

**Greenhill Humane Society, SPCA**  
**(A Nonprofit Organization)**  
**Independent Auditor's Report**  
**and**  
**Financial Statements**  
**June 30, 2014 and 2013**

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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 statements of financial position as of June 30, 2014 and 2013, 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.

### **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

**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, 2014 and 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.

*Mueller Larson Osterman Yuva, LLP*

Mueller Larson Osterman Yuva LLP

Eugene, Oregon

October 21, 2014

**Greenhill Humane Society, SPCA**  
**Statements of Financial Position**  
**June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 700,416	\$ 305,404
Certificates of deposit	207,833	207,190
Receivables	41,563	606,437
Related party pledges receivables	1,435	3,743
Other current assets	<u>18,839</u>	<u>5,984</u>
Total current assets	970,086	1,128,758
Property and equipment, net	599,824	631,607
Endowment funds	<u>150,633</u>	<u>69,856</u>
Total assets	<u><u>\$ 1,720,543</u></u>	<u><u>\$ 1,830,221</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 27,428	\$ 24,895
Accrued payroll and payroll costs	98,149	90,083
Deferred grant revenue	<u>-</u>	<u>1,248</u>
Total current liabilities	<u>125,577</u>	<u>116,226</u>
<b>Net Assets</b>		
Unrestricted	1,558,553	1,134,615
Temporarily restricted	<u>36,413</u>	<u>579,380</u>
Total net assets	<u>1,594,966</u>	<u>1,713,995</u>
Total liabilities and net assets	<u><u>\$ 1,720,543</u></u>	<u><u>\$ 1,830,221</u></u>

**Greenhill Humane Society, SPCA**  
**Statements of Activities**  
**Years Ended June 30, 2014 and 2013**

	Year Ended June 30, 2014			Year Ended June 30, 2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue, Gains and Other Support:						
Donations and bequests	\$ 1,009,317	\$ 30,348	\$ 1,039,665	\$ 852,234	\$ 578,466	\$ 1,430,700
In-kind donations	39,124	1,982	41,106	61,222	-	61,222
Special events, less direct costs of \$34,975 in 2014 and \$20,166 in 2013	53,659	8,855	62,514	42,334	-	42,334
Sales and program fees, less cost of sales of \$26,225 in 2014 and \$28,103 in 2013	743,850	-	743,850	780,061	-	780,061
Investment income	15,934	-	15,934	6,498	-	6,498
Other income	6,889	-	6,889	7,101	-	7,101
Net assets released from restrictions	584,152	(584,152)	-	24,435	(24,435)	-
Total revenues, gains and other support	<u>2,452,925</u>	<u>(542,967)</u>	<u>1,909,958</u>	<u>1,773,885</u>	<u>554,031</u>	<u>2,327,916</u>
Expenses						
Program services	1,679,817	-	1,679,817	1,571,142	-	1,571,142
Management and general	133,969	-	133,969	136,860	-	136,860
Fundraising	215,201	-	215,201	177,362	-	177,362
Total expenses	<u>2,028,987</u>	<u>-</u>	<u>2,028,987</u>	<u>1,885,364</u>	<u>-</u>	<u>1,885,364</u>
Change in net assets	423,938	(542,967)	(119,029)	(111,479)	554,031	442,552
Net assets, beginning of year	1,134,615		1,713,995	1,246,094	25,349	1,271,443
Net assets, end of year	<u>\$ 1,558,553</u>	<u>\$ 36,413</u>	<u>\$ 1,594,966</u>	<u>\$ 1,134,615</u>	<u>\$ 579,380</u>	<u>\$ 1,713,995</u>

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

# **Greenhill Humane Society, SPCA** **Statement of Functional Expenses** **Year Ended June 30, 2014**

	Program Services				Management and General	Fundraising	Total
	Sheltering/ Adoptions	Spay/ Neuter	Community Outreach	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:							
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	30,345	3,526	2,743	36,614	1,175	1,567	39,356
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
Postage and photocopying	5,686	602	3,198	9,486	201	24,727	34,414
Printing	5,724	271	10,239	16,234	626	52,096	68,956
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	195,426	16,420	33,644	245,490	10,925	101,130	357,545
Total expenses	\$ 1,378,617	\$ 156,159	\$ 145,041	\$ 1,679,817	\$ 133,969	\$ 215,201	\$ 2,028,987

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**  
**Statements of Cash Flows**  
**Years Ended June 30, 2014 and 2013**

