

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

CONSOLIDATED FINANCIAL STATEMENTS

**as of December 31, 2022 and 2021
together with Independent Auditor's Report**

THE NEBRASKA HUMANE SOCIETY
and
NEBRASKA HUMANE SOCIETY FOUNDATION

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities	3
Consolidated Statements of Functional Expenses	4-7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9-27
Independent Auditor's Report on Consolidating Information	28
Schedule I – Supplemental Statement of Consolidating Statements of Financial Position	29
Schedule II – Supplemental Statement of Consolidating Statements of Activities	30

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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, 2022 and 2021, 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, 2022 and 2021, 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

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

In preparing the 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.

Messine, Meyerson & Associates, P.C.

Omaha, Nebraska
July 11, 2023

THE NEBRASKA HUMANE SOCIETY
and
NEBRASKA HUMANE SOCIETY FOUNDATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 8,329,690	7,323,108
Short-term investments	4,315,032	2,834,572
Promises to give	269,608	137,696
Accounts receivable	41,794	18,044
Prepaid expenses	157,199	140,797
Inventory	20,670	26,364
Total current assets	13,133,993	10,480,581
Investments	3,002,798	2,748,886
Foundation investments:		
Cash and cash equivalents	4,585,442	1,181,918
Investments	20,902,689	24,090,183
Investments restricted for investment in building	350,640	341,730
Promises to give restricted for investment in building	14,418	591,948
Beneficial interest in perpetual trust	317,686	399,562
Land, buildings and equipment at cost - net of accumulated depreciation	22,294,212	23,178,060
Right to use asset operating leases net of accumulated amortization	22,993	-
Intangible assets, net of amortization	4,169	4,169
Total other assets	51,495,047	52,536,456
 Total assets	 \$ 64,629,040	 \$ 63,017,037

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

THE NEBRASKA HUMANE SOCIETY
and
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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

LIABILITIES AND NET ASSETS	<u>2022</u>	<u>2021</u>
Current liabilities:		
Accounts payable	\$ 290,750	\$ 242,515
Accrued liabilities	475,668	429,210
Prepaid licenses and other deferred revenue	150,454	106,282
Right to use liability operating lease - current portion	18,221	-
	935,093	778,007
Right to use liability operating lease, net of current portion	4,772	-
	4,772	-
Net assets:		
Without donor restrictions		
Available for general operations and programs	34,941,939	33,432,248
Board -designated endowment	23,960,195	23,423,781
Total net assets without donor restrictions	58,902,134	56,856,029
With donor restrictions	4,787,041	5,383,001
Total net assets	63,689,175	62,239,030
 Total liabilities and net assets	 \$ 64,629,040	 \$ 63,017,037

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, 2022 AND 2021

	2022		Total
	Without Donor Restrictions	With Donor Restrictions	
SUPPORT AND REVENUE:			
City and county services	5,766,920	\$ -	\$ 5,766,920
Program fees	2,140,994	-	2,140,994
Contributions of cash and other financial assets	10,935,331	519,360	11,454,691
Contributions of nonfinancial assets	398,206	-	398,206
Special events	1,063,778	-	1,063,778
Less: Costs of direct benefits to donors	(35,124)	-	(35,124)
Gift shop sales	144,606	-	144,606
Less: Cost of sales	(65,877)	-	(65,877)
Other operating expenses	(38,219)	-	(38,219)
Operating investment income (loss)	(496,302)	-	(496,302)
Other income	67,819	-	67,819
Loss on disposal of assets	(12,983)	-	(12,983)
Net assets released from restrictions	596,458	(596,458)	-
	<u>20,465,607</u>	<u>(77,098)</u>	<u>20,388,509</u>
EXPENSES:			
Program services			
Animal control	6,385,230	-	6,385,230
Animal welfare services	5,681,001	-	5,681,001
Community outreach	1,117,011	-	1,117,011
Supporting activities			
Management and general	583,334	-	583,334
Fundraising	1,205,134	-	1,205,134
	<u>14,971,710</u>	<u>-</u>	<u>14,971,710</u>
Change in net assets before nonoperating activities	5,493,897	(77,098)	5,416,799
NONOPERATING ACTIVITIES:			
Net investment return on endowment and Board-designated investments	(3,447,792)	(436,986)	(3,884,778)
Change in fair value of beneficial interest in perpetual trust	-	(81,876)	(81,876)
	<u>(3,447,792)</u>	<u>(518,862)</u>	<u>(3,966,654)</u>
Change in net assets	2,046,105	(595,960)	1,450,145
NET ASSETS:			
Balances, beginning of year	<u>56,856,029</u>	<u>5,383,001</u>	<u>62,239,030</u>
Balances, end of year	<u>\$ 58,902,134</u>	<u>\$ 4,787,041</u>	<u>\$ 63,689,175</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, 2022 AND 2021

