

Greenhill Humane Society, SPCA
(A Nonprofit Organization)
Independent Auditors' Report
and
Financial Statements
June 30, 2015 and 2014

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Mueller Yuva Osterman Powers LLP

Certified Public Accountants

Independent Auditors' Report

To the Board of Directors
Greenhill Humane Society, SPCA
Eugene, Oregon

We have audited the accompanying financial statements of Greenhill Humane Society, SPCA (a nonprofit organization) which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

Greenhill Humane Society, SPCA

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greenhill Humane Society, SPCA as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Mueller Yuva Osterman Powers LLP

Mueller Yuva Osterman Powers LLP
Eugene, Oregon
October 27, 2015

Greenhill Humane Society, SPCA
Statements of Financial Position
June 30, 2015 and 2014

	2015	2014 (as restated)
Assets		
Current assets:		
Cash and cash equivalents	\$ 437,427	\$ 700,416
Certificates of deposit	208,426	207,833
Receivables	93,126	41,563
Related party receivables	-	1,435
Other current assets	23,238	18,839
	<u>762,217</u>	<u>970,086</u>
Total current assets	762,217	970,086
Property and equipment, net	573,392	571,859
Endowment funds	150,364	150,633
	<u>150,364</u>	<u>150,633</u>
Total assets	<u>\$ 1,485,973</u>	<u>\$ 1,692,578</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 33,156	\$ 27,428
Accrued payroll and payroll costs	100,501	98,149
	<u>133,657</u>	<u>125,577</u>
Total current liabilities	133,657	125,577
Net Assets		
Unrestricted	1,311,186	1,530,588
Temporarily restricted	41,130	36,413
	<u>1,352,316</u>	<u>1,567,001</u>
Total net assets	1,352,316	1,567,001
Total liabilities and net assets	<u>\$ 1,485,973</u>	<u>\$ 1,692,578</u>

Greenhill Humane Society, SPCA
Statements of Activities
Years Ended June 30, 2015 and 2014

	Year Ended June 30, 2015			Year Ended June 30, 2014		
	Unrestricted (as restated)	Temporarily Restricted	Total (as restated)	Unrestricted (as restated)	Temporarily Restricted	Total (as restated)
Revenue, Gains and Other Support:						
Donations and bequests	\$ 961,512	\$ 42,209	\$ 1,003,721	\$ 1,009,317	\$ 30,348	\$ 1,039,665
In-kind donations	81,985	-	81,985	39,124	1,982	41,106
Special events, less direct costs of \$36,609 in 2015 and \$34,975 in 2014	72,746	-	72,746	53,659	8,855	62,514
Sales and program fees, less cost of sales of \$30,371 in 2015 and \$26,225 in 2014	791,163	-	791,163	743,850	-	743,850
Investment income	1,916	-	1,916	15,934	-	15,934
Other income	24,457	-	24,457	6,889	-	6,889
Net assets released from restrictions	37,492	(37,492)	-	584,152	(584,152)	-
Total revenues, gains and other support	1,971,271	4,717	1,975,988	2,452,925	(542,967)	1,909,958
Expenses						
Program services	1,838,998	-	1,838,998	1,688,485	-	1,688,485
Management and general	136,404	-	136,404	134,249	-	134,249
Fundraising	215,271	-	215,271	215,574	-	215,574
Total expenses	2,190,673	-	2,190,673	2,038,308	-	2,038,308
Change in net assets	(219,402)	4,717	(214,685)	414,617	(542,967)	(128,350)
Net assets, beginning of year, as previously reported	1,558,553	36,413	1,594,966	1,134,615	579,380	1,713,995
Prior period adjustment	(27,965)	-	(27,965)	(18,644)	-	(18,644)
Net assets, beginning of year, as restated	1,530,588	36,413	1,567,001	1,115,971	579,380	1,695,351
Net assets, end of year, as restated	\$ 1,311,186	\$ 41,130	\$ 1,352,316	\$ 1,530,588	\$ 36,413	\$ 1,567,001

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

Greenhill Humane Society, SPCA
Statement of Functional Expenses
Year Ended June 30, 2015

