

**Greenhill Humane Society, SPCA**  
**(A Nonprofit Organization)**  
**Independent Auditors' Report**  
**and**  
**Financial Statements**  
**June 30, 2017 and 2016**

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### Financial Statements

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# **Mueller Yuva Osterman Rasmusson 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, 2017 and 2016, 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, 2017 and 2016, 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 Rasmusson LLP*

Mueller Yuva Osterman Rasmusson LLP  
Eugene, Oregon  
October 20, 2017

**Greenhill Humane Society, SPCA**  
**Statements of Financial Position**  
**June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 854,176	\$ 375,492
Receivables	182,524	244,181
Inventory	18,648	26,830
Other current assets	<u>1,143</u>	<u>1,491</u>
Total current assets	<u>1,056,491</u>	<u>647,994</u>
Property and equipment, net	<u>869,637</u>	<u>629,109</u>
Other assets:		
Cash restricted for capital campaign project	736,618	211,593
Receivables, non-current	106,562	135,458
Real estate held for sale	-	617,576
Endowment funds	<u>163,321</u>	<u>145,192</u>
Total other assets	<u>1,006,501</u>	<u>1,109,819</u>
Total assets	<u><u>\$ 2,932,629</u></u>	<u><u>\$ 2,386,922</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 46,077	\$ 27,099
Accrued payroll and payroll costs	104,138	106,187
Other current liabilities	<u>16,851</u>	<u>6,149</u>
Total current liabilities	<u>167,066</u>	<u>139,435</u>
<b>Net Assets</b>		
Unrestricted	1,812,562	1,705,873
Temporarily restricted	<u>953,001</u>	<u>541,614</u>
Total net assets	<u>2,765,563</u>	<u>2,247,487</u>
Total liabilities and net assets	<u><u>\$ 2,932,629</u></u>	<u><u>\$ 2,386,922</u></u>

**Greenhill Humane Society, SPCA**  
**Statements of Activities**  
**Years Ended June 30, 2017 and 2016**

	Year Ended June 30, 2017			Year Ended June 30, 2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue, Gains and Other Support:						
Donations and bequests	\$ 1,100,237	\$ 10,970	\$ 1,111,207	\$ 1,498,283	\$ 34,788	\$ 1,533,071
Capital campaign	-	676,351	676,351	-	574,600	574,600
In-kind donations	29,044	-	29,044	34,053	10,912	44,965
Special events, less direct costs of \$55,070 in 2017 and \$36,377 in 2016	97,033	8,025	105,058	96,115	6,100	102,215
Sales and program fees, less cost of sales of \$39,932 in 2017 and \$31,849 in 2016	860,873	-	860,873	829,848	-	829,848
Investment income (loss)	19,922	-	19,922	(2,752)	-	(2,752)
Loss on sale of assets	(51,425)	-	(51,425)	-	-	-
Rental property income	16,711	-	16,711	16,830	-	16,830
Other income	25,245	-	25,245	21,843	-	21,843
Net assets released from restrictions	283,959	(283,959)	-	125,916	(125,916)	-
Total revenues, gains and other support	<u>2,381,599</u>	<u>411,387</u>	<u>2,792,986</u>	<u>2,620,136</u>	<u>500,484</u>	<u>3,120,620</u>
Expenses						
Program services	1,879,835	-	1,879,835	1,832,722	-	1,832,722
Management and general	162,047	-	162,047	148,146	-	148,146
Fundraising	233,028	-	233,028	244,581	-	244,581
Total expenses	<u>2,274,910</u>	<u>-</u>	<u>2,274,910</u>	<u>2,225,449</u>	<u>-</u>	<u>2,225,449</u>
Change in net assets	106,689	411,387	518,076	394,687	500,484	895,171
Net assets, beginning of year	<u>1,705,873</u>	<u>541,614</u>	<u>2,247,487</u>	<u>1,311,186</u>	<u>41,130</u>	<u>1,352,316</u>
Net assets, end of year	<u>\$ 1,812,562</u>	<u>\$ 953,001</u>	<u>\$ 2,765,563</u>	<u>\$ 1,705,873</u>	<u>\$ 541,614</u>	<u>\$ 2,247,487</u>

