



**Gary McGee & Co. LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

## **Oregon Humane Society**

Financial Statements and Other Information  
as of and for the Year Ended December 31, 2017  
and Report of Independent Accountants

OREGON HUMANE SOCIETY

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## Board Chair's Report

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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 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 the Society's independent accountants, GARY MCGEE & CO. LLP, whose report follows. Their examinations were made in accordance with generally accepted auditing standards. The Board of Trustees 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 the Society's financial statements. The Board of Trustees also reviews the scope and results of the Society's audit, and current and emerging accounting and financial requirements and practices affecting the Society.

John C. Gomez, *Chair*  
*Board of Trustees*  
*Oregon Humane Society*



## REPORT OF INDEPENDENT ACCOUNTANTS

*The Board of Trustees  
Oregon Humane Society:*

We have audited the accompanying financial statements of the Oregon Humane Society, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Oregon Humane Society as of December 31, 2017, 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.

*Summarized Comparative Information*

We have previously audited the Oregon Humane Society's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 12, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Chyi Chen & Co. LLP*

April 12, 2018

OREGON HUMANE SOCIETY  
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017  
(WITH COMPARATIVE AMOUNTS FOR 2016)

	2017	2016
<hr/>		
Assets:		
Cash	\$ 3,776,623	3,078,208
Grants, contributions, and bequests receivable <i>(note 4)</i>	10,457,059	1,166,362
Prepaid expenses, inventories, and other assets	270,594	404,799
Investments <i>(note 5)</i>	33,879,877	25,602,573
Beneficial interest in charitable trusts held by others <i>(note 6)</i>	723,198	725,108
Property and equipment <i>(note 7)</i>	15,737,590	15,518,264
<hr/>		
Total assets	\$ 64,844,941	46,495,314
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Liabilities:		
Accounts payable and accrued expenses	416,202	397,478
Construction payable	81,399	-
Accrued payroll and related expenses	776,283	886,488
Liabilities under split-interest agreements <i>(note 8)</i>	181,926	205,246
Deferred compensation <i>(note 9)</i>	992,513	898,372
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Total liabilities	2,448,323	2,387,584
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Net assets:		
Unrestricted:		
Available for general operations and programs	16,685,327	14,041,533
Designated by Board for endowment <i>(note 10)</i>	9,971,328	8,165,901
Net investment in capital assets	15,737,590	15,518,264
<hr/>		
Total unrestricted	42,394,245	37,725,698
Temporarily restricted <i>(note 10)</i>	16,296,379	2,874,152
Permanently restricted for endowment and other purposes <i>(note 10)</i>	3,705,994	3,507,880
<hr/>		
Total net assets	62,396,618	44,107,730
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Commitments and contingencies <i>(notes 4, 8, and 9)</i>		
Total liabilities and net assets	\$ 64,844,941	46,495,314
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See accompanying notes to financial statements.

OREGON HUMANE SOCIETY

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017  
(WITH COMPARATIVE TOTALS FOR 2016)

	2017			Total	2016
	Unrestricted	Temporarily restricted	Permanently restricted		
Operating revenues, gains, and other support:					
Grants and contributions	\$ 6,071,581	723,356	50	6,794,987	5,751,351
Legacies and bequests	4,021,766	1,354,177	187,115	5,563,058	3,936,803
Special events, less direct costs of \$987,903 in 2017 and \$1,312,707 in 2016	1,397,746	–	–	1,397,746	1,385,069
Sales and program fees, less cost of sales of \$337,823 in 2017 and \$328,092 in 2016	3,230,872	–	–	3,230,872	3,166,557
Rental income	260,839	–	–	260,839	234,159
Operating investment return (note 5)	2,053,543	168,419	–	2,221,962	923,441
Change in the actuarial value of liabilities under split-interest agreements	–	(15)	–	(15)	(9,052)
Change in the value of the Society's beneficial interest in charitable trusts	–	(12,859)	10,949	(1,910)	29,922
Other	21,934	–	–	21,934	52,463
<b>Total operating revenues and gains</b>	<b>17,058,281</b>	<b>2,233,078</b>	<b>198,114</b>	<b>19,489,473</b>	<b>15,470,713</b>
Appropriation of endowment and Board-designated assets for expenditure (notes 5 and 10)	157,581	–	–	157,581	435,462
Net assets released from restrictions for operating purposes (note 11)	1,146,654	(1,146,654)	–	–	–
<b>Total operating revenues, gains, and other support</b>	<b>18,362,516</b>	<b>1,086,424</b>	<b>198,114</b>	<b>19,647,054</b>	<b>15,906,175</b>
Expenses (note 12):					
Program services:					
Sheltering and adoptions	5,308,586	–	–	5,308,586	5,056,900
Medical services	2,197,778	–	–	2,197,778	2,049,986
Community awareness	1,649,952	–	–	1,649,952	1,576,261
Humane education	282,382	–	–	282,382	341,913
Investigations and rescue	828,444	–	–	828,444	976,517
Best Friends' Corner	281,551	–	–	281,551	282,962
Volunteers	333,922	–	–	333,922	252,885
Behavior, training, and animal-assisted interactions	652,152	–	–	652,152	579,668
ASAP/Spay & Save	376,097	–	–	376,097	368,104
<b>Total program services</b>	<b>11,910,864</b>	<b>–</b>	<b>–</b>	<b>11,910,864</b>	<b>11,485,196</b>
Supporting services:					
Management and general	1,142,824	–	–	1,142,824	1,053,251
Fundraising	1,999,714	–	–	1,999,714	2,194,615
<b>Total supporting services</b>	<b>3,142,538</b>	<b>–</b>	<b>–</b>	<b>3,142,538</b>	<b>3,247,866</b>
<b>Total expenses</b>	<b>15,053,402</b>	<b>–</b>	<b>–</b>	<b>15,053,402</b>	<b>14,733,062</b>
Increase in net assets before non-operating activities	3,309,114	1,086,424	198,114	4,593,652	1,173,113
Non-operating activities:					
Contributions restricted for capital purposes	–	11,928,546	–	11,928,546	600,000
Total endowment and Board-designated investment return, less appropriations for expenditure (notes 5 and 10)	1,359,433	407,257	–	1,766,690	277,488
<b>Increase in net assets</b>	<b>4,668,547</b>	<b>13,422,227</b>	<b>198,114</b>	<b>18,288,888</b>	<b>2,050,601</b>
Net assets at beginning of year	37,725,698	2,874,152	3,507,880	44,107,730	42,057,129
<b>Net assets at end of year</b>	<b>\$ 42,394,245</b>	<b>16,296,379</b>	<b>3,705,994</b>	<b>62,396,618</b>	<b>44,107,730</b>

