

**GREENHILL HUMANE SOCIETY, SPCA**

**INDEPENDENT AUDITORS' REPORT**

**and**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2012 AND 2011**

---

## **GREENHILL HUMANE SOCIETY, SPCA**

---

<b>CONTENTS</b>	<b>PAGE</b>
<hr/>	
<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<hr/>	
<b>FINANCIAL STATEMENTS</b>	
Statements of financial position	2
Statements of activities	3
Statements of functional expenses	4-5
Statements of cash flows	6-7
Notes to financial statements	8-18

---

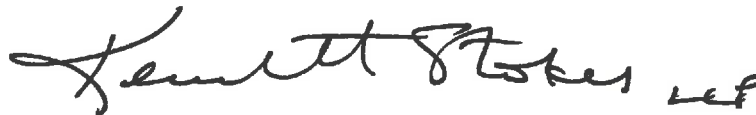
## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Greenhill Humane Society, SPCA:

We have audited the accompanying statements of financial position of Greenhill Humane Society, SPCA (a nonprofit organization) as of June 30, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "Kenneth Stokes" followed by a small mark that looks like "LCP".

Eugene, Oregon  
October 11, 2012

**GREENHILL HUMANE SOCIETY, SPCA****Statements of Financial Position**

	<b>June 30</b>	
	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 405,730	\$ 587,012
Investments	206,456	205,218
Receivables	27,765	99,508
Other current assets	24,470	6,196
Total current assets	664,421	897,934
PROPERTY AND EQUIPMENT, net	654,652	659,610
ENDOWMENT FUNDS	65,022	38,989
Total	\$ 1,384,095	\$ 1,596,533
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 7,226	\$ 7,054
Accrued payroll and payroll costs	65,771	59,450
Deferred grant revenue	39,655	70,489
Current portion of capital lease obligation	-	1,279
Total current liabilities	112,652	138,272
<b>NET ASSETS:</b>		
Unrestricted	1,246,094	1,340,385
Temporarily restricted	25,349	117,876
Total net assets	1,271,443	1,458,261
Total	\$ 1,384,095	\$ 1,596,533

See accompanying notes.

# GREENHILL HUMANE SOCIETY, SPCA

## Statements of Activities

	Year Ended June 30, 2012			Year Ended June 30, 2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT:						
Donations and bequests	\$ 837,610	\$ 22,662	\$ 860,272	\$ 933,986	\$ 115,073	\$ 1,049,059
In-kind donations	39,503	-	39,503	89,395	-	89,395
Special events, less direct costs of \$17,999 in 2012 and \$21,742 in 2011	65,196	-	65,196	49,900	-	49,900
Sales and program fees, less cost of sales of \$24,527 in 2012 and \$28,435 in 2011	231,600	-	231,600	304,127	-	304,127
Investment income	3,417	-	3,417	10,694	-	10,694
Other income	3,821	-	3,821	3,411	-	3,411
Total revenue, gains and other support	1,181,147	22,662	1,203,809	1,391,513	115,073	1,506,586
NET ASSETS RELEASED FROM RESTRICTIONS	115,189	(115,189)	-	234,196	(234,196)	-
EXPENSES:						
Program services	1,088,741	-	1,088,741	1,096,470	-	1,096,470
Management and general	127,892	-	127,892	110,387	-	110,387
Fundraising	173,994	-	173,994	144,671	-	144,671
Total expenses	1,390,627	-	1,390,627	1,351,528	-	1,351,528
CHANGE IN NET ASSETS	(94,291)	(92,527)	(186,818)	274,181	(119,123)	155,058
NET ASSETS, beginning of year	1,340,385	117,876	1,458,261	1,066,204	236,999	1,303,203
NET ASSETS, end of year	\$ 1,246,094	\$ 25,349	\$ 1,271,443	\$ 1,340,385	\$ 117,876	\$ 1,458,261

See accompanying notes.

