



**GaryMcGee & Co. LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

## **Oregon Humane Society**

Financial Statements and Other Information  
as of and for the Year Ended December 31, 2021  
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 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.

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



## REPORT OF INDEPENDENT ACCOUNTANTS

*The Board of Directors  
Oregon Humane Society:*

### *Opinion*

We have audited the accompanying financial statements of the Oregon Humane Society, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Oregon Humane Society as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

### *Basis for Opinion*

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

### *Responsibilities of Management for the Financial Statements*

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

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

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

As a part of an audit in accordance with generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

*Summarized Comparative Information*

We have previously audited the Oregon Humane Society's December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report April 8, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 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 "Amy McLean & Co. LLP". The signature is written in a cursive, flowing style.

April 8, 2022

OREGON HUMANE SOCIETY  
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021  
(WITH COMPARATIVE AMOUNTS FOR 2020)

	2021	2020
<b>Assets:</b>		
Cash and cash equivalents	\$ 2,018,326	3,524,599
Grants, contributions and bequests receivable <i>(note 4)</i>	5,562,792	6,277,531
Prepaid expenses, inventories, and other assets	2,647,060	2,169,832
Investments <i>(note 5)</i>	56,826,231	61,616,766
Property and equipment <i>(note 6)</i>	34,170,355	20,507,987
Beneficial interest in charitable trusts held by others <i>(note 7)</i>	2,522,450	2,461,367
<b>Total assets</b>	<b>\$ 103,747,214</b>	<b>96,558,082</b>
<b>Liabilities:</b>		
Accounts payable and accrued expenses	654,080	390,015
Construction payable	1,293,477	90,463
Accrued payroll and related expenses	1,318,096	998,574
Note payable <i>(note 8)</i>	-	2,472,942
Liabilities under split-interest agreements <i>(note 9)</i>	591,393	556,788
Deferred compensation <i>(note 10)</i>	1,798,016	1,482,060
<b>Total liabilities</b>	<b>5,655,062</b>	<b>5,990,842</b>
<b>Net assets:</b>		
Without donor restrictions:		
Available for general operations and programs	23,520,979	19,108,605
Designated by Board for endowment <i>(note 11)</i>	12,540,003	14,360,467
Net investment in capital assets	32,876,878	20,417,524
<b>Total without donor restrictions</b>	<b>68,937,860</b>	<b>53,886,596</b>
With donor restrictions <i>(note 12)</i>	29,154,292	36,680,644
<b>Total net assets</b>	<b>98,092,152</b>	<b>90,567,240</b>
Commitments and contingencies <i>(notes 9, 10, 17, 21, and 22)</i>		
<b>Total liabilities and net assets</b>	<b>\$ 103,747,214</b>	<b>96,558,082</b>

See accompanying notes to financial statements.

OREGON HUMANE SOCIETY

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)

