

Greenhill Humane Society, SPCA
(A Nonprofit Organization)
Independent Auditor's Report
and
Financial Statements
June 30, 2013 and 2012

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Financial Statements

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Mueller Larson Osterman Yuva LLP

Certified Public Accountants

Independent Auditor's 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 statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditor's 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.

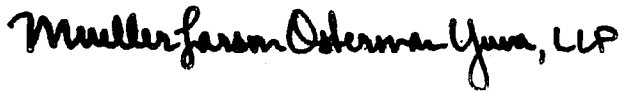
Greenhill Humane Society, SPCA
November 13, 2013

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, 2013, 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.

Other Matter

The financial statements of Greenhill Humane Society, SPCA as of June 30, 2012, were audited by other auditors whose report dated October 11, 2012, expressed an unmodified opinion on those statements.

A handwritten signature in black ink that reads "Mueller Larson Osterman Yuva, LLP". The signature is written in a cursive, flowing style.

Mueller Larson Osterman Yuva LLP
November 13, 2013

Greenhill Humane Society, SPCA
Statements of Financial Position
June 30, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|-----------------------------------|----------------------------|----------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 305,404 | \$ 405,730 |
| Certificates of deposit | 207,190 | 206,456 |
| Receivables | 610,180 | 27,765 |
| Other current assets | <u>5,984</u> | <u>24,470</u> |
| Total current assets | 1,128,758 | 664,421 |
| Property and equipment, net | 631,607 | 654,652 |
| Endowment funds | <u>69,856</u> | <u>65,022</u> |
| Total assets | <u><u>\$ 1,830,221</u></u> | <u><u>\$ 1,384,095</u></u> |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accounts payable | \$ 24,895 | \$ 7,226 |
| Accrued payroll and payroll costs | 90,083 | 65,771 |
| Deferred grant revenue | <u>1,248</u> | <u>39,655</u> |
| Total current liabilities | <u>116,226</u> | <u>112,652</u> |
| Net Assets | | |
| Unrestricted | 1,134,615 | 1,246,094 |
| Temporarily restricted | <u>579,380</u> | <u>25,349</u> |
| Total net assets | <u>1,713,995</u> | <u>1,271,443</u> |
| Total liabilities and net assets | <u><u>\$ 1,830,221</u></u> | <u><u>\$ 1,384,095</u></u> |

Greenhill Humane Society, SPCA
Statements of Activities
Years Ended June 30, 2013 and 2012

| | Year Ended June 30, 2013 | | | Year Ended June 30, 2012 | | |
|---|--------------------------|------------------------|---------------------|--------------------------|------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| Revenue, Gains and Other Support: | | | | | | |
| Donations and bequests | \$ 852,234 | \$ 578,466 | \$ 1,430,700 | \$ 837,610 | \$ 22,662 | \$ 860,272 |
| In-kind donations | 61,222 | - | 61,222 | 39,503 | - | 39,503 |
| Special events, less direct costs of \$20,166 in 2013 and \$17,999 in 2012 | 42,334 | - | 42,334 | 65,196 | - | 65,196 |
| Sales and program fees, less cost of sales of \$28,103 in 2013 and \$24,527 in 2012 | 780,061 | - | 780,061 | 231,600 | - | 231,600 |
| Investment income | 6,498 | - | 6,498 | 3,417 | - | 3,417 |
| Other income | 7,101 | - | 7,101 | 3,821 | - | 3,821 |
| Net assets released from restrictions | 24,435 | (24,435) | - | 115,189 | (115,189) | - |
| Total revenues, gains and other support | <u>1,773,885</u> | <u>554,031</u> | <u>2,327,916</u> | <u>1,296,336</u> | <u>(92,527)</u> | <u>1,203,809</u> |
| Expenses | | | | | | |
| Program services | 1,571,142 | - | 1,571,142 | 1,088,741 | - | 1,088,741 |
| Management and general | 136,860 | - | 136,860 | 127,892 | - | 127,892 |
| Fundraising | 177,362 | - | 177,362 | 173,994 | - | 173,994 |
| Total expenses | <u>1,885,364</u> | <u>-</u> | <u>1,885,364</u> | <u>1,390,627</u> | <u>-</u> | <u>1,390,627</u> |
| Change in net assets | (111,479) | 554,031 | 442,552 | (94,291) | (92,527) | (186,818) |
| Net assets, beginning of year | <u>1,246,094</u> | <u>25,349</u> | <u>1,271,443</u> | <u>1,340,385</u> | <u>117,876</u> | <u>1,458,261</u> |
| Net assets, end of year | <u>\$ 1,134,615</u> | <u>\$ 579,380</u> | <u>\$ 1,713,995</u> | <u>\$ 1,246,094</u> | <u>\$ 25,349</u> | <u>\$ 1,271,443</u> |

