

**THE NEBRASKA HUMANE SOCIETY  
and  
NEBRASKA HUMANE SOCIETY FOUNDATION  
(Nebraska Nonprofit Corporations)**

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**CONSOLIDATED FINANCIAL STATEMENTS**

**as of December 31, 2021 and 2020  
together with Independent Auditor's Report**

THE NEBRASKA HUMANE SOCIETY  
and  
NEBRASKA HUMANE SOCIETY FOUNDATION

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The Nebraska Humane Society and  
Nebraska Humane Society Foundation:

### **Opinion**

We have audited the accompanying consolidated financial statements of The Nebraska Humane Society and Nebraska Humane Society Foundation (two Nebraska nonprofit corporations), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Nebraska Humane Society and Nebraska Humane Society Foundation as of December 31, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Nebraska Humane Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Nebraska Humane 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Nebraska Humane 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.

 Masvine, Myerson & Associates, P.C.

Omaha, Nebraska  
October 27, 2022

THE NEBRASKA HUMANE SOCIETY  
and  
NEBRASKA HUMANE SOCIETY FOUNDATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2021 AND 2020

ASSETS	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 7,323,108	5,136,143
Short-term investments	2,834,572	2,444,573
Promises to give	137,696	225,606
Accounts receivable	18,044	30,846
Prepaid expenses	140,797	112,572
Inventory	26,364	18,321
Total current assets	<u>10,480,581</u>	<u>7,968,061</u>
Investments	2,748,886	437,880
Foundation investments:		
Cash and cash equivalents	1,181,918	686,852
Investments	24,090,183	18,691,927
Investments restricted for investment in building	341,730	1,344,032
Promises to give restricted for investment in building	591,948	1,243,573
Land, buildings and equipment at cost - net of accumulated depreciation	23,178,060	24,225,743
Beneficial interest in perpetual trust	399,562	-
Intangible assets, net of amortization	4,169	4,169
Total other assets	<u>52,536,456</u>	<u>46,634,176</u>
 Total assets	 <u>\$ 63,017,037</u>	 <u>\$ 54,602,237</u>

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

THE NEBRASKA HUMANE SOCIETY  
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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2021 AND 2020

LIABILITIES AND NET ASSETS	<u>2021</u>	<u>2020</u>
Current liabilities:		
Accounts payable	\$ 242,515	\$ 260,820
Accrued liabilities	429,210	444,749
Prepaid licenses and other deferred revenue	106,282	147,842
SBA Loan - Paycheck Protection Program	-	1,390,620
Total current liabilities	<u>778,007</u>	<u>2,244,031</u>
Net assets:		
Without donor restrictions		
Available for general operations and programs	33,432,248	30,445,901
Board -designated endowment	23,423,781	16,265,040
Total net assets without donor restrictions	<u>56,856,029</u>	<u>46,710,941</u>
With donor restrictions	<u>5,383,001</u>	<u>5,647,265</u>
Total net assets	<u>62,239,030</u>	<u>52,358,206</u>
Total liabilities and net assets	<u>\$ 63,017,037</u>	<u>\$ 54,602,237</u>

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

THE NEBRASKA HUMANE SOCIETY  
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CONSOLIDATED STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
<b>SUPPORT AND REVENUE:</b>			
City and county services	5,745,665	\$ -	\$ 5,745,665
Program fees	2,587,333	-	2,587,333
Contributions of cash and other financial assets	8,494,369	926,668	9,421,037
Contributions of nonfinancial assets	535,591	-	535,591
Special events	585,018	-	585,018
Gift shop sales	115,831	-	115,831
Less: Cost of sales	(57,638)	-	(57,638)
Other operating expenses	(33,702)	-	(33,702)
Operating investment income	392,897	-	392,897
Other income	48,387	-	48,387
Net assets released from restrictions	1,697,186	(1,697,186)	-
 Total support and revenue	 20,110,937	 (770,518)	 19,340,419
<b>EXPENSES:</b>			
Program services			
Animal control	5,966,141	-	5,966,141
Animal welfare services	5,379,769	-	5,379,769
Community outreach	1,083,581	-	1,083,581
Supporting activities			
Management and general	512,258	-	512,258
Fundraising	1,132,857	-	1,132,857
 Total expenses	 14,074,606	 -	 14,074,606
 Change in net assets before nonoperating activities	 6,036,331	 (770,518)	 5,265,813
<b>NONOPERATING ACTIVITIES:</b>			
Net investment return on endowment and Board-designated investments	2,718,137	506,254	3,224,391
Paycheck Protection Program loan forgiveness	1,390,620	-	1,390,620
 Change in net assets from nonoperating activities	 4,108,757	 506,254	 4,615,011
 Change in net assets	 10,145,088	 (264,264)	 9,880,824
<b>NET ASSETS:</b>			
Balances, beginning of year	46,710,941	5,647,265	52,358,206
 Balances, end of year	 \$ 56,856,029	 \$ 5,383,001	 \$ 62,239,030

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

THE NEBRASKA HUMANE SOCIETY  
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CONSOLIDATED STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
<b>SUPPORT AND REVENUE:</b>			
City and county services	5,437,810	\$ -	\$ 5,437,810
Program fees	2,028,074	-	2,028,074
Contributions of cash and other financial assets	3,279,757	441,502	3,721,259
Contributions of nonfinancial assets	567,067	-	567,067
Special events	597,214	-	597,214
Gift shop sales	42,970	-	42,970
Less: Cost of sales	(21,708)	-	(21,708)
Other operating expenses	(31,211)	-	(31,211)
Operating investment income	36,978	-	36,978
Other income	34,602	-	34,602
Net assets released from restrictions	10,440,358	(10,440,358)	-
Total support and revenue	22,411,911	(9,998,856)	12,413,055
 <b>EXPENSES:</b>			
Program services			
Animal control	5,574,860	-	5,574,860
Animal welfare services	4,936,588	-	4,936,588
Community outreach	1,012,119	-	1,012,119
Supporting activities			
Management and general	505,970	-	505,970
Fundraising	900,148	-	900,148
Total expenses	12,929,685	-	12,929,685
Change in net assets before nonoperating activities	9,482,226	(9,998,856)	(516,630)
 <b>NONOPERATING ACTIVITIES:</b>			
Net investment return on endowment and Board-designated investments	2,244,531	407,771	2,652,302
Change in net assets from nonoperating activities	2,244,531	407,771	2,652,302
Change in net assets	11,726,757	(9,591,085)	2,135,672
 <b>NET ASSETS:</b>			
Balances, beginning of year	34,984,184	15,238,350	50,222,534
Balances, end of year	\$ 46,710,941	\$ 5,647,265	\$ 52,358,206