**GREENHILL HUMANE SOCIETY, SPCA**
**Statements of Functional Expenses**
**Year Ended June 30, 2012**

	Program Services						
	Sheltering/ Adoptions	Spay/ Neuter	Community Outreach	Total	Management and General	Fundraising	2012 Total
Personnel expenses:							
Salaries and wages	\$ 487,815	\$ 122,214	\$ 73,367	\$ 683,396	\$ 64,912	\$ 65,746	\$ 814,054
Payroll taxes	58,660	13,384	7,612	79,656	8,349	6,581	94,586
Employee benefits and insurance	57,012	5,016	5,867	67,895	7,403	9,126	84,424
Total personnel expenses	603,487	140,614	86,846	830,947	80,664	81,453	993,064
Animal care:							
Supplies	15,923	9,321	-	25,244	-	-	25,244
Food	13,413	-	-	13,413	-	-	13,413
Veterinary services	34,439	11,270	-	45,709	-	-	45,709
Other animal care	18,577	988	-	19,565	-	-	19,565
Total animal care expenses	82,352	21,579	-	103,931	-	-	103,931
Other expenses:							
Bank fees	4,663	365	121	5,149	972	6,913	13,034
Depreciation and amortization	32,895	2,195	865	35,955	6,545	432	42,932
Dues and subscriptions	1,905	196	856	2,957	294	90	3,341
Facility and landscaping	3,691	361	97	4,149	729	49	4,927
Insurance	2,510	396	60	2,966	2,677	30	5,673
Miscellaneous expense	1,101	585	2,936	4,622	470	702	5,794
Office supplies and equipment	17,122	1,119	368	18,609	3,276	278	22,163
Newsletter and other mailings	30	-	2,573	2,603	-	5,829	8,432
Postage	203	32	15	250	71	26,026	26,347
Printing	2,608	199	555	3,362	782	47,117	51,261
Professional services	29,153	2,387	713	32,253	25,448	4,187	61,888
Repairs and maintenance	7,451	442	122	8,015	1,897	244	10,156
Staff training and conferences	4,458	5	27	4,490	309	156	4,955
Telephone and internet	5,745	478	159	6,382	1,237	320	7,939
Utilities	16,724	704	235	17,663	1,761	117	19,541
Vehicle expense	4,034	303	101	4,438	760	51	5,249
Total other expenses	134,293	9,767	9,803	153,863	47,228	92,541	293,632
Total expenses	\$ 820,132	\$ 171,960	\$ 96,649	\$ 1,088,741	\$ 127,892	\$ 173,994	\$ 1,390,627

See accompanying notes.

**GREENHILL HUMANE SOCIETY, SPCA****Statements of Functional Expenses****Year Ended June 30, 2011**

	<b>Program Services</b>				<b>Management and General</b>	<b>Fundraising</b>	<b>2011 Total</b>
	<b>Sheltering/ Adoptions</b>	<b>Spay/ Neuter</b>	<b>Community Outreach</b>	<b>Total</b>			
Personnel expenses:							
Salaries and wages	\$ 496,568	\$ 100,262	\$ 66,238	\$ 663,068	\$ 62,707	\$ 61,596	\$ 787,371
Payroll taxes and insurance	59,342	10,060	6,187	75,589	7,872	6,013	89,474
Employee benefits	51,593	10,781	5,824	68,198	5,861	5,090	79,149
Total personnel expenses	607,503	121,103	78,249	806,855	76,440	72,699	955,994
Animal care:							
Supplies	22,751	11,715	-	34,466	-	-	34,466
Food	11,981	-	-	11,981	-	-	11,981
Veterinary services	51,018	15,769	-	66,787	-	-	66,787
Other animal care	15,966	5,869	-	21,835	-	-	21,835
Total animal care expenses	101,716	33,353	-	135,069	-	-	135,069
Other expenses:							
Bank fees	4,086	314	103	4,503	860	7,564	12,927
Depreciation and amortization	28,458	1,865	396	30,719	5,479	366	36,564
Dues and subscriptions	2,326	85	394	2,805	182	38	3,025
Facility and landscaping	2,623	199	62	2,884	643	36	3,563
Insurance	2,618	182	57	2,857	2,734	31	5,622
Miscellaneous expense	1,442	(335)	3,136	4,243	407	665	5,315
Office supplies and equipment	14,383	736	709	15,828	4,421	550	20,799
Newsletter and other mailings	60	-	6,733	6,793	-	3,075	9,868
Postage	642	59	3,695	4,396	469	18,849	23,714
Printing	3,428	657	15,601	19,686	567	33,340	53,593
Professional services	14,890	990	303	16,183	12,764	6,937	35,884
Repairs and maintenance	12,346	625	74	13,045	1,690	38	14,773
Staff training and conferences	1,802	1,003	551	3,356	32	13	3,401
Telephone and internet	8,019	669	188	8,876	1,779	342	10,997
Utilities	15,133	590	185	15,908	1,519	101	17,528
Vehicle expense	2,259	156	49	2,464	401	27	2,892
Total other expenses	114,515	7,795	32,236	154,546	33,947	71,972	260,465
Total expenses	\$ 823,734	\$ 162,251	\$ 110,485	\$ 1,096,470	\$ 110,387	\$ 144,671	\$ 1,351,528

See accompanying notes.