	2021			2020
	Without donor restrictions	With donor restrictions	Total	
Operating revenues, gains, and other support:				
Grants and contributions	\$ 6,425,410	1,735,119	8,160,529	8,616,132
Legacies and bequests	3,703,795	2,517,497	6,221,292	5,823,554
Special events, less direct costs of \$440,814 in 2021 and \$369,811 in 2020	1,059,099	–	1,059,099	1,187,795
Sales and program fees, less cost of sales of \$108,488 in 2021 and \$145,644 in 2020	2,106,007	–	2,106,007	2,029,786
Rental income	489,596	–	489,596	580,159
Operating investment return (note 5)	1,535,381	201,280	1,736,661	2,443,407
Change in the actuarial value of liabilities under split-interest agreements	–	(32,289)	(32,289)	(18,725)
Change in the value of the Society's beneficial interest in charitable trusts	–	61,083	61,083	225,430
Other	25,454	–	25,454	13,673
Total operating revenues and gains	15,344,742	4,482,690	19,827,432	20,901,211
Appropriation of endowment and Board-designated assets for expenditure (notes 5 and 13)	4,146,114	239,133	4,385,247	1,192,755
Net assets released from restrictions for operating purposes (note 14)	3,465,615	(3,465,615)	–	–
Total operating revenues, gains, and other support	22,956,471	1,256,208	24,212,679	22,093,966
Expenses (note 15):				
Program services:				
Sheltering and adoptions	6,132,936	–	6,132,936	6,284,349
Medical services	3,217,232	–	3,217,232	3,089,360
Community awareness	1,349,900	–	1,349,900	1,185,317
Humane education	210,435	–	210,435	258,478
Investigations and rescue	857,543	–	857,543	819,709
Best Friends' Corner	279,731	–	279,731	267,501
Volunteers	389,489	–	389,489	314,753
Behavior, training, and animal-assisted interactions	893,159	–	893,159	901,645
ASAP/Spay & Save	167,105	–	167,105	225,890
Total program services	13,497,530	–	13,497,530	13,347,002
Supporting services:				
Management and general	2,212,697	–	2,212,697	1,927,711
Fundraising	3,045,925	–	3,045,925	2,738,726
Total supporting services	5,258,622	–	5,258,622	4,666,437
Total expenses	18,756,152	–	18,756,152	18,013,439
Increase in net assets before non-operating activities	4,200,319	1,256,208	5,456,527	4,080,527
Non-operating activities:				
Contributions restricted for capital purposes	–	2,869,673	2,869,673	3,483,623
Net assets released from restrictions for capital purposes (note 14)	11,012,445	(11,012,445)	–	–
Loss on receivables	–	(1,008,680)	(1,008,680)	–
Paycheck Protection Program loan forgiveness (note 8)	2,472,942	–	2,472,942	–
Total endowment and Board-designated investment return, less appropriations for expenditure (notes 5 and 13)	(2,634,442)	368,892	(2,265,550)	1,558,844
Increase (decrease) in net assets	15,051,264	(7,526,352)	7,524,912	9,122,994
Net assets at beginning of year	53,886,596	36,680,644	90,567,240	81,444,246
Net assets at end of year	\$ 68,937,860	29,154,292	98,092,152	90,567,240

See accompanying notes to financial statements.

OREGON HUMANE SOCIETY  
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)

	2021											Total 2021	Total 2020			
	Program services								Supporting services							
	Sheltering and adoptions	Medical services	Community awareness	Humane education	Investi- gations and rescue	Best Friends' Corner	Volunteers	Behavior, training, and animal- assisted interactions	ASAP/ Spav & Save	Total	Manage- ment and general			Technology and facilities costs	Fund- raising	Total
Salaries	\$ 2,798,910	1,758,944	547,775	103,591	493,201	153,180	195,203	468,266	94,829	6,613,899	1,228,235	997,726	1,633,314	3,859,275	10,473,174	10,265,494
Payroll taxes and benefits	701,204	396,133	130,516	20,494	93,069	41,892	47,093	118,865	28,579	1,577,845	379,170	231,989	327,595	938,754	2,516,599	2,390,555
Professional services	7,187	—	1,977	—	11,086	—	—	19,271	—	39,521	378,402	104,940	31,142	514,484	554,005	356,138
Surgical, medications, and lab	2,381	323,993	—	—	23,751	—	—	—	—	350,125	—	—	—	350,125	456,300	—
Feed, shelter, and program supplies	449,858	141,236	25	3,410	5,343	1,324	17,940	3,237	—	622,373	27,942	733	—	28,675	651,048	1,065,151
Office expenses	3,054	246	460	338	376	—	522	923	—	5,919	28,405	132,924	24,600	185,929	191,848	190,465
Direct mail	—	—	—	—	—	—	—	—	—	—	—	—	262,578	262,578	262,578	249,538
Travel and training	24,356	4,791	1,216	148	14,190	—	111	—	—	44,812	41,084	1,763	319	43,166	87,978	105,392
Occupancy and equipment	191,425	44,012	6,287	11,421	4,100	8,199	3,514	26,940	2,343	298,241	30,640	67,386	9,035	107,061	405,302	357,468
Repairs and maintenance	—	5,336	—	—	15,021	—	—	—	—	20,357	—	360,814	—	360,814	381,171	357,743
Insurance	93,145	17,476	6,275	6,128	44,523	3,398	1,456	11,165	971	184,537	26,471	9,462	6,888	42,821	227,358	192,326
Information technology	130,722	52,289	24,277	—	11,205	—	9,337	18,675	5,602	252,107	28,015	36,189	29,879	94,083	346,190	265,998
Development and promotion	—	—	188,985	—	—	—	—	—	—	188,985	—	—	415,664	415,664	604,649	371,258
Public awareness	—	—	192,721	—	—	—	—	—	—	192,721	—	—	—	—	192,721	134,276
Bank fees	15,152	1,899	81,697	—	—	3,335	—	1,600	—	103,683	8,433	—	73,459	81,892	185,575	195,027
Depreciation	578,106	121,940	39,156	9,701	40,297	19,884	26,328	65,380	6,362	907,154	23,472	—	26,652	50,124	957,278	865,939
Other	12,921	15,431	3,205	1,623	33,592	—	2,423	2,455	909	72,559	281,190	8,194	6,610	295,994	368,553	194,371
Total expenses before allocations	5,008,421	2,883,726	1,224,572	156,854	789,754	231,212	303,927	736,777	139,595	11,474,838	2,481,459	1,952,120	2,847,735	7,281,314	18,756,152	18,013,439
Allocation of technology, facilities and other indirect costs	1,124,515	333,506	125,328	53,581	67,789	48,519	85,562	156,382	27,510	2,022,692	(268,762)	(1,952,120)	198,190	(2,022,692)	—	—
Total expenses	\$ 6,132,936	3,217,232	1,349,900	210,435	857,543	279,731	389,489	893,159	167,105	13,497,530	2,212,697	—	3,045,925	5,258,622	18,756,152	18,013,439

