

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

CONSOLIDATED FINANCIAL STATEMENTS

**as of December 31, 2019 and 2018
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:

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, 2019 and 2018, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the 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, 2019 and 2018, 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.

Omaha, Nebraska
October 22, 2020

Macinnore, Magnuson & Associates, P.C.

THE NEBRASKA HUMANE SOCIETY
and
NEBRASKA HUMANE SOCIETY FOUNDATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

ASSETS	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 4,840,564	3,415,940
Short-term investments	2,186,671	1,808,765
Promises to give	254,178	22,949
Accounts receivable	40,889	18,482
Prepaid expenses	138,878	177,929
Inventory	28,640	34,841
Total current assets	7,489,820	5,478,906
Investments	443,600	400,930
Promises to give	17,969	35,001
Foundation investments:		
Cash and cash equivalents	522,140	496,564
Investments	17,416,614	14,448,870
Cash restricted for investment in building	592,455	3,598,715
Promises to give restricted for investment in building	2,449,055	3,092,526
Investments restricted for investment in building	3,633,758	4,849,830
Other assets	3,080	3,080
Intangible assets, net of amortization	4,169	4,169
Land, buildings and equipment at cost - net of accumulated depreciation	20,634,838	12,955,377
Total other assets	45,717,678	39,885,062
 Total assets	 \$ 53,207,498	 \$ 45,363,968

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, 2019 AND 2018

LIABILITIES AND NET ASSETS	<u>2019</u>	<u>2018</u>
Current liabilities:		
Accounts payable	\$ 2,361,403	\$ 471,141
Accrued liabilities	540,834	793,012
Prepaid licenses and other deferred revenue	<u>79,647</u>	<u>70,416</u>
Total current liabilities	<u>2,981,884</u>	<u>1,334,569</u>
Deferred compensation payable	<u>3,080</u>	<u>3,080</u>
Total other liabilities	<u>3,080</u>	<u>3,080</u>
Total liabilities	<u>2,984,964</u>	<u>1,337,649</u>
Net assets:		
Without donor restrictions	34,984,184	28,406,111
With donor restrictions	<u>15,238,350</u>	<u>15,620,208</u>
Total net assets	<u>50,222,534</u>	<u>44,026,319</u>
Total liabilities and net assets	<u><u>\$ 53,207,498</u></u>	<u><u>\$ 45,363,968</u></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, 2019 AND 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
City and county services	5,400,445	\$ -	\$ 5,400,445
Program fees	2,275,172	-	2,275,172
Contributions	4,427,518	2,990,916	7,418,434
Special events	442,665	-	442,665
Less: Costs of direct benefits to donors	(17,216)	-	(17,216)
Gift shop sales	144,570	-	144,570
Less: Cost of sales	(70,276)	-	(70,276)
Other operating expenses	(70,932)	-	(70,932)
Investment income, net	352,508	55,922	408,430
Realized and unrealized gains on investments	2,777,995	563,109	3,341,104
Other income	33,923	-	33,923
Loss on disposal of assets	(8,469)	-	(8,469)
Net assets released from restrictions	3,991,805	(3,991,805)	-
	<u>19,679,708</u>	<u>(381,858)</u>	<u>19,297,850</u>
EXPENSES:			
Program services			
Animal control	5,577,010	-	5,577,010
Animal welfare services	4,889,136	-	4,889,136
Community outreach	950,932	-	950,932
Supporting activities			
Management and general	829,692	-	829,692
Fundraising	854,865	-	854,865
	<u>13,101,635</u>	<u>-</u>	<u>13,101,635</u>
Change in net assets	6,578,073	(381,858)	6,196,215
NET ASSETS:			
Balances, beginning of year	28,406,111	15,620,208	44,026,319
Balances, end of year	<u>\$ 34,984,184</u>	<u>\$ 15,238,350</u>	<u>\$ 50,222,534</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, 2019 AND 2018