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



THE NEBRASKA HUMANE SOCIETY  
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CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

<u>Program Services</u>	2021			
	Animal Control	Animal Welfare	Community Outreach	Total
Salaries and wages	\$ 2,751,632	\$ 2,186,350	\$ 432,264	\$ 5,370,246
Payroll taxes	206,679	165,866	32,333	404,878
Other employee benefits	562,472	366,235	63,273	991,981
Pension plan contributions	45,921	38,083	9,644	93,649
Advertising and outreach	88,529	-	151,347	239,876
Animal care	58,760	89,748	319	148,827
Animal feed	240,886	243,372	58	484,316
Animal medical	268,378	535,026	3,771	807,175
Auto	133,289	5,007	236	138,531
Bad debt	(171)	249	(11)	67
Banking expense	84,378	44,968	4,023	133,369
Computer support and maintenance	102,356	97,160	59,797	259,313
Conferences	4,512	5,765	519	10,796
Contracted services	56,751	74,506	8,434	139,692
Depreciation	409,314	608,123	116,947	1,134,384
Dues and subscriptions	6,276	8,012	218	14,506
Humane education materials	49	858	6,949	7,855
Insurance	147,109	103,828	23,188	274,124
Legal and accounting	72,401	12,009	3,997	88,407
License printing and postage	138,690	3	2	138,695
Meals	40	71	31	142
Occupancy	267,798	431,496	51,555	750,849
Pet tag expense	5,174	-	-	5,174
Postage and shipping	10,022	2,525	23,778	36,325
Printing	7,703	6,526	62,925	77,153
Repairs and maintenance	53,241	89,636	9,631	152,508
Security	138,084	60,053	3,466	201,602
Supplies	53,960	190,036	5,428	249,425
Telephone	44,428	6,451	1,742	52,622
Uniforms	6,048	2,647	-	8,695
Volunteer expense	1,431	5,160	7,719	14,310
	<u>\$ 5,966,141</u>	<u>\$ 5,379,769</u>	<u>\$ 1,083,581</u>	<u>\$ 12,429,491</u>

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

THE NEBRASKA HUMANE SOCIETY  
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CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

<u>Program Services</u>	2020			
	Animal Control	Animal Welfare	Community Outreach	Total
Salaries and wages	\$ 2,588,617	\$ 2,026,788	\$ 431,056	\$ 5,046,461
Payroll taxes	191,574	151,490	31,975	375,039
Other employee benefits	577,030	393,957	72,562	1,043,549
Pension plan contributions	39,727	32,889	9,539	82,155
Advertising and outreach	87,900	-	153,471	241,371
Animal care	56,068	93,275	359	149,702
Animal feed	243,762	251,021	171	494,954
Animal medical	232,104	467,581	64	699,749
Auto	130,634	8,121	684	139,439
Bad debt	5,276	5,296	344	10,916
Banking expense	72,510	33,126	2,904	108,540
Computer support and maintenance	96,445	75,933	58,841	231,219
Conferences	1,436	3,807	43	5,286
Contracted services	49,789	68,472	5,481	123,742
Depreciation	354,863	527,225	101,389	983,477
Dues and subscriptions	8,239	8,022	167	16,428
Equipment rental	2,333	3,449	672	6,454
Humane education materials	118	2,071	1,474	3,663
Insurance	134,781	99,880	20,293	254,954
Legal and accounting	61,185	20,594	2,064	83,843
License printing and postage	137,113	17	11	137,141
Occupancy	238,512	382,312	45,600	666,424
Pet tag expense	4,439	-	-	4,439
Postage and shipping	15,349	2,339	20,445	38,133
Printing	3,595	4,565	36,275	44,435
Repairs and maintenance	45,735	81,563	7,896	135,194
Security	98,198	16,704	1,599	116,501
Supplies	56,379	171,000	3,319	230,698
Telephone	36,912	3,783	1,651	42,346
Uniforms	3,915	182	-	4,097
Volunteer expense	322	1,126	1,770	3,218
	<u>\$ 5,574,860</u>	<u>\$ 4,936,588</u>	<u>\$ 1,012,119</u>	<u>\$ 11,523,567</u>

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

THE NEBRASKA HUMANE SOCIETY  
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CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

<u>Gift Shop</u>	<u>2021</u>	<u>2020</u>
Salaries and wages	\$ 10,259	\$ 9,616
Payroll taxes	765	709
Other employee benefits	1,980	2,514
Pension plan contributions	247	229
Auto	5	72
Animal Medical	1	-
Bad debt expense	(11)	344
Banking expense	209	186
Computer support and maintenance	3,433	2,704
Conferences	(16)	6
Contracted services	1,680	1,478
Dues and subscriptions	13	24
Humane Education	10	-
Insurance	1,216	970
Legal and accounting	396	268
Miscellaneous	-	42
Occupancy	10,968	9,640
Postage and shipping	15	20
Repairs and maintenance	2,064	1,692
Security	194	361
Supplies	146	295
Telephone	129	41
	<u>\$ 33,702</u>	<u>\$ 31,211</u>

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

THE NEBRASKA HUMANE SOCIETY  
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CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

<u>Management and General:</u>	<u>2021</u>	<u>2020</u>
Salaries and wages	\$ 271,923	\$ 261,284
Payroll taxes	19,602	18,086
Other employee benefits	37,049	55,540
Pension plan contributions	5,503	3,941
Animal Feed	6	-
Animal Medical	746	-
Auto	3	48
Bad debt expense	(516)	15,944
Banking expense	8,829	8,347
Computer support and maintenance	23,057	16,643
Conferences	(87)	80
Contracted services	20,233	8,493
Depreciation	23,389	20,278
Dues and subscriptions	760	289
Equipment rental	-	167
Insurance	24,341	23,598
Legal and accounting	62,541	55,211
Miscellaneous	-	12
Occupancy	8,213	6,668
Postage and shipping	573	873
Printing	24	612
Repairs and maintenance	1,376	1,128
Security	240	465
Supplies	4,272	7,371
Telephone	182	892
	<u>\$ 512,258</u>	<u>\$ 505,970</u>