	Program Services				Management and General	Fundraising	Total
	Sheltering/ Adoptions	Spay/ Neuter	Humane Education	Total			
Personnel expenses:							
Salaries and wages	\$ 909,230	\$ 116,012	\$ 92,886	\$ 1,118,128	\$ 101,084	\$ 88,430	\$ 1,307,642
Payroll taxes	104,850	12,348	9,848	127,046	10,102	9,405	146,553
Employee benefits and insurance	90,262	16,366	13,101	119,729	14,044	8,685	142,458
Total personnel expenses	1,104,342	144,726	115,835	1,364,903	125,230	106,520	1,596,653
Animal care expenses:							
Supplies	35,234	8,561	-	43,795	-	-	43,795
Food	29,325	-	-	29,325	-	-	29,325
Veterinary services	76,878	6,851	-	83,729	-	-	83,729
Other animal care	20,923	2,432	-	23,355	-	-	23,355
Total animal care expenses	162,360	17,844	-	180,204	-	-	180,204
Other expenses:							
Bank fees	13,355	974	874	15,203	325	5,211	20,739
Depreciation and amortization	26,453	2,896	2,241	31,590	983	1,311	33,884
Dog training program	188	-	20,328	20,516	-	-	20,516
Dues and subscriptions	2,544	755	400	3,699	253	58	4,010
Facility and landscaping	6,338	298	232	6,868	100	132	7,100
Insurance	12,527	620	483	13,630	2,900	276	16,806
Miscellaneous expense	3,611	209	3,423	7,243	614	597	8,454
Office supplies and equipment	39,822	2,266	3,351	45,439	1,493	796	47,728
Newsletter and other mailings	-	-	2,380	2,380	-	4,344	6,724
Printing and postage	12,632	849	7,314	20,795	644	90,155	111,594
Professional services	47,941	2,760	1,917	52,618	1,069	4,133	57,820
Repairs and maintenance	11,869	618	496	12,983	470	275	13,728
Staff training and conferences	5,992	3,483	250	9,725	1,172	404	11,301
Telephone and internet	11,048	512	878	12,438	401	227	13,066
Utilities	32,604	1,693	1,317	35,614	564	753	36,931
Vehicle expense	2,832	179	139	3,150	186	79	3,415
Total other expenses	229,756	18,112	46,023	293,891	11,174	108,751	413,816
Total expenses	\$ 1,496,458	\$ 180,682	\$ 161,858	\$ 1,838,998	\$ 136,404	\$ 215,271	\$ 2,190,673

Greenhill Humane Society, SPCA
Statement of Functional Expenses
Year Ended June 30, 2014 (as restated)

	Program Services					Management and General	Fundraising	Total
	Sheltering/ Adoptions	Spay/ Neuter	Humane Education	Total				
Personnel expenses:								
Salaries and wages	\$ 848,962	\$ 97,420	\$ 87,505	\$ 1,033,887	\$ 95,186	\$ 92,520	\$ 1,221,593	
Payroll taxes	102,479	12,258	9,675	124,412	9,839	10,770	145,021	
Employee benefits and insurance	95,231	14,272	14,217	123,720	18,019	10,781	152,520	
Total personnel expenses	1,046,672	123,950	111,397	1,282,019	123,044	114,071	1,519,134	
Animal care expenses:								
Supplies	22,905	6,939	-	29,844	-	-	29,844	
Food	31,552	-	-	31,552	-	-	31,552	
Veterinary services	59,498	6,577	-	66,075	-	-	66,075	
Other animal care	22,564	2,273	-	24,837	-	-	24,837	
Total animal care expenses	136,519	15,789	-	152,308	-	-	152,308	
Other expenses:								
Bank fees	9,883	856	666	11,405	285	4,614	16,304	
Depreciation and amortization	37,615	4,318	3,349	45,282	1,455	1,940	48,677	
Dog training program	-	-	4,460	4,460	-	-	4,460	
Dues and subscriptions	2,065	620	981	3,666	26	35	3,727	
Facility and landscaping	6,337	275	214	6,826	91	123	7,040	
Insurance	11,848	716	287	12,851	2,356	164	15,371	
Miscellaneous expense	3,530	364	2,854	6,748	553	331	7,632	
Office supplies and equipment	30,539	1,897	1,127	33,563	437	786	34,786	
Newsletter and other mailings	-	-	2,409	2,409	-	3,588	5,997	
Printing and postage	11,410	873	13,437	25,720	827	76,823	103,370	
Professional services	32,241	2,944	1,820	37,005	1,046	11,311	49,362	
Repairs and maintenance	11,030	641	421	12,092	509	240	12,841	
Staff training and conferences	1,693	1,244	228	3,165	2,606	350	6,121	
Telephone and internet	9,578	625	488	10,691	369	336	11,396	
Utilities	32,338	1,613	1,332	35,283	570	761	36,614	
Vehicle expense	2,589	226	177	2,992	75	101	3,168	
Total other expenses	202,696	17,212	34,250	254,158	11,205	101,503	366,866	
Total expenses	\$ 1,385,887	\$ 156,951	\$ 145,647	\$ 1,688,485	\$ 134,249	\$ 215,574	\$ 2,038,308	