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

Greenhill Humane Society, SPCA
Statement of Functional Expenses
Year Ended June 30, 2013

| | Program Services | | | | Management and General | Fundraising | Total |
|---------------------------------|--------------------------|-----------------|-----------------------|--------------|---------------------------|-------------|--------------|
| | Sheltering/ Adoptions | Spay/ Neuter | Community Outreach | Total | | | |
| Personnel expenses: | | | | | | | |
| Salaries and wages | \$ 797,280 | \$ 96,344 | \$ 60,025 | \$ 953,649 | \$ 83,152 | \$ 72,845 | \$ 1,109,646 |
| Payroll taxes | 97,009 | 11,366 | 6,607 | 114,982 | 10,576 | 7,539 | 133,097 |
| Employee benefits and insurance | 78,783 | 10,070 | 6,732 | 95,585 | 15,544 | 10,461 | 121,590 |
| Total personnel expenses | 973,072 | 117,780 | 73,364 | 1,164,216 | 109,272 | 90,845 | 1,364,333 |
| Animal care: | | | | | | | |
| Supplies | 29,521 | 7,313 | - | 36,834 | - | - | 36,834 |
| Food | 23,940 | - | - | 23,940 | - | - | 23,940 |
| Veterinary services | 95,392 | 4,449 | - | 99,841 | - | - | 99,841 |
| Other animal care | 25,850 | 240 | - | 26,090 | - | - | 26,090 |
| Total animal care expenses | 174,703 | 12,002 | - | 186,705 | - | - | 186,705 |
| Other expenses: | | | | | | | |
| Bank fees | 6,386 | 313 | 104 | 6,803 | 782 | 5,760 | 13,345 |
| Depreciation and amortization | 32,907 | 2,598 | 866 | 36,371 | 6,495 | 432 | 43,298 |
| Dues and subscriptions | 3,519 | 669 | 391 | 4,579 | 460 | 63 | 5,102 |
| Facility and landscaping | 6,577 | 240 | 80 | 6,897 | 599 | 40 | 7,536 |
| Insurance | 9,519 | 408 | 136 | 10,063 | 2,680 | 68 | 12,811 |
| Miscellaneous expense | 6,694 | 183 | 2,743 | 9,620 | 771 | 987 | 11,378 |
| Office supplies and equipment | 30,725 | 1,335 | 398 | 32,458 | 2,416 | 355 | 35,229 |
| Newsletter and other mailings | - | - | 2,474 | 2,474 | - | 3,163 | 5,637 |
| Postage and photocopying | 4,216 | 316 | 1,816 | 6,348 | 790 | 18,631 | 25,769 |
| Printing | 4,466 | 192 | 3,471 | 8,129 | 575 | 53,376 | 62,080 |
| Professional services | 32,765 | 1,729 | 4,236 | 38,730 | 3,692 | 3,048 | 45,470 |
| Repairs and maintenance | 9,725 | 260 | 82 | 10,067 | 633 | 41 | 10,741 |
| Staff training and conferences | 1,462 | 460 | 38 | 1,960 | 3,067 | 19 | 5,046 |
| Telephone and internet | 12,455 | 374 | 125 | 12,954 | 1,154 | 302 | 14,410 |
| Utilities | 26,493 | 1,094 | 364 | 27,951 | 2,733 | 182 | 30,866 |
| Vehicle expense | 4,422 | 296 | 99 | 4,817 | 741 | 50 | 5,608 |
| Total other expenses | 192,331 | 10,467 | 17,423 | 220,221 | 27,588 | 86,517 | 334,326 |
| Total expenses | \$ 1,340,106 | \$ 140,249 | \$ 90,787 | \$ 1,571,142 | \$ 136,860 | \$ 177,362 | \$ 1,885,364 |