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
City and county services	5,247,795	\$ -	\$ 5,247,795
Program fees	2,308,013	-	2,308,013
Contributions	3,415,508	5,095,177	8,510,685
Special events	715,593	-	715,593
Less: Costs of direct benefits to donors	(43,282)	-	(43,282)
Gift shop sales	229,248	-	229,248
Less: Cost of sales	(115,113)	-	(115,113)
Other operating expenses	(94,554)	-	(94,554)
Investment income	239,963	75,923	315,886
Realized and unrealized gains on investments	(1,285,993)	(249,714)	(1,535,707)
Other income	20,754	-	20,754
Net assets released from restrictions	64,569	(64,569)	-
	<u>10,702,501</u>	<u>4,856,817</u>	<u>15,559,318</u>
EXPENSES:			
Program services			
Animal control	5,450,486	-	5,450,486
Animal welfare services	4,418,202	-	4,418,202
Community outreach	933,498	-	933,498
Supporting activities			
Management and general	683,874	-	683,874
Fundraising	850,042	-	850,042
	<u>12,336,102</u>	<u>-</u>	<u>12,336,102</u>
Change in net assets	(1,633,601)	4,856,817	3,223,216
NET ASSETS:			
Balances, beginning of year	<u>30,039,712</u>	<u>10,763,391</u>	<u>40,803,103</u>
Balances, end of year	<u>\$ 28,406,111</u>	<u>\$ 15,620,208</u>	<u>\$ 44,026,319</u>

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THE NEBRASKA HUMANE SOCIETY
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CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

<u>Program Services</u>	<u>2019</u>			
	Animal Control	Animal Welfare	Community Outreach	Total
Salaries and wages	\$ 2,600,015	\$ 1,963,823	\$ 396,859	\$ 4,960,697
Payroll taxes	197,083	149,796	29,902	376,781
Other employee benefits	544,402	400,511	66,759	1,011,672
Pension plan contributions	45,244	39,972	10,912	96,128
Advertising and outreach	89,053	-	158,570	247,623
Animal care	38,185	69,992	-	108,177
Animal feed	219,599	229,535	1,436	450,570
Animal medical	327,575	633,505	409	961,489
Auto	137,688	7,700	929	146,317
Bad debt	3,698	8,323	1,057	13,078
Banking expense	76,168	36,905	3,347	116,420
Computer support and maintenance	149,707	86,798	50,098	286,603
Conferences	11,449	5,691	688	17,828
Contracted services	45,920	34,020	4,604	84,544
Depreciation	289,303	429,480	82,592	801,375
Dues and subscriptions	6,892	9,956	198	17,046
Equipment rental	3,196	3,950	670	7,816
Humane education materials	-	-	6,300	6,300
Insurance	137,469	89,322	17,245	244,036
Legal and accounting	41,362	5,778	3,639	50,779
License printing and postage	127,771	122	82	127,975
Meals	744	449	133	1,326
Occupancy	233,622	376,830	45,513	655,965
Pet tag expense	1,870	-	-	1,870
Postage and shipping	5,480	2,440	12,438	20,358
Printing	3,327	7,187	30,248	40,762
Repairs and maintenance	55,739	92,039	9,967	157,745
Security	92,858	5,843	608	99,309
Special event expenses	-	614	-	614
Supplies	43,539	189,112	4,577	237,228
Telephone	39,264	2,593	1,304	43,161
Uniforms	6,990	472	16	7,478
Volunteer expense	1,798	6,378	9,832	18,008
	<u>\$ 5,577,010</u>	<u>\$ 4,889,136</u>	<u>\$ 950,932</u>	<u>\$ 11,417,078</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, 2019 AND 2018

<u>Program Services</u>	2018			
	Animal Control	Animal Welfare	Community Outreach	Total
Salaries and wages	\$ 2,645,676	\$ 1,817,797	\$ 399,901	\$ 4,863,374
Payroll taxes	199,882	139,850	29,656	369,388
Other employee benefits	439,100	309,151	49,677	797,928
Pension plan contributions	47,779	33,540	7,281	88,600
Advertising and outreach	88,851	166	157,108	246,125
Animal care	180,387	183,529	-	363,916
Animal feed	6,701	9,832	-	16,533
Animal medical	279,258	608,981	-	888,239
Auto	168,288	11,204	885	180,377
Bad debt	16	2,157	-	2,173
Banking expense	74,988	36,865	2,912	114,765
Computer support and maintenance	108,155	62,070	37,407	207,632
Conferences	10,421	8,807	2,070	21,298
Contracted services	55,287	25,670	4,723	85,680
Depreciation	326,635	395,520	75,045	797,200
Dues and subscriptions	5,267	6,642	175	12,084
Equipment rental	939	1,396	183	2,518
Humane education materials	-	-	1,983	1,983
Insurance	123,168	80,644	15,166	218,978
Legal and accounting	47,206	3,589	2,267	53,062
License printing and postage	117,361	-	-	117,361
Meals	884	456	259	1,599
NSF checks	50	38	25	113
Occupancy	255,039	370,692	62,875	688,606
Pet tag expense	4,089	-	-	4,089
Postage and shipping	9,546	1,993	18,428	29,967
Printing	3,877	3,606	41,698	49,181
Repairs and maintenance	67,938	107,444	12,239	187,621
Security	91,371	8,522	1,009	100,902
Special event expenses	1,224	1,855	868	3,947
Supplies	45,554	180,366	4,835	230,755
Telephone	39,475	3,323	1,157	43,955
Uniforms	5,415	189	39	5,643
Volunteer expense	659	2,308	3,627	6,594
	<u>\$ 5,450,486</u>	<u>\$ 4,418,202</u>	<u>\$ 933,498</u>	<u>\$ 10,802,186</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, 2019 AND 2018

