



Gary McGee & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

Oregon Humane Society

Financial Statements and Other Information
as of and for the Year Ended December 31, 2018
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 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 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 the Society's financial statements. The Board of Directors 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 Directors
Oregon Humane Society

REPORT OF INDEPENDENT ACCOUNTANTS

*The Board of Directors
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, 2018, 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, 2018, 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.

Emphasis of Matter

As discussed in note 4 to the financial statements, in 2018 the Oregon Humane Society adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Summarized Comparative Information

We have previously audited the Oregon Humane Society’s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 12, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Guy P. Carr & Co. LLP". The signature is written in a cursive, professional style.

April 10, 2019

OREGON HUMANE SOCIETY

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

(WITH COMPARATIVE AMOUNTS FOR 2017)

	2018	2017
Assets:		
Cash and cash equivalents	\$ 2,412,589	3,776,623
Grants, contributions, and bequests receivable <i>(note 5)</i>	10,326,690	10,457,059
Prepaid expenses, inventories, and other assets	316,420	270,594
Investments <i>(note 6)</i>	40,591,834	33,879,877
Property and equipment <i>(note 7)</i>	18,421,521	15,737,590
Beneficial interest in charitable trusts held by others <i>(note 8)</i>	1,910,871	723,198
Total assets	\$ 73,979,925	64,844,941
Liabilities:		
Accounts payable and accrued expenses	535,055	416,202
Construction payable	-	81,399
Accrued payroll and related expenses	1,023,236	776,283
Liabilities under split-interest agreements <i>(note 9)</i>	248,231	181,926
Deferred compensation <i>(note 10)</i>	1,021,597	992,513
Total liabilities	2,828,119	2,448,323
Net assets:		
Without donor restrictions:		
Available for general operations and programs	12,167,602	16,685,327
Designated by Board for endowment <i>(note 11)</i>	10,330,888	9,971,328
Net investment in capital assets	18,421,521	15,737,590
Total without donor restrictions	40,920,011	42,394,245
With donor restrictions <i>(note 12)</i>	30,231,795	20,002,373
Total net assets	71,151,806	62,396,618
Commitments and contingencies <i>(notes 5, 9, 10, and 17)</i>		
Total liabilities and net assets	\$ 73,979,925	64,844,941

See accompanying notes to financial statements.

OREGON HUMANE SOCIETY

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018		Total	2017
	Without donor restrictions	With donor restrictions		
Operating revenues, gains, and other support:				
Grants and contributions	\$ 6,698,895	1,433,797	8,132,692	6,794,987
Legacies and bequests	3,707,924	1,815,282	5,523,206	5,563,058
Special events, less direct costs of \$874,020 in 2018 and \$987,903 in 2017	1,315,651	–	1,315,651	1,397,746
Sales and program fees, less cost of sales of \$298,960 in 2018 and \$337,823 in 2017	3,485,612	–	3,485,612	3,230,872
Rental income	271,420	–	271,420	260,839
Operating investment return (note 6)	(642,572)	(69,049)	(711,621)	2,221,962
Change in the actuarial value of liabilities under split-interest agreements	–	(19,986)	(19,986)	(15)
Change in the value of the Society's beneficial interest in charitable trusts	–	12,367	12,367	(1,910)
Other	10,246	–	10,246	21,934
Total operating revenues and gains	14,847,176	3,172,411	18,019,587	19,489,473
Appropriation of endowment and Board-designated assets for expenditure (notes 6 and 13)	448,955	180,845	629,800	157,581
Net assets released from restrictions for operating purposes (note 14)	1,957,135	(1,957,135)	–	–
Total operating revenues, gains, and other support	17,253,266	1,396,121	18,649,387	19,647,054
Expenses (note 15):				
Program services:				
Sheltering and adoptions	5,650,604	–	5,650,604	5,308,586
Medical services	2,451,482	–	2,451,482	2,197,778
Community awareness	2,660,726	–	2,660,726	1,649,952
Humane education	318,313	–	318,313	282,382
Investigations and rescue	793,730	–	793,730	828,444
Best Friends' Corner	288,579	–	288,579	281,551
Volunteers	350,163	–	350,163	333,922
Behavior, training, and animal-assisted interactions	700,303	–	700,303	652,152
ASAP/Spay & Save	299,566	–	299,566	376,097
Total program services	13,513,466	–	13,513,466	11,910,864
Supporting services:				
Management and general	1,861,188	–	1,861,188	1,142,824
Fundraising	2,275,511	–	2,275,511	1,999,714
Total supporting services	4,136,699	–	4,136,699	3,142,538
Total expenses	17,650,165	–	17,650,165	15,053,402
Increase (decrease) in net assets before non-operating activities	(396,899)	1,396,121	999,222	4,593,652
Non-operating activities:				
Contributions restricted for capital purposes	–	9,238,132	9,238,132	11,928,546
Total endowment and Board-designated investment return, less appropriations for expenditure (notes 6 and 13)	(1,077,335)	(404,831)	(1,482,166)	1,766,690
Increase (decrease) in net assets	(1,474,234)	10,229,422	8,755,188	18,288,888
Net assets at beginning of year (note 4)	42,394,245	20,002,373	62,396,618	44,107,730
Net assets at end of year	\$ 40,920,011	30,231,795	71,151,806	62,396,618