**GREENHILL HUMANE SOCIETY, SPCA****Statements of Cash Flows****Change in Cash and Cash Equivalents**

	<b>Year Ended June 30</b>	
	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from service recipients and other sources	\$ 314,023	\$ 460,414
Cash received from donations and bequests	932,482	1,186,123
Cash paid to employees and suppliers	(1,367,369)	(1,320,026)
Interest and dividends received	2,139	3,645
Net cash (used in) provided by operating activities	(118,725)	330,156
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property	(33,104)	(18,934)
Proceeds from sale of property	-	500
Purchase of investments	(28,174)	(2,377)
Proceeds from sale of investments	-	50,000
Net cash (used in) provided by investing activities	(61,278)	29,189
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on capital lease obligation	(1,279)	(2,027)
Net cash used in financing activities	(1,279)	(2,027)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(181,282)	357,318
CASH AND CASH EQUIVALENTS, beginning of year	587,012	229,694
CASH AND CASH EQUIVALENTS, end of year	\$ 405,730	\$ 587,012

(Continued)

See accompanying notes.



**GREENHILL HUMANE SOCIETY, SPCA****Statements of Cash Flows (Continued)****Reconciliation of Change in Net Assets to  
Net Cash (Used In) Provided by Operating Activities**

	<b>Year Ended June 30</b>	
	<b>2012</b>	<b>2011</b>
CHANGE IN NET ASSETS	\$ (186,818)	\$ 155,058
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	42,932	36,564
Gain on sale of property	-	(500)
Net realized and unrealized gains on investments	(829)	(6,328)
Non-cash in-kind contributions of property and equipment	(4,870)	(34,955)
Increase (decrease) in cash caused by certain working capital items:		
Receivables	71,743	140,626
Other current assets	(16,542)	(540)
Accounts payable	172	(8,639)
Accrued payroll and payroll costs	6,321	(367)
Deferred grant revenue	(30,834)	49,237
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	\$ (118,725)	\$ 330,156

See accompanying notes.

# GREENHILL HUMANE SOCIETY, SPCA

## Notes to Financial Statements

---

### 1. Organization and Summary of Significant Accounting Policies

*Organization.* Greenhill Humane Society, SPCA, 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 in Eugene, Oregon. Greenhill Humane Society, SPCA, (the Organization) primarily relies on funding from individual and corporate donors.

*Program Services.* The Organization's programs services are paid for with donations, fundraisers and fees for products and services.

*Sheltering and Adoptions* - During the year ended June 30, 2012, Greenhill Humane Society, SPCA achieved a 91% save rate for cats and an even higher rate for dogs, at 98%. During the year ended June 30, 2011, the Organization achieved an 89% save rate for cats and a 99% save rate for dogs. During the year ended June 30, 2012, the Organization found homes for 648 dogs, 1,001 cats and 88 small animals. During the year ended June 30, 2011, the Organization found homes for 789 dogs, 1,017 cats and 72 small animals. The Organization 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 years ended June 30, 2012 and 2011, 545 and 564 animals found homes through this program, respectively. All of the animals at the Organization are provided with medical care and an environment that includes behavioral training and exercise programs.

*Spay/Neuter Services* - During the year ended June 30, 2012, the Organization performed 2,254 surgeries in their regular on-site clinic and 672 surgeries through the trap-neuter-return program. During the year ended June 30, 2011, the Organization performed 3,110 surgeries in their regular on-site clinic and 1,064 surgeries through the trap-neuter-return program. This program offers the surgeries at no cost to feral colony caretakers.

*Community Outreach* - 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 926 visits per day.

(Continued)

---

# GREENHILL HUMANE SOCIETY, SPCA

## Notes to Financial Statements

---

### 1. Organization and Summary of Significant Accounting Policies (Continued)

*Volunteer and Foster Programs.* Greenhill Humane Society, SPCA has approximately 310 active volunteers and 100 active foster families. During the years ended June 30, 2012 and 2011, approximately 29,500 and 24,400 hours were donated by unpaid volunteers, respectively. 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.

*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 stipulation that will be met 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 statements of activities as net assets released from restriction.

*Permanently Restricted* - Net assets subject to donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the Organization to use the income.

Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. The Organization has no permanently restricted net assets.

Expenses are reported as decreases in unrestricted net assets. 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.

*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 its cash balances in several financial institutions located primarily in Eugene, Oregon. At times, balances may exceed amounts insured by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses in such accounts.

(Continued)

# GREENHILL HUMANE SOCIETY, SPCA

## Notes to Financial Statements

---

### 1. Organization and Summary of Significant Accounting Policies (Continued)

*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 determines and 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 contributions and bequests receivable to be fully collectible; accordingly, no allowance for uncollectible amounts was considered necessary. The allowance for uncollectible contributions and bequests receivable is provided based on management's judgment, including such factors as prior collection history, type of contribution and nature of activity.

*Property and Equipment.* Property and equipment purchases 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. 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.

Leased equipment meeting certain criteria is capitalized and the present value of the related lease payments is recorded as a liability. Amortization of capitalized leased assets is computed on the straight-line method over the term of the lease and is included in depreciation expense.

*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.

(Continued)

# GREENHILL HUMANE SOCIETY, SPCA

## Notes to Financial Statements

### 1. Organization and Summary of Significant Accounting Policies (Continued)

Contributions receivable are for the support of future operations, programs and activities and are recorded at the present value of the estimated future cash flows, net of any allowance for uncollectible amounts.

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 measureable.

*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.

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

	2012	2011
Professional services	\$ 11,157	\$ 17,800
Property and equipment donations (capitalized asset)	4,870	34,955
Food, medication and vaccines	23,476	36,640
Total	\$ 39,503	\$ 89,395

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

*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.

(Continued)

# GREENHILL HUMANE SOCIETY, SPCA

## Notes to Financial Statements

---

### 1. Organization and Summary of Significant Accounting Policies (Continued)

The Organization files informational tax returns in the U.S. federal and Oregon jurisdictions. The Organization is not subject to U.S. federal and state examinations by tax authorities for years prior to 2008, as the statute of limitations has expired on those years.

*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 \$173,994 and \$144,671 were allocated to fundraising for the years ended June 30, 2012 and 2011, respectively. During 2011, the Organization began a direct mailing campaign. Expenses of \$69,789 and \$46,332 were incurred for the years ended June 30, 2012 and 2011, respectively, which are included in fundraising on the statements of functional expenses.

*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.

*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.

(Continued)

---

# GREENHILL HUMANE SOCIETY, SPCA

## Notes to Financial Statements

### 1. Organization and Summary of Significant Accounting Policies (Continued)

*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 11, 2012, which is the date the financial statements were available to be issued.

*Use of Estimates.* The preparation of 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 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.

*Reclassifications.* Certain 2011 amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on previously reported net assets and change in net assets.

### 2. Investments

Investments are composed of certificates of deposit and are carried at cost basis plus accrued interest, which approximates fair value. Investment holdings are summarized as follows at June 30:

	2012	2011
Certificates of deposit	\$ 205,218	\$ 202,248
Accrued interest	1,238	2,970
Total	\$ 206,456	\$ 205,218

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

	2012	2011
Interest and dividends	\$ 2,588	\$ 4,366
Net realized and unrealized gains - endowment funds	829	6,328
Total investment income	\$ 3,417	\$ 10,694

Investment expenses were approximately \$450 and \$250 for the years ended June 30, 2012 and 2011, respectively.

**GREENHILL HUMANE SOCIETY, SPCA**  
**Notes to Financial Statements**

**3. Receivables**

Receivables consisted of the following at June 30:

	<b>2012</b>	<b>2011</b>
Trade accounts receivable	\$ 5,307	\$ 4,840
Pledges receivable	20,458	26,145
Bequests receivable	2,000	68,523
<b>Total</b>	<b>\$ 27,765</b>	<b>\$ 99,508</b>

Pledges receivable with due dates extending beyond one year are discounted using an interest rate for similar term investments. As of June 30, 2012, all pledges were due in less than one year.

**4. Property and Equipment**

Property and equipment consisted of the following at June 30:

	<b>2012</b>	<b>2011</b>
Land and land improvements	\$ 44,992	\$ 44,992
Buildings	916,472	915,092
Furniture and fixtures	97,742	66,012
Equipment	63,530	63,530
Software	34,955	34,955
Vehicles	18,923	14,053
Construction in process	7,644	7,644
	1,184,258	1,146,278
Less accumulated depreciation and amortization	529,606	486,668
<b>Total</b>	<b>\$ 654,652</b>	<b>\$ 659,610</b>

Equipment includes assets under capital lease of \$8,995 at June 30, 2012 and 2011. Accumulated amortization on leased assets is \$8,995 and \$7,946 at June 30, 2012 and 2011, respectively.