<u>Gift Shop</u>	<u>2019</u>	<u>2018</u>
Salaries and wages	\$ 36,968	\$ 57,570
Payroll taxes	2,953	4,685
Other employee benefits	5,243	6,439
Pension plan contributions	623	292
Auto	44	25
Banking expense	3,263	4,202
Computer support and maintenance	2,167	1,380
Conferences	16	75
Contracted services	2,146	1,831
Depreciation	2,073	3,454
Dues and subscriptions	10	27
Equipment rental	41	39
Insurance	2,718	2,732
Legal and accounting	433	284
Occupancy	8,989	6,644
Postage and shipping	174	142
Repairs and maintenance	2,136	2,623
Security	181	203
Supplies	725	1,269
Telephone	26	638
Uniforms	3	-
	<u>\$ 70,932</u>	<u>\$ 94,554</u>

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THE NEBRASKA HUMANE SOCIETY
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CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

<u>Management and General:</u>	<u>2019</u>	<u>2018</u>
Salaries and wages	\$ 470,260	\$ 411,238
Payroll taxes	33,428	29,278
Other employee benefits	67,267	49,385
Pension plan contributions	11,917	9,375
Auto	42	17
Banking expense	8,130	7,266
Computer support and maintenance	20,187	12,612
Conferences	334	2,893
Contracted services	53,630	52,077
Depreciation	16,518	15,009
Dues and subscriptions	518	1,329
Equipment rental	123	26
Insurance	24,701	21,071
Legal and accounting	99,686	52,384
Meals	523	765
Miscellaneous	555	-
NSF checks	-	10
Occupancy	6,706	6,435
Postage and shipping	1,350	724
Printing	161	445
Repairs and maintenance	1,424	1,748
Security	2,036	1,330
Supplies	10,593	6,794
Telephone	(399)	1,663
Uniforms	2	-
	<u>\$ 829,692</u>	<u>\$ 683,874</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, 2019 AND 2018