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

THE NEBRASKA HUMANE SOCIETY  
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CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

<u>Fundraising:</u>	<u>2021</u>	<u>2020</u>
Salaries and wages	\$ 605,897	\$ 528,776
Payroll taxes	45,122	37,282
Other employee benefits	67,732	67,597
Pension plan contributions	14,162	12,264
Advertising and promotion	22,431	-
Animal Feed	3	-
Animal Medical	374	-
Auto	3	105
Bad debt	9,989	4,384
Banking	35,923	21,968
Computer support and maintenance	80,684	75,482
Conferences	156	189
Contracted services	11,559	5,177
Depreciation	11,695	10,139
Dues and subscriptions	3,222	2,084
Equipment rental	-	95
Fundraising expenses	81,235	33,151
Insurance	23,775	21,881
Legal	13,968	5,205
Meals	318	-
Miscellaneous	-	12
Occupancy	8,060	6,591
Postage	23,767	20,440
Printing	62,881	36,575
Repairs and maintenance	1,376	1,128
Security	181	345
Special events	200	3,411
Supplies	7,978	5,126
Telephone	166	741
	<u>\$ 1,132,857</u>	<u>\$ 900,148</u>

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

THE NEBRASKA HUMANE SOCIETY  
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CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 9,880,824	\$ 2,135,672
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,169,468	1,013,894
(Gain) loss on disposal of fixed assets	-	33,418
Realized (gains) losses on investments	(1,515,360)	(395,912)
Unrealized (gains) losses on investments	(1,863,477)	(2,045,179)
Amortization of discount on promises to give	25,003	51,319
Contributions restricted for long term purposes	(399,562)	(10,000)
Changes in assets and liabilities:		
(Increase) decrease in promises to give	714,532	1,200,704
(Increase) decrease in accounts receivable	12,802	10,043
(Increase) decrease in prepaid expenses	(28,225)	26,306
(Increase) decrease in inventory	(8,043)	10,319
Increase (decrease) in accounts payable	(18,305)	(2,100,583)
Increase (decrease) in accrued liabilities	(15,539)	(96,085)
Increase (decrease) in prepaid licenses and other deferred revenue	(41,560)	68,195
Total adjustments	<u>(1,968,266)</u>	<u>(2,233,561)</u>
Net cash (used in) provided by operating activities	<u>7,912,558</u>	<u>(97,889)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(6,153,968)	(1,876,872)
Sale of investments	2,435,846	5,080,194
Purchase of depreciable property	(121,785)	(4,638,217)
Net cash used in investing activities	<u>(3,839,907)</u>	<u>(1,434,895)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from contributions restricted for long term purposes	-	10,000
Proceeds from SBA loan - Paycheck Protection Program	(1,390,620)	1,390,620
Net cash provided by financing activities	<u>(1,390,620)</u>	<u>1,400,620</u>
Net increase (decrease) in cash and cash equivalents	2,682,031	(132,164)
Cash, cash equivalents and restricted cash - beginning of year	5,822,995	5,955,159
Cash, cash equivalents and restricted cash - end of year	<u>\$ 8,505,026</u>	<u>\$ 5,822,995</u>
Cash, cash equivalents and restricted cash presented on statement of financial position as:		
Current assets	\$ 7,323,108	\$ 5,136,143
Foundation investments	1,181,918	686,852
	<u>\$ 8,505,026</u>	<u>\$ 5,822,995</u>

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

THE NEBRASKA HUMANE SOCIETY  
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NEBRASKA HUMANE SOCIETY FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2021 and 2020

NOTE 1 – THE ENTITY:

The Nebraska Humane Society (the Society) is a nonprofit corporation committed to the protection of animals. The Society provides education, gives sanctuary to animals, encourages adoption of animals, and promotes responsible pet ownership. Service to the citizens and animals of the community is provided by upholding the laws enacted for their protection. The Society’s mission statement states “The Nebraska Humane Society protects, saves, and enriches the lives of animals in the communities we serve”.

The Society acts as the animal control and animal licensing agency for the City of Omaha, Sarpy County and all municipalities in Sarpy County. Animal welfare services provided include medical treatment as needed, spay/neuter services, behavior training, behavior modification, foster care and adoption. Community outreach provides a wide range of educational programs and opportunities for schools, religious and civic groups, businesses, hospitals and nursing homes, and boys and girls clubs.

Effective January 1, 2000, a nonprofit foundation, Nebraska Humane Society Foundation (the Foundation), was formed for the express purpose of raising funds and holding assets for the Society. The Foundation is considered to be controlled by the Society by virtue of the fact that the board of directors of the Society has the power to appoint the members of the board of directors for the Foundation. The Foundation was not granted any variance power.

The organizations’ revenues are derived from contributions, service contracts with various cities and counties, primarily in eastern Nebraska, to provide animal control, and other program service fees. These fees include adoption fees and other shelter fees charged to animal owners.

In June 2010, Humane Enterprises, Inc., a for-profit corporation, was formed for the purpose of providing licensing services for other governmental entities in the country. Operations related to obtaining contracts with other entities began in 2011 and ended in 2014. Humane Enterprises, Inc. is a wholly-owned subsidiary of the Society and, therefore, consolidation of the financial statements is required under generally accepted accounting principles. Humane Enterprises, Inc. maintains a separate Board of Directors.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES:

A. Basis of Financial Presentation

The accompanying consolidated financial statements are presented on the accrual basis of accounting in conformity with generally accepted accounting principles in the United States of America.

THE NEBRASKA HUMANE SOCIETY  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2021 and 2020

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES, Continued:

B. 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 or services transferred, or (2) a nonreciprocal transfer (a contribution), where no value is exchanged.

