

Greenhill Humane Society, SPCA
(A Nonprofit Organization)
Independent Auditors' Report
and
Financial Statements
June 30, 2016 and 2015

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Mueller Yuva Osterman Powers LLP

Certified Public Accountants

Independent Auditors' Report

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

We have audited the accompanying financial statements of Greenhill Humane Society, SPCA (a nonprofit organization) which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Greenhill Humane Society, SPCA

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greenhill Humane Society, SPCA as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Mueller Yuva Osterman Powers LLP

Mueller Yuva Osterman Powers LLP
Eugene, Oregon
November 11, 2016

Greenhill Humane Society, SPCA
Statements of Financial Position
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 587,085	\$ 437,427
Certificates of deposit	-	208,426
Receivables	244,181	93,126
Other current assets	<u>28,321</u>	<u>23,238</u>
Total current assets	<u>859,587</u>	<u>762,217</u>
Property and equipment, net	<u>629,109</u>	<u>573,392</u>
Other assets:		
Receivables, non-current	135,458	-
Real estate held for sale	617,576	-
Endowment funds	<u>145,192</u>	<u>150,364</u>
Total other assets	<u>898,226</u>	<u>150,364</u>
Total assets	<u><u>\$ 2,386,922</u></u>	<u><u>\$ 1,485,973</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 27,099	\$ 33,156
Accrued payroll and payroll costs	106,187	100,501
Other current liabilities	<u>6,149</u>	<u>-</u>
Total current liabilities	<u>139,435</u>	<u>133,657</u>
Net Assets		
Unrestricted	1,705,873	1,311,186
Temporarily restricted	<u>541,614</u>	<u>41,130</u>
Total net assets	<u>2,247,487</u>	<u>1,352,316</u>
Total liabilities and net assets	<u><u>\$ 2,386,922</u></u>	<u><u>\$ 1,485,973</u></u>

Greenhill Humane Society, SPCA
Statements of Activities
Years Ended June 30, 2016 and 2015

	Year Ended June 30, 2016.			Year Ended June 30, 2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted (as restated)	Temporarily Restricted	Total (as restated)
Revenue, Gains and Other Support:						
Donations and bequests	\$ 1,498,283	\$ 34,788	\$ 1,533,071	\$ 961,512	17,209	\$ 978,721
Capital campaign	-	574,600	574,600	-	25,000	25,000
In-kind donations	34,053	10,912	44,965	81,985	-	81,985
Special events, less direct costs of \$36,377 in 2016 and \$36,609 in 2015	96,115	6,100	102,215	72,746	-	72,746
Sales and program fees, less cost of sales of \$31,849 in 2016 and \$30,371 in 2015	829,848	-	829,848	791,163	-	791,163
Investment income (loss)	(2,752)	-	(2,752)	1,916	-	1,916
Rental property income	16,830	-	16,830	-	-	-
Other income	21,843	-	21,843	24,457	-	24,457
Net assets released from restrictions	125,916	(125,916)	-	37,492	(37,492)	-
Total revenues, gains and other support	2,620,136	500,484	3,120,620	1,971,271	4,717	1,975,988
Expenses						
Program services	1,832,722	-	1,832,722	1,838,998	-	1,838,998
Management and general	148,146	-	148,146	136,404	-	136,404
Fundraising	244,581	-	244,581	215,271	-	215,271
Total expenses	2,225,449	-	2,225,449	2,190,673	-	2,190,673
Change in net assets	394,687	500,484	895,171	(219,402)	4,717	(214,685)
Net assets, beginning of year, as previously reported	1,311,186	41,130	1,352,316	1,558,553	36,413	1,594,966
Prior period adjustment	-	-	-	(27,965)	-	(27,965)
Net assets, beginning of year, as restated	1,311,186	41,130	1,352,316	1,530,588	36,413	1,567,001
Net assets, end of year, as restated	\$ 1,705,873	\$ 541,614	\$ 2,247,487	\$ 1,311,186	\$ 41,130	\$ 1,352,316

Greenhill Humane Society, SPCA **Statement of Functional Expenses** **Year Ended June 30, 2016**