See accompanying notes to financial statements.

OREGON HUMANE SOCIETY

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018	2017
Cash flows from operating activities:		
Cash received from contributors and grantors	\$ 12,446,263	12,685,918
Cash received from service recipients and others	4,083,725	3,851,468
Interest and dividend income	831,061	952,809
Cash paid to employees and suppliers	(15,920,506)	(14,003,130)
Net cash provided by operating activities	1,440,543	3,487,065
Cash flows from investing activities:		
Capital expenditures	(3,618,820)	(934,267)
Purchase of investments	(10,546,800)	(5,106,126)
Reinvestment of interest and dividend income	(813,359)	(937,259)
Proceeds from the sale of investments	2,253,154	959,505
Net cash used in investing activities	(12,725,825)	(6,018,147)
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment	10,050	187,165
Proceeds from contributions restricted to capital acquisition	9,796,643	3,059,818
Proceeds from contributions subject to charitable gift annuity agreements	150,547	15,000
Distributions made under charitable trust and gift annuity agreements	(35,992)	(32,486)
Net cash provided by financing activities	9,921,248	3,229,497
Net increase (decrease) in cash	(1,364,034)	698,415
Cash and cash equivalents at beginning of year	3,776,623	3,078,208
Cash and cash equivalents at end of year	\$ 2,412,589	3,776,623

See accompanying notes to financial statements.