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

Greenhill Humane Society, SPCA
Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	Years Ended June 30,	
	2015	2014
Cash flows from operating activities		
Cash received from service recipients and other sources	\$ 904,151	\$ 892,269
Cash received from donations and bequests	1,004,788	1,587,783
Cash paid to employees and suppliers	(2,171,201)	(2,011,510)
Interest and dividends received	2,287	2,220
Interest paid	(193)	(159)
Income taxes paid	(305)	(312)
Net cash from operating activities	<u>(260,473)</u>	<u>470,291</u>
Cash flows from investing activities		
Purchase of property	(1,821)	(7,573)
Purchase of investments	(695)	(67,706)
Net cash from investing activities	<u>(2,516)</u>	<u>(75,279)</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	(262,989)	395,012
Cash and cash equivalents, beginning of year	<u>700,416</u>	<u>305,404</u>
Cash and cash equivalents, end of year	<u><u>\$ 437,427</u></u>	<u><u>\$ 700,416</u></u>

(Continued)

Greenhill Humane Society, SPCA
Statements of Cash Flows (Continued)
Years Ended June 30, 2015 and 2014

	Years Ended June 30,	
	2015	2014 (as restated)
Reconciliation of change in net assets to net cash from operating activities:		
Change in net assets	\$ (214,685)	\$ (128,350)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	33,884	48,677
In-kind donations of property and equipment	(33,596)	-
Net realized and unrealized gains (losses) on investments	371	(13,714)
Deferred grant revenue	-	(1,248)
Increase (decrease) in cash caused by certain working capital items:		
Receivables	(51,563)	564,874
Related party receivable	1,435	2,308
Other current assets	(4,399)	(12,855)
Accounts payable	5,728	2,533
Accrued payroll and payroll costs	2,352	8,066
Net cash from operating activities	<u>\$ (260,473)</u>	<u>\$ 470,291</u>

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2015 and 2014

Note 1 - Nature of Operations and Summary of Significant Accounting Policies

Nature of operations - Greenhill Humane Society, SPCA (the Organization) is a not-for-profit organization providing safe shelter for animals in transition, serving as advocates for animals and their people, working to end animal overpopulation and educating the public about compassion and responsibility towards all animals. The organization operates two shelters in Eugene, Oregon. The organization relies on funding from individual and corporate donors.

Program services - The Organization's programs services are paid for with donations, fundraisers, contracted income, and fees for products and services.

Sheltering and adoptions - During the year ended June 30, 2015, Greenhill Humane Society, SPCA operated two animal shelters in Eugene, Oregon and cared for 3,010 animals in its Sheltering, Return to Owner, Adoption and Transfer Programs. During the year ended June 30, 2015, the Organization cared for 1,362 cats, 1,560 dogs, and 88 other animals. The Organization continues to maintain one of the highest live release rates in the country. The Organization saved 97% of the dogs that came to the shelters, 88% of the cats, and 92% of the other animals. Overall, the Organization's live release rate for the year ended June 30, 2015 is 92%.

The Organization runs the Second Chance Program which receives animals from other shelters and animal welfare agencies in Oregon and California, giving them a second chance at finding a loving home when time and resources have run out at their shelter. During the year ended June 30, 2015, 377 animals were cared for through this program.

Greenhill Humane Society, SPCA has approximately 348 active volunteers and 110 active foster families per month. During the year ended June 30, 2015, approximately 1,100 volunteers contributed 38,377 hours. Volunteers and foster families help in the daily care, training, socializing and rehabilitation of animals brought to the shelter. The volunteer and foster program works with schools, community service programs and the general public to help promote humane education through hands-on animal welfare experience.