Exchange transactions

The Society's revenue from contracts with customers, which comes from contracts with city and county governments in the metropolitan area to provide animal control and licensing services, is recognized over time based on the transfer of control. The contracts are renewed every three years, with annual payments that generally extend across one calendar year and are considered to contain one performance obligation that is satisfied over time. In addition, the Society's contracts do not contain variable consideration, and contract modifications are generally minimal.

Revenues from program services include shelter fees, adoptions, cremation, spay and neuter services, training and education. These revenues are generally recognized at the time of service delivery.

License receipts are recorded as revenue in the year for which the license is issued. License receipts received in advance are treated as unearned revenue until the year for which issued.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions; the restriction is met when the assets are placed in service.

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



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NOTE 2 – SUMMARY OF ACCOUNTING POLICIES, Continued:

D. Principles of Consolidation

The consolidated financial statements include the accounts of The Nebraska Humane Society, The Nebraska Humane Society Foundation and the wholly owned subsidiary, Humane Enterprises, Inc. All material intra-entity transactions have been eliminated.

E. Non-Cash Contributions

Contributions of donated non-cash assets (in-kind) are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased, if not provided by donations, are recorded at their fair values in the period received.

F. Cash and Cash Equivalents

For purposes of the financial statements, the Society considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents held as a part of the Society's investment portfolio, where management's intention is to use the cash to acquire investments to be held long-term, are classified as investments. Cash and cash equivalents for purposes of the statements of cash flows include a Foundation money market account (see Note 1).

G. Investments and Related Income

Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at fair value in the statement of financial position. Whenever available, quotations from organized security 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 return (interest and dividend income, and gains and losses on the sale of investments), as well as unrealized gains and losses, is reported as a change in net assets without donor restrictions unless otherwise restricted by the donor. Investment income from short term investments is included in operating activities on the statement of activities, as those investments are used for the Society's daily cash management activities. All other investment return is considered nonoperating. Investment income is reported net of investment expenses.

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NOTE 2 – SUMMARY OF ACCOUNTING POLICIES, Continued:

H. Promises to Give

Management considers promises to give to be fully collectible and, accordingly, an allowance for doubtful accounts has not been recorded. If promises to give become uncollectible, they will be charged to expense when that determination is made. Bad debt expense was \$ 9,529 and \$31,589 in 2021 and 2020, respectively.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

I. Inventories

Inventory for the gift shop is stated at cost or estimated value at date contributed for donated items included in inventory.

J. Property and Equipment

The Society capitalizes property and equipment over \$2,500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from five to forty years.

K. Income Taxes

The Society and the Foundation are exempt from federal income taxes on their related activities under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes related to the Society and the Foundation are to be paid only on the net revenue not related to their tax-exempt activities. Humane Enterprises is a for-profit C corporation. The Society and the Foundation qualify to receive tax-deductible contributions as provided by the Internal Revenue Code. At December 31, 2021, the Society and Humane Enterprises had net operating loss carry-forwards resulting from its unrelated business activities and for-profit operations which could be applied against future years' taxable income. The net operating loss carry-forwards expire at various dates through December 2035.

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NOTE 2 – SUMMARY OF ACCOUNTING POLICIES, Continued:

L. Accounting for Uncertain Tax Positions

In accordance with ASC 740, *Income Taxes*, the Society has evaluated its tax positions and determined that its tax positions are more-likely-than-not to be sustained upon examination. Accordingly, the Society believes there are no unrecognized benefits or applicable interest and penalties that should be recorded. Tax returns are subject to review and examination by federal, state and local authorities. The Society and the Foundation are no longer subject to examination for years before 2019.

M. Functional Allocation of Expenses

Certain categories of expenses reported in the statements of functional expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy costs, which are allocated on a square footage basis, as well as salaries and benefits, which are allocated on the basis of time and effort studies. Although the methods of allocation used are considered reasonable, other methods could be used that would produce different amounts.

N. Advertising Costs

Advertising costs are expensed as incurred.

O. Allocation of Joint Costs

The Society has incurred joint costs that include fundraising appeals in the cost of producing and mailing a semi-annual newsletter and maintaining a website. These costs, which total \$283,396 have been allocated 50% to program services and 50% to fundraising.

P. Net Asset Classifications

Financial position and activities are reported according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Society's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Society or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

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NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS:

U.S. generally accepted accounting principles establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available:

*Level 1* – Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments which would generally be included in Level 1 includes listed equities.

*Level 2* - Valuation is based upon inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly or indirectly.

*Level 3* - Valuation is based upon significant unobservable inputs.

Equities and equity, fixed income and money market funds are valued at the closing price reported on the active market on which the individual securities are traded. The investment grade corporate bonds held by the Society generally do not trade in active markets on the measurement date, and are valued using inputs including yields currently available on comparable securities of issuers with similar credit ratings, recent market price quotations, bond spreads and fundamental data related to the issuer. Beneficial interests in perpetual trusts are valued utilizing fair value of the assets held in the trust as reported by the trustee. The Society considers the measurement of its beneficial interest in the the perpetual trust to be a Level 3 measurement because even though the measurement is based on the unadjusted fair value of the trust assets reported by the trustee, the Society will never receive those assets or have the ability to direct the trustee to redeem them.