OREGON HUMANE SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018															Total 2018	Total 2017
	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	\$ 2,688,055	1,240,650	628,476	162,126	439,866	148,346	183,062	367,051	140,183	5,997,815	849,843	769,887	1,194,721	2,814,451	8,812,266	7,822,563	
Payroll taxes	201,066	90,205	44,316	13,929	31,316	13,987	13,783	26,203	12,010	446,815	52,389	57,017	84,033	193,439	640,254	581,656	
Group insurance	321,084	106,072	73,260	12,662	39,040	18,359	17,645	34,116	17,755	639,993	72,400	78,326	91,690	242,416	882,409	759,378	
Retirement	104,210	57,528	33,347	5,751	24,236	7,066	8,311	17,988	5,779	264,216	69,375	41,002	67,014	177,391	441,607	405,988	
Workers' compensation	18,433	5,475	2,963	549	1,872	565	820	1,453	542	32,672	4,964	3,253	5,022	13,239	45,911	35,142	
Professional services	25,588	8,452	141,470	1,126	2,970	1,429	1,151	18,687	2,226	203,099	466,639	64,703	50,926	582,268	785,367	421,931	
Surgical, medications, and lab	14,943	267,075	-	-	13,325	-	-	-	69,879	365,222	-	-	-	-	365,222	380,717	
Animal transportation and boarding	93,817	-	-	-	4,840	-	-	-	-	98,657	-	-	-	-	98,657	88,738	
Feed, shelter, and program supplies	426,468	122,589	848	16,968	14,325	812	63,102	4,661	659	650,432	974	3,371	544	4,889	655,321	572,927	
Office supplies and postage	16,709	6,065	2,432	660	6,634	801	1,074	4,729	1,763	40,867	6,531	3,363	8,608	18,502	59,369	58,249	
Printing	100	105	385	690	235	-	-	830	530	2,875	135	25,413	9,181	34,729	37,604	37,235	
Communication	862	-	600	-	456	-	-	-	-	1,918	1,200	103,453	-	104,653	106,571	103,034	
Direct mail	-	-	-	-	-	-	-	-	-	-	-	-	244,185	244,185	244,185	231,186	
Vehicle maintenance	15,251	-	1,581	6	6,697	-	-	-	-	23,535	1,139	11,103	8	12,250	35,785	64,372	
Travel and training	61,958	18,258	5,629	1,237	11,789	803	2,951	6,123	377	109,125	27,556	7,787	17,216	52,559	161,684	185,829	
Occupancy and equipment	7,674	4,069	495	-	1,760	-	2,995	-	35	17,028	573	348,561	1,628	350,762	367,790	396,766	
Repairs and maintenance	178	9,090	348	-	10	-	-	-	-	9,626	-	417,571	-	417,571	427,197	351,026	
Insurance	11,462	2,090	2,084	1,255	24,915	834	699	764	1,651	45,754	72,706	45,905	1,734	120,345	166,099	155,214	
Dues and subscriptions	3,262	6,732	750	130	6,880	-	390	1,530	-	19,674	10,224	1,743	2,969	14,936	34,610	45,230	
Computer	12,129	7,932	21,828	-	1,756	477	8,392	-	793	53,307	22,079	236,663	22,714	281,456	334,763	210,507	
Development and promotion	-	70	122,335	-	1,987	-	-	-	588	124,980	7,637	-	228,012	235,649	360,629	242,209	
Public awareness	-	-	1,392,048	-	-	-	-	-	5,436	1,397,484	-	-	652	652	1,398,136	688,003	
Bank fees	38,510	4,228	58,891	2,912	267	11,304	93	5,032	12	121,249	510	111	47,457	48,078	169,327	162,534	
Depreciation	432,145	152,321	21,425	26,971	59,745	20,301	8,466	59,054	6,366	786,794	15,919	-	33,290	49,209	836,003	796,340	
Other	21,166	17,242	2,178	1,512	32,938	102	3,296	1,021	946	80,401	76,958	5,879	20,161	102,998	183,399	256,628	
Total expenses before allocations	4,515,070	2,126,248	2,557,689	248,484	727,859	225,186	316,230	549,242	267,530	11,533,538	1,759,751	2,225,111	2,131,765	6,116,627	17,650,165	15,053,402	
Allocation of technology and facilities costs	1,135,534	325,234	103,037	69,829	65,871	63,393	33,933	151,061	32,036	1,979,928	101,437	(2,225,111)	143,746	(1,979,928)	-	-	
Total expenses	\$ 5,650,604	2,451,482	2,660,726	318,313	793,730	288,579	350,163	700,303	299,566	13,513,466	1,861,188	-	2,275,511	4,136,699	17,650,165	15,053,402	

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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.

2. Program Services

During the year ended December 31, 2018, 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 – 12,062 total adoptions for 2018. The animals that found new homes constitute an overall 98% 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 2018, 8,122 animals were accepted from 85 organizations.

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.