Spay/neuter services - The Organization provides spay/neuter services, a medical clinic, behavior training, and a trap/neuter/return program. All of the animals at the Organization are provided with medical care and an environment that includes behavior training and exercise programs. During the year ended June 30, 2015, the Organization performed 2,745 surgeries in their medical clinic including 2,350 spay/neuter surgeries and 395 other essential surgeries.

Greenhill's trap/neuter/return program (TNR) provides free spay/neuter surgeries for free-roaming cats within Lane County. During the year ended June 30, 2015, the Organization performed 961 free spay/neuter surgeries through this program.

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2015 and 2014

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Community outreach and humane education - Educating the community and promoting the animals and programs of Greenhill Humane Society, SPCA is crucial to helping achieve the vision of finding loving homes for all animals. The Organization reaches out to schools and other groups to educate about the importance of responsible pet ownership and the humane treatment of animals. The Organization participates in off-site adoption and awareness events, and photos and descriptions of animals available for adoption are available on the Organization's website and major on-line "petworking" sites. The Organization's website receives an average of 1,455 visits per day. In the year ended June 30, 2015, the Organization's outreach and education program reached 13,600 children and adults.

Basis of accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation – Under accounting standards for not-for-profit organizations, the Organization is required to report information regarding its financial positions and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted/undesignated – Net assets available for general obligations of the Organization including all donor-restricted contributions whose restrictions are met in the same period as the donation is received.

Temporarily restricted – Net assets subject to donor-imposed stipulations that will be met, either by actions of the Organization and/or the passage of time. When a purpose restriction is met or a time restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. As of June 30, 2015 and 2014, there were no permanently restricted net assets.

Contributions, pledges and grants received are recorded as support that is unrestricted, temporarily restricted, or permanently restricted. Classification is based on the existence and nature of any donor restrictions imposed on the contribution or grant. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires during the year in which the support is recognized. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulation or by law. Expenses are reported as decreases in unrestricted net assets.

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2015 and 2014

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents – The Organization considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents. The Organization maintains cash balances in several financial institutions located primarily in Eugene, Oregon. At times, balances may exceed amounts insured by the Federal Deposit Insurance Corporation. At June 30, 2015 and 2014, the Organization's uninsured cash balances totaled \$0 and \$132,444, respectively.

Investments – Certificates of deposit are carried at cost plus accrued interest. Endowment funds consist of a portfolio of different investments, including marketable equity and debt securities and alternative investments. Marketable equity and debt securities are recorded at fair market value based on current quoted market prices. Investments in limited partnerships and real estate are recorded at fair market value based on information provided by the fund managers or the general partners and real estate appraisals. Interest, dividends and gains and losses, both realized and unrealized, on investments are included in the statements of activities in revenues, gains and other support.

Business risks and uncertainties – As the Organization's investments are comprised of certificates of deposit and marketable equity and debt securities, significant changes in prevailing interest rates and market conditions may adversely affect the timing and amount of cash flows on such investments and their related values. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in values in the near-term could materially affect the Organization's financial position and the amounts reported in the statements of activities.

Receivables – The Organization considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts was considered necessary. Management evaluates past due balances on an account-by-account basis, and if amounts become uncollectible, they are charged to operations when that determination is made.

The Organization considers bequests receivable to be fully collectible; accordingly, no allowance for uncollectible amounts was considered necessary.

Pledges are recognized as revenues in the period received and as assets, decreases of liabilities or expenses depending on the form of benefits received. Pledges receivable represent pledges from donors not yet collected. These amounts are presented at their estimated net present value. Management has evaluated credit risk associated with pledges receivable and believes no allowance for uncollectible pledges is necessary at June 30, 2015. All pledges are anticipated to be collected within one year.

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2015 and 2014

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Property and equipment – Property and equipment purchases or contributions in excess of \$1,000 are capitalized at cost. Contributed property and equipment is capitalized at its fair market value at the date of the gift. Depreciation is computed using the straight-line method at rates based on the estimated useful life of the property and equipment ranging from 5 to 39.5 years. Major renewals and betterments are capitalized, while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are charged to expense currently. The cost and related accumulated depreciation of property sold or retired are removed from the accounts and any gain or loss is reflected in the change in net assets.