	Years Ended June 30,	
	2014	2013
Cash flows from operating activities		
Cash received from service recipients and other sources	\$ 892,269	\$ 812,951
Cash received from donations and bequests	1,587,783	874,692
Cash paid to employees and suppliers	(2,011,510)	(1,768,280)
Interest and dividends received	2,220	1,773
Interest paid	(159)	(101)
Income taxes paid	(312)	(265)
Net cash from operating activities	<u>470,291</u>	<u>(79,230)</u>
Cash flows from investing activities		
Purchase of property	(7,573)	(20,253)
Purchase of investments	(67,706)	(843)
Net cash from investing activities	<u>(75,279)</u>	<u>(21,096)</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	395,012	(100,326)
Cash and cash equivalents, beginning of year	<u>305,404</u>	<u>405,730</u>
Cash and cash equivalents, end of year	<u>\$ 700,416</u>	<u>\$ 305,404</u>

(Continued)

**Greenhill Humane Society, SPCA**  
**Statements of Cash Flows (Continued)**  
**Years Ended June 30, 2014 and 2013**

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	Years Ended June 30,	
	2014	2013
Reconciliation of change in net assets to net cash from operating activities:		
Change in net assets	\$ (119,029)	\$ 442,552
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	39,356	43,298
Net realized and unrealized gains on investments	(13,714)	(4,725)
Deferred grant revenue	(1,248)	(38,407)
Increase (decrease) in cash caused by certain working capital items:		
Receivables	564,874	(581,422)
Related party pledges receivable	2,308	(993)
Other current assets	(12,855)	18,486
Accounts payable	2,533	17,669
Accrued payroll and payroll costs	8,066	24,312
Net cash from operating activities	<u>\$ 470,291</u>	<u>\$ (79,230)</u>

**Greenhill Humane Society, SPCA**  
**Notes to Financial Statements**  
**Years Ended June 30, 2014 and 2013**

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**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, 2014, Greenhill Humane Society, SPCA operated two animal shelters in Eugene, Oregon and cared for 2,832 animals in its Sheltering, Return to Owner, Adoption and Transfer Programs. During the year ended June 30, 2014, the Organization cared for 1,275 cats, 1,450 dogs, and 107 other animals. The Organization continues to maintain one of the highest live release rates in the country. The Organization saved 96% of the dogs that came to the shelters, 86% of the cats, and 94% of the other animals. Overall, the Organization's live release rate for the year ended June 30, 2014 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, 2014, 495 animals were cared for through this program.

Greenhill Humane Society, SPCA has approximately 359 active volunteers and 100 active foster families per month. During the year ended June 30, 2014, approximately 1,120 volunteers contributed 40,866 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, 2014, the Organization performed 2,484 surgeries in their medical clinic including 2,157 spay/neuter surgeries and 327 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, 2014, the Organization performed 916 free spay/neuter surgeries through this program.

**Greenhill Humane Society, SPCA**  
**Notes to Financial Statements**  
**Years Ended June 30, 2014 and 2013**

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**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 1,204 visits per day. In the year ended June 30, 2014, the Organization's outreach and education program reached 19,015 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, 2014 and 2013, 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, 2014 and 2013**

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**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, 2014 and 2013, the Organization's uninsured cash balances totaled \$132,444 and \$0, 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 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 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.

**Greenhill Humane Society, SPCA**  
**Notes to Financial Statements**  
**Years Ended June 30, 2014 and 2013**

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**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>2014</u>	<u>2013</u>
Professional services	\$ 27,932	\$ 50,365
Food, medication and vaccines	<u>13,174</u>	<u>10,857</u>
Total	<u>\$ 41,106</u>	<u>\$ 61,222</u>

**Greenhill Humane Society, SPCA**  
**Notes to Financial Statements**  
**Years Ended June 30, 2014 and 2013**

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

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

	2014	2013
Sheltering/Adoptions	\$ 19,795	\$ 48,253
Spay/Neuter	416	407
Community Outreach	104	619
Management and General	45	1,018
Fundraising	7,572	68
	<u>\$ 27,932</u>	<u>\$ 50,365</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 \$215,201 and \$177,362 were allocated to fundraising for the years ended June 30, 2014 and 2013, respectively. During 2011, the Organization began a direct mailing campaign. Expenses of \$75,980 and \$69,629 were incurred for the years ended June 30, 2014 and 2013, 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.

**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.

**Greenhill Humane Society, SPCA**  
**Notes to Financial Statements**  
**Years Ended June 30, 2014 and 2013**

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**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.