	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
SUPPORT AND REVENUE:			
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	 <u>20,110,937</u>	 <u>(770,518)</u>	 <u>19,340,419</u>
EXPENSES:			
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	 <u>14,074,606</u>	 <u>-</u>	 <u>14,074,606</u>
 Change in net assets before nonoperating activities	 6,036,331	 (770,518)	 5,265,813
NONOPERATING ACTIVITIES:			
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	 <u>4,108,757</u>	 <u>506,254</u>	 <u>4,615,011</u>
 Change in net assets	 10,145,088	 (264,264)	 9,880,824
NET ASSETS:			
Balances, beginning of year	46,710,941	5,647,265	52,358,206
 Balances, end of year	 <u>\$ 56,856,029</u>	 <u>\$ 5,383,001</u>	 <u>\$ 62,239,030</u>

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

THE NEBRASKA HUMANE SOCIETY
and
NEBRASKA HUMANE SOCIETY FOUNDATION

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

<u>Program Services</u>	2022			
	Animal Control	Animal Welfare	Community Outreach	Total
Salaries and wages	\$ 2,850,730	\$ 2,297,567	\$ 450,581	\$ 5,598,878
Payroll taxes	211,382	172,106	33,782	417,270
Other employee benefits	679,638	455,494	70,296	1,205,428
Pension plan contributions	58,657	48,735	11,121	118,513
Advertising and outreach	88,833	473	145,477	234,783
Animal care	61,921	91,572	255	153,748
Animal feed	201,965	206,712	94	408,772
Animal medical	371,658	543,776	3,586	919,020
Auto	203,944	12,882	1,100	217,926
Bad debt	796	(486)	52	362
Banking expense	100,697	40,860	3,690	145,247
Computer support and maintenance	108,873	116,885	46,136	271,895
Conferences	12,394	8,795	516	21,705
Contracted services	71,771	97,828	11,628	181,227
Depreciation	409,935	609,047	117,124	1,136,107
Dues and subscriptions	4,417	5,038	236	9,691
Equipment rental	73	108	14	195
Humane education materials	9	154	6,138	6,300
Insurance	146,558	108,481	22,621	277,660
Legal and accounting	33,827	19,717	8,683	62,227
License printing and postage	146,152	-	-	146,152
Meals	491	723	620	1,834
Occupancy	308,254	480,870	56,566	845,690
Pet tag expense	4,746	-	-	4,746
Postage and shipping	6,961	2,906	36,716	46,583
Printing	1,173	1,838	62,094	65,104
Repairs and maintenance	60,885	112,274	11,134	184,293
Security	123,289	15,236	1,945	140,470
Supplies	54,886	222,940	6,150	283,977
Telephone	48,590	2,366	1,360	52,316
Uniforms	10,381	1,246	2	11,629
Volunteer expense	1,344	4,856	7,294	13,494
	<u>\$ 6,385,230</u>	<u>\$ 5,681,001</u>	<u>\$ 1,117,011</u>	<u>\$ 13,183,242</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, 2022 AND 2021

<u>Program Services</u>	<u>2021</u>			
	<u>Animal Control</u>	<u>Animal Welfare</u>	<u>Community Outreach</u>	<u>Total</u>
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
Equipment rental	-	-	-	-
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
NSF checks	-	-	-	-
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, 2022 AND 2021