See accompanying notes to financial statements.



OREGON HUMANE SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017  
(WITH COMPARATIVE TOTALS FOR 2016)

	2017															Total 2017	Total 2016
	Program services										Supporting services						
	Sheltering and adoptions	Medical services	Community awareness	Humane education	Investigations and rescue	Best Friends' Corner	Volunteers	Behavior, training, and animal-assisted interactions	ASAP/ Spay & Save	Total	Management and general	Technology and facilities costs	Fund-raising	Total			
Salaries	\$ 2,531,153	1,125,563	509,438	132,129	430,604	152,807	178,757	331,700	131,404	5,523,555	613,203	663,173	1,022,632	2,299,008	7,822,563	7,219,546	
Payroll taxes	192,341	84,528	37,513	11,005	31,931	11,037	12,285	24,587	9,785	415,012	40,461	50,083	76,100	166,644	581,656	535,714	
Group insurance	283,590	100,472	49,501	10,741	32,755	17,270	16,316	28,858	16,790	556,493	56,432	67,586	78,867	202,885	759,378	625,867	
Retirement	97,389	56,707	32,034	3,886	20,640	7,833	7,943	16,633	6,875	249,940	67,511	29,744	58,793	156,048	405,988	397,089	
Workers' compensation	10,603	5,113	2,452	514	1,888	618	701	1,366	538	23,793	4,066	2,778	4,505	11,349	35,142	32,740	
Professional services	20,576	7,934	58,842	950	2,735	1,207	829	15,913	2,898	111,884	139,379	31,375	139,293	310,047	421,931	641,014	
Surgical, medications, and lab	2,763	293,103	-	-	10,488	-	-	-	74,363	380,717	-	-	-	-	380,717	416,283	
Animal transportation and boarding	85,959	-	-	-	2,779	-	-	-	-	88,738	-	-	-	-	88,738	95,990	
Feed, shelter, and program supplies	443,065	31,965	195	14,544	13,253	2,083	58,595	3,814	3,706	571,220	545	796	366	1,707	572,927	642,832	
Office supplies and postage	19,677	8,087	3,031	908	3,333	1,068	807	1,889	1,362	40,162	5,853	3,880	8,354	18,087	58,249	73,631	
Printing	1,332	866	70	175	175	505	-	415	-	3,538	40	23,377	10,280	33,697	37,235	38,139	
Communication	1,137	-	1,440	-	1,004	-	-	-	-	3,581	500	98,953	-	99,453	103,034	107,156	
Direct mail	-	-	-	-	-	-	-	-	-	-	-	-	231,186	231,186	231,186	272,233	
Vehicle maintenance	44,230	-	1,019	2,092	10,001	-	-	-	486	57,828	1,135	4,451	958	6,544	64,372	41,705	
Travel and training	59,976	15,795	10,311	2,325	26,429	661	3,869	7,147	1,079	127,592	28,702	12,845	16,690	58,237	185,829	148,122	
Occupancy and equipment	7,832	5,589	90	375	10,077	-	1,764	-	590	26,317	5,213	362,054	3,182	370,449	396,766	442,581	
Repairs and maintenance	840	7,388	-	-	1,403	-	-	-	-	9,631	-	341,395	-	341,395	351,026	399,416	
Insurance	23,606	5,765	3,480	2,504	29,563	1,875	1,199	1,470	2,933	72,395	12,284	67,227	3,308	82,819	155,214	143,597	
Dues and subscriptions	2,886	9,816	1,011	300	16,548	-	334	889	-	31,784	10,307	170	2,969	13,446	45,230	37,052	
Computer	9,598	5,786	20,170	6,004	2,366	1,687	8,374	201	543	54,729	21,367	102,049	32,362	155,778	210,507	176,595	
Development and promotion	85	425	98,999	-	4,990	-	-	-	1,261	105,760	10,534	-	125,915	136,449	242,209	297,333	
Public awareness	-	-	688,003	-	-	-	-	-	-	688,003	-	-	-	-	688,003	666,989	
Bank fees	32,953	3,357	53,405	1,033	978	9,733	108	7,356	22	108,945	2,084	6	51,499	53,589	162,534	157,965	
Depreciation	417,954	128,010	20,635	26,373	52,343	20,120	8,499	58,329	6,501	738,764	25,977	-	31,599	57,576	796,340	824,921	
Other	17,792	10,377	2,832	1,813	72,644	-	3,782	834	90,734	200,808	39,705	10,894	5,221	55,820	256,628	298,552	
Total expenses before allocations	4,307,337	1,906,646	1,594,471	217,671	778,927	228,504	304,362	501,401	351,870	10,191,189	1,085,298	1,872,836	1,904,079	4,862,213	15,053,402	14,733,062	
Allocation of technology and facilities costs	1,001,249	291,132	55,481	64,711	49,517	53,047	29,560	150,751	24,227	1,719,675	57,526	(1,872,836)	95,635	(1,719,675)	-	-	
Total expenses	\$ 5,308,586	2,197,778	1,649,952	282,382	828,444	281,551	333,922	652,152	376,097	11,910,864	1,142,824	-	1,999,714	3,142,538	15,053,402	14,733,062	

