,259)
Distribution of investment earnings	–	–	(20,746)	(20,746)
Net change in the beneficial interest in assets held by the Oregon Community Foundation	–	–	(8,972)	(8,972)
Fair value at end of year	\$ 1,623,223	672,552	954,763	3,250,538
	[A]	[B]	[C]	

[A] Measured at fair value based upon a discounted cash flow analysis of the expected income, taking the fair value of the assets held in trust and the life expectancy of the current beneficiaries into consideration (see note 7).

[B] Measured at fair value based upon a discounted cash flow analysis of the expected income, taking the fair value of the assets held in trust into consideration (see note 7).

[C] Measured at fair value based upon a discounted cash flow analysis of the expected income, which is equivalent to the fair value of the underlying assets held by the Oregon Community Foundation. Management's estimate of fair value is based solely upon information provided by the Oregon Community Foundation (see note 5).

19. Statement of Cash Flow Reconciliation

The following presents a reconciliation of the increase in net assets (as reported on the statement of activities) to net cash used in operating activities (as reported on the statement of cash flows):

Increase in net assets	\$ 5,611,793
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<i>Adjustments to reconcile increase in net assets to net cash used in operating activities:</i>	
Contribution of net assets from Willamette Humane Society	(11,615,058)
Depreciation	1,194,126
Net decline in the fair value of investments	6,239,508
Contribution revenue associated with the issuance of charitable gift annuities	(239,529)
Contribution of the beneficial interest in charitable remainder trusts	(594,682)
Distributions from charitable remainder trusts	1,634,786
Change in the actuarial value of liabilities under split-interest agreements	24,417
Change in the value of the beneficial interest in charitable trusts	(59,222)
Change in the value of charitable trusts	219,396
Proceeds from contributions restricted to capital acquisitions	(3,025,837)
Proceeds from contributions restricted for long term investment	(1,228,566)
<i>Net changes in:</i>	
Grants, contributions and bequests receivable	1,171,086
Prepaid expenses and inventories	217,637
Other assets	246,851
Accounts payable and accrued expenses	(73,072)
Accrued payroll and related expenses	376,033
Deferred compensation	(172,610)
<hr/>	
Total adjustments	(5,684,736)
<hr/>	
Net cash used in operating activities	\$ (72,943)
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20. Willamette Humane Society

Effective July 1, 2022, OHS entered into a merger agreement with the Willamette Humane Society, a nonprofit corporation providing animal welfare services in Salem, Oregon, and acquired its net assets in a contribution valued at \$11,615,058.

The net assets assumed by OHS in the transaction are summarized at their estimated fair values as follows:

Cash and cash equivalents	\$ 3,506,814
Grants, contributions, and bequests receivable	446,469
Prepaid expenses, inventories, and other assets	50,324
Investments	883,369
Property and equipment	5,884,558
Beneficial interest	973,603
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Total assets	\$11,745,137
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Accounts payable and accrued expenses	51,269
Accrued payroll and related expenses	78,810
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Total liabilities	130,079
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Net assets:	
Without donor restrictions	9,759,621
With donor restrictions	1,855,437
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Total net assets	11,615,058
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Total liabilities and net assets	\$11,745,137
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The operating results of the Willamette Humane Society from the date of merger have been consolidated with the operating results of OHS, and are included in the accompanying financial statements.

21. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure within one year of the statement of financial position date comprise the following at December 31, 2022:

<i>Total financial assets available:</i>	
Cash and cash equivalents	\$ 3,128,074
Grants, contributions, and bequests receivable	4,838,175
Investments	36,915,339
	<hr/>
	44,881,588
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<i>Less financial assets not available within the year ending December 31, 2023:</i>	
Financial assets restricted by donors for endowment (note 12)	(7,470,744)
Financial assets designated by the Board for quasi-endowment (note 10)	(10,482,900)
Financial assets restricted by donors for other purposes (note 11)	(420,646)
	<hr/>
	(18,374,290)
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<i>Plus other funds subject to appropriation for expenditure:</i>	
Fiscal year 2023 endowment appropriations for operations	307,215
Board-designated funds approved for expenditure	482,353
	<hr/>
	789,568
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	\$ 27,296,866
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As part of its liquidity management, OHS has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

In addition, OHS holds quasi-endowment funds totaling \$10,482,900 (see note 10). Although the organization does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary.

22. Reclassification of 2021 Comparative Totals

Certain 2021 amounts presented herein have been reclassified to conform to the 2022 presentation.

OREGON HUMANE SOCIETY

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OREGON HUMANE SOCIETY
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