<u>Gift Shop</u>	<u>2022</u>	<u>2021</u>
Salaries and wages	\$ 11,360	\$ 10,259
Payroll taxes	858	765
Other employee benefits	2,329	1,980
Pension plan contributions	296	247
Auto	123	5
Animal Feed	4	-
Animal Medical	4	1
Bad debt expense	52	(11)
Banking expense	209	209
Computer support and maintenance	4,187	3,433
Conferences	9	(16)
Contracted services	2,048	1,680
Dues and subscriptions	5	13
Equipment rental	3	-
Humane Education	2	10
Insurance	1,411	1,216
Legal and accounting	332	396
Occupancy	12,106	10,968
Postage and shipping	20	15
Repairs and maintenance	2,386	2,064
Security	315	194
Supplies	157	146
Telephone	5	129
	<u>\$ 38,219</u>	<u>\$ 33,702</u>

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

THE NEBRASKA HUMANE SOCIETY
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NEBRASKA HUMANE SOCIETY FOUNDATION

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

<u>Management and General:</u>	<u>2022</u>	<u>2021</u>
Salaries and wages	\$ 295,113	\$ 271,923
Payroll taxes	20,799	19,602
Other employee benefits	43,962	37,049
Pension plan contributions	7,977	5,503
Animal Feed	9	6
Animal Medical	710	746
Auto	82	3
Bad debt expense	2,406	(516)
Banking expense	8,640	8,829
Computer support and maintenance	26,978	23,057
Conferences	544	(87)
Contracted services	28,116	20,233
Depreciation	23,425	23,389
Dues and subscriptions	480	760
Equipment rental	2	-
Insurance	22,711	24,341
Legal and accounting	87,766	62,541
Meals	43	-
Occupancy	8,071	8,213
Postage and shipping	766	573
Printing	7	24
Repairs and maintenance	1,591	1,376
Security	606	240
Supplies	2,400	4,272
Telephone	131	182
	<u>\$ 583,334</u>	<u>\$ 512,258</u>

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THE NEBRASKA HUMANE SOCIETY
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NEBRASKA HUMANE SOCIETY FOUNDATION

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

<u>Fundraising:</u>	<u>2022</u>	<u>2021</u>
Salaries and wages	\$ 669,348	\$ 605,897
Payroll taxes	48,783	45,122
Other employee benefits	81,088	67,732
Pension plan contributions	17,871	14,162
Advertising and promotion	543	22,431
Animal Feed	6	3
Animal Medical	356	374
Auto	274	3
Bad debt	52	9,989
Banking	33,635	35,923
Computer support and maintenance	71,260	80,684
Conferences	1,622	156
Contracted services	16,615	11,559
Depreciation	11,713	11,695
Dues and subscriptions	3,229	3,222
Equipment rental	2	-
Fundraising expenses	18,377	81,235
Insurance	22,499	23,775
Legal	21,654	13,968
Meals	27	318
Occupancy	8,071	8,060
Postage	36,724	23,767
Printing	62,029	62,881
Repairs and maintenance	1,591	1,376
Security	409	181
Special events	70,115	200
Supplies	6,976	7,978
Telephone	269	166
	<u>\$ 1,205,134</u>	<u>\$ 1,132,857</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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 1,450,145	\$ 9,880,824
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,171,244	1,169,468
(Gain) loss on disposal of fixed assets	12,983	-
Realized (gains) losses on investments	(6,387)	(1,515,360)
Unrealized (gains) losses on investments	4,803,648	(1,863,477)
Amortization of discount on promises to give	13,579	25,003
Change in fair value of beneficial interest in perpetual trust	81,876	-
Contributions restricted for long term purposes	-	(399,562)
Changes in assets and liabilities:		
(Increase) decrease in promises to give	432,039	714,532
(Increase) decrease in accounts receivable	(23,750)	12,802
(Increase) decrease in prepaid expenses	(16,402)	(28,225)
(Increase) decrease in inventory	5,694	(8,043)
(Increase) decrease in right to use asset operating leases	(22,993)	-
Increase (decrease) in accounts payable	48,235	(18,305)
Increase (decrease) in accrued liabilities	46,458	(15,539)
Increase (decrease) in prepaid licenses and other deferred revenue	44,172	(41,560)
Increase (decrease) in right to use liability operating leases	22,993	-
Total adjustments	<u>6,613,389</u>	<u>(1,968,266)</u>
Net cash provided by operating activities	<u>8,063,534</u>	<u>7,912,558</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(6,653,107)	(6,153,968)
Sale of investments	3,300,058	2,435,846
Purchase of depreciable property	(300,379)	(121,785)
Net cash used in investing activities	<u>(3,653,428)</u>	<u>(3,839,907)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from SBA loan - Paycheck Protection Program	-	(1,390,620)
Net cash provided by financing activities	<u>-</u>	<u>(1,390,620)</u>
Net increase in cash and cash equivalents	4,410,106	2,682,031
Cash, cash equivalents and restricted cash - beginning of year	8,505,026	5,822,995
Cash, cash equivalents and restricted cash - end of year	<u>\$ 12,915,132</u>	<u>\$ 8,505,026</u>
Cash, cash equivalents and restricted cash presented on statement of financial position as:		
Current assets	\$ 8,329,690	\$ 7,323,108
Foundation investments	4,585,442	1,181,918
	<u>\$ 12,915,132</u>	<u>\$ 8,505,026</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, 2022 and 2021