<u>Fundraising:</u>	<u>2019</u>	<u>2018</u>
Salaries and wages	\$ 488,907	\$ 447,217
Payroll taxes	34,787	33,655
Other employee benefits	52,676	41,236
Pension plan contributions	13,363	8,833
Advertising and promotion	1,793	9,975
Auto	220	25
Bad debt	4,256	4,077
Banking	23,874	23,397
Computer support and maintenance	54,905	47,249
Conferences	615	128
Contracted services	2,269	19,975
Depreciation	8,259	7,505
Dues and subscriptions	2,898	2,741
Equipment rental	75	26
Fundraising expenses	65,114	83,166
Insurance	23,008	20,210
Legal	9,839	8,776
Miscellaneous	264	63
Occupancy	6,349	6,253
Postage	12,474	19,276
Printing	29,571	43,674
Repairs and maintenance	1,424	1,748
Security	87	115
Special events	12,870	14,262
Supplies	5,317	5,072
Telephone	(349)	1,388
	<u>\$ 854,865</u>	<u>\$ 850,042</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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 6,196,215	\$ 3,223,216
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	828,225	823,168
(Gain) loss on disposal of fixed assets	8,469	11,545
Realized (gains) losses on investments	(560,826)	(255,191)
Unrealized (gains) losses on investments	(2,780,278)	1,790,899
Amortization of discount on promises to give	73,911	115,990
Contributions restricted for long term purposes	(206,607)	(2,716,176)
Changes in assets and liabilities:		
(Increase) decrease in promises to give	355,363	2,989,206
(Increase) decrease in accounts receivable	(22,407)	40,842
(Increase) decrease in prepaid expenses	39,051	(40,400)
(Increase) decrease in inventory	6,201	7,542
Increase (decrease) in accounts payable	1,890,262	207,248
Increase (decrease) in accrued liabilities	(252,178)	273,848
Increase (decrease) in prepaid licenses and other deferred revenue	9,231	(37,596)
Total adjustments	<u>(611,583)</u>	<u>3,210,925</u>
Net cash provided by operating activities	<u>5,584,632</u>	<u>6,434,141</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(3,789,419)	(5,802,679)
Sale of investments	4,958,275	1,259,997
Purchase of depreciable property	(8,516,155)	(973,884)
Net cash used in investing activities	<u>(7,347,299)</u>	<u>(5,516,566)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for long term purposes	<u>206,607</u>	<u>2,716,176</u>
Net cash provided by financing activities	<u>206,607</u>	<u>2,716,176</u>
Net increase (decrease) in cash and cash equivalents	(1,556,060)	3,633,751
Cash, cash equivalents and restricted cash - beginning of year	<u>7,511,219</u>	<u>3,877,468</u>
Cash, cash equivalents and restricted cash - end of year	<u>\$ 5,955,159</u>	<u>\$ 7,511,219</u>
Cash, cash equivalents and restricted cash presented on statement of financial position as:		
Current assets	\$ 4,840,564	\$ 3,415,940
Foundation investments	522,140	496,564
Cash restricted for investment in building	<u>592,455</u>	<u>3,598,715</u>
	<u>\$ 5,955,159</u>	<u>\$ 7,511,219</u>

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

THE NEBRASKA HUMANE SOCIETY
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

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. During the year 2000, various investments of the Society were transferred to the Foundation and the Foundation began activities to raise funds. 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

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

Contract revenue is earned from providing animal control and shelter services to various governmental entities in the area; the contracts are renewed annually. These contracts generally extend across one calendar year and are considered to contain one performance obligation. As a result, revenue is recognized evenly across the term of the contract.

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.

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 2 – SUMMARY OF ACCOUNTING POLICIES, Continued:

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 statements of cash flows, 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 for purposes of the statements of cash flows include a Foundation money market account (see Note 1).

G. Investments

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 included in the statement of activities, net of investment expenses.

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 \$ 17,545 and \$6,182 in 2019 and 2018, 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.

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NOTE 2 – SUMMARY OF ACCOUNTING POLICIES, Continued:

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, 2019, 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.

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 2017.

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.

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NOTE 2 – SUMMARY OF ACCOUNTING POLICIES, Continued:

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 \$174,916 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.

NOTE 3 –NEW ACCOUNTING PRONOUNCEMENTS:

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The ASU and all subsequently issued clarifying ASUs supersede the revenue recognition requirements and most industry-specific guidance in the U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also includes a cohesive set of disclosure requirements that will provide users of the financial statements with comprehensive information about the nature, timing and uncertainty of revenue and cash flows for the entity's contracts with customers.

The Society adopted the requirements of the new guidance as of January 1, 2019, using the modified retrospective method of transition. In applying the new guidance, the Society elected to use the practical expedient that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019.

The majority of 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 at a point in time based on the transfer of control. Revenue recognized over

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NOTE 3 –NEW ACCOUNTING PRONOUNCEMENTS, Continued:

time primarily consists of performance obligations that are satisfied within one year or less. In addition, the Society's contracts do not contain variable consideration, and contract modifications are generally minimal.

The adoption of the guidance did not have a significant impact on the Society's financial statements. The majority of the Society's revenue arrangements consist of performance obligations to provide services within the calendar year. Based on the Society's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new guidance.

In January 2016, FASB issued ASU No. 2016-01 (Subtopic 825-10), *Recognition and Measurement of Financial Assets and Financial Liabilities*. The standard is intended to improve the recognition, measurement, presentation and disclosure of financial instruments. The Society has adjusted the presentation of these statements accordingly. The adoption of ASU 2016-01 did not have a material impact on the Society's consolidated financial statements. The ASU was adopted for the year ended December 31, 2019.