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

Greenhill Humane Society, SPCA **Statement of Functional Expenses** **Year Ended June 30, 2012**

| | Program Services | | | | Management and General | Fundraising | Total |
|---------------------------------|--------------------------|-----------------|-----------------------|--------------|---------------------------|-------------|--------------|
| | Sheltering/ Adoptions | Spay/ Neuter | Community Outreach | 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 and photocopying | 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 |

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

Greenhill Humane Society, SPCA
Statements of Cash Flows
Years Ended June 30, 2013 and 2012

| | <u>Years Ended June 30,</u> | |
|---|-----------------------------|-------------------|
| | <u>2013</u> | <u>2012</u> |
| Cash flows from operating activities | | |
| Cash received from service recipients and other sources | \$ 812,951 | \$ 313,574 |
| Cash received from donations and bequests | 874,692 | 932,482 |
| Cash paid to employees and suppliers | (1,768,646) | (1,367,369) |
| Interest and dividends received | <u>1,773</u> | <u>2,588</u> |
| Net cash from operating activities | <u>(79,230)</u> | <u>(118,725)</u> |
| Cash flows from investing activities | | |
| Purchase of property | (20,253) | (33,104) |
| Purchase of investments | <u>(843)</u> | <u>(28,174)</u> |
| Net cash from investing activities | <u>(21,096)</u> | <u>(61,278)</u> |
| Cash flows from financing activities | | |
| Payments on capital lease obligation | <u>-</u> | <u>(1,279)</u> |
| Net cash from financing activities | <u>-</u> | <u>(1,279)</u> |
| Net change in cash and cash equivalents | (100,326) | (181,282) |
| Cash and cash equivalents, beginning of year | <u>405,730</u> | <u>587,012</u> |
| Cash and cash equivalents, end of year | <u>\$ 305,404</u> | <u>\$ 405,730</u> |

(Continued)

Greenhill Humane Society, SPCA
Statements of Cash Flows (Continued)
Years Ended June 30, 2013 and 2012

| | Years Ended June 30, | |
|--|----------------------|---------------------|
| | 2013 | 2012 |
| Reconciliation of change in net assets to net cash from operating activities: | | |
| Change in net assets | \$ 442,552 | \$ (186,818) |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Depreciation | 43,298 | 42,932 |
| Net realized and unrealized gains on investments | (4,725) | (829) |
| Non-cash in-kind contributions of property and equipment | - | (4,870) |
| Deferred grant revenue | (38,407) | (30,834) |
| Increase (decrease) in cash caused by certain working capital items: | | |
| Receivables | (582,415) | 71,743 |
| Other current assets | 18,486 | (16,542) |
| Accounts payable | 17,669 | 172 |
| Accrued payroll and payroll costs | 24,312 | 6,321 |
| Net cash from operating activities | <u>\$ (79,230)</u> | <u>\$ (118,725)</u> |

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2013 and 2012

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, 2013, Greenhill Humane Society, SPCA achieved an 82% save rate for cats and an even higher rate for dogs, at 97%. 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, 2013, the Organization reunited, found homes for, or transferred to another shelter or rescue 1,434 dogs, 1,323 cats and 104 small animals. During the year ended June 30, 2012, the Organization found homes for 648 dogs, 1,001 cats and 88 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, 2013 and 2012, 404 and 545 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.

Greenhill Humane Society, SPCA has approximately 349 active volunteers and 100 active foster families per month. During the years ended June 30, 2013 and 2012, approximately 43,910 and 29,500 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.