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 Accounting

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.

B. 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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and
NEBRASKA HUMANE SOCIETY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES, Continued:

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. 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).

E. 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.

THE NEBRASKA HUMANE SOCIETY
and
NEBRASKA HUMANE SOCIETY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES, Continued:

F. 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 \$ 2,872 and \$9,529 in 2022 and 2021, 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.

G. Inventories

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

H. 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.

I. 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.

THE NEBRASKA HUMANE SOCIETY
and
NEBRASKA HUMANE SOCIETY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES, Continued:

J. 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.

K. 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.

THE NEBRASKA HUMANE SOCIETY
and
NEBRASKA HUMANE SOCIETY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES, Continued:

L. 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.

M. Advertising Costs

Advertising costs are expensed as incurred.

N. 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 \$279,530 have been allocated 50% to program services and 50% to fundraising.

O. 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, 2022, 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.

P. 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 2020.

THE NEBRASKA HUMANE SOCIETY
and
NEBRASKA HUMANE SOCIETY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES, Continued:

Q. Adoption of FASB ASU 2016-02: *Leases (Topic 842)*

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*, which requires the recognition of assets and liabilities by lessees for those leases classified as operating leases. The lessee recognizes in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term.

The Society adopted the requirements of Topic 842 as of January 1, 2022, using the optional transition method that allows the Society to initially apply the new guidance at the adoption date and recognize a cumulative-effect adjustment to the opening balances in the period of adoption. The Society's reporting for the year ended December 31, 2021 is in accordance with the previous guidance in Topic 840.

The Society has elected the package of practical expedients permitted under the transition guidance within Topic 842. This package allowed the Society to account for its leases that commenced before the adoption date without reassessing whether any expired or existing contracts are or contain leases, the lease classification for any expired or existing leases, and initial direct costs for any existing leases.

The adoption of Topic 842 resulted in the recognition of operating lease right-of-use lease assets of \$44,373 and operating lease liabilities of \$44,373 as of January 1, 2022. The adoption of Topic 842 did not have a material effect on the Society's change in net assets and cash flows.

THE NEBRASKA HUMANE SOCIETY
and
NEBRASKA HUMANE SOCIETY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

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, 2022

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market held in brokerage				
account for investment	\$ 2,199,589	\$ 2,199,589	\$ -	\$ -
Equities	795,417	795,417	-	-
Equity funds	18,407,706	18,407,706	-	-
Fixed income funds	7,056,873	7,056,873	-	-
Corporate bonds	111,574	-	111,574	-
Total marketable securities	<u>28,571,159</u>	<u>28,459,585</u>	<u>111,574</u>	<u>-</u>
Beneficial interest in perpetual trust	317,686	-	-	317,686
Total	<u>\$ 28,888,845</u>	<u>\$ 28,459,585</u>	<u>\$ 111,574</u>	<u>\$ 317,686</u>

THE NEBRASKA HUMANE SOCIETY
and
NEBRASKA HUMANE SOCIETY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS, Continued:

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 accounts 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	30,015,371	29,792,489	222,882	-
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>

The investments are reported as follows:

	<u>2022</u>	<u>2021</u>
Short-term investments	\$ 4,315,032	\$ 2,834,572
Investments	3,002,798	2,748,886
Foundation investments	20,902,689	24,090,183
Investments restricted for investment in building	350,640	341,730
Total marketable securities	28,571,159	30,015,371
Beneficial interest in perpetual trust	317,686	399,562
Total	<u>\$ 28,888,845</u>	<u>\$ 30,414,933</u>

Net investment income consists of the following:

	<u>2022</u>	<u>2021</u>
Realized gains	\$ 6,506	\$ 1,520,250
Unrealized gains (losses)	(4,803,648)	1,867,221
Interest and dividend income	587,524	376,818
Investment fees	(171,462)	(147,001)
Total	<u>\$ (4,381,080)</u>	<u>\$ 3,617,288</u>
Operating investment income	\$ (496,302)	\$ 392,897
Nonoperating investment income	(3,884,778)	3,224,391
Total	<u>\$ (4,381,080)</u>	<u>\$ 3,617,288</u>

THE NEBRASKA HUMANE SOCIETY
and
NEBRASKA HUMANE SOCIETY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

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. The fair value of the beneficial interest in the trust is recognized as an asset and as a contribution with donor restrictions at the date the trust was established. The Society’s estimate of fair value at each reporting date is based on fair value information about the trust’s assets received from trustees. Trust assets consist of, but are not limited to, cash and cash equivalents, mutual funds, fixed income funds and real asset funds. These assets are not subject to control or direction by the Society. Distributions of income from the trust are reported as investment income. Gains and losses, which are not distributed by the trust, are reflected as the change in value of perpetual trusts held by others in the statement of activities.

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>2022</u>	<u>2021</u>
Promises due in less than 1 year	\$ 45,000	\$ 1,750
Promises due in 1 to 5 years	245,000	742,550
Promises due in more than 5 years	-	-
Discount to present value	(5,974)	(14,656)
Total	<u>\$ 284,026</u>	<u>\$ 729,644</u>

At December 31, 2022 and 2021, promises to give are comprised of \$269,608 and \$137,696, 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, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,270,868	\$ 1,270,868
Buildings and improvements	33,452,052	33,421,291
Vehicles and equipment	2,809,958	2,657,328
	<u>37,532,878</u>	<u>37,349,487</u>
Less: Accumulated depreciation	(15,250,216)	(14,171,427)
	<u>22,282,662</u>	<u>23,178,060</u>
Construction in progress	11,550	-
	<u>\$ 22,294,212</u>	<u>\$ 23,178,060</u>

Depreciation expense was \$1,171,244 and \$1,169,468 for 2022 and 2021, respectively.

THE NEBRASKA HUMANE SOCIETY
and
NEBRASKA HUMANE SOCIETY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 7 – LEASES:

The Society leases copier and postage machines under operating leases. The leases have initial terms of 3-5 years. These leases require the Society to pay all executory costs such as taxes and insurance. The leases are renewable. Total operating lease costs for the year ended December 31, 2022 were \$22,649.

The following summarizes the line items in the statement of position which includes the amount for the operating lease as of December 31:

	<u>2022</u>
Operating lease right-of-use asset	<u>\$ 22,993</u>
Current portion of operating lease liability	\$ 18,221
Operating lease liability	<u>4,772</u>
Total operating lease liability	<u>\$ 22,993</u>

The maturities of operating lease liabilities as of December 31, 2022 were as follows:

2023	\$ 18,711
2024	3,636
2025	<u>1,243</u>
Total minimum lease payments	\$ 23,590
Imputed interest	<u>(597)</u>
Total lease liabilities	<u>\$ 22,993</u>

The weighted-average remaining lease term related to the Society's lease liabilities as of December 31, 2022 was 1.34 years.

The weighted average discount rate related to the Society's lease liabilities as of December 31, 2022 was 3.69%. The discount rates are generally based on estimates of the Society's incremental borrowing rate, as the discount rates implicit in the Society's leases cannot be readily determined.

THE NEBRASKA HUMANE SOCIETY
and
NEBRASKA HUMANE SOCIETY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

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, 2022 and 2021. The credit agreement matures on August 1, 2023.

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.