In November 2016, FASB issued No. ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This amendment requires the inclusion of restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning-of-year and end-of-year total amounts shown on the statement of cash flows. The Society has adopted the requirements of the guidance effective January 1, 2018, which resulted in the inclusion of the Society's restricted cash balances along with cash and cash equivalents in the Society's statement of cash flows; separate line items showing changes in restricted cash balances were eliminated from the Society's statements of cash flows. ASU 2016-18 was applied retrospectively to all periods presented.

In June 2018, FASB issued ASU No. 2018-08, *Not-for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies the guidance in ASC 958 on how entities determine whether to account for a transfer of assets as an exchange transaction under other guidance or a contribution. During the year ended December 31, 2019, management adopted ASU 2018-08 prospectively. The impact of adopting ASU 2018-08 had no net impact on the financial statements.

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS:

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, the Society and the Foundation account for its financial instruments at fair value. Fair value is defined as the price that would be paid in an orderly transaction, or exit price, between market participants to sell the asset or transfer the liability in the principal or most advantageous market for the asset or liability.

FASB ASC 820 establishes a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. The three levels of the fair value hierarchy are described below:

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NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS, Continued:

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 and listed derivatives.

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.

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, 2019

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Money market held in brokerage account for investment	\$ 3,633,757	\$ 3,633,757	\$ -
Equities	14,317,770	14,317,770	-
Equity funds	1,168,984	1,168,984	-
Fixed income funds	3,565,990	3,565,990	-
Corporate bonds	650,758	-	650,758
Foreign equities	343,384	343,384	-
Total	<u>\$ 23,680,643</u>	<u>\$ 23,029,885</u>	<u>\$ 650,758</u>

ASSETS AT FAIR VALUE AS OF DECEMBER 31, 2018

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Money market held in brokerage account for investment	\$ 4,849,830	\$ 4,849,830	\$ -
Equities	9,633,069	9,633,069	-
Equity funds	1,036,921	1,036,921	-
Fixed income funds	3,135,704	3,135,704	-
Corporate bonds	686,808	-	686,808
Foreign equities	2,166,063	2,166,063	-
Total	<u>\$ 21,508,395</u>	<u>\$ 20,821,587</u>	<u>\$ 686,808</u>

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NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS, Continued:

The investments are reported as follows:

	<u>2019</u>	<u>2018</u>
Short-term investments	\$ 2,186,671	\$ 1,808,765
Investments	443,600	400,930
Foundation investments	17,416,614	14,448,870
Investments restricted for investment in building	<u>3,633,758</u>	<u>4,849,830</u>
Total	<u>\$ 23,680,643</u>	<u>\$ 21,508,395</u>

Net investment income consists of the following:

	<u>2019</u>	<u>2018</u>
Realized gains	\$ 560,826	\$ 255,191
Unrealized gains (losses)	2,780,278	(1,790,898)
Interest and dividend income	537,996	426,147
Investment fees	<u>(129,566)</u>	<u>(110,261)</u>
Total	<u>\$ 3,749,534</u>	<u>\$ (1,219,821)</u>

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>2019</u>	<u>2018</u>
Promises due in less than 1 year	\$ 1,152,606	\$ 644,485
Promises due in 1 to 5 years	1,664,193	2,664,427
Promises due in more than 5 years	-	-
Discount to present value	<u>(95,597)</u>	<u>(158,436)</u>
Total	<u>\$ 2,721,202</u>	<u>\$ 3,150,476</u>

At December 31, 2019 and 2018, promises to give are comprised of \$267,921 and \$292,967, respectively, of gifts restricted as to time. The remainder of the promises to give are restricted as to purpose.

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NOTE 6 – LAND, BUILDINGS AND EQUIPMENT:

Land, buildings and equipment at December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 1,270,868	\$ 1,270,868
Buildings and improvements	23,593,490	20,445,462
Vehicles and equipment	<u>2,146,976</u>	<u>2,218,962</u>
	27,011,334	23,935,292
Less: Accumulated depreciation	<u>(12,126,683)</u>	<u>(11,751,373)</u>
	14,884,651	12,183,919
Construction in progress	<u>5,750,187</u>	<u>771,458</u>
	<u>\$ 20,634,838</u>	<u>\$ 12,955,377</u>

Depreciation expense was \$828,226 and \$823,168 for 2019 and 2018, respectively.