Spay/neuter services - During the year ended June 30, 2013, the Organization performed 1,504 surgeries in their regular on-site clinic and 957 surgeries through the trap-neuter-return program. 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. This program offers the surgeries at no cost to feral colony caretakers.

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2013 and 2012

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

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 1,089 visits per day.

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, 2013 and 2012, 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, 2013 and 2012

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. The Organization's cash was fully insured at June 30, 2013 and 2012.

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 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 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. 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.

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2013 and 2012

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

Deferred revenue – Deferred revenue consists of grant payments received but not yet earned.

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.

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 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.

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

| | <u>2013</u> | <u>2012</u> |
|--|------------------|------------------|
| Professional services | \$ 50,365 | \$ 28,511 |
| Property and equipment donations (capitalized asset) | - | 4,870 |
| Food, medication and vaccines | <u>10,857</u> | <u>6,122</u> |
| Total | <u>\$ 61,222</u> | <u>\$ 39,503</u> |

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2013 and 2012

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

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

| | 2013 | 2012 |
|------------------------|------------------|------------------|
| Sheltering/Adoptions | \$ 48,253 | \$ 19,778 |
| Spay/Neuter | 407 | 3,584 |
| Community Outreach | 619 | 79 |
| Management and General | 1,018 | 5,030 |
| Fundraising | 68 | 40 |
| | <u>\$ 50,365</u> | <u>\$ 28,511</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 \$177,362 and \$173,994 were allocated to fundraising for the years ended June 30, 2013 and 2012, respectively. During 2011, the Organization began a direct mailing campaign. Expenses of \$69,629 and \$66,572 were incurred for the years ended June 30, 2013 and 2012, 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.

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2013 and 2012

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

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.

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.

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.

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Note 2 – Cash and Cash Equivalents

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

| | <u>2013</u> | <u>2012</u> |
|-------------------------------|-------------------|-------------------|
| Non-interest bearing accounts | \$ 64,663 | \$ 19,891 |
| Money market accounts | <u>240,741</u> | <u>385,839</u> |
| Total | <u>\$ 305,404</u> | <u>\$ 405,730</u> |

Note 3 – Certificates of Deposit

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

| | <u>2013</u> | <u>2012</u> |
|-------------------------|-------------------|-------------------|
| Certificates of deposit | <u>\$ 207,190</u> | <u>\$ 206,456</u> |

Note 4 – Receivable

Receivables consisted of the following at June 30:

| | <u>2013</u> | <u>2012</u> |
|---------------------------|-------------------|------------------|
| Trade accounts receivable | \$ 31,714 | \$ 5,307 |
| Pledges receivable | 40,925 | 20,458 |
| Bequests receivable | <u>537,541</u> | <u>2,000</u> |
| Total | <u>\$ 610,180</u> | <u>\$ 27,765</u> |

Pledges receivable with due dates extending beyond one year are discounted using an interest rate for similar term investments. As of June 30, 2013 and 2012, all pledges were due in less than one year.

Greenhill Humane Society, SPCA
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Note 5 – Property and Equipment

Property and equipment consisted of the following at June 30:

| | <u>2013</u> | <u>2012</u> |
|--|-------------------|-------------------|
| Land and land improvements | \$ 44,992 | \$ 44,992 |
| Buildings | 916,472 | 916,472 |
| Furniture and fixtures | 105,083 | 97,742 |
| Equipment | 63,530 | 63,530 |
| Software | 34,955 | 34,955 |
| Vehicles | 18,923 | 18,923 |
| Construction in process | <u>20,556</u> | <u>7,644</u> |
| | 1,204,511 | 1,184,258 |
| Less accumulated depreciation and amortization | <u>572,904</u> | <u>529,606</u> |
| | <u>\$ 631,607</u> | <u>\$ 654,652</u> |

Construction in process at June 30, 2013 was \$20,556, of which \$16,406 is associated with architectural and engineering fees for the expansion of the facilities and \$4,150 for the construction of a shed. As the Organization is in the planning phase, the total cost of the expansion project has not yet been determined.