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

	<u>2022</u>	<u>2021</u>
Board designated		
Foundation quasi-endowment	\$ 22,845,436	\$ 22,158,363
Forever Home	<u>1,114,759</u>	<u>1,265,418</u>
Total Board designated	23,960,195	23,423,781
Undesignated	34,941,939	33,432,248
Total net assets without donor restrictions	<u>\$ 58,902,134</u>	<u>\$ 56,856,029</u>

THE NEBRASKA HUMANE SOCIETY
and
NEBRASKA HUMANE SOCIETY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

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, 2022 and 2021, net assets with donor restrictions consisted of the following:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specific purpose:		
Program activities	\$ 93,180	\$ 41,971
Capital improvements	<u>473,866</u>	<u>690,035</u>
	<u>567,046</u>	<u>732,006</u>
Subject to the passage of time:		
General unrestricted use in future periods as received	<u>269,607</u>	<u>137,696</u>
Not subject to appropriation or expenditure:		
Donor-restricted endowment fund		
General activities	1,546,515	1,858,438
Humane education	60,763	77,572
Animal welfare and outreach	1,343,110	1,577,289
JVAEC facility maintenance	<u>1,000,000</u>	<u>1,000,000</u>
	<u>3,950,388</u>	<u>4,513,299</u>
Total net assets with donor restrictions	<u>\$ 4,787,041</u>	<u>\$ 5,383,001</u>

THE NEBRASKA HUMANE SOCIETY
and
NEBRASKA HUMANE SOCIETY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

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>2022</u>	<u>2021</u>
Purpose restrictions accomplished:		
<u>Programs</u>		
Forever Home Fund	\$ 29,360	\$ 55,663
Medical/behavior/special needs	188,635	316,943
Various programs	11,476	17,501
	229,471	390,107
<u>Capital Projects</u>		
Judy Varner Capital Campaign	236,399	578,291
Total purpose restrictions released	465,870	968,398
Time restrictions expired	95,450	222,534
Earnings on donor-restricted endowment fund released by Board	-	506,254
Distributions from perpetual trust	16,400	-
Appropriations from underwater funds	18,738	-
	596,458	1,697,186
Total restrictions released	\$ 596,458	\$ 1,697,186

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. This fund is managed by the Society Board of Directors; the Board will appropriate funds based on specific needs and investment results of the fund.

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 NEBRASKA HUMANE SOCIETY
and
NEBRASKA HUMANE SOCIETY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

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. The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under the law, absent specific donor stipulations to the contrary. In accordance with donor stipulations, spending is not allowed from certain underwater funds.

At December 31, 2022, funds with original gift values of \$4,513,298, fair values of \$3,950,388, and deficiencies of \$562,910 were reported in net assets with donor restrictions. During the year, the Foundation appropriated expenditures of \$18,738 from certain underwater endowments.

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.

Endowment composition by type of fund at December 31, 2022 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	\$ 23,960,195	\$ -	\$ 23,960,195
Endowment funds with donor restrictions	-	3,950,388	3,950,388
Total endowment funds	<u>\$ 23,960,195</u>	<u>\$ 3,950,388</u>	<u>\$ 27,910,583</u>

THE NEBRASKA HUMANE SOCIETY
and
NEBRASKA HUMANE SOCIETY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

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, 2022 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	\$ 23,423,781	\$ 4,513,298	\$ 27,937,079
Contributions	5,478,855	-	5,478,855
Investment income	390,938	53,519	444,457
Net appreciation (depreciation)	(3,743,422)	(499,415)	(4,242,837)
Net loss on perpetual trust	-	(81,876)	(81,876)
Amounts appropriated for expenditure	(1,266)	-	(1,266)
Released from restrictions	16,400	(16,400)	-
Transfer to Society accounts	<u>(1,605,091)</u>	<u>(18,738)</u>	<u>(1,623,829)</u>
Endowment net assets, end of year	<u>\$ 23,960,195</u>	<u>\$ 3,950,388</u>	<u>\$ 27,910,583</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.

THE NEBRASKA HUMANE SOCIETY
and
NEBRASKA HUMANE SOCIETY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 11 – ENDOWMENT FUNDS, Continued:

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

The spending rate for the portfolio is 6.5% 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 \$944,238 and \$903,300 for the years 2022 and 2021, 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:

	2022	2021
Animal care - food	\$ 316,895	\$ 440,277
Animal care - boarding	22,600	31,762
Other operational supplies	1,302	11,465
Animal care - medical services	42,669	32,257
Professional services	14,740	19,830
	\$ 398,206	\$ 535,591

THE NEBRASKA HUMANE SOCIETY
and
NEBRASKA HUMANE SOCIETY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

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 53,760 volunteer hours during 2022, which are valued at approximately \$591,300.