See accompanying notes to financial statements.



OREGON HUMANE SOCIETY

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)

	2021	2020
Cash flows from operating activities:		
Cash received from contributors and grantors	\$ 13,279,649	12,412,262
Cash received from service recipients and others	2,729,545	2,769,262
Interest and dividend income	756,169	605,888
Cash paid to employees and suppliers	(17,139,710)	(15,814,922)
Net cash used in operating activities	(374,347)	(27,510)
Cash flows from investing activities:		
Capital expenditures	(13,416,632)	(2,019,411)
Purchase of investments	(4,106,162)	(24,488,286)
Reinvestment of interest and dividend income	(707,210)	(605,888)
Proceeds from the sale of investments	12,651,935	16,652,513
Net cash used in investing activities	(5,578,069)	(10,461,072)
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment	855,424	545,048
Proceeds from contributions restricted to capital acquisition	3,411,931	7,664,727
Proceeds from contributions subject to charitable gift annuity agreements	256,000	340,827
Receipt of cash from a terminated charitable trust restricted for endowment	-	509,220
Distributions made under charitable trust and gift annuity agreements	(77,212)	(61,412)
Proceeds from the issuance of note payable	-	2,472,942
Net cash provided by financing activities	4,446,143	11,471,352
Net increase (decrease) in cash and cash equivalents	(1,506,273)	982,770
Cash and cash equivalents at beginning of year	3,524,599	2,541,829
Cash and cash equivalents at end of year	\$ 2,018,326	3,524,599

Supplemental schedule of noncash investing and financing activities:

Paycheck Protection Program loan forgiveness	\$ 2,472,942	-
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See accompanying notes to financial statements.

OREGON HUMANE SOCIETY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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1. Organization

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

2. Program Services

During the year ended December 31, 2021, the Society incurred program service expenses in the following major categories:

Sheltering and Adoptions – In spite of the health and safety precautions as a result of the pandemic, the Oregon Humane Society placed 6,466 pets in 2021. The animals that found new homes constitute an overall 97% save rate. Through the Second Chance Program, the Society saves more lives by accepting animals from shelters and animal control agencies in the Pacific Northwest, Oregon, California, Washington, Texas, Hawaii, New Mexico and Louisiana. These shelters usually face the dual problem of too many abandoned animals and too few adopters. In 2021, 3,753 animals were accepted from 60 organizations.