Revenue recognition – Contributions, which include conditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Fee for service revenue is recognized when the service is performed and billed. Proceeds from fundraising events are recognized as revenue during the period that the fundraising events occur. Amounts received by the Organization prior to the event are classified as deferred revenue.

Outstanding legacies – The Organization is the beneficiary under various wills and trust agreements, the total realizable amounts of which are not presently determinable. The Organization's share of such bequests is recorded when the probate court has declared the testamentary instrument valid and the proceeds are measurable.

Contributed services and materials – The Organization receives donated services from a variety of unpaid volunteers who assist with programs in non-specialized roles. The value of services contributed by these volunteers is not reflected in the financial statements since these services do not meet the criteria for recognition.

The Organization records various types of in-kind contributions. Contributed services are recognized at fair value if the services received either create or enhance long-lived assets or require specialized skills. Typically the services would need to be purchased if not provided by donation. Contributions of materials, goods and supplies are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2015 and 2014

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Contributed services and materials (continued) –

During the years ended June 30, the Organization recorded in-kind contributions as follows:

	2015	2014
Professional services	\$ 34,379	\$ 27,932
Food, medication and vaccines	14,010	13,174
Fixed assets	33,596	-
Total	<u>\$ 81,985</u>	<u>\$ 41,106</u>

In-kind professional services were spent for the following programs:

	2015	2014
Sheltering/Adoptions	\$ 31,088	\$ 19,795
Spay/Neuter	20	416
Humane Education	15	104
Management and General	7	45
Fundraising	3,249	7,572
	<u>\$ 34,379</u>	<u>\$ 27,932</u>

Contributed goods and materials are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Compensated absences – The Organization’s policy allows full-time employees to accrue vacation leave to a specified limit, which is payable upon termination.

Income taxes – The Organization is an Oregon not-for-profit organization and complies with the requirements of Section 501(c)(3) of the Internal Revenue Code. Thus, the Organization is exempt from federal and state income taxes. Management believes the Organization meets the requirements to maintain its tax-exempt status. The Organization files information tax returns in the U.S. federal and Oregon jurisdictions.

Fundraising and advertising expenses – The Organization uses advertising and fundraising to promote its programs to the community. Advertising and fundraising costs are expensed as incurred. Total costs of \$215,271 and \$215,574 were allocated to fundraising for the years ended June 30, 2015 and 2014, respectively. Direct mailing campaign expenses of \$83,021 and \$75,980 were incurred for the years ended June 30, 2015 and 2014, respectively, which are included in fundraising on the statements of functional expenses.

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2015 and 2014

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Functional expense allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services that they benefit.

Reclassifications – Certain reclassifications have been made to the prior year financial statements to conform to the current year financial statement presentation. These reclassifications had no effect on change in total assets, total liabilities, and net assets as previously reported.

Fair value measurements – Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and establishes a framework for measuring fair value. The fair value framework requires the categorization of assets and liabilities into three levels based upon the ability to observe the assumption (inputs) used to value the assets and liabilities. Level 1 provides the most reliable and observable measure of fair value, whereas Level 3 generally requires significant judgment. When valuing assets or liabilities, GAAP requires the most observable inputs to be used.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Unadjusted, quoted prices in active markets for identical assets and liabilities.

Level 2 – Observable inputs, other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.

Level 3 – Unobservable inputs reflecting assumptions about the inputs used in pricing the asset or liability.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Use of estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2015 and 2014

Note 2 – Cash and Cash Equivalents

Cash and cash equivalents balances at June 30 consist of the following:

	<u>2015</u>	<u>2014</u>
Non-interest bearing accounts	\$ 52,981	\$ 54,220
Money market accounts	<u>384,446</u>	<u>646,196</u>
Total	<u>\$ 437,427</u>	<u>\$ 700,416</u>

Note 3 – Certificates of Deposit

Certificates of deposit are carried at cost basis plus accrued interest, which approximate fair value and are summarized as follows at June 30:

	<u>2015</u>	<u>2014</u>
Certificates of deposit	<u>\$ 208,426</u>	<u>\$ 207,833</u>

Note 4 – Receivables

Receivables consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Trade accounts receivable	\$ 63,845	\$ 12,650
Pledges receivable	29,281	18,913
Bequests receivable	<u>-</u>	<u>10,000</u>
Total	<u>\$ 93,126</u>	<u>\$ 41,563</u>

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2015 and 2014

Note 4 – Receivable (Continued)