Program Services

	Sheltering/ Adoptions	Spay/ Neuter	Humane Education	Total	Management and General	Fundraising	Total
Personnel expenses:							
Salaries and wages	\$ 854,809	\$ 162,822	\$ 68,740	\$ 1,086,371	\$ 107,941	\$ 89,602	\$ 1,283,914
Payroll taxes	105,323	13,549	7,703	126,575	10,972	9,714	147,261
Employee benefits and insurance	89,854	8,575	7,530	105,959	11,875	9,226	127,060
Total personnel expenses	1,049,986	184,946	83,973	1,318,905	130,788	108,542	1,558,235
Animal care expenses:							
Supplies	22,973	119	-	23,092	-	-	23,092
Food	27,749	-	-	27,749	-	-	27,749
Veterinary services	117,294	1,437	-	118,731	-	-	118,731
Other animal care	4,214	2,354	-	6,568	-	-	6,568
Total animal care expenses	172,230	3,910	-	176,140	-	-	176,140
Other expenses:							
Bank fees	9,296	437	2,030	11,763	160	10,780	22,703
Depreciation and amortization	38,630	4,210	3,219	46,059	1,486	1,981	49,526
Dog training program	847	-	27,191	28,038	-	-	28,038
Dues and subscriptions	1,665	687	372	2,724	21	937	3,682
Facility and landscaping	6,626	435	339	7,400	236	193	7,829
Insurance	14,661	1,068	552	16,281	3,603	315	20,199
Miscellaneous expense	6,977	403	357	7,737	729	446	8,912
Office supplies and equipment	40,426	1,752	933	43,111	744	751	44,606
Marketing/outreach expense	1,717	-	28,906	30,623	-	87,034	117,657
Printing and postage	11,806	720	1,420	13,946	928	2,362	17,236
Professional services	42,010	2,608	1,655	46,273	933	19,925	67,131
Repairs and maintenance	14,795	377	293	15,465	459	168	16,092
Staff training and conferences	10,078	1,902	775	12,755	613	447	13,815
Telephone and internet	12,471	528	683	13,682	416	234	14,332
Utilities	35,482	1,774	1,380	38,636	591	788	40,015
Vehicle expense	3,038	82	64	3,184	27	37	3,248
Capital campaign expense	-	-	-	-	-	9,641	9,641
Rental property expense	-	-	-	-	6,412	-	6,412
Total other expenses	250,525	16,983	70,169	337,677	17,358	136,039	491,074
Total expenses	\$ 1,472,741	\$ 205,839	\$ 154,142	\$ 1,832,722	\$ 148,146	\$ 244,581	\$ 2,225,449

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

Greenhill Humane Society, SPCA

Statement of Functional Expenses

Year Ended June 30, 2015

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

Greenhill Humane Society, SPCA
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	Years Ended June 30,	
	2016	2015
Cash flows from operating activities		
Cash received from service recipients and other sources	\$ 1,062,511	\$ 904,151
Cash received from donations and bequests	894,745	994,788
Cash from capital campaign	268,223	10,000
Cash paid to employees and suppliers	(2,195,520)	(2,171,201)
Interest and dividends received	3,181	2,287
Interest paid	(138)	(193)
Income taxes paid	(280)	(305)
Net cash from operating activities	<u>32,722</u>	<u>(260,473)</u>
Cash flows from investing activities		
Purchase of property	(90,729)	(1,821)
Purchase of investments	(1,045)	(695)
Maturity of certificate of deposit	208,710	-
Net cash from investing activities	<u>116,936</u>	<u>(2,516)</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	149,658	(262,989)
Cash and cash equivalents, beginning of year	<u>437,427</u>	<u>700,416</u>
Cash and cash equivalents, end of year	<u>\$ 587,085</u>	<u>\$ 437,427</u>

(Continued)

Greenhill Humane Society, SPCA
Statements of Cash Flows (Continued)
Years Ended June 30, 2016 and 2015

	Years Ended June 30,	
	2016	2015
Reconciliation of change in net assets to net cash from operating activities:		
Change in net assets	\$ 895,171	\$ (214,685)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	49,526	33,884
In-kind donations of property and equipment	(7,090)	(33,596)
Noncash donation of real estate	(625,000)	-
Net realized and unrealized losses on investments	5,933	371
Increase (decrease) in cash caused by certain working capital items:		
Receivables	(286,513)	(50,128)
Other current assets	(5,083)	(4,399)
Accounts payable	(6,057)	5,728
Accrued payroll and payroll costs	5,686	2,352
Other current liabilities	6,149	-
Net cash from operating activities	<u>\$ 32,722</u>	<u>\$ (260,473)</u>
Supplemental disclosures of cash flow information:		
Noncash investing transactions:		
Buildings and land received by bequest	<u>\$ 625,000</u>	<u>\$ -</u>

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2016 and 2015

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, 2016, Greenhill Humane Society, SPCA operated two animal shelters in Eugene, Oregon and cared for 3,033 animals in its Sheltering, Return to Owner, Adoption and Transfer Programs. During the year ended June 30, 2016, the Organization cared for 1,396 cats, 1,500 dogs, and 137 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, 87% of the cats, and 86% of the other animals. Overall, the Organization's live release rate for the year ended June 30, 2016 is 91%.

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, 2016, 282 animals were cared for through this program.

Greenhill Humane Society, SPCA has 326 active volunteers and 117 active foster families per month. During the year ended June 30, 2016, 949 volunteers contributed 34,060 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, 2016, the Organization performed 2,513 surgeries in their medical clinic including 2,257 spay/neuter surgeries and 256 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, 2016, the Organization performed 1,010 free spay/neuter surgeries through this program.