As of June 30, 2012 and 2011, the Organization had construction in process of \$7,644 associated with architectural fees for the expansion of their facilities. As the Organization is in the planning phase, the total cost of the project has not yet been determined.



# GREENHILL HUMANE SOCIETY, SPCA

## Notes to Financial Statements

### 5. Endowment Funds

In October 2004, the Organization's Board of Directors established a general 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 annually. No amounts were distributed to the Organization during the years ended 2012 and 2011. In 2012, the Organization's Board of Directors authorized an additional contribution of \$25,000 to the OCF endowment fund.

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 the use of 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 \$65,022 and \$38,989 as of June 30, 2012 and 2011, 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:

	2012	2011
Unrestricted endowment net assets, beginning of year	\$ 38,989	\$ 32,532
Contributions	25,000	-
Endowment realized (losses) gains	(261)	167
Endowment unrealized gains	1,090	6,161
Interest	648	366
Investment expenses	(444)	(237)
Unrestricted endowment net assets, end of year	\$ 65,022	\$ 38,989

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 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. The Organization used the estimates provided by OCF in valuing its beneficial interest in those investments.

# GREENHILL HUMANE SOCIETY, SPCA

## Notes to Financial Statements

### 6. Capital Leases

The Company leases a copy machine under a capital lease agreement. The agreement called for monthly installments of \$188 including interest at 8.25% thru January 2012. The current portion of capital lease obligations at June 30, 2012 and 2011 is \$0 and \$1,279, respectively.

### 7. Restrictions on Net Assets

Temporarily restricted net assets at June 30 were as follows:

	2012	2011
Bequests receivable	\$ 2,000	\$ 68,523
Pledges receivable	20,458	26,145
Vision campaign	1,067	18,645
Mend a friend	1,824	2,503
Development assistant position	-	2,060
Total	\$ 25,349	\$ 117,876

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 began a process of creating a vision of future programs and capital needs. As part of this process, the Organization has raised campaign funds to be expended on the vision development process.
- 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.
- During 2011, the Organization received a donation for the purpose of hiring a Development Assistant.

**GREENHILL HUMANE SOCIETY, SPCA**  
**Notes to Financial Statements**

---

**8. Related Party Transactions**

Two members of the Board of Directors provide veterinarian services at clinics used by the Organization. During 2012 and 2011, the Organization paid \$1,174 and \$58, respectively, for these services. In addition, during 2012 and 2011, the board members provided \$8,796 and \$12,836 of in-kind veterinarian services to the Organization, respectively.

A member of the Board of Directors provided in-kind legal services of \$8,340 and \$350, respectively, during 2012 and 2011.

**9. Fair Value of Financial Instruments**

Fair values of assets measured on a recurring basis at June 30, 2012 are as follows:

	<b>Total Carrying/ Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Certificates of deposit	\$ 206,456	\$ -	\$ 206,456	\$ -
Endowment funds	65,022	-	-	65,022

---

Fair values of assets measured on a recurring basis at June 30, 2011 are as follows:

	<b>Total Carrying/ Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Certificates of deposit	\$ 205,218	\$ -	\$ 205,218	\$ -
Endowment funds	38,989	-	-	38,989

---

(Continued)

**GREENHILL HUMANE SOCIETY, SPCA**  
**Notes to Financial Statements**

---

**9. Fair Value of Financial Instruments (Continued)**

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

	2012	2011
Level 3, endowment funds, beginning of year	\$ 38,989	\$ 32,532
Contributions	25,000	-
Net realized and unrealized gains	829	6,328
Interest	648	366
Investment expenses	(444)	(237)
Level 3, endowment funds, end of year	\$ 65,022	\$ 38,989

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

The fair value of certificates of deposit is estimated using recently executed transactions, market price quotations and pricing models that factor in, where applicable, interest rates, maturity dates and default risk. These investments are generally categorized in Level 2 of the fair value hierarchy.

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 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.

**10. Subsequent Events**

On July 1, 2012, the Organization took over operations for the West 1<sup>st</sup> Street Shelter from Lane County and the City of Eugene. The terms of the contract call for the Organization to provide animal shelter and adoption services for a period of three years with an option to renew upon mutual agreement by both parties for another three years.