Pledges receivable with due dates extending beyond one year are deemed to be fully collectible and have not been discounted. Estimated annual collections of pledges receivable are as follows:

	2015	2014
Less than one year	\$ 21,781	\$ 18,913
One to five years	7,500	-
	<u>29,281</u>	<u>18,913</u>
Less allowance for uncollectible promises to give	<u>-</u>	<u>-</u>
Total pledges receivable	<u><u>\$ 29,281</u></u>	<u><u>\$ 18,913</u></u>

Note 5 – Property and Equipment

Property and equipment consisted of the following at June 30:

	2015	2014 (as restated)
Land and land improvements	\$ 44,992	\$ 44,992
Buildings	924,628	924,628
Furniture and fixtures	114,426	105,083
Equipment	89,647	67,097
Software	38,479	34,955
Vehicles	18,923	18,923
Construction in process	16,406	16,406
	<u>1,247,501</u>	<u>1,212,084</u>
Less accumulated depreciation and amortization	<u>674,109</u>	<u>640,225</u>
	<u><u>\$ 573,392</u></u>	<u><u>\$ 571,859</u></u>

Construction in process at June 30, 2015 and 2014 was \$16,406, all of which is associated with architectural and engineering fees for the expansion of the facilities. As the Organization is in the planning phase, the total cost of the expansion project has not yet been determined.

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2015 and 2014

Note 6 – Endowment Funds

In October 2004, the Organization's Board of Directors established a board designated endowment fund in the amount of \$25,000 of unrestricted net assets at the Oregon Community Foundation (OCF) to support the mission of the Organization. The agreement with OCF stipulates that the fund assets shall be held and owned by OCF. Upon the approval of the OCF Board of Directors, OCF may distribute a fixed percentage of the fund assets to the Organization. No amounts were distributed to the Organization during the years ended June 30, 2015 and 2014. For the year ended June 30, 2014, the Organization's Board of Directors authorized an additional contribution of \$66,383 to the OCF endowment fund and an additional \$500 donor contribution was contributed to the fund. No contributions were made to the fund during the year ended June 30, 2015.

The agreement also provides that upon written request from a majority of the Organization's Board of Directors, and subject to majority approval of the OCF Board of Directors, additional distributions will be made from the fund assets, even to the exhaustion of the fund. In addition, the OCF Board of Directors has variance power which allows OCF to unilaterally redirect use of the assets away from the Organization.

In accordance with accounting standards for not-for-profit organizations, the Organization has included in its statements of financial position a beneficial interest in assets held by the OCF of \$150,364 and \$150,633 as of June 30, 2015 and 2014, respectively. Investment income (interest, dividends and realized and unrealized gains and losses) on endowment funds is classified as unrestricted, in the statements of activities and changes in net assets.

Composition of and changes in endowment net assets for the years ended June 30 were as follows:

	<u>2015</u>	<u>2014</u>
Unrestricted endowment net assets, beginning of year	\$ 150,633	\$ 69,856
Contributions	-	66,883
Endowment realized (losses) gains	(133)	3,464
Endowment unrealized (losses) gains	(238)	10,250
Interest	1,406	1,193
Investment expenses	<u>(1,304)</u>	<u>(1,013)</u>
Unrestricted endowment net assets, end of year	<u>\$ 150,364</u>	<u>\$ 150,633</u>

Greenhill Humane Society, SPCA
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Note 6 – Endowment Funds (Continued)

The majority of the investments held at OCF consist of marketable equity and debt securities that are recorded at fair market value based on current quoted market prices. However, a portion of the investments held at OCF consist of investments in limited partnerships and real estate whose fair values have been estimated by OCF management in the absence of readily determinable market values. These estimates are based on information provided by fund managers or general partners and real estate appraisals; therefore, the reported values may differ from the value that would have been used had a quoted market price existed. The Organization used the estimates provided by OCF in valuing its beneficial interest in those investments.