*Save Rates for 2021*

The Oregon Humane Society 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 6,852 animals, with a save rate of 97%
- The Society saved 2,040 dogs – 96% of all dogs received by the shelter
- The Society saved 4,102 cats – 97% of all cats received by the shelter
- The Society saved 710 small animals – 97% of all small animals received by the shelter

*Length of Stay for 2021*

The Oregon Humane Society calculates the average length of stay (“LOS”) by including the day of arrival through the day of disposition (adoption, transfer, euthanasia or return to owner). This includes all the time the animal was in the care of the Oregon Humane Society.

- Dog LOS averaged 20.5 days; the average LOS for puppies was 18.4 days
- Cat LOS averaged 19.8 days; the average LOS for kittens was 23.8 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 26 animals found homes directly through this program.

Medical Services – During the year ended December 31, 2021, the Society performed 8,514 surgeries in the Animal Medical Learning Center (the “AMLC”), including 4,190 spay and neuter surgeries and 657 other essential and emergency surgeries. In addition, the AMLC provided 8,063 medical exams for pets, and taught 102 Oregon State University 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 website.

In 2021:

- Visitors to the shelter totaled 32,590 (on average, 92 people visited the Society each day – open 353 days)
- Adoptions averaged 18 per day
- The Society issued 41 media releases
- The Society had 1,721 television, radio and web news stories
- The Society hosted or participated in 78 total events
- The Society’s magazine reached 30,662 readers
- The Society’s website averaged 8,598 daily visitors
- The average stay on the Society’s website was 3:13 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.

- Humane Education reached 51,595 people, including 12,907 children and 38,688 adults; of which 7,539 of those people were reached with virtual education
- Humane Education made 18 non-school, off-site presentations reaching 39 individuals
- School visits included 69 schools – 60 virtual visits and 9 classrooms visited with 2,833 individuals reached

- Four weeks of virtual summer camp sessions were attended by 277 total campers with 5,600 virtual camp video points of impact
- Eight after-school clubs had 568 points of impact
- Four special events for Humane Education reached 1,626 individuals
- Five in-shelter tours reached 26 individuals

Investigations and Rescue – The Society has three Humane Special Agents who are commissioned by the Superintendent of State Police to enforce Oregon’s tough animal cruelty laws. The Society has officers in the field handling a variety of animal welfare complaints. In 2021, they traveled across Oregon to investigate 1,461 new cases of animal cruelty, leading to 159 animals being seized or removed from harm’s way, and 10 criminal cases. They also assisted law enforcement agencies, including providing veterinary forensic services, 119 times. There were 3,012 calls and e-mail messages to the Society’s cruelty complaint line and website. In 2021, 6,917 animals were helped by the Society’s Humane Law Enforcement department. 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 2021:

- Gross sales: \$270,165
- Net loss of: \$123,064
- Percentage of overall sales attributed to new adopter sales: 74%

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 208,453 hours of service to all programs offered at the Society in 2021, volunteers provided services equivalent to 100 full-time employees.

#### *Adult Volunteers*

- Total adult volunteer hours – 205,181
- Total number of individuals volunteering their time to OHS is 1,025
- Volunteer hours for general care, behavior, and enrichment totaled 20,056
- OHS had 16 teams deploy in 2021 to help other agencies for emergency animal sheltering

#### *Youth and Community Groups Program*

- Individuals who participated in the Youth and Community Groups Program numbered 518, providing 3,273 volunteer hours
- Individual youth volunteers (not including groups) numbered 140, resulting in 2,359 hours volunteered
- Groups totaled 43 with 378 group volunteers – 832 hours volunteered

#### *Foster Care*

- There were 480 foster care volunteer families, volunteering 166,421 hours
- Animals fostered totaled 1,878

#### *Primary Reasons for Foster Care*

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

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

- Resulted in 919 private consultations
- Public training classes offered numbered 101
- People numbering 2,058 attended Oregon Humane Society classes and consultations
- Volunteer trainings totaling 113 included 251 volunteers who attended those trainings
- 22 dogs and 17 cats were helped through the Behavior Modification Program
- 26 dogs and 20 cats were adopted through the Behavior Modification Program
- A volume of 1,698 phone calls and emails were handled by the free behavior help line
- Top issues for cat owners: litter box problems and resident pet incompatibility
- Top issues for dog owners: leash reactivity issues, anxious/fearful behavior, and rough play