2018 Adoption Rates

- The Society adopted 4,996 dogs – 98% of all dogs received by the shelter;
- The Society adopted 6,363 cats – 98% of all cats received by the shelter; and
- The Society adopted 703 small animals – 98% of all small animals received by the shelter.

Save Rates for 2018

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 12,596 animals, with a save rate of 98%;
- The Society saved 5,240 dogs – 98% of all dogs received by the shelter;
- The Society saved 6,619 cats – 98% of all cats received by the shelter; and
- The Society saved 737 small animals – 98% of all small animals received by the shelter.

Length of Stay for 2018

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 8.9 days; the average LOS for puppies was 12.4 days.
- Cat LOS averaged 11.7 days, while the average LOS for kittens was 15.8 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 200 animals found homes directly through this program;
- There were 35 events that included pets available for adoption; and
- This program reached over 35,862 people in 2018, through events and permanent outreach locations.

Medical Services – During the year ended December 31, 2018, the Society performed 12,626 surgeries in the Animal Medical Learning Center (the “AMLC”), including 11,984 spay and neuter surgeries and 642 other essential and emergency surgeries. In addition, the AMLC provided 6,401 medical exams for pets and taught 87 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 2018:

- Visitors to the shelter totaled 137,841 – (on average, 363 people visited the Society each day – open 360 days);
- Adoptions averaged 33 per day;
- Incoming phone calls numbered 468,395;
- The Society issued 81 media releases;
- The Society had 2,604 television, radio and web news stories;
- Community events numbered 181, with 35 of them featuring adoption outreach;
- The Society’s magazine reached 34,500 readers;
- The Society’s web site averaged 7,372 daily visitors; and
- The average stay on the Society’s web site was 5:12 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 14,254 individuals with messages of compassion in 2018.

- Humane education reached 14,254 people (including 11,550 children and 2,704 adults);
- Non-school presentations numbering 5 and made outside of the shelter reached 128 individuals;

- School visits included 59 different schools – 165 classrooms visited with 4,879 individuals reached;
- Summer camp sessions totaled 8, serving 219 total youth with 1,644 points of impact;
- Five after-school clubs with 318 points of impact;
- The 70th annual *Be Kind to Animals* poster and photo/story event received 1,879 entries; and
- As a result of 113 in-shelter tours – 1,985 individuals were reached.

Investigations and Rescue – In 2018, The Society had one Humane Special Agent who was commissioned by the Superintendent of State Police to enforce Oregon’s tough animal cruelty laws. Additionally, there was one non-commissioned Humane Investigator who assisted in the field with the enforcement of these laws. The investigations team traveled across Oregon to investigate 535 new cases of animal cruelty, leading to 260 animals being seized or removed from harm’s way, and 8 criminal cases. They also assisted law enforcement agencies and veterinary forensic services 190 times. There were 3,671 calls and e-mail messages to the Society’s cruelty complaint line and web site. 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 2018:

- Gross sales: \$596,653;
- Net profit of: \$121,847;
- Percentage of overall sales attributed to new adopter sales: 42%.

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 281,613 hours of service to all programs offered at the Society in 2018, volunteers provided services equivalent to 135 full-time employees.

Adult Volunteers

- Total adult volunteer hours – 281,613;
- Total number of individuals volunteering their time to OHS was 5,359;
- Volunteer hours for behavior and enrichment care totaled 56,800; and
- Other volunteer hours totaled 224,813.

Youth and Community Groups Program

- Individuals who participated in the Youth and Community Groups Program numbered 2,842, providing 15,813 volunteer hours;
- Individual youth volunteers (not including groups) numbered 249, resulting in 9,911 hours volunteered; and
- Groups totaled 382 group volunteers – 5,900 hours volunteered.

Foster Care

- There were 525 foster care volunteer families, volunteering 165,470 hours; and
- Animals fostered totaled 2,030.