**Greenhill Humane Society, SPCA**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2017**

	Program Services				Management and General	Fundraising	Total
	Sheltering/ Adoptions	Spay/ Neuter	Humane Education	Total			
Personnel expenses:							
Salaries and wages	\$ 966,400	\$ 120,393	\$ 65,026	\$ 1,151,819	\$ 121,857	\$ 95,446	\$ 1,369,122
Payroll taxes	112,443	12,575	7,174	132,192	12,480	10,357	155,029
Employee benefits and insurance	97,537	14,414	8,850	120,801	10,890	10,162	141,853
Total personnel expenses	1,176,380	147,382	81,050	1,404,812	145,227	115,965	1,666,004
Animal care expenses:							
Supplies	28,867	8	-	28,875	-	150	29,025
Food	27,551	-	-	27,551	-	152	27,703
Veterinary services	157,040	1,933	-	158,973	-	-	158,973
Other animal care	9,093	5,490	-	14,583	-	-	14,583
Total animal care expenses	222,551	7,431	-	229,982	-	302	230,284
Other expenses:							
Bank fees	7,806	549	2,270	10,625	191	13,213	24,029
Depreciation and amortization	32,259	3,867	2,958	39,084	1,365	1,820	42,269
Dog training program	-	-	8,278	8,278	-	-	8,278
Dues and subscriptions	2,529	721	301	3,551	22	1,223	4,796
Facility and landscaping	5,152	196	152	5,500	378	87	5,965
Insurance	15,258	1,038	514	16,810	4,806	293	21,909
Miscellaneous expense	3,103	167	71	3,341	2,581	614	6,536
Office supplies and equipment	28,134	689	1,447	30,270	652	455	31,377
Marketing/outreach	2,051	-	9,458	11,509	-	92,050	103,559
Printing and postage	13,779	678	961	15,418	1,440	1,183	18,041
Professional services	21,498	2,989	1,789	26,276	1,057	7,226	34,559
Repairs and maintenance	12,158	461	274	12,893	1,183	156	14,232
Staff training and conferences	3,692	299	1,319	5,310	124	133	5,567
Telephone and internet	13,303	447	221	13,971	452	96	14,519
Utilities	36,440	1,857	1,445	39,742	620	826	41,188
Vehicle expense	2,305	89	69	2,463	108	39	2,610
Capital campaign expense (recovery)	-	-	-	-	-	(2,653)	(2,653)
Rental property expense	-	-	-	-	1,841	-	1,841
Total other expenses	199,467	14,047	31,527	245,041	16,820	116,761	378,622
Total expenses	\$ 1,598,398	\$ 168,860	\$ 112,577	\$ 1,879,835	\$ 162,047	\$ 233,028	\$ 2,274,910

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

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

	Program Services				Management and General	Fundraising	Total
	Sheltering/ Adoptions	Spay/ Neuter	Humane Education	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	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**  
**Statements of Cash Flows**  
**Years Ended June 30, 2017 and 2016**

	Years Ended June 30,	
	2017	2016
Cash flows from operating activities		
Cash received from service recipients and other sources	\$ 1,106,012	\$ 1,062,511
Cash received from donations and bequests	1,112,844	894,745
Cash paid to employees and suppliers	(2,264,617)	(2,195,520)
Interest and dividends received	1,809	3,181
Interest paid	(165)	(138)
Income taxes paid	(310)	(280)
Net cash from operating activities	<u>(44,427)</u>	<u>(235,501)</u>
Cash flows from investing activities		
Purchase of property	(276,767)	(90,729)
Proceeds from sale of property	560,121	-
Purchase of investments	(16)	(1,045)
Maturity of certificate of deposit	-	208,710
Net cash from investing activities	<u>283,338</u>	<u>116,936</u>
Cash flows from financing activities		
Proceeds from contributions restricted to capital campaign	764,798	268,223
Net cash from financing activities	<u>764,798</u>	<u>268,223</u>
Net change in cash, cash equivalents, and restricted cash	1,003,709	149,658
Cash, cash equivalents, and restricted cash, beginning of year	<u>587,085</u>	<u>437,427</u>
Cash, cash equivalents, and restricted cash, end of year	<u><u>\$ 1,590,794</u></u>	<u><u>\$ 587,085</u></u>

(Continued)

**Greenhill Humane Society, SPCA**  
**Statements of Cash Flows (Continued)**  
**Years Ended June 30, 2017 and 2016**

	Years Ended June 30,	
	2017	2016
Reconciliation of change in net assets to net cash from operating activities:		
Change in net assets	\$ 518,076	\$ 895,171
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	42,269	49,526
In-kind donations of property and equipment	-	(7,090)
Noncash donation of real estate	-	(625,000)
Net realized and unrealized (gains) losses on investments	(18,113)	5,933
Loss on sale of assets	51,425	-
Contributions for long-term purposes	(764,798)	(268,223)
Increase (decrease) in cash caused by certain working capital items:		
Receivables	90,553	(286,513)
Inventory	8,182	(16,762)
Other current assets	348	11,679
Accounts payable	18,978	(6,057)
Accrued payroll and payroll costs	(2,049)	5,686
Other current liabilities	10,702	6,149
Net cash from operating activities	<u>\$ (44,427)</u>	<u>\$ (235,501)</u>
Supplemental disclosures of cash flow information:		
Noncash investing transactions:		
Buildings and land received by bequest	<u>\$ -</u>	<u>\$ 625,000</u>

**Greenhill Humane Society, SPCA**  
**Notes to Financial Statements**  
**Years Ended June 30, 2017 and 2016**

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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 and relies on funding from individual and corporate donors.