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. ASAP is a coalition of the greater Portland area’s leading animal welfare organizations and the veterinary community. The Spay & Save program works to reduce the number of cats and kittens that come into Portland-area shelters. Over the past 15 years, the Portland metropolitan area shelters have reduced euthanasia in local shelters by a dramatic 91% and now save 95% of cats and dogs, thanks to the efforts of ASAP. In 2021, the Spay & Save program completed 5,744 surgeries, of which 3,701 were performed by OHS 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 2021, 27,669 individuals, businesses, and foundations made donations to support the Society’s work. Of these, 1,124 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 4,181 participating donors
- The *Autos-for-Animals* vehicle donation program, which received 694 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. During the year, 161 new probate estates and matured trusts were opened.
- 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.

In all, 85,934 gifts of all kinds plus sales were received during the year ended December 31, 2021.

### 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 a portion of these net assets for particular purposes and objectives.
- *Net assets with donor restrictions* – Net assets subject to donor-imposed stipulations that will be met either by actions of 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.

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

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

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 \$86,175 at December 31, 2021.

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

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

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

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

- *Contributions and Grants* – If the transfer of assets is determined to be a contribution, the Society evaluates whether the contribution is conditional based upon whether the agreement includes both (1) a barrier that must be overcome to be entitled to the funds and (2) either a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets.
- *Outstanding Legacies* – The Society is the beneficiary under various wills and trust agreements, the total realizable amounts of which may not be 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.

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

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

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

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

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

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

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, 2021, the Society recorded \$842,680 in such contributions, as follows:

Advertising	\$ 62,850
Materials and supplies	541,280
Professional services	41,183
	<hr/> 645,313
Special events	197,367
	<hr/> \$ 842,680

**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, 2021, the Society had \$1,580,222 in cash accounts that were in excess of FDIC coverage. In addition, the Society held \$377,254 in cash equivalents held in investment accounts not covered by the FDIC, as of December 31, 2021.

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 2021 totaled \$527,505 (including donated advertising expenses valued at \$216,574).

**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, capital releases, 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, and non-endowed investments.

Subsequent Events – Subsequent events have been evaluated by management through April 8, 2022, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2020 – The accompanying financial information as of and for the year ended December 31, 2020 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, 2021 are summarized as follows:

<i>Unconditional promises expected to be collected in:</i>	
Less than one year	\$ 4,560,888
One year to five years	1,080,770
	5,641,658
Less allowance for uncollectable pledges	(28,187)
Less discount <sup>1</sup>	(50,679)
	\$ 5,562,792

<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 \$5,641,658 is summarized as follows:

Bequests receivable <sup>2</sup>	\$ 3,649,077
Capital campaign pledges receivable	1,879,504
Other expendable grants and contributions receivable	113,077
	\$ 5,641,658

<sup>2</sup> Bequests receivable at December 31, 2021 include \$2,968,677 in purpose-unrestricted bequests and \$680,400 in purpose-restricted bequests. The Society is also the beneficiary of numerous other 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, 2021, investments consist of the following:

Equity mutual funds	\$ 27,105,735
Fixed income mutual funds	12,668,039
Fixed income exchange-traded funds	19,887
Equity exchange-traded funds	19,159
Equity securities	34,900
	<hr/>
	39,847,720
Plus beneficial interest in assets held at the Oregon Community Foundation <sup>1</sup>	101,112
Plus cash equivalents	16,877,399
	<hr/>
	\$ 56,826,231

<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.

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. 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 4.35% 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	\$ 4,773,324
Unappropriated endowment earnings	1,759,658
Board-designated funds	12,540,003
Capital campaign funds	12,828,969
Other	24,924,277
	<hr/>
	\$ 56,826,231

Total investment return for the year ended December 31, 2021 is summarized as follows:

Interest and dividends	\$ 756,169
Net appreciation in the fair value of investments	3,100,189
	<hr/>
	\$ 3,856,358

Operating investment return	\$ 1,736,661
Endowment and Board-designated investment return	2,119,697
	<hr/>
	\$ 3,856,358

Total endowment and Board-designated investment return for the year ended December 31, 2021 is summarized as follows:

Total endowment and Board-designated investment return	\$ 2,119,697
Less endowment assets appropriated for expenditure ( <i>note 13</i> )	(4,385,247)
	<hr/>
	\$ (2,265,550)

## 6. Property and Equipment

A summary of property and equipment as of December 31, 2021, is as follows:

Land	\$ 8,954,205
Land improvements	1,114,990
Buildings and improvements	18,048,312
Equipment	2,271,430
Furniture and fixtures	184,083
Vehicles	819,898
Work-in-progress	13,776,870
	45,169,788
Less accumulated depreciation	(10,999,433)
	\$ 34,170,355

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

At December 31, 2021, the Society was the beneficiary of eight irrevocable charitable remainder trusts and two perpetual trusts established by the wills of donors, as follows:

Long-term receivables from charitable remainder trusts <sup>1</sup>	\$ 2,185,478
Beneficial interest in perpetual trusts <sup>2</sup>	336,972
	\$ 2,522,450

<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, 2021 are valued at \$7,651,271, of which \$3,221,701 represents assets allocated to the Society. A beneficial interest in charitable trusts of \$2,185,478 is recorded at December 31, 2021, 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. One of the trusts included in this balance, with a current valuation of \$278,209, is restricted for investment in the Society's endowment when the trust assets are received.

<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, 2021. 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, 2021, the Society received distributions of \$14,454. These distributions have been included with interest and dividend income in the statement of activities.

## 8. Note Payable

On April 30, 2020, the Society was granted an unsecured loan from a commercial bank in the amount of \$2,472,942, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The PPP was established to provide a direct incentive for organizations to keep their employees on payroll during the COVID-19 pandemic. The bank's loan was guaranteed by the U.S. Small Business Administration ("SBA"). Once issued, the SBA promised to forgive the loan if (1) all employees were kept on payroll during the "covered period" (either 8 weeks or 24 weeks from the loan disbursement date); (2) the funds were used solely for payroll, rent, mortgage interest, and/or utilities; and (3) certain other conditions were satisfied.

In accordance with the provisions of the PPP, the loan was fully forgiven by the lender and SBA during the year ended December 31, 2021.

## 9. Liabilities Under Split-Interest Agreements

At December 31, 2021, the Society reported obligations to beneficiaries of charitable gift annuities totaling \$591,393. The Society had entered into 33 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 0.86% 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, 2021, the Society held as part of its investment portfolio \$1,600,028 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 safe harbor retirement plan, as described under Section 401(k) of the Internal Revenue Code. Employees who have completed at least 90 days of service and are over 18 years of age qualify to participate in the plan. Employees may elect to make voluntary contributions to the plan on a pre-tax basis, up to the limits allowed by law.

The Society matches employee contributions up to 3.0% of their total annual compensation, plus half of employee contributions between 3.0% and 5.0% of their total annual compensation. Employees select from several investment options. Contributions to the plan from employees and matching contributions from the Society vest as accrued. Matching contributions to the plan by the Society totaled \$358,356 for the year ended December 31, 2021.

Employees who are active participants on December 31, and who have worked at least 1,000 hours in that service year, are eligible for discretionary contributions by the Society. Discretionary contributions to the plan vest at the rate of 33% upon the completion of one year of service, 66% upon the completion of two years of service, and are fully vested upon completion of the third year of service. For the year ended December 31, 2021, the Society accrued \$200,005 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, 2021, the present value of future payments under these agreements totals \$1,798,016.

For 2021, the Society reported retirement expense totaling \$15,786 in amortization of the deferred compensation liability.

## 11. Board-Designated Net Assets

The following summarizes the Oregon Humane Society's Board-designated net assets as of December 31, 2021:

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

F. Swigert quasi-endowment fund	\$ 10,343,954
Building maintenance fund	2,094,937

*Funds held at OCF:*

Animal-assisted interactions	25,293
Humane education	25,231
Investigations and rescue	25,294
Pet rehabilitation and adoption	25,294

Total Board-designated endowment	\$ 12,540,003
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## 12. Net Assets with Donor Restrictions

The following summarizes the Oregon Humane Society's net assets with donor-imposed restrictions as of December 31, 2021:

*Expendable net assets restricted for the following purposes:*

New Road Ahead capital campaign	\$ 14,629,607
The Lulu Madison Fund <sup>1</sup>	491,103
Other purposes	177,576

\$ 15,298,286

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

Bequests receivable	\$ 2,968,677
Long-term receivables from charitable remainder trusts (note 7) <sup>2</sup>	1,907,269
Net carrying value of charitable gift annuities (note 9)	1,008,635
Contributions receivable	113,077
	<hr/> 5,997,658

*Non-expendable restricted net assets:*

Endowment unrestricted as to purpose <sup>3</sup>	7,521,376
Beneficial interest in perpetual trusts	336,972
	<hr/> 7,858,348

Total net assets with donor restrictions	\$ 29,154,292
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<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.

<sup>2</sup> Long-term receivables from charitable remainder trusts total \$2,185,478, which includes \$278,209 that is restricted for investment in the Society's endowment and is included in Endowment funds in the above table.

<sup>3</sup> Endowment funds at December 31, 2021 include \$29,785 held in cash, \$680,400 in bequests receivable, and \$278,209 in long-term receivables from charitable remainder trusts restricted for endowment. The investment return on these funds is unrestricted as to purpose.

### 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 (“quasi-endowment.”) As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

The following summarizes the Society’s endowment-related activities for the year ended December 31, 2021:

	With donor restrictions			Quasi-endowment	Total endowment
	Accumulated endowment return	Endowment principal	Total		
Endowment net assets at beginning of year	\$ 1,390,766	4,751,395	6,142,161	14,360,467	20,502,628
Contributions, bequests and transfers	–	1,020,876	1,020,876	813,978	1,834,854
Change in the value of the Society’s beneficial interest in charitable trusts	–	(10,553)	(10,553)	–	(10,553)
Net investment return ( <i>note 5</i> )	608,025	–	608,025	1,511,672	2,119,697
Appropriation of endowment assets for expenditure ( <i>note 5</i> )	(239,133)	–	(239,133)	(4,146,114)	(4,385,247)
Endowment net assets at end of year	\$ 1,759,658	5,761,718	7,521,376	12,540,003	20,061,379

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.

*Continued*

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.

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 shortfall is covered by realized and unrealized returns from prior years. If cumulative endowment return is exhausted, any remaining loss or appropriation reduces endowment principal. In years when the overall endowment is underwater, the Board may permit continued spending from principal only in accordance with its policies for spending from underwater endowments. See *Endowments with Deficiencies*.

During the year ended December 31, 2021, the Society’s Board of Directors appropriated endowment assets of \$239,133 from donor-restricted endowment funds in accordance with this policy. During the year ended December 31, 2021, the Society’s Board of Directors approved an exception to this policy and appropriated approximately \$4,146,114 from Board-designated (“quasi” endowment funds, which was approximately \$3,500,000 greater than the Society’s spending policy, to provide additional funding for capital projects.

#### 14. Net Assets Released from Restrictions

During the year ended December 31, 2021, the organization incurred various expenses in satisfaction of the restricted purposes specified by donors, or satisfied the restriction by the occurrence of other events. Accordingly, during the year ended December 31, 2021, corresponding net asset reclassifications have been recorded in the accompanying statement of activities, together with other transfers, as described in the following table:

	Without donor restrictions	With donor restrictions
<i>Operating transactions:</i>		
Satisfaction of donor restrictions for operating purposes	\$ 3,465,615	(3,465,615)
<i>Non-operating transactions:</i>		
Satisfaction of donor restrictions for capital purposes	11,012,445	(11,012,445)
	\$ 14,478,060	(14,478,060)

## 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

In addition to the funds held at the Oregon Community Foundation described in notes 5, 11 and 18, the Society has also 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 4.35% of the average fair value of the fund, based on a 13-quarter trailing average. During the year ended December 31, 2021, the Society received \$11,337 from the fund, reported as unrestricted contribution revenue. 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 has entered into agreements with an architecture firm and construction company for services in connection with certain construction projects not to exceed \$29,170,290. As of December 31, 2021, the Society had incurred \$12,191,306 of costs associated with these agreements and \$16,978,984 remained outstanding. In addition, during the year ended December 31, 2021, the Society entered into a revolving line of credit commitment of \$6,500,000 with a bank for the purpose of providing bridge financing for construction projects. As of December 31, 2021, no funds had been drawn on this commitment.