NOTE 7 – DEFERRED COMPENSATION AGREEMENTS:

The Society has deferred compensation agreements with a member of the Society’s management. Under this agreement, the Society established a deferred compensation account in the form of an annuity. Annual additions to this account are solely at the discretion of the Society. Any amounts set aside to fund the deferred compensation agreements are at all times assets of the Society and subject to claims of creditors. Upon retirement after age 60, disability before age 60, or in the event of death, the Society shall pay the balance to the employee or to the employee’s named beneficiary. There were no premiums paid on this annuity in 2019 and 2018. The assets set aside for this purpose are shown on statements of financial position as other assets.

NOTE 8 – NOTES PAYABLE:

The Society has a demand bank line of credit totaling \$500,000, 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, 2019 and 2018. The credit agreement matures on May 15, 2020. Subsequent to year end, the line of credit was increased to \$2,000,000 and the maturity date extended to July 31, 2021.

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NOTE 9 – 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, 2019 and 2018, net assets with donor restrictions consisted of the following:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specific purpose:		
Program activities	\$ 66,851	\$ 83,825
Capital improvements	<u>10,789,842</u>	<u>12,331,383</u>
	<u>10,856,693</u>	<u>12,415,208</u>
Subject to the passage of time:		
General unrestricted use in future periods as received	<u>267,921</u>	<u>292,967</u>
Not subject to appropriation or expenditure:		
Donor-restricted endowment fund		
General activities	1,458,875	1,364,371
Humane education	77,572	72,547
Animal welfare and outreach	1,577,289	1,475,115
JVAEC facility maintenance	<u>1,000,000</u>	<u>-</u>
	<u>4,113,736</u>	<u>2,912,033</u>
Total net assets with donor restrictions	<u>\$ 15,238,350</u>	<u>\$ 15,620,208</u>

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

	<u>2019</u>	<u>2018</u>
Purpose restrictions accomplished:		
Programs		
Various programs	<u>\$ 16,973</u>	<u>\$ -</u>
Capital Projects		
Judy Varner Capital Campaign	<u>3,296,535</u>	<u>44,569</u>
Total purpose restrictions released	<u>3,313,508</u>	<u>44,569</u>
Time restrictions expired	<u>260,969</u>	<u>20,000</u>
Earnings on donor-restricted endowment fund released by Board	<u>417,328</u>	<u>-</u>
Total restrictions released	<u>\$ 3,991,805</u>	<u>\$ 64,569</u>

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NOTE 10 –ENDOWMENT FUND:

The endowment fund 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 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.

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.

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NOTE 10 – ENDOWMENT FUND, Continued:

Endowment composition by type of fund at December 31, 2019 is as follows:

	Net Assets without Donor <u>Restrictions</u>	Net Assets with Donor <u>Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ 14,825,016	\$ -	\$ 14,825,016
Donor-restricted endowment funds			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	-	4,113,736	4,113,736
Gift amounts restricted by time or purpose	-	36,927	36,927
Total endowment funds	<u>\$ 14,825,016</u>	<u>\$ 4,150,663</u>	<u>\$ 18,975,679</u>

Changes in endowment net assets held by the Nebraska Humane Society Foundation for the year ended December 31, 2019 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	<u>\$ 12,033,401</u>	<u>\$ 2,965,992</u>	<u>\$ 14,999,393</u>
Investment return:			
Investment income	230,962	55,923	286,885
Realized and unrealized gains on investments	2,325,711	563,108	2,888,819
Total investment activity	<u>2,556,673</u>	<u>619,031</u>	<u>3,175,704</u>
Contributions	901,614	2,968	904,582
Appropriation of endowment assets for expenditure	417,328	(417,328)	-
Reclassifications	16,000	(16,000)	-
Transfer to Society accounts	(1,100,000)	-	(1,100,000)
Transfer from Society accounts	-	1,000,000	1,000,000
Other changes	-	(4,000)	(4,000)
Endowment net assets, end of year	<u>\$ 14,825,016</u>	<u>\$ 4,150,663</u>	<u>\$ 18,975,679</u>

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NOTE 10 – ENDOWMENT FUND, Continued:

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.

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 11– 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 \$742,846 and \$728,000 for the years 2019 and 2018, respectively.

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NOTE 12 – CONTRIBUTED 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 56,300 volunteer hours during 2019, which are valued at approximately \$586,200.

In addition, the Society received professional donated services during 2019 and 2018. Non-cash contributions have been recognized related to these services as follows:

	<u>2019</u>	<u>2018</u>
Professional services	\$ 31,425	\$ 10,200
Veterinary services	<u>35,828</u>	<u>-</u>
	<u>\$ 67,253</u>	<u>\$ 10,200</u>

NOTE 13 – 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 \$121,896 and \$107,100 for 2019 and 2018, respectively.