Primary Reasons for Foster Care

- Because they were too young for adoption – 774; or
- They were nursing baby animals – 660; or
- They had a medical condition – 537.

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 626 private consultations;
- Public training classes offered numbered 185;
- People numbering 1,643 attended Oregon Humane Society classes and consultations;
- Volunteer trainings totaled 160 and included 1,297 staff and volunteers who attended those trainings;
- The Behavior Modification Program helped 33 dogs and 42 cats;
- A volume of 1,924 phone calls and emails were handled by the free behavior help line;
- Top issues for cat owners: litter box problems and aggression; and
- The top issues for dog owners: home alone 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 133 people who attended AAT classes and 106 people and their dogs were evaluated to be Pet Partners. Currently, there are 8 active AAT volunteers who, in 2018, spent 939 hours visiting 15 facilities with a certified pet. The volunteer hours include an additional 632 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. Portland metropolitan area shelters have reduced euthanasia in local shelters by a dramatic 90% from 2006 to 2018 and now saves 95% of cats and dogs, thanks to the efforts of ASAP. In 2018, the Spay & Save program completed 8,960 surgeries, of which 4,504 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 2018, 35,104 individuals, businesses, and foundations made donations to support the Society’s work. Of these, 946 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 2,523 participating donors;
- The *Autos-for-Animals* vehicle donation program, which received 748 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*[™] estate-planning-for-pets program. During the year, 126 new probate estates and matured trusts were opened.

In all, 84,202 gifts of all types plus sales were received during the year ended December 31, 2018.

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 – Net assets, revenues, gains and losses 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:

- *Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor-imposed stipulations. From time to time, the Society’s Board of Directors may designate from 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 the Society 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 the Oregon Humane Society 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.

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.

Unconditional contributions and grants receivable are reported net of an allowance for estimated uncollectible promises. Amortization of the discount is recorded as additional contribution revenue in subsequent years in the appropriate net asset class. 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.

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. 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. Under generally accepted accounting principles, significant services received which create or enhance a non-financial asset or require specialized skills that the Society 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 the Society’s activities.

During the year ended December 31, 2018, the Society recorded \$1,685,516 in such contributions, as follows:

Advertising	\$ 766,668
Materials and supplies	379,692
Professional services	81,459
	1,227,819
Special events	450,197
	\$ 1,678,016

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 \$57,418 (net of auction fees of \$17,858) at December 31, 2018.

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 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 – 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, 2018, the Society had \$2,007,978 in cash accounts that were in excess of FDIC coverage. In addition, the Society held \$12,692,258 in cash equivalents held in investment accounts not covered by the FDIC as of December 31, 2018.

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.

Advertising and Marketing Expenses – Advertising and marketing costs are charged to expense as they are incurred. Advertising expense for 2018 totaled \$1,957,355 (including donated advertising expenses valued at \$1,176,803).

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 net assets without donor restriction, 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 net assets without donor restrictions, non-endowed investments.

Subsequent Events – Subsequent events have been evaluated by management through April 10, 2019, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2017 – The accompanying financial information as of and for the year ended December 31, 2017 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. Recently-Adopted Accounting Standards

On August 18, 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and the availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Society implemented ASU No. 2016-14 during the 2018 fiscal year and has adjusted the presentation of these financial statements as follows.

	Without donor restrictions	With donor restrictions	Total
<i>Net assets at December 31, 2017, as previously reported:</i>			
Unrestricted	\$ 42,394,245	–	42,394,245
Temporarily restricted	–	16,296,379	16,296,379
Permanently restricted	–	3,705,994	3,705,994
<hr/>			
<i>Net assets at December 31, 2017</i>	\$ 42,394,245	20,002,373	62,396,618

5. Grants, Contributions, and Bequests Receivable

Grants, contributions, and bequests receivable at December 31, 2018 are summarized as follows:

<i>Unconditional promises expected to be collected in:</i>	
Less than one year	\$ 4,685,927
One year to five years	5,637,980
Greater than five years	400,667
	10,724,574
Less allowance for uncollectable pledges	(134,231)
Less discount ¹	(263,653)
	\$ 10,326,690

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 \$10,724,574 is summarized as follows:

Bequests receivable	\$ 1,815,282
Capital campaign pledges receivable	8,890,218
Other grants and contributions receivable	19,074
	\$ 10,724,574

At December 31, 2018, 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.