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2016 and 2015

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 1,594 visits per day. In the year ended June 30, 2016, the Organization's outreach and education program reached 17,130 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, 2016 and 2015, 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, 2016 and 2015

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, 2016 and 2015, the Organization's uninsured cash balances totaled \$148,435 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 trade accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts was considered necessary. Management evaluates past due balances on an account-by-account basis, and if amounts become uncollectible, they are charged to operations when that determination is made.

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

The Organization has an annual campaign to raise funds for operations. The Organization is also soliciting donations for a capital campaign that are to be paid over time (up to five years). At the time a pledge is made, the contributions that are expected to be collected within one year are recorded as temporarily restricted revenue at their net realizable value. Pledges that are expected to be collected in future years are recorded as temporarily restricted revenue at present value of the estimated future cash flows. An allowance for pledges contribution receivable in the amount of \$9,641 and \$0 as of June 30, 2016 and 2015, respectively, is recorded based on management's judgment, considering such factors as prior collection history, type of contribution, relationship with donor, and other relevant factors. When the purpose and/or time restrictions are met, the amounts are recorded in the statement of activities as "net assets released from restrictions."

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2016 and 2015

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

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

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

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

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

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

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

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2016 and 2015

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

Contributed services and materials (continued) –

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

	2016	2015
Professional services	\$ 25,936	\$ 34,379
Food, medication and vaccines	11,939	14,010
Fixed assets	7,090	33,596
Total	<u>\$ 44,965</u>	<u>\$ 81,985</u>

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

	2016	2015
Sheltering/Adoptions	\$ 20,101	\$ 31,088
Spay/Neuter	250	20
Humane Education	63	15
Management and General	5	7
Fundraising	5,517	3,249
Total	<u>\$ 25,936</u>	<u>\$ 34,379</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 \$244,581 and \$215,271 were allocated to fundraising for the years ended June 30, 2016 and 2015, respectively. Direct mailing campaign expenses of \$78,996 and \$83,021 were incurred for the years ended June 30, 2016 and 2015, respectively, which are included in fundraising on the statements of functional expenses.

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2016 and 2015

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

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

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

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

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

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

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

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

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

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

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2016 and 2015

Note 2 – Cash and Cash Equivalents

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

	<u>2016</u>	<u>2015</u>
Non-interest bearing accounts	\$ 320,078	\$ 52,981
Money market accounts	<u>266,997</u>	<u>384,446</u>
Total	<u><u>\$ 587,075</u></u>	<u><u>\$ 437,427</u></u>

Note 3 – Certificates of Deposit

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

	<u>2016</u>	<u>2015</u>
Certificates of deposit	<u>\$ -</u>	<u>\$ 208,426</u>

Note 4 – Receivables

Receivables consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Trade accounts receivable	\$ 40,296	\$ 63,845
Annual pledges receivable	12,607	14,281
Campaign pledges receivable	311,736	15,000
Bequests receivable	<u>15,000</u>	<u>-</u>
Total	<u><u>\$ 379,639</u></u>	<u><u>\$ 93,126</u></u>
Current	\$ 244,181	\$ 93,126
Non-current	<u>135,458</u>	<u>-</u>
Total receivables	<u><u>\$ 379,639</u></u>	<u><u>\$ 93,126</u></u>

Greenhill Humane Society, SPCA
Notes to Financial Statements
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Note 4 – Receivables (Continued)

Estimated annual collections of pledges receivable are as follows:

	2016	2015
Less than one year	\$ 194,337	\$ 21,781
One to five years	139,647	7,500
	<u>333,984</u>	<u>29,281</u>
Less allowance for uncollectible promises to give	9,641	-
Total pledges receivable	<u>\$ 324,343</u>	<u>\$ 29,281</u>

Note 5 – Real Estate Held for Sale

The Organization received three rental properties by bequest during the year ended June 30, 2016 and intends to sell the properties. Subsequent to year-end two rentals were sold for a total of \$384,503. Rental income on the remaining property is \$1,600 a month. The real estate held for sale at June 30, 2016 consists of:

	2016
Buildings and land	\$ 625,000
Less accumulated depreciation	<u>7,424</u>
Total	<u>\$ 617,576</u>

Note 6 – Property and Equipment

Property and equipment consisted of the following at June 30:

	2016	2015
Land and land improvements	\$ 44,992	\$ 44,992
Buildings	932,475	924,628
Furniture and fixtures	116,516	114,426
Equipment	99,170	89,647
Software	38,479	38,479
Vehicles	18,923	18,923
Construction in process	94,765	16,406
	<u>1,345,320</u>	<u>1,247,501</u>
Less accumulated depreciation and amortization	716,211	674,109
Total	<u>\$ 629,109</u>	<u>\$ 573,392</u>