See accompanying notes to financial statements.

OREGON HUMANE SOCIETY

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017  
(WITH COMPARATIVE TOTALS FOR 2016)

	2017	2016
Cash flows from operating activities:		
Cash received from contributors and grantors	\$ 12,685,918	11,261,863
Cash received from service recipients and others	3,851,468	3,772,521
Interest and dividend income	952,809	754,673
Cash paid to employees and suppliers	(14,003,130)	(13,255,834)
Net cash provided by operating activities	3,487,065	2,533,223
Cash flows from investing activities:		
Capital expenditures	(934,267)	(724,956)
Purchase of investments	(5,106,126)	(1,798,390)
Reinvestment of interest and dividend income	(937,259)	(716,019)
Proceeds from the sale of investments	959,505	959,776
Proceeds from the sale of capital assets	-	8,750
Net cash used in investing activities	(6,018,147)	(2,270,839)
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment	187,165	1,005,000
Proceeds from contributions restricted to capital acquisition	3,059,818	20,000
Proceeds from contributions subject to charitable gift annuity agreements	15,000	50,000
Distributions made under charitable trust and gift annuity agreements	(32,486)	(41,049)
Net cash provided by financing activities	3,229,497	1,033,951
Net increase in cash	698,415	1,296,335
Cash at beginning of year	3,078,208	1,781,873
Cash at end of year	\$ 3,776,623	3,078,208

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

1. Organization

The Oregon Humane Society is a private animal welfare organization, founded in 1868 and incorporated in 1880, which fosters an environment of respect, responsibility, and compassion for all animals through education, legislation, and leadership; to take care of the homeless, to defend the abused, and to fight with unrelenting diligence for the recognition of the integrity of all animals. The Society is a stand-alone, nonprofit organization, operating in Portland, Oregon, without the assistance of governmental funding. The Society is supported entirely 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, the Society is not an affiliate of national animal welfare organizations and in general does not receive funding from them.

There are three measurements that must be taken together to adequately assess the performance of an organization’s animal shelter programs: total number of animals admitted for rehoming, the percentage of animals released alive (save rate), and the average length of stay from arrival to disposition (“LOS”). Considering only one factor in the absence of others could lead to a false conclusion of success when just the opposite may be true. For example, a shelter could have a high save rate, but if only 100 animals were admitted and 100% were adopted, but the average length of stay was 365 days, you might think of them differently than an organization that accepted several thousand animals, had a 90% save rate, and the animals took an average of two weeks to re-home (a 14-day length of stay).

These three metrics together can be used as an assessment of impact and efficiency of the animal rehoming program.

*2017 Adoption Rates*

- The Society adopted 5,215 dogs – 99% of all dogs received by the shelter;
- The Society adopted 5,313 cats – 97% of all cats received by the shelter; and
- The Society adopted 768 small animals – 96% of all small animals received by the shelter.

2. Program Services

During the year ended December 31, 2017, the Society incurred program service expenses in the following major categories:

Sheltering and Adoptions – The Oregon Humane Society continues to maintain one of the highest adoption rates in the country – 11,296 total adoptions for 2017. The animals that found new homes constitute an overall 97% adoption rate. Through the Second Chance Program, the Society saves more lives by accepting animals from shelters and animal control agencies across Oregon, Washington, Hawaii and California. These shelters usually face the dual problem of too many abandoned animals and too few adopters. In 2017, 7,140 animals were accepted from 92 organizations.

### *2017 Save Rates*

In addition to the Adoption Rate, the Oregon Humane Society also maintains data on the Save Rate, calculated according to the Asilomar Standard. The Save Rate 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 Society saved a total of 11,886 animals, with a save rate of 98%;
- The Society saved 5,429 dogs – 99% of all dogs received by the shelter;
- The Society saved 5,619 cats – 97% of all cats received by the shelter; and
- The Society saved 838 small animals – 98% of all small animals received by the shelter.