6. Investments

At December 31, 2018, investments consist of the following:

Equity mutual funds	\$ 18,078,584
Fixed income mutual funds	9,733,349
Fixed income exchange-traded funds	17,135
	27,829,068
Plus beneficial interest in assets held at the Oregon Community Foundation ¹	70,508
Plus cash equivalents	12,692,258
	\$ 40,591,834

¹ 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.

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 Directors and are held in a mixture of asset classes designed to maximize return while minimizing risk. OCF's target asset allocation at December 31, 2018 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 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 the Society's finance committee and Board of Directors.

Investments are held for the following purposes:

Donor-restricted endowment funds	\$ 3,388,315
Unappropriated endowment earnings	247,427
Board-designated funds	10,330,888
Capital campaign funds	12,087,097
Other	14,538,107
	\$ 40,591,834

Total investment return for the year ended December 31, 2018 is summarized as follows:

Interest and dividends	\$ 831,061
Net decline in the fair value of investments	(2,395,048)
	\$ (1,563,987)

Operating investment return	\$ (711,621)
Endowment and Board-designated investment return	(852,366)
	\$ (1,563,987)

Total endowment and Board-designated investment return for the year ended December 31, 2018 is summarized as follows:

Total endowment and Board-designated investment return	\$ (852,366)
Less endowment assets appropriated for expenditure (<i>note 13</i>)	(629,800)
	\$ (1,482,166)

7. Property and Equipment

A summary of property and equipment as of December 31, 2018, is as follows:

Land	\$ 6,861,224
Land improvements	713,357
Buildings and improvements	16,833,711
Equipment	2,903,464
Furniture and fixtures	182,080
Vehicles	693,107
Work-in-progress	50,941
	28,237,884
Less accumulated depreciation	(9,816,363)
	\$ 18,421,521

8. Beneficial Interest in Charitable Trusts Held by Others

At December 31, 2018, 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 ¹	\$ 1,616,855
Beneficial interest in perpetual trusts ²	294,016
	\$ 1,910,871

¹ 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, 2018 are valued at \$6,522,368, of which \$1,618,846 represents assets allocated to the Society. A beneficial interest in charitable trusts of \$1,616,855 is recorded at December 31, 2018, 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.

² 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, 2018. 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, 2018, the Society received distributions of \$17,356. These distributions have been included with interest and dividend income in the statement of activities.

9. Liabilities Under Split-Interest Agreements

At December 31, 2018, the Society reported obligations to beneficiaries of charitable gift annuities totaling \$248,231. The Society had entered into 22 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, 2018, the Society held \$840,889 in assets associated with charitable gift annuities.

10. 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 \$194,797 for the year ended December 31, 2018. 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, 2018, the Society accrued \$223,100 in discretionary contributions to the plan, to be paid subsequent to year-end. Effective January 1, 2019, the Society adopted a Safe Harbor 401(k) plan which modified the Society's matching contributions calculation and the vesting schedule for both matching contributions and discretionary contributions by the Society.

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, 2018, the present value of future payments under these agreements totals \$1,021,597.

For 2018, the Society reported retirement expense totaling \$19,085 in amortization of the deferred compensation liability.