The following tables set forth by level, within the fair value hierarchy, the investments carried at fair value as of December 31:

ASSETS AT FAIR VALUE AS OF DECEMBER 31, 2021

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market held in brokerage				
account for investment	\$ 2,097,900	\$ 2,097,900	\$ -	\$ -
Equities	772,915	772,915	-	-
Equity funds	21,374,123	21,374,123	-	-
Fixed income funds	5,547,551	5,547,551	-	-
Corporate bonds	222,882	-	222,882	-
Total marketable securities	<u>30,015,371</u>	<u>29,792,489</u>	<u>222,882</u>	<u>-</u>
Beneficial interest in perpetual trust	399,562	-	-	399,562
Total	<u>\$ 30,414,933</u>	<u>\$ 29,792,489</u>	<u>\$ 222,882</u>	<u>\$ 399,562</u>

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NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS, Continued:

ASSETS AT FAIR VALUE AS OF DECEMBER 31, 2020

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market held in brokerage				
accounts for investment	\$ 1,344,032	\$ 1,344,032	\$ -	\$ -
Equities	602,862	602,862	-	-
Equity funds	13,620,714	13,620,714	-	-
Fixed income funds	4,430,683	4,430,683	-	-
Corporate bonds	333,609	-	333,609	-
Foreign equities	2,586,512	2,586,512	-	-
Total marketable securities	<u>22,918,412</u>	<u>22,584,803</u>	<u>333,609</u>	<u>-</u>
Beneficial interest in perpetual trust	\$ -	\$ -	\$ -	\$ -
Total	<u>\$ 22,918,412</u>	<u>\$ 22,584,803</u>	<u>\$ 333,609</u>	<u>\$ -</u>

The investments are reported as follows:

	<u>2021</u>	<u>2020</u>
Short-term investments	\$ 2,834,572	\$ 2,444,573
Investments	2,748,886	437,880
Foundation investments	24,090,183	18,691,927
Investments restricted for investment in building	<u>341,730</u>	<u>1,344,032</u>
Total	<u>\$ 30,015,371</u>	<u>\$ 22,918,412</u>

Net investment income consists of the following:

	<u>2021</u>	<u>2020</u>
Realized gains	\$ 1,520,250	\$ 395,912
Unrealized gains (losses)	1,867,221	2,045,179
Interest and dividend income	376,818	363,624
Investment fees	<u>(147,001)</u>	<u>(115,435)</u>
Total	<u>\$ 3,617,288</u>	<u>\$ 2,689,280</u>
Operating investment income	\$ 392,897	\$ 36,978
Nonoperating investment income	<u>3,224,391</u>	<u>2,652,302</u>
Total	<u>\$ 3,617,288</u>	<u>\$ 2,689,280</u>

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NOTE 4 – BENEFICIAL INTEREST IN PERPETUAL TRUST:

The Society is a beneficiary of a perpetual trust administered by an independent financial institution. Under the terms of the trust, the Society has irrevocable rights to receive a portion of the income earned on the trust assets in perpetuity.

NOTE 5 – PROMISES TO GIVE:

Promises to give extend over a period of five years and have therefore been discounted to present value using rates ranging from 2% to 5.5%.

Promises to give at December 31 consist of:

	<u>2021</u>	<u>2020</u>
Promises due in less than 1 year	\$ 1,750	\$ 26,950
Promises due in 1 to 5 years	742,550	1,481,888
Promises due in more than 5 years	-	-
Discount to present value	<u>(14,656)</u>	<u>(39,659)</u>
Total	<u>\$ 729,644</u>	<u>\$ 1,469,179</u>

At December 31, 2021 and 2020, promises to give are comprised of \$137,696 and \$225,605, respectively, of gifts restricted as to time. The remainder of the promises to give are restricted as to purpose.

NOTE 6 – LAND, BUILDINGS AND EQUIPMENT:

Land, buildings and equipment at December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 1,270,868	\$ 1,270,868
Buildings and improvements	33,421,290	33,413,311
Vehicles and equipment	<u>2,657,329</u>	<u>2,650,017</u>
	37,349,487	37,334,196
Less: Accumulated depreciation	<u>(14,171,427)</u>	<u>(13,108,453)</u>
	<u>\$ 23,178,060</u>	<u>\$ 24,225,743</u>

Depreciation expense was \$1,169,468 and \$1,013,894 for 2021 and 2020, respectively.

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NOTE 7 – DEFERRED COMPENSATION AGREEMENTS:

The Society had a deferred compensation agreement with a member of the Society’s management. Under this agreement, the Society established a deferred compensation account in the form of an annuity. The balance in the account was paid out in 2020. There were no premiums paid on this annuity in 2021 and 2020.

NOTE 8– NOTES PAYABLE:

The Society has a demand bank line of credit totaling \$2,000,000, under which the Society may borrow on an unsecured basis at the bank’s prime rate. There were no amounts outstanding under this line of credit at December 31, 2021 and 2020. The credit agreement matures on August 1, 2023.

In April 2020, the Society received loan proceeds in the amount of \$1,390,600 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses and nonprofit organizations for amounts up to 2.5 times the average monthly payroll expenses of the qualifying entity. The loan and accrued interest are forgivable after the measurement period as long as the borrower uses the loan proceeds for eligible purposes, including payroll, employee benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness is reduced if the borrower terminates employees or reduces salaries during the measurement period.

The Society used the proceeds for purposes consistent with the PPP loan requirements, and received forgiveness for the entire loan in 2021.

NOTE 9 – NET ASSETS WITHOUT DONOR RESTRICTIONS:

Net assets without donor restrictions are available to finance the general operations of the Society. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Society, the environment in which it operates, and the purposes specified in its articles of incorporation. Voluntary resolutions by the Board of Directors to designate a portion of its net assets without donor restrictions for specified purposes do not result in restricted funds. Since designations are voluntary and may be reversed by the Board at any time, designated net assets are included with net assets without donor restrictions.

In 2000, Nebraska Humane Society Foundation was formed to hold funds for the support of the Society. Certain restricted assets were transferred into the Foundation. In addition, a quasi-endowment fund was established for bequests received by the Society. Currently, bequests over \$50,000 are deposited in the Foundation accounts. The Foundation has a separate Board of Directors that oversees the management of the funds in accordance with the investment and spending policies detailed in Note 11.

In 2021, the Society established the Forever Home Fund, a quasi-endowment funded with a significant bequest, to assist families facing crisis to keep their pets. The funds can be used at the discretion of the Society Board for the support of the program.