### *2017 Length of Stay*

The Oregon Humane Society calculates the average length of stay by including the day of arrival through the day of disposition (adoption, transfer, euthanasia or return to owner), but not including time spent in foster homes or the time animals are held for the purpose of criminal prosecution.

- Dog LOS averaged 9.2 days; the average LOS for puppies was 10.7 days.
- Cat LOS averaged 12.8 days, while the average LOS for kittens was 13.3 days.

### *Adoption Outreach*

Bringing pets into the community for adoption is another way that the Society maintains such a high save rate.

- A total of 212 animals found homes directly through this program;
- There were 60 events that included pets available for adoption; and
- This program reached over 38,769 people in 2017, through events and permanent outreach locations.

Medical Services – During the year ended December 31, 2017, the Society performed 11,944 surgeries in the Animal Medical Learning Center (the “AMLC”), including 11,041 spay and neuter surgeries and 903 other essential and emergency surgeries. In addition, the AMLC provided 7,351 medical exams for pets and taught 86 veterinary students.

Community Awareness – Educating the community and promoting animals and programs are crucial to helping the Society achieve its mission of finding a home for every animal. In addition to a vibrant education department, the Society’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 the Society’s web site.

In 2017:

- Visitors to the shelter totaled 127,807 – (on average, 358 people visited the Society each day – open 357 days);
- Adoptions averaged 32 per day;
- Incoming phone calls numbered 481,002;
- The Society issued 73 media releases;
- The Society had 2,343 television, radio and web news stories;
- Community events numbered 172, with 60 of them featuring adoption outreach;
- The Society’s magazine reached 30,000 readers;
- The Society’s web site averaged 7,532 daily visitors; and
- The average stay on the Society’s web site was 5:13 minutes.

Humane Education – Sometimes the most significant lessons are learned not by listening to a speaker, but by experiencing with the heart. In humane education, the Society strives to reach the hearts as well as the minds of children, teens, and adults the Society has the opportunity to meet. With two specially-trained canine assistants, the Society’s educational department reached 14,392 individuals with messages of compassion in 2017.

- Humane education reached 14,392 people (including 12,499 children and 1,893 adults);
- Non-school presentations numbering 7 and made outside of the shelter reached 398 individuals;

- School visits included 58 different schools – 152 classrooms visited with 4,319 individuals reached;
- Summer camp sessions totaled 8, serving 236 total youth with 1,739 points of impact;
- Five after-school clubs with 290 points of impact;
- The 69th annual *Be Kind to Animals* poster and photo/story event received 1,756 entries; and
- As a result of 139 in-shelter tours – 2,611 individuals were reached.

Investigations and Rescue – The Society has two Humane Special Agents who are commissioned by the Superintendent of State Police to enforce Oregon’s tough animal cruelty laws. Additionally, there is one non-commissioned Humane Investigator who assists in the field by enhancing law enforcement services through education, follow-up, and performing duties, which do not require a commissioned peace officer. The investigator augments and increases our investigation, enforcement, education and prevention missions. The Society Peace Officers are in the field seven days a week, handling a variety of animal welfare complaints. In 2017, they traveled across Oregon to investigate 990 new cases of animal cruelty, leading to 461 animals being seized or removed from harm’s way, as well as completed and referred 23 criminal cases for prosecution. The department assisted 224 law enforcement and other public service agencies and their specially-trained veterinarians performed 428 forensic examinations on victim animals. The department responded to 5,029 calls and e-mail reporting concerns for animal welfare. The Society’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.

Best Friends’ Corner – The Society operates a retail store located in the lobby of the 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 2017:

- Gross sales: \$627,359;
- Net profit of: \$99,985;
- Percentage of overall sales attributed to new adopter sales: 39%.

Volunteers – The compassion of the Society’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 the Society’s volunteer hours. Donating 255,680 hours of service to all programs offered at the Society in 2017, volunteers provided services equivalent to 123 full-time employees.

#### *Adult Volunteers*

- Total adult volunteer hours – 255,680;
- Total number of individuals volunteering their time to OHS was 5,120;
- Volunteer hours for behavior and enrichment care totaled 53,640; and
- Other volunteer hours totaled 202,076.

#### *Youth and Community Groups Program*

- Individuals who participated in the Youth and Community Groups Program numbered 2,803, providing 14,876 volunteer hours;
- Individual youth volunteers (not including groups) numbered 223, resulting in 9,115 hours volunteered; and
- Groups totaled 2,580 group volunteers – 5,761 hours volunteered.

#### *Foster Care*

- There were 540 foster care volunteer families, volunteering 145,608 hours; and
- Animals fostered totaled 1,629.

#### *Primary Reasons for Foster Care*

- Because they were too young for adoption – 226; or
- They were nursing baby animals – 393; or
- They had a medical condition – 114.

Behavior, Training, and Animal-Assisted Interactions – The Society’s behavior, training, and animal-assisted interaction services are summarized as follows:

#### *Behavior Consultation and Training*

- Resulted in 571 private consultations;
- Public training classes offered numbered 181;
- People numbering 1,416 attended Oregon Humane Society classes and consultations;
- Volunteer trainings totaling 127 and included 974 staff and volunteers who attended those trainings;
- The Behavior Modification Program helped 41 dogs and 43 cats, assisted by 261 behavior Volunteers;
- A volume of 2,098 phone calls were handled by the free behavior help line;
- Top issues for cat owners: litter box problems and aggression; and
- The top issue for dog owners: home alone issues, reactivity/on-leash issues, and fearfulness.