NOTE 14 – 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 \$ 770,000 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, 2019, the accrued liability for self-insured losses is included in accrued expenses and approximates \$104,308.

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NOTE 15 - AVAILABILITY OF FINANCIAL ASSETS:

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

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 5,955,159	\$ 7,511,219
Short term investments	5,820,429	6,658,595
Promises to give	2,721,202	3,150,476
Accounts receivable	40,889	18,482
Investments	<u>17,860,214</u>	<u>14,849,800</u>
 Total financial assets	 32,397,893	 32,188,572
Less amounts unavailable for general expenditure within one year due to:		
Restricted by donors with purpose restrictions	(5,106,506)	(11,643,750)
Restricted by donors with time restrictions	(267,921)	(292,967)
Restricted by donors in perpetuity	<u>(4,113,736)</u>	<u>(2,912,033)</u>
 Total amounts unavailable for general expenditures within one year	 (9,488,163)	 (14,848,750)
Less amounts unavailable to management without Board approval	<u>(14,861,943)</u>	<u>(12,033,399)</u>
 Total financial assets available to management to meet cash needs for general expenditures within one year	 <u>\$ 8,047,787</u>	 <u>\$ 5,306,423</u>

The Society's endowment funds consist of donor-restricted endowments and a quasi-endowment. As described in Footnote 9, 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 10, the quasi-endowment 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 2019 was \$1,100,000.

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 \$500,000 which was increased to \$2,000,000 after year end which it could draw upon. In addition to the above amounts, the Society received a loan commitment from US Bank for \$1,390,600 on April 15, 2020 from the Payroll Protection Program. These funds are available for payroll and certain other general expenditures.

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NOTE 16 – CONCENTRATIONS:

The Society maintains cash accounts in several commercial banks located in Omaha, Nebraska. The total cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. The Society's cash account balances occasionally exceed federally insurable balances.

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.

At December 31, 2019, approximately 71% of the outstanding promises to give was due from three charitable trusts and foundations.

NOTE 17 – RECLASSIFICATION OF PRIOR YEAR AMOUNTS:

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassifications have no effect on previously reported changes in net assets.

THE NEBRASKA HUMANE SOCIETY
and
NEBRASKA HUMANE SOCIETY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 18 – SUBSEQUENT EVENTS:

The Society has evaluated subsequent events through October 22, 2020, which is the date the financial statements were available to be issued.

On March 14, 2020, the President of the United States declared a National Emergency following a worldwide outbreak of the coronavirus. Multiple jurisdictions in the U.S., including the city of Omaha, have since declared a public health state of emergency, ordering the public to stay at home, closing specified businesses, and requiring social distancing measures for most public and private facilities. This has had an immediate impact on the Society, resulting in reduced operations and fundraising. It is anticipated that the effects of these events will continue for some time. At the present time, the ultimate future effects of these issues are unknown.

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 will be reduced if the borrower terminates employees or reduces salaries during the measurement period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with deferral of payments for the first six months. The Society intends to use the proceeds for purposes consistent with the PPP requirements, and currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan.

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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, 2019 and 2018, and have issued our report thereon dated October 22, 2020 which contained 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 and it is not a required part of the consolidated financial statements. The consolidating 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 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 is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Omaha, Nebraska
October 22, 2020