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NOTE 9 – NET ASSETS WITHOUT DONOR RESTRICTIONS, Continued:

Net assets without donor restrictions are held by the following funds at December 31:

	<u>2021</u>	<u>2020</u>
Board designated		
Foundation quasi-endowment	\$ 22,158,363	\$ 16,265,040
Forever Home	<u>1,265,418</u>	<u>-</u>
Total Board designated	<u>23,423,781</u>	<u>16,265,040</u>
Undesignated	33,432,248	30,445,901
Total net assets without donor restrictions	<u>\$ 56,856,029</u>	<u>\$ 46,710,941</u>

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of gifts contributed for a specified purpose, gifts restricted due to time, or gifts that have been designated by the donor to be held in perpetuity. As of December 31, 2021 and 2020, net assets with donor restrictions consisted of the following:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specific purpose:		
Program activities	\$ 41,971	\$ 64,352
Capital improvements	<u>690,035</u>	<u>1,243,572</u>
	<u>732,006</u>	<u>1,307,924</u>
Subject to the passage of time:		
General unrestricted use in future periods as received	<u>137,696</u>	<u>225,605</u>
Not subject to appropriation or expenditure:		
Donor-restricted endowment fund		
General activities	1,858,438	1,458,875
Humane education	77,572	77,572
Animal welfare and outreach	1,577,289	1,577,289
JVAEC facility maintenance	<u>1,000,000</u>	<u>1,000,000</u>
	<u>4,513,299</u>	<u>4,113,736</u>
Total net assets with donor restrictions	<u>\$ 5,383,001</u>	<u>\$ 5,647,265</u>



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NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS, Continued:

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	<u>2021</u>	<u>2020</u>
Purpose restrictions accomplished:		
<u>Programs</u>		
Forever Home Fund	\$ 55,663	\$ -
Medical/behavior/special needs	316,943	-
Various programs	<u>17,501</u>	<u>2,500</u>
	<u>390,107</u>	<u>2,500</u>
<u>Capital Projects</u>		
Judy Varner Capital Campaign	<u>578,291</u>	<u>9,887,512</u>
Total purpose restrictions released	<u>968,398</u>	<u>9,890,012</u>
Time restrictions expired	<u>222,534</u>	<u>142,575</u>
Earnings on donor-restricted endowment fund released by Board	<u>506,254</u>	<u>407,771</u>
Total restrictions released	<u>\$ 1,697,186</u>	<u>\$ 10,440,358</u>

NOTE 11 –ENDOWMENT FUNDS:

The endowment funds includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation holds all but two of the endowment funds; one is permanently restricted with investment income available for the support and maintenance of the JVAEC facility. The second endowment, the Forever Home Fund, is a Board designated quasi-endowment fund for the support of individuals and families in crisis to enable them to keep their pets. These funds are managed by the Society Board of Directors; the Board will appropriate funds based on specific needs and investment results of the funds.

The donor-restricted endowment fund consists of gifts which were restricted by donors such that the original value be maintained permanently but permit use of the income derived from the assets.

Investment income from the assets is classified as net assets with donor restrictions until either the purpose restriction is satisfied or, in the case of endowment funds which support general activities, the Board has appropriated the earnings for expenditure.

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NOTE 11 – ENDOWMENT FUNDS, Continued:

The Foundation is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless the donor stipulates to the contrary.

As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. In accordance with donor stipulations, spending is not allowed from underwater funds.

In accordance with SPMIFA, the Board of Directors considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the organization and the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Society, and (7) the Foundation's investment policies.

From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration.

Endowment composition by type of fund at December 31, 2021 is as follows:

	Net Assets without Donor <u>Restrictions</u>	Net Assets with Donor <u>Restrictions</u>	<u>Total</u>
Board designated quasi-endowment funds	\$ 23,423,781	\$ -	\$ 23,423,781
Donor-restricted endowment funds			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	-	4,513,298	4,513,298
Total endowment funds	<u>\$ 23,423,781</u>	<u>\$ 4,513,298</u>	<u>\$ 27,937,079</u>

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NOTE 11 – ENDOWMENT FUNDS, Continued:

Changes in endowment net assets held by the Nebraska Humane Society and Nebraska Humane Society Foundation for the year ended December 31, 2021 are as follows:

	Net Assets without Donor <u>Restrictions</u>	Net Assets with Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$ 16,265,040	\$ 4,132,694	\$ 20,397,734
Investment return:			
Investment income	275,524	52,326	327,850
Realized and unrealized gains on investments	2,371,542	453,928	2,825,470
Total investment activity	2,647,066	506,254	3,153,320
Contributions	5,251,432	400,604	5,652,036
Appropriation of endowment assets for expenditure	506,254	(506,254)	-
Reclassifications	15,000	(15,000)	-
Transfer to Society accounts	(1,259,413)	-	(1,259,413)
Other changes	(1,598)	(5,000)	(6,598)
Endowment net assets, end of year	<u>\$ 23,423,781</u>	<u>\$ 4,513,298</u>	<u>\$ 27,937,079</u>

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to return 7.5%, net of investment fees. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

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NOTE 11 – ENDOWMENT FUNDS, Continued:

A. Appropriation Policy and How the Investment Objectives Relate to Appropriation Policy

The spending rate for the portfolio is 5% per year of the average of the market value of the Endowment Portfolio over the prior 3 years. The spending policy is based on two key assumptions: the inflation rate over time has averaged about 2%, and the total return on the endowment fund over time will average 7%. The total annual distribution of spendable income does not exceed 10% nor is it less than 5% of the average market value based on a rolling three year average.

B. Strategies Employed for Achieving Objectives

The primary investment objectives, portfolio spending rate, average annual total return objective and resulting target allocation rate indicate a substantial ability to tolerate volatility over time, but reasonable precautions are taken to not subject the portfolio to short term volatility. The portfolio’s target or equilibrium asset allocation is 30% fixed income and 70% common stock.

NOTE 12– ANIMAL CONTROL CONTRACTS:

The Society has animal control contracts with the City of Omaha, Sarpy County, and Offutt Air Force Base. The Sarpy County contract includes a provision which requires the Society to provide animal control services to the cities of Bellevue, Gretna, LaVista, Papillion, Springfield and Ralston, to the extent that said services are required by Sarpy County’s Interlocal Cooperation Agreement with each city. The Society is entitled to 100% of the license and impound fees collected in accordance with the provisions of the contracts.

In addition to the license and impound fees, the City of Omaha contract provided for direct payments of \$903,300 and \$765,131 for the years 2021 and 2020, respectively.