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 annually. No amounts were distributed to the Organization during the years ended 2013 and 2012. 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 use of the assets away from the Organization.

Greenhill Humane Society, SPCA
Notes to Financial Statements
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Note 6 – Endowment Funds (Continued)

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 \$69,856 and \$65,022 as of June 30, 2013 and 2012, 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>2013</u> | <u>2012</u> |
|--|------------------|------------------|
| Unrestricted endowment net assets, beginning of year | \$ 65,022 | \$ 38,989 |
| Contributions | - | 25,000 |
| Endowment realized (losses) gains | 625 | (261) |
| Endowment unrealized gains | 4,100 | 1,090 |
| Interest | 657 | 648 |
| Investment expenses | <u>(548)</u> | <u>(444)</u> |
| Unrestricted endowment net assets, end of year | <u>\$ 69,856</u> | <u>\$ 65,022</u> |

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.

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Note 7 – Restrictions on Net Assets

Temporarily restricted net assets at June 30 were as follows:

| | 2013 | 2012 |
|---------------------|------------|-----------|
| Bequests receivable | \$ 537,541 | \$ 2,000 |
| Pledges receivable | 40,925 | 20,458 |
| Vision campaign | - | 1,067 |
| Mend a Friend | 914 | 1,824 |
| | <hr/> | <hr/> |
| Total | \$ 579,380 | \$ 25,349 |
| | <hr/> | <hr/> |

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.

Note 8 – Related Party Transactions

A member of the Board of Directors provided veterinarian services at clinics used by the Organization. During 2013 and 2012, the Organization paid \$1,940 and \$1,174, respectively, for these services. In addition, during 2013 and 2012, the board members provided \$30,972 and \$8,796 of in-kind veterinarian services to the Organization, respectively.

A member of the Board of Directors provided in-kind engineering services of \$8,762 during 2013. A member of the Board of Directors provided in-kind legal services of \$8,340 during 2012.

Related party pledges receivable balance at June 30, 2013 and 2012 were \$3,743 and \$2,750, respectively.

Greenhill Humane Society, SPCA
Notes to Financial Statements
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Note 9 – Fair Value of Financial Instruments

Fair values of assets measured on a recurring basis at June 30, 2013 are as follows:

| | Total Carrying/ Fair Value | Level 1 | Level 2 | Level 3 |
|-----------------|----------------------------------|---------|---------|-----------|
| Endowment funds | \$ 69,856 | \$ - | \$ - | \$ 69,856 |

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

| | Total Carrying/ Fair Value | Level 1 | Level 2 | Level 3 |
|-----------------|----------------------------------|---------|---------|-----------|
| Endowment funds | \$ 65,022 | \$ - | \$ - | \$ 65,022 |

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

| | 2013 | 2012 |
|---|------------------|------------------|
| Level 3, endowment funds, beginning of year | \$ 65,022 | \$ 38,989 |
| Contributions | - | 25,000 |
| Net realized and unrealized gains | 4,725 | 829 |
| Interest | 657 | 648 |
| Investment expenses | (548) | (444) |
| Level 3, endowment funds, end of year | <u>\$ 69,856</u> | <u>\$ 65,022</u> |

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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 value market 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>2013</u> | <u>2012</u> |
|---|-----------------|-----------------|
| Interest and dividends | \$ 1,773 | \$ 2,588 |
| Net realized and unrealized gains - endowment funds | <u>4,725</u> | <u>829</u> |
| Total | <u>\$ 6,498</u> | <u>\$ 3,417</u> |

Investment expenses totaled \$548 and \$444 for the years ended June 30, 2013 and 2012, respectively.

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Note 11 – 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, 2013. The Organization is no longer subject to income tax examinations by tax authorities for the years ending prior to June 30, 2011.

Note 12 – 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 November 13, 2013, the date of the auditor's report, which date represents the date the financial statements were available to be issued.