

**Greenhill Humane Society, SPCA**  
**(A Nonprofit Organization)**  
**Independent Auditors' Report**  
**and**  
**Financial Statements**  
**June 30, 2018 and 2017**

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## Contents

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|                                     |     |
|-------------------------------------|-----|
| <b>Independent Auditors' Report</b> | 1-2 |
|-------------------------------------|-----|

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### Financial Statements

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|                                   |      |
|-----------------------------------|------|
| Statements of Financial Position  | 3    |
| Statements of Activities          | 4    |
| Statements of Functional Expenses | 5-6  |
| Statements of Cash Flows          | 7-8  |
| Notes to Financial Statements     | 9-21 |

# **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, 2018 and 2017, 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, 2018 and 2017, 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  
November 1, 2018

**Greenhill Humane Society, SPCA**  
**Statements of Financial Position**  
**June 30, 2018 and 2017**

|  | <u>2018</u>                | <u>2017</u>                |
|--|----------------------------|----------------------------|
| <b>Assets</b>                                |                            |                            |
| Current assets:                              |                            |                            |
| Cash and cash equivalents                    | \$ 1,134,108               | \$ 854,176                 |
| Receivables                                  | 296,078                    | 182,524                    |
| Inventory                                    | 13,980                     | 18,648                     |
| Other current assets                         | <u>10,810</u>              | <u>1,143</u>               |
| Total current assets                         | <u>1,454,976</u>           | <u>1,056,491</u>           |
| Property and equipment, net                  | <u>986,540</u>             | <u>869,637</u>             |
| Other assets:                                |                            |                            |
| Cash restricted for capital campaign project | 1,527,393                  | 736,618                    |
| Receivables, non-current                     | 167,174                    | 106,562                    |
| Endowment funds                              | <u>167,965</u>             | <u>163,321</u>             |
| Total other assets                           | <u>1,862,532</u>           | <u>1,006,501</u>           |
| Total assets                                 | <u><u>\$ 4,304,048</u></u> | <u><u>\$ 2,932,629</u></u> |
| <b>Liabilities and Net Assets</b>            |                            |                            |
| Current liabilities:                         |                            |                            |
| Accounts payable                             | \$ 121,719                 | \$ 46,077                  |
| Accrued payroll and payroll costs            | 106,664                    | 104,138                    |
| Other current liabilities                    | <u>23,219</u>              | <u>16,851</u>              |
| Total current liabilities                    | <u>251,602</u>             | <u>167,066</u>             |
| <b>Net Assets</b>                            |                            |                            |
| Unrestricted                                 | 2,045,598                  | 1,812,562                  |
| Temporarily restricted                       | <u>2,006,848</u>           | <u>953,001</u>             |
| Total net assets                             | <u>4,052,446</u>           | <u>2,765,563</u>           |
| Total liabilities and net assets             | <u><u>\$ 4,304,048</u></u> | <u><u>\$ 2,932,629</u></u> |

**Greenhill Humane Society, SPCA**  
**Statements of Activities**  
**Years Ended June 30, 2018 and 2017**

|   | Year Ended June 30, 2018 |                        |              | Year Ended June 30, 2017 |                        |              |
|---|--------------------------|------------------------|--------------|--------------------------|------------------------|--------------|
|   | Unrestricted             | Temporarily Restricted | Total        | Unrestricted             | Temporarily Restricted | Total        |
| Revenue, Gains and Other Support:   |                          |                        |              |                          |                        |              |
| Donations and bequests  | \$ 1,238,037             | \$ 103,710             | \$ 1,341,747 | \$ 1,100,237             | \$ 10,970              | \$ 1,111,207 |
| Capital campaign  | -                        | 1,063,987              | 1,063,987    | -                        | 676,351                | 676,351      |
| In-kind donations   | 25,623                   | -                      | 25,623       | 29,044                   | -                      | 29,044       |
| Special events, less direct costs of \$42,243 in 2018 and \$55,070 in 2017          | 97,954                   | -                      | 97,954       | 97,033                   | 8,025                  | 105,058      |
| Sales and program fees, less cost of sales of \$41,730 in 2018 and \$39,932 in 2017 | 949,697                  | -                      | 949,697      | 881,906                  | -                      | 881,906      |
| Investment income (loss)  | 19,162                   | -                      | 19,162       | 19,922                   | -                      | 19,922       |
| Loss on sale of assets  | (15,816)                 | -                      | (15,816)     | (51,425)                 | -                      | (51,425)     |
| Rental property income  | -                        | -                      | -            | 16,711                   | -                      | 16,711       |
| Other income  | 6,771                    | -                      | 6,771        | 4,212                    | -                      | 4,212        |
| Net assets released from restrictions   | 113,850                  | (113,850)              | -            | 283,959                  | (283,959)              | -            |
| Total revenues, gains and other support   | 2,435,278                | 1,053,847              | 3,489,125    | 2,381,599                | 411,387                | 2,792,986    |
| Expenses  |                          |                        |              |                          |                        |              |
| Program services  | 1,766,558                | -                      | 1,766,558    | 1,879,835                | -                      | 1,879,835    |
| Management and general  | 143,121                  | -                      | 143,121      | 162,047                  | -                      | 162,047      |
| Fundraising   | 292,563                  | -                      | 292,563      | 233,028                  | -                      | 233,028      |
| Total expenses  | 2,202,242                | -                      | 2,202,242    | 2,274,910                | -                      | 2,274,910    |
| Change in net assets  | 233,036                  | 1,053,847              | 1,286,883    | 106,689                  | 411,387                | 518,076      |
| Net assets, beginning of year   | 1,812,562                | 953,001                | 2,765,563    | 1,705,873                | 541,614                | 2,247,487    |
| Net assets, end of year   | \$ 2,045,598             | \$ 2,006,848           | \$ 4,052,446 | \$ 1,812,562             | \$ 953,001             | \$ 2,765,563 |