NOTE 13 – CONTRIBUTED NONFINANCIAL ASSETS:

For the years ended December 31, contributed nonfinancial assets recognized as contribution revenue within the statement of activities included:

	<u>2021</u>	<u>2020</u>
Animal care - food	\$ 440,277	\$ 458,443
Animal care - boarding	31,762	35,753
Other operational supplies	11,465	16,177
Animal care - medical services	32,257	33,398
Professional services	19,830	23,296
	<u>\$ 535,591</u>	<u>\$ 567,067</u>

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NOTE 13 – CONTRIBUTED NONFINANCIAL ASSETS, Continued:

Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. The Society's policy is to utilize contributed nonfinancial assets in the operations of the entity.

Contributed animal food and boarding were used in the animal control and welfare programs; operational supplies were used in various programs and management and fundraising activities. In valuing contributed food, the Society used published retail prices; boarding was valued at current rates charged by comparable facilities. Other supplies were valued at the estimated fair value.

Donated medical services were used in animal welfare programs and were valued at the estimated fair value based on current rates for similar services.

Donated professional services recognized comprise accounting services, and are reported at the estimated fair value in the financial statements based on current rates for similar accounting services.

The Society receives a significant amount of donated services from unpaid volunteers who assist in special projects. No amounts have been recognized in the statement of activities because the criteria for recognition under FASB ASC 958 have not been satisfied. The Society received approximately 49,940 volunteer hours during 2021, which are valued at approximately \$545,200.

NOTE 14 – 401K SAVINGS PLAN:

The Society has a defined contribution plan covering all employees who are 21 years of age and have completed 90 days of service. Under the plan, eligible employees can make salary reduction contributions up to the maximum allowed by current tax laws. The Society matches these contributions to the extent of 3% of covered compensation. Plan expense was \$113,561 and \$98,588 for 2021 and 2020, respectively.

NOTE 15 – COMMITMENTS AND CONTINGENCIES:

The Society has a self-insured health insurance for all its employees. The Society has purchased stop-loss insurance in order to limit its exposure, which will reimburse the Society for individual claims in excess of \$ 35,000 annually or aggregate claims exceeding \$ 1,052,110 annually. Self-insurance losses are accrued based on the Society's estimates of the aggregate liability for uninsured claims incurred using certain actuarial assumptions followed in the insurance industry. At December 31, 2021, the accrued liability for self-insured losses is included in accrued expenses and approximates \$71,102.

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NOTE 16 - AVAILABILITY OF FINANCIAL ASSETS:

The following reflects the Society's financial assets available within one year of the balance sheet for general expenditure:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 8,505,026	\$ 5,822,995
Short term investments	3,176,302	3,788,605
Promises to give	729,644	1,469,179
Accounts receivable	18,044	30,846
Investments	26,839,069	19,129,807
Total financial assets	<u>39,268,085</u>	<u>30,241,432</u>
Less amounts unavailable for general expenditure within one year due to:		
Restricted by donors with purpose restrictions	(732,006)	(1,307,924)
Restricted by donors with time restrictions	(137,696)	(225,605)
Restricted by donors in perpetuity	<u>(4,513,299)</u>	<u>(4,113,736)</u>
Total amounts unavailable for general expenditures within one year	(5,383,001)	(5,647,265)
Less amounts unavailable to management without Board approval	<u>23,423,781</u>	<u>16,265,040</u>
Total financial assets available to management to meet cash needs for general expenditures within one year	<u>\$ 57,308,865</u>	<u>\$ 40,859,207</u>

The Society's endowment funds consist of donor-restricted endowments and Board-designated quasi-endowments. As described in Footnote 10, income from certain donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. Income from certain other donor-restricted funds is available for general expenditure when appropriated by the Board of Trustees. As described in Footnote 11, the quasi-endowment held by the Foundation has an average spending rate of 5%; it is anticipated that these funds will be appropriated by the Board of Trustees and available within the next twelve months. The appropriation for 2021 was \$1,259,413.

As part of the Society's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Society invests cash in excess of daily requirements in short-term investments.

To help manage unanticipated liquidity needs, the Society has a committed line of credit of \$2,000,000 which it could draw upon.

THE NEBRASKA HUMANE SOCIETY  
and  
NEBRASKA HUMANE SOCIETY FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2021 and 2020

NOTE 17 – 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, 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.

The Society maintains cash accounts in several commercial banks located in Omaha, Nebraska. The total cash balances are insured by the FDIC up to \$250,000 per bank. As of December 31, 2021, the Society had \$6,570,525 in cash accounts that were in excess of FDIC coverage. In addition, the Society held \$4,331,141 in cash equivalents held in investment accounts not covered by the FDIC as of December 31, 2021.

The Society invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements. Investment securities and limited amounts of cash are held in brokerage accounts that are protected by the Securities Investor Protection Corporation (SIPC) in the event of broker-dealer failure, up to \$500,000 of protection for each brokerage account with a limit of \$250,000 for claims of uninvested cash balances. The insurance does not protect against market losses on investments.

Certain receivables may also, from time to time, subject the Society to concentrations of credit risk, because substantially all of the balances are receivable from individuals and entities located within the same geographic region. At December 31, 2021, approximately 67% of the outstanding promises to give was due from two foundations. At December 31, 2021, the Society considers all promises to give to be fully collectible; accordingly, no allowance for doubtful accounts has been established.

NOTE 18 – SUBSEQUENT EVENTS:

The Society has evaluated subsequent events through October 27, 2022, which is the date the financial statements were available to be issued.

Subsequent to December 31, 2021, the stock market experienced a significant decline in value. As of October 21, 2022, the Dow Jones industrial average declined 14.5% and the Nasdaq composite index declined by 30.6%. During the same period, it is estimated that the Society's investments declined by 16%, or \$5,500,000. The Society will continue to monitor its investments as it has successfully done in the past, but has no immediate plans to change its investment portfolio.