#### *Animal Assisted Therapy (AAT)*

AAT provides medical and emotional benefits to patients through teams of trained animals and their human partners. The Society’s AAT school prepares individuals and their animals to take the national AAT evaluation exam. There were 131 people who attended AAT classes and 109 people and their dogs were evaluated to be Pet Partners. Currently, there are 11 active AAT volunteers who, in 2017, spent 1,740 hours visiting 28 facilities with a certified pet. The volunteer hours include an additional 714 hours in AAT classes and evaluations.

ASAP/Spay & Save – The Spay & Save program is operated in coordination with the Animal Shelter Alliance of Portland (“ASAP”), of which the Society is a member and the fiscal sponsor. 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. The Portland metropolitan area shelters have reduced euthanasia in local shelters by a dramatic 90% from 2006 to 2017 and now saves 95% of cats and dogs, thanks to the efforts of ASAP. In 2017, the Spay & Save program completed 8,882 surgeries, of which 4,176 were performed by Society staff. This vital program is funded entirely by private donations.

Community Support – The Society draws its support from across Oregon and beyond, counting donors from all of the state’s counties and nearly every city and town. During 2017, 32,442 individuals, businesses, and foundations made donations to support the Society’s work, and more than 20,526 persons contributed at or above the \$30 basic “membership level.” Of these, 894 donors were recognized as members of the Thomas Lamb Eliot Circle, honoring their annual commitment of \$1,000 or more.

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

- PAWS monthly gift program, with 2,497 participating donors;
- The *Autos-for-Animals* vehicle donation program, which received 980 cars, trucks, RV’s, and motorcycles;
- Gifts from estates and trusts, which comprise a significant portion of the Society’s operating income. The Society encourages supporters to remember the Oregon Humane Society in their estate plans. Pet owners can ensure the welfare of animals that might outlive them by participating in the *Friends Forever*<sup>™</sup> estate-planning-for-pets program. During the year, 33 new probate estates and matured trusts were opened.

In all, 76,581 gifts of all types were received during the year ended December 31, 2017.

### 3. Summary of Significant Accounting Policies

The significant accounting policies followed by the Society 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** – The Society has adopted the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) No. 958-605, *Revenue Recognition* and FASB ASC No. 958-205, *Presentation of Financial Statements*. Under these provisions, net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Society and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that will be met either by actions of the Society and/or the passage of time.
- *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Society. Generally, the donors of these assets permit the Society to use all or part of the income earned on related investments for general or specific purposes.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary 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.

**Contributions** – Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period 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 to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Contributions receivable for the support of future operations, programs, and activities are recorded at the present value of the estimated future cash flows, net of an allowance for uncollectible amounts. The allowance for uncollectible contributions receivable is provided based upon management’s judgment including such factors as prior collection history, type of contribution, and nature of fundraising activity.

Contributions of capital assets without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, buildings and related improvements, and equipment with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

In-Kind Contributions – The Society receives contributed services from a large number of volunteers who assist in fundraising and other programmatic efforts on behalf of the Society through their participation in a wide range of businesses and activities. For example, although the Society 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. Moreover, in accordance with FASB ASC No. 958-605, the value of services contributed by these volunteers, which the Society considers not practicable to estimate, have not been recognized in the statement of activities. On the other hand, significant services received that create or enhance a non-financial asset or require specialized skills that the Society would have purchased if not donated are generally recognized in the accompanying financial statements. In-kind contributions of 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 the Society's activities.

During the year ended December 31, 2017, the Society recorded \$1,440,725 in such contributions, as follows:

Advertising	\$ 440,697
Materials and supplies	321,745
Professional services	75,443
	<hr/> 837,885
Special events	602,840
	<hr/> \$ 1,440,725

Cash Equivalents – For purposes of the financial statements, the Society considers all liquid investments having initial maturities of three months or less to be cash equivalents. Cash and cash equivalents held as part of the Society'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 – All investments are carried at fair value. The net change in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (decline) of those investments, is reported in the statement of activities. Investment income is accrued as earned, and reported net of investment advisory fees. Security transactions are recorded on a trade date basis.

The Society 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 the Society'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 the Society. 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 \$35,505 (net of auction fees of \$14,590) at December 31, 2017.



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 – All contributions and grants are considered available for unrestricted use unless specifically restricted by the donor. Service revenues are recognized at the time services are provided and the revenues are earned. Bequests are recorded as revenue at the time the Society has an established right to the bequest and the proceeds are measurable.

Outstanding Legacies – The Society is the beneficiary under various wills and trust agreements, the total realizable amounts of which are not presently determinable. The Society's share of such bequests is recorded when the probate court has declared the testamentary instrument valid and the proceeds are measurable.

Beneficial Interest in Trusts – The Society 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. The Society 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 permanently restricted, temporarily restricted, or unrestricted 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.

Advertising and Marketing Expenses – Advertising and marketing costs are charged to expense as they are incurred. Advertising expense for 2017 totaled \$1,399,361 (including donated advertising expenses valued at \$992,512).