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

**Sheltering and adoptions** - During the year ended June 30, 2017, Greenhill Humane Society, SPCA operated two animal shelters in Eugene, Oregon and cared for 3,182 animals in its Sheltering, Return to Owner, Adoption and Transfer Programs. During the year ended June 30, 2017, the Organization cared for 1,546 cats, 1,477 dogs, and 159 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 85% of the other animals. Overall, the Organization's live release rate for the year ended June 30, 2017 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, 2017, 277 animals were cared for through this program.

Greenhill Humane Society, SPCA has 382 active volunteers and 114 active foster families per month. During the year ended June 30, 2017, 1,116 volunteers contributed 38,544 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, 2017, the Organization performed 2,709 surgeries in their medical clinic including 2,337 spay/neuter surgeries and 372 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, 2017, the Organization performed 1,028 free spay/neuter surgeries through this program.

**Greenhill Humane Society, SPCA**  
**Notes to Financial Statements**  
**Years Ended June 30, 2017 and 2016**

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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 1,446 visits per day. In the year ended June 30, 2017, the Organization's outreach and education program reached 21,155 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, 2017 and 2016, 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, 2017 and 2016**

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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. Restricted cash and cash equivalents are limited in use to payment of costs of constructing a new facility and of the related capital campaign and are included in cash on the statement of cash flows. 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, 2017 and 2016, the Organization's uninsured cash balances totaled \$1,138,735 and \$148,435, respectively.

***Investments*** – 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 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.

**Greenhill Humane Society, SPCA**  
**Notes to Financial Statements**  
**Years Ended June 30, 2017 and 2016**

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

**Receivables (continued)** – 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 \$6,988 and \$9,641 as of June 30, 2017 and 2016, 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."

**Inventory** – Inventory consists of animal supplies, apparel, and other items available for resale and is stated at the lower of cost (average cost method) or market.

**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.

**Greenhill Humane Society, SPCA**  
**Notes to Financial Statements**  
**Years Ended June 30, 2017 and 2016**

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

**Contributed services and materials (continued)** – 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>2017</u>	<u>2016</u>
Professional services	\$ 22,815	\$ 25,936
Food, medication and vaccines	6,229	11,939
Fixed assets	-	7,090
Total	<u>\$ 29,044</u>	<u>\$ 44,965</u>

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

	<u>2017</u>	<u>2016</u>
Sheltering/Adoptions	\$ 18,591	\$ 20,101
Spay/Neuter	779	250
Humane Education	-	63
Management and General	-	5
Fundraising	3,445	5,517
Total	<u>\$ 22,815</u>	<u>\$ 25,936</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.

**Greenhill Humane Society, SPCA**  
**Notes to Financial Statements**  
**Years Ended June 30, 2017 and 2016**

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

**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 \$230,330 and \$244,581 were allocated to fundraising for the years ended June 30, 2017 and 2016, respectively. Direct mailing campaign expenses of \$71,560 and \$78,996 were incurred for the years ended June 30, 2017 and 2016, 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.

**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.



**Greenhill Humane Society, SPCA**  
**Notes to Financial Statements**  
**Years Ended June 30, 2017 and 2016**

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

*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:

	2017	2016
Non-interest bearing accounts	\$ 286,035	\$ 108,495
Money market accounts	568,141	266,997
Cash restricted for capital campaign project	736,618	211,593
Total	<u>\$ 1,590,794</u>	<u>\$ 587,085</u>

**Note 3 – Receivables**

Receivables consist of the following at June 30:

	2017	2016
Trade accounts receivable	\$ 29,149	\$ 40,296
Bark pledges receivable	8,025	-
Annual pledges receivable	10,970	12,607
Campaign pledges receivable	225,942	311,736
Bequests receivable	15,000	15,000
Total	<u>\$ 289,086</u>	<u>\$ 379,639</u>
Current	\$ 182,524	\$ 244,181
Non-current	<u>106,562</u>	<u>135,458</u>
Total receivables	<u>\$ 289,086</u>	<u>\$ 379,639</u>

**Greenhill Humane Society, SPCA**  
**Notes to Financial Statements**  
**Years Ended June 30, 2017 and 2016**

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**Note 3 – Receivables (Continued)**

Estimated annual collections of pledges receivable are as follows:

	2017	2016
Less than one year	\$ 142,067	\$ 194,337
One to five years	109,858	139,647
	<u>251,925</u>	<u>333,984</u>
Less allowance for uncollectible promises to give	6,988	9,641
Total pledges receivable	<u>\$ 244,937</u>	<u>\$ 324,343</u>