NOTE 14 – REIREMENT PLAN:

The Society had a defined contribution 401k plan through September 22, 2022. On September 22, 2022 the plan was liquidated and the Society joined a multiemployer defined contribution 403(b) plan. All employees who are 21 years of age and have completed 90 days of service can make salary reduction contributions up to the maximum allowed by current tax laws. The Society matched these contributions to the extent of 3% of covered compensation. Plan expense was \$144,656 and \$113,561 for 2022 and 2021, 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 \$ 1,000,000 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, 2022, the accrued liability for self-insured losses is included in accrued expenses and approximates \$123,671.

THE NEBRASKA HUMANE SOCIETY
and
NEBRASKA HUMANE SOCIETY FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 12,915,132	\$ 8,505,026
Short term investments	4,665,672	3,176,302
Promises to give	284,026	729,644
Accounts receivable	41,794	18,044
Investments	23,905,487	26,839,069
Total financial assets	<u>41,812,111</u>	<u>39,268,085</u>
Less amounts unavailable for general expenditure within one year due to:		
Restricted by donors with purpose restrictions	(567,046)	(732,006)
Restricted by donors with time restrictions	(269,607)	(137,696)
Restricted by donors in perpetuity	<u>(3,632,702)</u>	<u>(4,113,737)</u>
Total amounts unavailable for general expenditures within one year	(4,469,355)	(4,983,439)
Less amounts unavailable to management without Board approval	<u>23,960,195</u>	<u>23,423,781</u>
Total financial assets available to management to meet cash needs for general expenditures within one year	<u>\$ 61,302,951</u>	<u>\$ 57,708,427</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 6.5%; it is anticipated that these funds will be appropriated by the Board of Trustees and available within the next twelve months. The appropriation for 2022 was \$1,535,816.

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, 2022 and 2021

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, 2022, the Society had \$5,697,011 in cash accounts that were in excess of FDIC coverage. In addition, the Society held \$8,617,459 in cash equivalents held in investment accounts not covered by the FDIC as of December 31, 2022.

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, 2022, approximately 73% of the outstanding promises to give is due from one foundation. 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 July 11, 2023, which is the date the financial statements were available to be issued.

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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, 2022 and 2021, and have issued our report thereon dated July 11, 2023 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.

Masimore, Magnuson & Associates, P.C.

Omaha, Nebraska
July 11, 2023

THE NEBRASKA HUMANE SOCIETY AND NEBRASKA HUMANE SOCIETY FOUNDATION
SCHEDULE I - SUPPLEMENTAL STATEMENT OF CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022

<u>ASSETS</u>	The Nebraska Humane Society	Nebraska Humane Society Foundation	Humane Enterprises, Inc.	Eliminating Entries	2022 Consolidated Total
Current assets:					
Cash and cash equivalents	\$ 8,329,690	\$ -	\$ -	\$ -	\$ 8,329,690
Short-term investments	4,315,032	-	-	-	4,315,032
Promises to give	269,608	-	-	-	269,608
Accounts receivable	41,794	-	-	-	41,794
Due from Foundation	9,990	-	-	(9,990)	-
Prepaid expenses	157,199	-	-	-	157,199
Inventory	20,670	-	-	-	20,670
Total current assets	<u>13,143,983</u>	<u>-</u>	<u>-</u>	<u>(9,990)</u>	<u>13,133,993</u>
Investments	3,002,798	-	-	-	3,002,798
Foundation investments:					
Cash and cash equivalents	-	4,585,442	-	-	4,585,442
Investments	-	20,902,689	-	-	20,902,689
Investments restricted for investment in building	350,640	-	-	-	350,640
Promises to give restricted for investment in building	14,418	-	-	-	14,418
Beneficial interest in Foundation	25,795,827	-	-	(25,795,827)	-
Investment in Humane Enterprises, Inc.	4,169	-	-	(4,169)	-
Land, buildings and equipment at cost - net of accumulated depreciation	22,294,212	-	-	-	22,294,212
Beneficial interest in perpetual trust	-	317,686	-	-	317,686
Right to use asset operating leases net of accumulated amortization	22,993	-	-	-	22,993
Intangible assets, net of amortization	-	-	4,169	-	4,169
Total other assets	<u>51,485,057</u>	<u>25,805,817</u>	<u>4,169</u>	<u>(25,799,996)</u>	<u>51,495,047</u>
Total assets	<u>\$ 64,629,040</u>	<u>\$ 25,805,817</u>	<u>\$ 4,169</u>	<u>\$ (25,809,986)</u>	<u>\$ 64,629,040</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, 2022