## 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.



At December 31, 2021, the following financial assets are measured at fair value on a recurring basis:

	Level 1	Level 3	Total
Investments (note 5)	\$ 39,847,720	–	39,847,720
Beneficial interest in assets held at the Oregon Community Foundation (note 5)	–	101,112	101,112
Contributions receivable from charitable remainder trusts (note 7)	–	2,185,478	2,185,478
Beneficial interest in perpetual trust (note 7)	–	336,972	336,972
	\$ 39,847,720	2,623,562	42,471,282

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

	Contributions receivable from charitable remainder trusts	Interest in perpetual trust	Beneficial interest in assets held by the Oregon Community Foundation	Total
Fair value at beginning of year	\$ 2,139,929	321,438	85,560	2,546,927
Increase in the carrying value of contributions receivable from charitable remainder trusts	45,549	–	–	45,549
Net change in the value of a perpetual trust	–	15,534	–	15,534
Distribution of investment earnings	–	–	(3,238)	(3,238)
Net change in the beneficial interest in assets held by the Oregon Community Foundation	–	–	18,790	18,790
Fair value at end of year	\$ 2,185,478	336,972	101,112	2,623,562
	[A]	[B]	[C]	

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

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

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

## 19. 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, 2021:

<i>Total financial assets available:</i>	
Cash and cash equivalents	\$ 2,018,326
Grants, contributions, and bequests receivable	5,562,792
Investments	56,826,231
	<hr/>
	64,407,349

*Less financial assets not available within the year ending*

*December 31, 2022:*

Financial assets restricted by donors for endowment (note 13)	(7,521,376)
Financial assets designated by the Board for quasi-endowment (note 11)	(12,540,003)
Financial assets restricted by donors for the New Road Ahead capital campaign (note 12)	(14,629,607)
Financial assets restricted by donors for other purposes (note 12)	(491,103)
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	(35,182,089)

*Plus other funds subject to appropriation for expenditure:*

Fiscal year 2022 endowment appropriations for operations	294,000
Board-designated funds approved for expenditure	564,000
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	858,000
	<hr/>
	\$ 30,083,260

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 \$12,540,003 (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 used in operating activities (as reported on the statement of cash flows):

Increase in net assets	\$ 7,524,912
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<i>Adjustments to reconcile increase in net assets to net cash used in operating activities:</i>	
Depreciation	957,278
Net appreciation in the fair value of investments	(3,100,189)
Contribution revenue associated with the issuance of charitable gift annuities	(124,311)
Change in the actuarial value of liabilities under split-interest agreements	32,289
Change in the value of the Society's beneficial interest in charitable trusts	(61,083)
Proceeds from contributions restricted to capital acquisitions	(3,411,931)
Proceeds from contributions restricted for long term investment	(855,424)
Loss on receivables	1,008,680
Paycheck Protection Program loan forgiveness	(2,472,942)
<i>Net changes in:</i>	
Grants, contributions and bequests receivable	(293,941)
Prepaid expenses, inventories, and other assets	(477,228)
Accounts payable and accrued expenses	264,065
Accrued payroll and related expenses	319,522
Deferred compensation	315,956
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Total adjustments	(7,899,259)
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Net cash used in operating activities	\$ (374,347)
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## 21. Subsequent Event

Subsequent to December 31, 2021, the Society entered into a non-binding agreement to merge with another animal welfare organization. The anticipated effective date of the merger is July 1, 2022.

## 22. Coronavirus Pandemic

In March 2020, the World Health Organization characterized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative measures, such as travel and business restrictions and stay-at-home orders. The COVID-19 pandemic has caused business disruption through mandated and voluntary closings of multiple businesses. It is anticipated that the effects of these events may continue for some time. The extent of the impact of COVID-19 on the organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on constituents, employees and vendors, all of which are uncertain and cannot be predicted.

OREGON HUMANE SOCIETY

GOVERNING BOARD AND MANAGEMENT

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OREGON HUMANE SOCIETY  
INQUIRIES AND OTHER INFORMATION

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