11. Net Assets without Donor Restrictions

The following summarizes the Oregon Humane Society's Board designated net assets as of December 31, 2018:

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

F. Swigert quasi-endowment fund	\$ 8,533,754
Building maintenance fund	1,726,626

Funds held at OCF:

Animal-assisted interactions	17,638
Humane education	17,594
Investigations and rescue	17,638
Pet rehabilitation and adoption	17,638

Total Board-designated endowment	\$ 10,330,888
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¹ Net investment in capital assets represents the depreciated book value of property and equipment, less associated long-term debt, notes payable, obligations under capital leases, and other borrowings.

12. Net Assets with Donor Restrictions

The following summarizes the Oregon Humane Society's net assets with donor-imposed restrictions as of December 31, 2018:

<i>Expendable net assets restricted for the following purposes:</i>	
New Road Ahead capital campaign	\$ 21,766,678
Net carrying value of charitable gift annuities (note 9)	592,658
Long-term receivables from charitable remainder trusts (note 8)	1,616,855
The Lulu Madison Fund ¹	323,862
Myra Moreland Cattery Fund	124,739
Animal Shelter Alliance of Portland/Spay & Save	18,923
Other purposes	13,915
	\$ 24,457,630

Expendable net assets unrestricted as to purpose, but restricted as to time:

Bequests receivable	\$ 1,815,282
Contributions receivable	19,075
	1,834,357
Endowment funds ²	3,398,365
Unappropriated endowment return	247,427
Beneficial interest in perpetual trusts	294,016
	Total net assets with donor restrictions
	\$ 30,231,795

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 Society operations.

² Donor-restricted endowment funds include \$10,050 held in cash at December 31, 2018.

13. Endowment

The Oregon Humane Society's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as 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 the Society's endowment-related activities for the year ended December 31, 2018:

	With donor restrictions			Without donor restrictions	Total endowment
	Accumulated endowment return	Endowment principal	Total		
Endowment net assets at beginning of year	\$ 652,258	3,388,315	4,040,573	9,971,328	14,011,901
Contributions, bequests and transfers	-	10,050	10,050	1,436,895	1,446,945
Net investment return	(223,986)	-	(223,986)	(628,380)	(852,366)
Appropriation of endowment assets for expenditure	(180,845)	-	(180,845)	(448,955)	(629,800)
Endowment net assets at end of year	\$ 247,427	3,398,365	3,645,792	10,330,888	13,976,680

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.

The Society’s Board of Directors 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 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, the Oregon Humane Society 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 the Society 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 the Society 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, the Society’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 the Society 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 the Society; and
- The Society’s investment policies.

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

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Actual endowment return earned in excess of distributions under this policy is reinvested as part of the Society'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 short-fall 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, 2018, the Society's Board of Directors appropriated endowment assets of \$180,845 from donor-restricted endowment funds and \$448,955 from Board-designated endowment funds in accordance with this policy. See note 6.

14. Net Assets Released from Restrictions

During the year ended December 31, 2018, the organization incurred \$1,957,135 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 net assets with donor restrictions to net assets without donor restrictions in the accompanying statement of activities.

15. Expenses

The costs of providing the various programs and activities of the Oregon Humane 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. 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

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, 2018, the Society received \$3,154 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.

17. Other Commitments

The Society entered into an agreement with an architecture firm for services in connection with certain construction projects. Outstanding commitments under this agreement totaled approximately \$168,000 at December 31, 2018. Subsequent to December 31, 2018, the Society modified the agreement by increasing the contractual fees by \$276,900 for additional services.

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 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.

In accordance with FASB Accounting Standards Update 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value*, investments valued utilizing the net asset value (“NAV”) as a practical expedient are excluded from the hierarchy. At December 31, 2018, the following financial assets are measured at fair value on a recurring basis:

		Level 1	Level 3	Total	NAV
Investments (note 6)	\$	17,135	–	17,135	27,811,933
Beneficial interest in assets held at the Oregon Community Foundation (note 6)		–	70,508	70,508	–
Contributions receivable from charitable remainder trusts (note 8)		–	1,616,855	1,616,855	–
Beneficial interest in perpetual trust (note 8)		–	294,016	294,016	–
	\$	17,135	1,981,379	1,998,514	27,811,933