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## INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATING INFORMATION

To the Board of Directors  
The Nebraska Humane Society and  
Nebraska Humane Society Foundation:

We have audited the consolidated financial statements of the Nebraska Humane Society and Nebraska Humane Society Foundation as of and for the years ended December 31, 2021 and 2020, and have issued our report thereon dated October 27, 2022 which expressed an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information in Schedules I and II is presented for purposes of additional analysis of the consolidated financial statements, rather than to present financial position, changes in net assets, and cash flows of the individual entities, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information in Schedules I and II is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Omaha, Nebraska  
October 27, 2022

*Masimore, Magnuson & Associates, P.C.*



THE NEBRASKA HUMANE SOCIETY AND NEBRASKA HUMANE SOCIETY FOUNDATION  
SCHEDULE I - SUPPLEMENTAL STATEMENT OF CONSOLIDATING STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2021

<u>ASSETS</u>	The Nebraska Humane Society	Nebraska Humane Society Foundation	Humane Enterprises, Inc.	Eliminating Entries	2021 Consolidated Total
Current assets:					
Cash and cash equivalents	\$ 7,323,108	\$ -	\$ -	\$ -	\$ 7,323,108
Short-term investments	2,834,572	-	-	-	2,834,572
Promises to give	137,696	-	-	-	137,696
Accounts receivable	18,044	-	-	-	18,044
Prepaid expenses	140,797	-	-	-	140,797
Inventory	26,364	-	-	-	26,364
Total current assets	<u>10,480,581</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,480,581</u>
Investments	2,748,886	-	-	-	2,748,886
Foundation investments:					
Cash and cash equivalents	-	1,181,918	-	-	1,181,918
Investments	-	24,090,183	-	-	24,090,183
Investments restricted for investment in building	341,730	-	-	-	341,730
Promises to give restricted for investment in building	591,948	-	-	-	591,948
Beneficial interest in Foundation	25,671,663	-	-	(25,671,663)	-
Investment in Humane Enterprises, Inc.	4,169	-	-	(4,169)	-
Land, buildings and equipment at cost - net of accumulated depreciation	23,178,060	-	-	-	23,178,060
Beneficial interest in perpetual trust	-	399,562	-	-	399,562
Intangible assets, net of amortization	-	-	4,169	-	4,169
Total other assets	<u>52,536,456</u>	<u>25,671,663</u>	<u>4,169</u>	<u>(25,675,832)</u>	<u>52,536,456</u>
Total assets	<u>\$ 63,017,037</u>	<u>\$ 25,671,663</u>	<u>\$ 4,169</u>	<u>\$ (25,675,832)</u>	<u>\$ 63,017,037</u>

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

THE NEBRASKA HUMANE SOCIETY AND NEBRASKA HUMANE SOCIETY FOUNDATION  
SCHEDULE I - SUPPLEMENTAL STATEMENT OF CONSOLIDATING STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2021

	The Nebraska Humane Society	Nebraska Humane Society Foundation	Humane Enterprises, Inc.	Eliminating Entries	2021 Consolidated Total
<u>LIABILITIES AND NET ASSETS</u>					
Current liabilities:					
Accounts payable	\$ 242,515	\$ -	\$ -	\$ -	\$ 242,515
Accrued liabilities	429,210	-	-	-	429,210
Prepaid licenses and other deferred revenue	106,282	-	-	-	106,282
Total current liabilities	<u>778,007</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>778,007</u>
NET ASSETS:					
Without donor restrictions	56,856,029	22,158,365	-	(22,158,365)	56,856,029
With donor restrictions	5,383,001	3,513,298	-	(3,513,298)	5,383,001
Total net assets	<u>62,239,030</u>	<u>25,671,663</u>	<u>-</u>	<u>(25,671,663)</u>	<u>62,239,030</u>
RETAINED EARNINGS:					
Common stock	-	-	50,000	(50,000)	-
Additional paid in capital	-	-	248,841	(248,841)	-
Retained earnings	-	-	(294,672)	294,672	-
	<u>-</u>	<u>-</u>	<u>4,169</u>	<u>(4,169)</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 63,017,037</u>	<u>\$ 25,671,663</u>	<u>\$ 4,169</u>	<u>\$ (25,675,832)</u>	<u>\$ 63,017,037</u>

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

THE NEBRASKA HUMANE SOCIETY AND NEBRASKA HUMANE SOCIETY FOUNDATION  
SCHEDULE II - SUPPLEMENTAL STATEMENT OF CONSOLIDATING STATEMENTS OF ACTIVITIES  
DECEMBER 31, 2021

	The Nebraska Humane Society	Nebraska Humane Society Foundation	Humane Enterprises, Inc.	Eliminating Entries	2021 Consolidated Total
<b>SUPPORT AND REVENUE</b>					
City and county services	\$ 5,745,665	\$ -	\$ -	\$ -	\$ 5,745,665
Program fees	2,587,333	-	-	-	2,587,333
Contributions	9,955,586	1,042	-	-	9,956,628
Special events, net	585,018	-	-	-	585,018
Gift shop sales, net	24,491	-	-	-	24,491
Operating investment income	392,897	-	-	-	392,897
Other income	48,387	-	-	-	48,387
Total support and revenue	<u>19,339,377</u>	<u>1,042</u>	<u>-</u>	<u>-</u>	<u>19,340,419</u>
<b>EXPENSES</b>					
Program services	12,429,491	-	-	-	12,429,491
Supporting activities:					
Management and general	512,258	-	-	-	512,258
Fundraising	1,127,857	5,000	-	-	1,132,857
Total expenses	<u>14,069,606</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>14,074,606</u>
Change in net assets - operating	5,269,771	(3,958)	-	-	5,265,813
<b>NONOPERATING ACTIVITIES:</b>					
Net investment return-endowment funds	73,649	3,150,742	-	-	3,224,391
Paycheck Protection Program loan forgiveness	1,390,620	-	-	-	1,390,620
Change in net assets before equity transfer	<u>6,734,040</u>	<u>3,146,784</u>	<u>-</u>	<u>-</u>	<u>9,880,824</u>
Equity transfers, net	-	3,127,142	-	(3,127,142)	-
Increase in beneficial interest	<u>3,146,784</u>	<u>-</u>	<u>-</u>	<u>(3,146,784)</u>	<u>-</u>
Change in net assets	<u>\$ 9,880,824</u>	<u>\$ 6,273,926</u>	<u>\$ -</u>	<u>\$ (6,273,926)</u>	<u>\$ 9,880,824</u>

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