**Note 4 – Real Estate Held for Sale**

The Organization received three rental properties by bequest during the year ended June 30, 2016 which were sold during the year ended June 30, 2017. The real estate held for sale at June 30, 2016 consisted of:

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

**Note 5 – Property and Equipment**

Property and equipment consisted of the following at June 30:

	2017	2016
Land and land improvements	\$ 44,992	\$ 44,992
Buildings	937,643	932,475
Furniture and fixtures	116,516	116,516
Equipment	99,170	99,170
Software	38,479	38,479
Vehicles	18,923	18,923
Construction in process	366,364	94,765
	<u>1,622,087</u>	<u>1,345,320</u>
Less accumulated depreciation and amortization	752,450	716,211
Total	<u>\$ 869,637</u>	<u>\$ 629,109</u>

**Greenhill Humane Society, SPCA**  
**Notes to Financial Statements**  
**Years Ended June 30, 2017 and 2016**

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

Construction in process at June 30, 2017 and 2016 was \$366,364 and \$94,765, respectively, all of which is associated with 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. No amounts were distributed to the Organization and no contributions were made to the fund during the years ended June 30, 2017 and 2016.

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 \$163,321 and \$145,192 as of June 30, 2017 and 2016, 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>2017</u>	<u>2016</u>
Unrestricted endowment net assets, beginning of year	\$ 145,192	\$ 150,364
Endowment realized gains (losses)	1,510	736
Endowment unrealized gains (losses)	16,603	(6,669)
Interest	1,329	1,966
Investment expenses	<u>(1,313)</u>	<u>(1,205)</u>
Unrestricted endowment net assets, end of year	<u>\$ 163,321</u>	<u>\$ 145,192</u>

**Greenhill Humane Society, SPCA**  
**Notes to Financial Statements**  
**Years Ended June 30, 2017 and 2016**

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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>2017</u>	<u>2016</u>
Bequests receivable	\$ 15,000	\$ 15,000
Pledges receivable	18,995	12,607
Capital campaign	919,006	511,600
David J. Butler Memorial Fund	-	1,810
Medical supplies and equipment	<u>-</u>	<u>597</u>
Total	<u>\$ 953,001</u>	<u>\$ 541,614</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 David J. Butler Memorial Fund 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 medical supplies and equipment.

**Greenhill Humane Society, SPCA**  
**Notes to Financial Statements**  
**Years Ended June 30, 2017 and 2016**

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**Note 8 – Related Party Transactions**

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

	<u>2017</u>	<u>2016</u>
Veterinary services paid	\$ -	\$ 15,540
Special event services paid	-	700
Veterinary services provided by board members	-	11,353
Related party pledges receivable	14,484	28,200

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

Fair values of assets measured on a recurring basis at June 30, 2017 are as follows:

	<u>Total Carrying/ Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Endowment funds	<u>\$ 163,321</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 163,321</u>

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>

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

	<u>2017</u>	<u>2016</u>
Level 3, endowment funds, beginning of year	\$ 145,192	\$ 150,364
Net realized and unrealized gains (losses)	18,113	(5,933)
Interest	1,329	1,966
Investment expenses	(1,313)	(1,205)
Level 3, endowment funds, end of year	<u>\$ 163,321</u>	<u>\$ 145,192</u>

**Greenhill Humane Society, SPCA**  
**Notes to Financial Statements**  
**Years Ended June 30, 2017 and 2016**

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

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

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

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

Valuation techniques utilized to determine fair value are consistently applied.

**Note 10 – Investment Income**

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

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 1,809	\$ 3,181
Net realized and unrealized gains (losses) - endowment funds	<u>18,113</u>	<u>(5,933)</u>
Total	<u>\$ 19,922</u>	<u>\$ (2,752)</u>

Investment expenses totaled \$1,313 and \$1,205 for the years ended June 30, 2017 and 2016, respectively.

**Greenhill Humane Society, SPCA**  
**Notes to Financial Statements**  
**Years Ended June 30, 2017 and 2016**

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**Note 11 – Operating Lease**

The Organization signed a month-to-month operating lease for space for dog training classes that was terminated October 2016. Monthly rental payments are \$1,000. Total rent expense for the years ended June 30, 2017 and 2016 was \$3,500 and \$12,000, respectively.

**Note 12 – Accounting for Uncertain Tax Positions**

The Organization recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Organization's income tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations. The Organization would recognize interest and penalties related to income tax matters in operating expenses. Management has concluded that there were no uncertain tax positions as of June 30, 2017. The Organization is subject to income tax examinations by tax authorities for the years ended June 30, 2014 and later.

**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 20, 2017, the date of the auditor's report, which represents the date the financial statements were available to be issued.