	The Nebraska Humane Society	Nebraska Humane Society Foundation	Humane Enterprises, Inc.	Eliminating Entries	2022 Consolidated Total
<u>LIABILITIES AND NET ASSETS</u>					
Current liabilities:					
Accounts payable	\$ 290,750	\$ -	\$ -	\$ -	\$ 290,750
Due to Society	-	9,990	-	(9,990)	-
Accrued liabilities	475,668	-	-	-	475,668
Prepaid licenses and other deferred revenue	150,454	-	-	-	150,454
Right to use liability operating lease	18,221	-	-	-	18,221
Total current liabilities	<u>935,093</u>	<u>9,990</u>	<u>-</u>	<u>(9,990)</u>	<u>935,093</u>
Right to use liability operating liability, net of current portion	<u>4,772</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,772</u>
NET ASSETS:					
Without donor restrictions	58,902,134	22,282,529	-	(22,282,529)	58,902,134
With donor restrictions	<u>4,787,041</u>	<u>3,513,298</u>	<u>-</u>	<u>(3,513,298)</u>	<u>4,787,041</u>
Total net assets	<u>63,689,175</u>	<u>25,795,827</u>	<u>-</u>	<u>(25,795,827)</u>	<u>63,689,175</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>\$ 64,629,040</u>	<u>\$ 25,805,817</u>	<u>\$ 4,169</u>	<u>\$ (25,809,986)</u>	<u>\$ 64,629,040</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, 2022

	The Nebraska Humane Society	Nebraska Humane Society Foundation	Humane Enterprises, Inc.	Eliminating Entries	2022 Consolidated Total
SUPPORT AND REVENUE					
City and county services	\$ 5,766,920	\$ -	\$ -	\$ -	\$ 5,766,920
Program fees	2,140,994	-	-	-	2,140,994
Contributions	11,852,897	-	-	-	11,852,897
Special events, net	1,028,654	-	-	-	1,028,654
Gift shop sales, net	40,510	-	-	-	40,510
Operating investment income	(496,302)	-	-	-	(496,302)
Other income	67,819	-	-	-	67,819
Loss on disposal of assets	(12,983)	-	-	-	(12,983)
Total support and revenue	<u>20,388,509</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,388,509</u>
EXPENSES					
Program services	13,183,242	-	-	-	13,183,242
Supporting activities:					
Management and general	583,334	-	-	-	583,334
Fundraising	1,203,868	1,266	-	-	1,205,134
Total expenses	<u>14,970,444</u>	<u>1,266</u>	<u>-</u>	<u>-</u>	<u>14,971,710</u>
Change in net assets - operating	5,418,065	(1,266)	-	-	5,416,799
NONOPERATING ACTIVITIES:					
Net investment return-endowment funds	(212,956)	(3,671,822)	-	-	(3,884,778)
Change if fair value perpetual trust	-	(81,876)	-	-	(81,876)
Change in net assets before equity transfer	<u>5,205,109</u>	<u>(3,754,964)</u>	<u>-</u>	<u>-</u>	<u>1,450,145</u>
Equity transfers, net	-	3,943,039	-	(3,943,039)	-
Increase in beneficial interest	<u>(3,754,964)</u>	<u>-</u>	<u>-</u>	<u>3,754,964</u>	<u>-</u>
Change in net assets	<u>\$ 1,450,145</u>	<u>\$ 188,075</u>	<u>\$ -</u>	<u>\$ (188,075)</u>	<u>\$ 1,450,145</u>

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