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, 2019

<u>ASSETS</u>	The Nebraska Humane Society	Nebraska Humane Society Foundation	Humane Enterprises, Inc.	Eliminating Entries	2019 Consolidated Total
Current assets:					
Cash and cash equivalents	\$ 4,840,564	\$ -	\$ -	\$ -	\$ 4,840,564
Short-term investments	2,186,671	-	-	-	2,186,671
Promises to give	235,222	18,956	-	-	254,178
Accounts receivable	40,889	-	-	-	40,889
Prepaid expenses	138,878	-	-	-	138,878
Inventory	28,640	-	-	-	28,640
Total current assets	<u>7,470,864</u>	<u>18,956</u>	<u>-</u>	<u>-</u>	<u>7,489,820</u>
Investments	443,600	-	-	-	443,600
Promises to give	-	17,969	-	-	17,969
Foundation investments:					
Cash and cash equivalents	-	522,140	-	-	522,140
Investments	-	17,416,614	-	-	17,416,614
Loan to NHS for building		1,000,000		(1,000,000)	-
Cash restricted for investment in building	592,455	-	-	-	592,455
Promises to give restricted for investment in building	2,449,055	-	-	-	2,449,055
Investments restricted for investment in building	3,633,758	-	-	-	3,633,758
Other assets	3,080	-	-	-	3,080
Intangible assets, net of amortization	-	-	4,169	-	4,169
Beneficial interest in Foundation	18,975,679	-	-	(18,975,679)	-
Investment in Humane Enterprises, Inc.	4,169	-	-	(4,169)	-
Land, buildings and equipment at cost - net of accumulated depreciation	20,634,838	-	-	-	20,634,838
Total other assets	<u>46,736,634</u>	<u>18,956,723</u>	<u>4,169</u>	<u>(19,979,848)</u>	<u>45,717,678</u>
Total assets	<u>\$ 54,207,498</u>	<u>\$ 18,975,679</u>	<u>\$ 4,169</u>	<u>\$ (19,979,848)</u>	<u>\$ 53,207,498</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, 2019

	The Nebraska Humane Society	Nebraska Humane Society Foundation	Humane Enterprises, Inc.	Eliminating Entries	2019 Consolidated Total
<u>LIABILITIES AND NET ASSETS</u>					
Current liabilities:					
Accounts payable	\$ 2,361,403	\$ -	\$ -	\$ -	\$ 2,361,403
Accrued liabilities	540,834	-	-	-	540,834
Prepaid licenses and other deferred revenue	79,647	-	-	-	79,647
Loan from Foundation	1,000,000	-	-	(1,000,000)	-
Total current liabilities	<u>3,981,884</u>	<u>-</u>	<u>-</u>	<u>(1,000,000)</u>	<u>2,981,884</u>
Deferred compensation payable	3,080	-	-	-	3,080
Total other liabilities	<u>3,080</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,080</u>
Total liabilities	<u>3,984,964</u>	<u>-</u>	<u>-</u>	<u>(1,000,000)</u>	<u>2,984,964</u>
NET ASSETS:					
Without donor restrictions	34,984,184	14,861,943	-	(14,861,943)	34,984,184
With donor restrictions	15,238,350	4,113,736	-	(4,113,736)	15,238,350
Total net assets	<u>50,222,534</u>	<u>18,975,679</u>	<u>-</u>	<u>(18,975,679)</u>	<u>50,222,534</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>\$ 54,207,498</u>	<u>\$ 18,975,679</u>	<u>\$ 4,169</u>	<u>\$ (19,979,848)</u>	<u>\$ 53,207,498</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, 2019

	The Nebraska Humane Society	Nebraska Humane Society Foundation	Humane Enterprises, Inc.	Eliminating Entries	2019 Consolidated Total
SUPPORT AND REVENUE					
City and county services	\$ 5,400,445	\$ -	\$ -	\$ -	\$ 5,400,445
Program fees	2,275,172	-	-	-	2,275,172
Contributions	7,415,466	2,968	-	-	7,418,434
Special events, net	425,449	-	-	-	425,449
Gift shop sales, net	3,362	-	-	-	3,362
Investment income, net of fees	121,545	286,885	-	-	408,430
Realized and unrealized gains on investments	452,285	2,888,819	-	-	3,341,104
Other income	33,923	-	-	-	33,923
Loss on disposal of assets	(8,469)	-	-	-	(8,469)
Total support and revenue	<u>16,119,178</u>	<u>3,178,672</u>	<u>-</u>	<u>-</u>	<u>19,297,850</u>
EXPENSES					
Program services	11,417,078	-	-	-	11,417,078
Supporting activities:					
Management and general	829,692	-	-	-	829,692
Fundraising	850,865	4,000	-	-	854,865
Total expenses	<u>13,097,635</u>	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>13,101,635</u>
Change in net assets before equity transfer	3,021,543	3,174,672	-	-	6,196,215
Equity transfers, net	-	801,615	-	(801,615)	-
Increase in beneficial interest	<u>3,174,672</u>	<u>-</u>	<u>-</u>	<u>(3,174,672)</u>	<u>-</u>
Change in net assets	<u>\$ 6,196,215</u>	<u>\$ 3,976,287</u>	<u>\$ -</u>	<u>\$ (3,976,287)</u>	<u>\$ 6,196,215</u>

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