Greenhill Humane Society, SPCA
Notes to Financial Statements
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Note 6 – Property and Equipment (Continued)

Construction in process at June 30, 2016 and 2015 was \$94,765 and \$16,406, respectively, 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 7 – Endowment Funds

In October 2004, the Organization's Board of Directors established a board designated endowment fund in the amount of \$25,000 of unrestricted net assets at the Oregon Community Foundation (OCF) to support the mission of the Organization. The agreement with OCF stipulates that the fund assets shall be held and owned by OCF. Upon the approval of the OCF Board of Directors, OCF may distribute a fixed percentage of the fund assets to the Organization. No amounts were distributed to the Organization and no contributions were made to the fund during the years ended June 30, 2016 and 2015.

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

In accordance with accounting standards for not-for-profit organizations, the Organization has included in its statements of financial position a beneficial interest in assets held by the OCF of \$145,192 and \$150,364 as of June 30, 2016 and 2015, 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>2016</u>	<u>2015</u>
Unrestricted endowment net assets, beginning of year	\$ 150,364	\$ 150,633
Endowment realized gains (losses)	736	(133)
Endowment unrealized losses	(6,669)	(238)
Interest	1,966	1,406
Investment expenses	<u>(1,205)</u>	<u>(1,304)</u>
Unrestricted endowment net assets, end of year	<u>\$ 145,192</u>	<u>\$ 150,364</u>

Greenhill Humane Society, SPCA
Notes to Financial Statements
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Note 7 – 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 8 – Restrictions on Net Assets

Temporarily restricted net assets at June 30 were as follows:

	2016	2015
Bequests receivable	\$ 15,000	\$ -
Pledges receivable	12,607	14,281
Capital campaign	511,600	25,000
Mend a Friend	1,810	-
Fencing project	-	1,849
Medical supplies and equipment	597	-
	<u>597</u>	<u>-</u>
Total	<u>\$ 541,614</u>	<u>\$ 41,130</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 solicits annual pledges. Pledges are considered temporarily restricted net assets due to a time restriction until funds are received by the Organization.
- The Organization is operating a capital campaign. Pledges and contributions are considered temporarily restricted net assets due to time and purpose restrictions.
- The Organization developed the Mend a Friend program to give more animals life-saving medical treatments in order for them to lead healthy lives with loving families.
- The Organization received funds designated for a fencing project and medical supplies and equipment.

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2016 and 2015

Note 9 – Related Party Transactions

Related party transactions consist of the following as of and for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Veterinary services paid	\$ 15,540	\$ 22,117
Special event services paid	700	1,110
Veterinary services provided by board members	11,353	19,535
Related party pledges receivable	28,200	-

Note 10 – Fair Value of Financial Instruments

Fair values of assets measured on a recurring basis at June 30, 2016 are as follows:

	<u>Total Carrying/ Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Endowment funds	<u>\$ 145,192</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145,192</u>

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

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

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

	<u>2016</u>	<u>2015</u>
Level 3, endowment funds, beginning of year	\$ 150,364	\$ 150,633
Net realized and unrealized losses	(5,933)	(371)
Interest	1,966	1,406
Investment expenses	<u>(1,205)</u>	<u>(1,304)</u>
Level 3, endowment funds, end of year	<u>\$ 145,192</u>	<u>\$ 150,364</u>

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2016 and 2015

Note 10 – Fair Value of Financial Instruments (Continued)

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

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

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

Valuation techniques utilized to determine fair value are consistently applied.

Note 11 – 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>2016</u>	<u>2015</u>
Interest and dividends	\$ 3,181	\$ 2,287
Net realized and unrealized losses - endowment funds	<u>(5,933)</u>	<u>(371)</u>
Total	<u>\$ (2,752)</u>	<u>\$ 1,916</u>

Investment expenses totaled \$1,205 and \$1,304 for the years ended June 30, 2016 and 2015, respectively.

Greenhill Humane Society, SPCA
Notes to Financial Statements
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Note 12 – Operating Lease

The Organization signed a month-to-month operating lease for space for dog training classes. Monthly rental payments are \$1,000. The lease may be terminated by providing at least 60 days written notice. Total rent expense for the years ended June 30, 2016 and 2015 was \$12,000 and \$12,000, respectively.

Note 13 – 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, 2016. The Organization is subject to income tax examinations by tax authorities for the years ended June 30, 2013 and later.

Note 14 – Prior Period Adjustments

Certain errors resulting in an understatement of previously reported depreciation expense were discovered during the fiscal year ended June 30, 2015. Accordingly, an adjustment of \$27,965 was made to beginning net assets for the year ended June 30, 2015.

Note 15 – 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 11, 2016, the date of the auditor's report, which represents the date the financial statements were available to be issued.