Endowment Funds and Interpretation of Relevant Law – Effective January 1, 2008, the State of Oregon adopted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), which governs Oregon charitable institutions with respect to the management, investment and expenditure of donor-restricted endowment funds.

The Board of Trustees has interpreted Oregon's adoption of UPMIFA as requiring the Society 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 the Society 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 historic dollar value 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, the Society classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) subsequent gifts to the endowment, and (3) accumulations made pursuant to the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Net earnings (realized and unrealized) on the investment of endowment assets are classified as temporarily restricted until those amounts are appropriated for expenditure by the Society 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 permanently restricted represents only those amounts required to be retained permanently as a result of explicit donor stipulations.

With regard to endowment losses or appropriations in excess of the fair value of the original gift, in accordance with FASB ASC No. 958-320, *Investments – Debt and Equity Securities*, the portion of a donor restricted endowment that is classified as permanently restricted is not reduced by losses on the investments of the fund, except to the extent required by the donor, including losses related to specific investments that the donor requires the Society to hold in perpetuity. Similarly, the amount of permanently restricted net assets is not reduced by the Society's appropriations from the fund. In the absence of donor stipulations or law to the contrary, losses or appropriations of a donor-restricted endowment reduce temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been satisfied before the loss or appropriation occurs. Any remaining loss or appropriation reduces unrestricted net assets.

In accordance with UPMIFA, the Board of Trustees 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 Trustees considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the donor-restricted endowment fund;
- The purposes of the Society 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 Society; and
- The investment policies of the Society.

The Society's policies limit spending to 4.5% of the fair value of such investments measured on December 31 of the previous year. Actual endowment return earned in excess of distributions under this policy is reinvested as part of the Society's management of endowment and is reported as a non-operating item in the accompanying statement of activities. For years in which actual endowment return is less than distributions under the policy, the short-fall is intended to be covered by realized and unrealized returns from prior years.

During the year ended December 31, 2017, the Society's Board of Trustees appropriated endowment assets of \$154,367 from donor-restricted endowment funds and \$3,214 from Board-designated endowment funds in accordance with this policy. See note 10.

Concentrations of Credit Risk – The Society’s financial instruments consist primarily of cash equivalents and investments, which may subject the Society 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, 2017, the Society had \$3,515,234 in cash accounts that were in excess of FDIC coverage. In addition, the Society held \$3,298,415 in cash equivalents held in investment accounts not covered by the FDIC as of December 31, 2017.

Certain receivables may also, from time to time, subject the Society to concentrations of credit risk. To minimize its exposure to significant losses from customer or donor insolvencies, the Society’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.

Income Taxes – The Society 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 unrestricted net assets, except capital contributions and grants and net investment return on endowment and related assets (less the amount appropriated by the Board to support current operations). In accordance with the Society’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 unrestricted, non-endowed investments.

Subsequent Events – As required by FASB ASC No. 855, *Subsequent Events*, subsequent events have been evaluated by management through April 12, 2018, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2016 – The accompanying financial information as of and for the year ended December 31, 2016 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, 2017 are summarized as follows:

<i>Unconditional promises expected to be collected in:</i>	
Less than one year	\$ 4,232,878
One year to five years	6,190,002
Greater than five years	503,000
	10,925,880
Less allowance for uncollectable pledges	(134,231)
Less discount <sup>1</sup>	(334,590)
	\$ 10,457,059

<sup>1</sup> 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 \$10,925,880 is summarized as follows:

Bequests receivable	\$ 1,235,739
Capital campaign pledges receivable, net of allowance and discount	9,448,728
Other grants and contributions receivable	241,413
	\$ 10,925,880

At December 31, 2017, the Society also is the beneficiary of numerous estates, which include real property and other assets. However, because the value of the Society'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, 2017, investments consist of the following:

Equity mutual funds	\$ 20,474,370
Fixed income mutual funds	9,753,392
Equity exchange-traded funds	20,529
Fixed income exchange-traded funds	7,318
	30,255,609
Plus beneficial interest in assets held at the Oregon Community Foundation <sup>1</sup>	75,853
Plus cash equivalents	3,548,415
	\$ 33,879,877

<sup>1</sup> The Society holds a beneficial interest in the net assets of four 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. Under the terms of its agreement with OCF, the Society 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.

In accordance with FASB ASC No. 958-605, *Revenue Recognition*, the Society 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 the Society. 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 Trustees and are held in a mixture of asset classes designed to maximize return while minimizing risk. OCF's target asset allocation at December 31, 2017 was as follows: 48% equities (both domestic and international); 15% absolute return; 15% private equity/venture capital; 10% real assets; and 12% fixed income. The Society's share of the aggregate valuation disclosed in the preceding table has been provided by OCF. The Society generally receives periodic distributions of the net investment return earned on these assets (generally 4.5% to 5.0% 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 the Society's Board of Trustees 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 the Society's finance committee and Board of Trustees.