Note 7 – Restrictions on Net Assets

Temporarily restricted net assets at June 30 were as follows:

	<u>2015</u>	<u>2014</u>
Bequests receivable	\$ -	\$ 10,000
Pledges receivable	14,281	20,348
Capital campaign	25,000	-
Mend a Friend	-	6,065
Fencing project	<u>1,849</u>	<u>-</u>
Total	<u><u>\$ 41,130</u></u>	<u><u>\$ 36,413</u></u>

The temporarily restricted net assets are subject to the following time and purpose restrictions:

- The Organization periodically receives bequests. Bequests are considered temporarily restricted net assets due to a time restriction until funds are received by the Organization.
- The Organization has begun to solicit pledges. Pledges are considered temporarily restricted net assets due to a time restriction until funds are received by the Organization.
- The Organization developed the Mend a Friend program to give more animals life-saving medical treatments in order for them to lead healthy lives with loving families.
- The Organization received funds designated for a fencing project.

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2015 and 2014

Note 8 – Related Party Transactions

Members of the Board of Directors provided various services for the Organization. During 2015 and 2014, the Organization paid \$22,117 and \$7,123, respectively, for veterinary services. The Organization also paid \$1,110 during 2015 for special event services. In addition, during 2015 and 2014, the board members provided \$19,535 and \$8,390 of in-kind veterinarian services to the Organization, respectively.

Related party pledges receivable balance at June 30, 2015 and 2014 were \$0 and \$1,435, respectively.

Note 9 – Fair Value of Financial Instruments

Fair values of assets measured on a recurring basis at June 30, 2015 are as follows:

	Total Carrying/ Fair Value	Level 1	Level 2	Level 3
Endowment funds	\$ 150,364	\$ -	\$ -	\$ 150,364

Fair values of assets measured on a recurring basis at June 30, 2014 are as follows:

	Total Carrying/ Fair Value	Level 1	Level 2	Level 3
Endowment funds	\$ 150,633	\$ -	\$ -	\$ 150,633

The following table presents additional information about Level 3 assets measured at fair value:

	2015	2014
Level 3, endowment funds, beginning of year	\$ 150,633	\$ 69,856
Contributions	-	66,883
Net realized and unrealized (losses) gains	(371)	13,714
Interest	1,406	1,193
Investment expenses	(1,304)	(1,013)
Level 3, endowment funds, end of year	<u>\$ 150,364</u>	<u>\$ 150,633</u>

Greenhill Humane Society, SPCA
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Note 9 – Fair Value of Financial Instruments (Continued)

The following is a description of the valuation methodologies used for assets measured at fair value:

Endowment funds consist of a portfolio of different investments, including marketable equity and debt securities and alternative investments. Marketable equity and debt securities are recorded at fair market value based on current quoted market prices. Alternative investments consist of investments in limited partnerships and real estate, whose fair values have been estimated in the absence of the readily determinable market values. These estimates are based on information provided by the fund managers or the general partners and real estate appraisals; therefore, the reported values may differ from the value that would have been used had a quoted market price existed. They are generally categorized in Level 3 of the fair value hierarchy.

The fair value methodology used by the Organization may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Valuation techniques utilized to determine fair value are consistently applied.

Note 10 – Investment Income

Investment income is classified as unrestricted on the statement of activities. Investment return for the years ended June 30 are summarized as follows:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 2,287	\$ 2,220
Net realized and unrealized (losses) gains - endowment funds	<u>(371)</u>	<u>13,714</u>
Total	<u>\$ 1,916</u>	<u>\$ 15,934</u>

Investment expenses totaled \$1,304 and \$1,013 for the years ended June 30, 2015 and 2014, respectively.

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2015 and 2014

Note 11 – Operating Lease

The Organization signed a month-to-month operating lease for space for dog training classes. Monthly rental payments are \$1,000. The lease may be terminated by providing at least 60 days written notice. Total rent expense for the years ended June 30, 2015 and 2014 was \$12,000 and \$3,000, respectively.

Note 12 – Accounting for Uncertain Tax Positions

The Organization recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Organization's income tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations. The Organization would recognize interest and penalties related to income tax matters in operating expenses. Management has concluded that there were no uncertain tax positions as of June 30, 2015. The Organization is no longer subject to income tax examinations by tax authorities for the years ending prior to June 30, 2013.

Note 13 – Prior Period Adjustments

Certain errors resulting in an understatement of previously reported depreciation expense were discovered during the fiscal year ended June 30, 2015. Accordingly, an adjustment of \$18,644 was made to beginning net assets for the year ended June 30, 2014 and depreciation expense was increased by \$9,321 for the year ended June 30, 2014.

Note 14 – Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 27, 2015, the date of the auditor's report, which represents the date the financial statements were available to be issued.