Continued

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	\$ 405,519	317,679	75,853	799,051
Contribution of beneficial interest in charitable remainder trusts	1,175,306	–	–	1,175,306
Increase in the carrying value of contributions receivable from charitable remainder trusts	36,030	–	–	36,030
Net change in the value of a perpetual trust	–	(23,663)	–	(23,663)
Distribution of investment earnings	–	–	(3,154)	(3,154)
Net change in the beneficial interest in assets held by the Oregon Community Foundation	–	–	(2,191)	(2,191)
Fair value at end of year	\$ 1,616,855	294,016	70,508	1,981,379
	[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 8).

[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 8).

[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 6).

19. 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, 2018:

<i>Total financial assets available to fund general operations:</i>	
Cash and cash equivalents	\$ 2,412,589
Grants, contributions, and bequests receivable	10,326,690
Inventories	86,959
Investments	40,591,834
	<hr/>
	53,418,072

<i>Less financial assets not available within the year ending December 31, 2019:</i>	
Financial assets restricted by donors for endowment (note 13)	(3,645,792)
Financial assets designated by the Board for quasi-endowment (note 11)	(10,330,888)
Financial assets restricted by donors for capital campaign (note 12)	(21,766,678)
Financial assets restricted by donors for other purposes	(323,862)
	<hr/>
	(36,067,220)

<i>Plus other funds subject to appropriation for expenditure:</i>	
Fiscal year 2019 endowment appropriations for operations	180,800
Board-designated funds approved for expenditure	445,800
	<hr/>
	626,600
	<hr/>
	\$ 17,977,452

As part of its liquidity management, the Oregon Humane Society has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

In addition, the Society holds quasi-endowment funds totaling \$10,330,888 (see note 11). 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.

20. 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	\$ 8,755,188
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<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>	
Depreciation	836,003
Net decline in the fair value of investments	2,395,048
Contribution revenue associated with the issuance of charitable gift annuities	(68,236)
Change in the actuarial value of liabilities under split-interest agreements	19,986
Contribution of the beneficial interest in charitable remainder trusts	(1,175,306)
Change in the value of the Society's beneficial interest in charitable trusts	(12,367)
Loss on disposal of assets	17,487
Proceeds from contributions restricted to capital acquisitions	(9,796,643)
Proceeds from contributions restricted for long term investment	(10,050)
<i>Net changes in:</i>	
Grants, contributions, and bequests receivable	130,369
Prepaid expenses, inventories, and other assets	(45,826)
Accounts payable and accrued expenses	118,853
Accrued payroll and related expenses	246,953
Deferred compensation	29,084
Total adjustments	(7,314,645)
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Net cash provided by operating activities	\$ 1,440,543
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GOVERNING BOARD AND MANAGEMENT

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Samantha Hazel, *Vice Chair*
Peter Jensen, *Treasurer*
Dr. Stephen C. Kochis, D.V.M., *Secretary*
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Steve Bloom
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Lynn Loacker
Elizabeth Mehren
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Marveita Redding
Diane Rosenbaum
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Management

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Chief Executive Officer
Brian August
Chief Operating Officer
Barbara Baugnon
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Jennifer Baumann
Vice President, Development and Capital Campaign
Leon Colas (*effective 2019*)
Interim Vice President, Investigations
Gary Kish
Vice President, Legacy Gifts and Strategic Initiatives
Dr. Kris Otteman
Vice President, Shelter Medicine and Investigations
Rhonda Palos
Vice President, Human Resources
Debbie Rilling
Vice President, Finance

OREGON HUMANE SOCIETY

INQUIRIES AND OTHER INFORMATION

OREGON HUMANE SOCIETY
1067 N.E. Columbia Boulevard
Portland, Oregon 97211

(503) 285-7722
(503) 285-0838 Fax

Web
www.oregonhumane.org