Investments are held for the following purposes:

Donor-restricted endowment funds	\$ 3,375,889
Unappropriated endowment earnings	652,258
Board-designated funds	9,971,328
Other	19,880,402
	\$ 33,879,877

Total investment return for the year ended December 31, 2017 is summarized as follows:

Interest and dividends	\$ 952,809
Net appreciation in the fair value of investments	3,193,424
	\$ 4,146,233

Operating investment return	\$ 2,221,962
Endowment and Board-designated investment return	1,924,271
	\$ 4,146,233

Total endowment and Board-designated investment return for the year ended December 31, 2017 is summarized as follows:

Total endowment and Board-designated investment return	\$ 1,924,271
Less endowment assets appropriated for expenditure (note 10)	(157,581)
	\$ 1,766,690

#### 6. Beneficial Interest in Charitable Trusts Held by Others

At December 31, 2017, the Society was the beneficiary of six irrevocable charitable remainder trusts and two perpetual trusts established by the wills of donors, as follows:

Long-term receivables from charitable remainder trusts <sup>1</sup>	\$ 405,519
Beneficial interest in perpetual trusts <sup>2</sup>	317,679
	\$ 723,198

<sup>1</sup> With respect to the charitable remainder trusts, upon the deaths of the income beneficiaries, the Society will receive all or a portion of the remaining assets of the trusts. Total trust assets at December 31, 2017 are valued at \$4,451,717, of which \$407,097 represents assets allocated to the Society. A beneficial interest in charitable trusts of \$405,519 is recorded at December 31, 2017, representing the actuarially-determined present value of the estimated future cash flows that will inure to the Society, using discount rates which range from 3.0% to 4.0%. The Society has no control over the investment of trust assets, which are managed by independent third parties.

<sup>2</sup> The Society has recorded its interest in two perpetual trusts for which the Society has been named partial beneficiary. The Society'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, 2017. The Society has no control over the investment of trust assets, which are managed by independent third parties. In accordance with the terms of the trust, the Society receives distributions of income generated by the trust assets. During the year ended December 31, 2017, the Society received distributions of \$14,671. These distributions have been included with interest and dividend income in the statement of activities.

## 7. Property and Equipment

A summary of property and equipment as of December 31, 2017, is as follows:

Land	\$ 3,948,958
Land improvements	675,764
Buildings and improvements	15,832,690
Equipment	2,766,287
Furniture and fixtures	185,958
Vehicles	866,273
Work-in-progress	635,972
	<hr/>
	24,911,902
Less accumulated depreciation	(9,174,312)
	<hr/>
	\$ 15,737,590
	<hr/>

## 8. Liabilities Under Split-Interest Agreements

At December 31, 2017, the Society reported obligations to beneficiaries of charitable gift annuities totaling \$181,926. The Society had entered into 20 charitable gift annuity agreements, whereby the Society 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 1.64% to 4.96%. Upon the death of the beneficiary (and, in certain cases, the beneficiary's spouse), the Society 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 the

Society, 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, 2017, the Society held \$776,440 in assets associated with charitable gift annuities.

## 9. Retirement Plans and Deferred Compensation Arrangements

The Society provides substantially all full-time, and certain part-time, employees with a qualified 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 21 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. Employees who have completed at least one year of service (and worked at least 1,000 hours in that service year) are eligible for matching contributions and discretionary contributions by the Society. The Society matches 50% of each eligible employee's contribution to the plan, for those employed by the Society on December 31, up to 3.0% of their total annual compensation. Employees select from several investment options. Contributions to the plan from employees and matching contributions from the Society vest as accrued. Matching contributions to the plan by the Society totaled \$151,186 for the year ended December 31, 2017. Discretionary contributions to the plan, which vest at the rate of 20% annually beginning with the second year of service, are fully vested upon completion of the sixth year of service. For the year ended December 31, 2017, the Society accrued \$232,500 in discretionary contributions to the plan, to be paid subsequent to year-end.

In addition, the Society has entered into deferred compensation agreements with selected senior management personnel. The benefits, which are underwritten by the Society'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, 2017, the present value of future payments under these agreements totals \$992,513.

For 2017, the Society reported retirement expense totaling \$17,976 in amortization of the deferred compensation liability.

#### 10. Restrictions and Limitations on Net Asset Balances

The following summarizes donor-imposed restrictions and other limitations on net assets as of December 31, 2017.

##### *Board-Designated Net Assets*

At December 31, 2017, \$9,971,328 of the Society's unrestricted net assets have been designated by the Board of Trustees for the following purposes:

F. Swigert quasi-endowment fund	\$ 8,230,543
Building maintenance fund	1,664,932

##### *Funds held at OCF:*

Animal-assisted interactions	18,975
Humane education	18,928
Investigations and rescue	18,975
Pet rehabilitation and adoption	18,975
	<hr/>
	\$ 9,971,328

##### *Temporarily Restricted Net Assets*

Temporarily restricted net assets at December 31, 2017 represent \$16,296,379 in grants, contributions, and other unexpended revenues and gains available for the following:

##### *Expendable grants and contributions:*

New Road Ahead capital campaign	\$ 12,528,546
Carrying value of charitable gift annuities (note 8)	594,514
Long-term receivables from charitable remainder trusts (note 6)	405,519
The Lulu Madison Fund <sup>1</sup>	342,805
Myra Moreland Cattery Fund	124,739
Animal Shelter Alliance of Portland/Spay & Save	119,321
Other purposes	112,143
	<hr/>
	14,227,587

##### *Future periods:*

Unrestricted bequests receivable	1,178,913
Unrestricted contributions receivable	237,621
	<hr/>
	1,416,534
	<hr/>
Unappropriated endowment return	652,258
	<hr/>
	\$ 16,296,379

<sup>1</sup> 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 Society operations.