***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.

**Note 2 – Cash and Cash Equivalents**

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

	<u>2014</u>	<u>2013</u>
Non-interest bearing accounts	\$ 54,220	\$ 64,663
Money market accounts	<u>646,196</u>	<u>240,741</u>
Total	<u><u>\$ 700,416</u></u>	<u><u>\$ 305,404</u></u>



**Greenhill Humane Society, SPCA**  
**Notes to Financial Statements**  
**Years Ended June 30, 2014 and 2013**

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**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>2014</u>	<u>2013</u>
Certificates of deposit	<u>\$ 207,833</u>	<u>\$ 207,190</u>

**Note 4 – Receivable**

Receivables consisted of the following at June 30:

	<u>2014</u>	<u>2013</u>
Trade accounts receivable	\$ 12,650	\$ 31,714
Pledges receivable	18,913	37,182
Bequests receivable	<u>10,000</u>	<u>537,541</u>
Total	<u>\$ 41,563</u>	<u>\$ 606,437</u>

Pledges receivable with due dates extending beyond one year are discounted using an interest rate for similar term investments. As of June 30, 2014 and 2013, all pledges were due in less than one year.

**Note 5 – Property and Equipment**

Property and equipment consisted of the following at June 30:

	<u>2014</u>	<u>2013</u>
Land and land improvements	\$ 44,992	\$ 44,992
Buildings	924,628	916,472
Furniture and fixtures	105,083	105,083
Equipment	67,097	63,530
Software	34,955	34,955
Vehicles	18,923	18,923
Construction in process	<u>16,406</u>	<u>20,556</u>
	1,212,084	1,204,511
Less accumulated depreciation and amortization	<u>612,260</u>	<u>572,904</u>
	<u>\$ 599,824</u>	<u>\$ 631,607</u>

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**Note 5 – Property and Equipment (Continued)**

Construction in process at June 30, 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.

**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. 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 amounts were distributed to the Organization during the years ended June 30, 2013.

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 \$150,633 and \$69,856 as of June 30, 2014 and 2013, 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>2014</u>	<u>2013</u>
Unrestricted endowment net assets, beginning of year	\$ 69,856	\$ 65,022
Contributions	66,883	-
Endowment realized (losses) gains	3,464	625
Endowment unrealized gains	10,250	4,100
Interest	1,193	657
Investment expenses	<u>(1,013)</u>	<u>(548)</u>
Unrestricted endowment net assets, end of year	<u>\$ 150,633</u>	<u>\$ 69,856</u>

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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>2014</u>	<u>2013</u>
Bequests receivable	\$ 10,000	\$ 537,541
Pledges receivable	20,348	40,925
Mend a Friend	<u>6,065</u>	<u>914</u>
Total	<u><u>\$ 36,413</u></u>	<u><u>\$ 579,380</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.

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**Note 8 – Related Party Transactions**

A member of the Board of Directors provided veterinarian services at clinics used by the Organization. During 2014 and 2013, the Organization paid \$7,123 and \$1,940, respectively, for these services. In addition, during 2014 and 2013, the board members provided \$8,390 and \$30,972 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.

Related party pledges receivable balance at June 30, 2014 and 2013 were \$1,435 and \$3,743, respectively.

**Note 9 – Fair Value of Financial Instruments**

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

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

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

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

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**Note 9 – Fair Value of Financial Instruments (Continued)**

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

	2014	2013
Level 3, endowment funds, beginning of year	\$ 69,856	\$ 65,022
Contributions	66,883	-
Net realized and unrealized gains	13,714	4,725
Interest	1,193	657
Investment expenses	(1,013)	(548)
Level 3, endowment funds, end of year	<u>\$ 150,633</u>	<u>\$ 69,856</u>

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.

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**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>2014</u>	<u>2013</u>
Interest and dividends	\$ 2,220	\$ 1,773
Net realized and unrealized gains - endowment funds	<u>13,714</u>	<u>4,725</u>
Total	<u>\$ 15,934</u>	<u>\$ 6,498</u>

Investment expenses totaled \$1,013 and \$548 for the years ended June 30, 2014 and 2013, respectively.

**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 June 30, 2014 was \$3,000.

**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, 2014. The Organization is no longer subject to income tax examinations by tax authorities for the years ending prior to June 30, 2012.

**Note 13 – 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 21, 2014, the date of the auditor's report, which date represents the date the financial statements were available to be issued.