*Continued*

### Permanently Restricted Net Assets

At December 31, 2017, the Society held \$3,705,994 in donor-restricted endowment funds and investments in perpetual trusts. These represent the portion of the Society's perpetual endowment that is required to be retained permanently, either by explicit donor stipulation or by UPMIFA. The investment return earned on the balances of permanently restricted net assets is generally unrestricted as to purpose, except for the change in the value of the Society's beneficial interest in perpetual trusts, which is permanently restricted. Permanently restricted net assets at December 31, 2017 consist of the following:

Donor-restricted endowment <sup>1</sup>	\$ 3,388,315
Beneficial interest in perpetual trusts ( <i>note 6</i> )	317,679
	\$ 3,705,994

<sup>1</sup> Donor-restricted endowment funds include \$12,426 held in cash at December 31, 2017.

### Cumulative Endowment Deficit

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or UPMIFA requires the Society to retain as a fund of perpetual duration. In these cases, as required by FASB ASC No. 958-320, the cumulative endowment deficit is classified as a transaction of the unrestricted net asset class, to be reinstated out of future endowment earnings.

The following summarizes the Society's endowment-related activities for the year ended December 31, 2017:

	Donor-restricted endowment				Board-designated endowment Unrestricted	Total endowment
	Unrestricted	Temporarily restricted	Permanently restricted	Total		
Endowment net assets at beginning of year	\$ (6,342)	245,001	3,201,150	3,439,809	8,165,902	11,605,711
Contributions and bequests	-	-	187,165	187,165	452,335	639,500
Investment return	6,342	561,624	-	567,966	1,356,305	1,924,271
Appropriation of endowment assets for expenditure	-	(154,367)	-	(154,367)	(3,214)	(157,581)
Endowment net assets at end of year	\$ -	652,258	3,388,315	4,040,573	9,971,328	14,011,901



#### 11. Net Assets Released from Restrictions

During the year ended December 31, 2017, the organization incurred \$1,146,654 in expenses in satisfaction of the restricted purposes specified by donors, or satisfied the restrictions by the occurrence of other events. Accordingly, during the year, a corresponding amount has been reported as a reclassification from temporarily restricted net assets to unrestricted net assets in the accompanying statement of activities.

#### 12. Expenses

The costs of providing the various programs and other activities of the Society 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. Expenses by natural classification are presented in the statement of functional expenses.

#### 13. Funds Held by the Oregon Community Foundation

The Society has been named a 25% beneficiary of the Bud R. Moore and Wynema N. Moore Fund, established at the Oregon Community Foundation, and receives a proportionate share of total annual distributions equal to approximately 4.5% of the average fair value of the fund, based on a 13-quarter trailing average. During the year ended December 31, 2017, the Society received \$11,476 from the fund, reported as unrestricted contribution revenues. This fund is not reflected in the accompanying financial statements because the Oregon Community Foundation retains variance power over the use of the funds; thus, the Society is precluded from recognizing its potential for future distributions.

#### 14. 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. 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.

The Society's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by FASB ASC No. 820, *Fair Value Measurements and Disclosures*. 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 3* – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Society'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, 2017, the following financial assets are measured at fair value on a recurring basis:

	Level 1	Level 3	Total
Investments ( <i>note 5</i> )	\$ 30,255,609	–	30,255,609
Beneficial interest in assets held at the Oregon Community Foundation ( <i>note 5</i> )	–	75,853	75,853
	30,255,609	75,853	30,331,462
Contributions receivable from charitable remainder trusts ( <i>note 6</i> )	–	405,519	405,519
Beneficial interest in perpetual trust ( <i>note 6</i> )	–	317,679	317,679
	\$ 30,255,609	799,051	31,054,660

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	\$ 418,378	306,730	68,826	793,934
Decrease in the carrying value of contributions receivable from charitable remainder trusts	(12,859)	–	–	(12,859)
Net change in the value of a perpetual trust	–	10,949	–	10,949
Distribution of investment earnings	–	–	(3,214)	(3,214)
Net change in the beneficial interest in assets held by the Oregon Community Foundation	–	–	10,241	10,241
Fair value at end of year	\$ 405,519	317,679	75,853	799,051
	[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 6).

[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 6).

[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).

## 15. 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 provided by operating activities (as reported on the statement of cash flows):

Increase in net assets	\$ 18,288,888
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<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>	
Depreciation	796,340
Net appreciation in the fair value of investments	(3,193,424)
Contribution revenue associated with the issuance of charitable gift annuities	(5,849)
Change in the actuarial value of liabilities under split-interest agreements	15
Change in the value of the Society's beneficial interest in charitable trusts	1,910
Proceeds from contributions restricted to capital acquisitions	(3,059,818)
Proceeds from contributions restricted for long term investment	(187,165)
<i>Net changes in:</i>	
Grants, contributions, and bequests receivable	(9,290,697)
Prepaid expenses, inventories, and other assets	134,205
Accounts payable and accrued expenses	18,724
Accrued payroll and related expenses	(110,205)
Deferred compensation	94,141
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Total adjustments	(14,801,823)
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Net cash provided by operating activities	\$ 3,487,065
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