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

# **Greenhill Humane Society, SPCA** **Statement of Functional Expenses** **Year Ended June 30, 2018**

|                                 | Program Services         |                 |                     |              | Management<br>and General | Fundraising | Total        |
|---------------------------------|--------------------------|-----------------|---------------------|--------------|---------------------------|-------------|--------------|
|                                 | Sheltering/<br>Adoptions | Spay/<br>Neuter | Humane<br>Education | Total        |                           |             |              |
| Personnel expenses:             |                          |                 |                     |              |                           |             |              |
| Salaries and wages              | \$ 942,583               | \$ 122,800      | \$ 61,591           | \$ 1,126,974 | \$ 114,126                | \$ 94,342   | \$ 1,335,442 |
| Payroll taxes                   | 111,695                  | 12,982          | 6,359               | 131,036      | 10,577                    | 10,188      | 151,801      |
| Employee benefits and insurance | 105,807                  | 17,095          | 8,818               | 131,720      | 8,411                     | 15,297      | 155,428      |
| Total personnel expenses        | 1,160,085                | 152,877         | 76,768              | 1,389,730    | 133,114                   | 119,827     | 1,642,671    |
| Animal care expenses:           |                          |                 |                     |              |                           |             |              |
| Supplies                        | 32,634                   | 93              | -                   | 32,727       | -                         | -           | 32,727       |
| Food                            | 24,746                   | -               | -                   | 24,746       | -                         | -           | 24,746       |
| Veterinary services             | 104,091                  | -               | -                   | 104,091      | -                         | -           | 104,091      |
| Other animal care               | 11,411                   | 1,109           | -                   | 12,520       | -                         | -           | 12,520       |
| Total animal care expenses      | 172,882                  | 1,202           | -                   | 174,084      | -                         | -           | 174,084      |
| Other expenses:                 |                          |                 |                     |              |                           |             |              |
| Bank fees                       | 6,077                    | 409             | 318                 | 6,804        | 136                       | 13,301      | 20,241       |
| Depreciation and amortization   | 24,506                   | 2,671           | 2,042               | 29,219       | 679                       | 1,257       | 31,155       |
| Dog training program            | -                        | -               | 303                 | 303          | -                         | -           | 303          |
| Dues and subscriptions          | 3,261                    | 852             | 255                 | 4,368        | 71                        | 1,353       | 5,792        |
| Facility and landscaping        | 4,919                    | 175             | 136                 | 5,230        | 58                        | 78          | 5,366        |
| Insurance                       | 17,971                   | 1,263           | 689                 | 19,923       | 3,978                     | 394         | 24,295       |
| Miscellaneous expense           | 2,062                    | 6               | 5                   | 2,073        | 817                       | 473         | 3,363        |
| Office supplies and equipment   | 24,013                   | 514             | 1,048               | 25,575       | 773                       | 266         | 26,614       |
| Marketing/outreach              | 48                       | -               | 4,195               | 4,243        | -                         | 111,854     | 116,097      |
| Printing and postage            | 11,742                   | 639             | 851                 | 13,232       | 944                       | 3,644       | 17,820       |
| Professional services           | 19,668                   | 1,972           | 1,490               | 23,130       | 1,108                     | 6,560       | 30,798       |
| Repairs and maintenance         | 6,749                    | 193             | 132                 | 7,074        | 280                       | 76          | 7,430        |
| Staff training and conferences  | 4,912                    | 243             | 188                 | 5,343        | 65                        | 107         | 5,515        |
| Telephone and internet          | 11,821                   | 728             | 380                 | 12,929       | 393                       | 217         | 13,539       |
| Utilities                       | 35,954                   | 1,981           | 1,540               | 39,475       | 660                       | 880         | 41,015       |
| Vehicle expense                 | 3,581                    | 136             | 106                 | 3,823        | 45                        | 61          | 3,929        |
| Capital campaign expense        | -                        | -               | -                   | -            | -                         | 32,215      | 32,215       |
| Total other expenses            | 177,284                  | 11,782          | 13,678              | 202,744      | 10,007                    | 172,736     | 385,487      |
| Total expenses                  | \$ 1,510,251             | \$ 165,861      | \$ 90,446           | \$ 1,766,558 | \$ 143,121                | \$ 292,563  | \$ 2,202,242 |

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

|                                     | Program Services         |                 |                     |              |            | Management<br>and General | Fundraising  | Total |
|-------------------------------------|--------------------------|-----------------|---------------------|--------------|------------|---------------------------|--------------|-------|
|                                     | Sheltering/<br>Adoptions | Spay/<br>Neuter | Humane<br>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**  
**Statements of Cash Flows**  
**Years Ended June 30, 2018 and 2017**

|  | Years Ended June 30, |                     |
|--|----------------------|---------------------|
|  | 2018                 | 2017                |
| Cash flows from operating activities                           |                      |                     |
| Cash received from service recipients and other sources        | \$ 1,086,439         | \$ 1,106,012        |
| Cash received from donations and bequests                      | 1,259,007            | 1,112,844           |
| Cash paid to employees and suppliers                           | (2,147,882)          | (2,264,617)         |
| Interest and dividends received                                | 4,444                | 1,809               |
| Interest paid  | (186)                | (165)               |
| Income taxes paid  | (626)                | (310)               |
| Net cash from operating activities                             | <u>201,196</u>       | <u>(44,427)</u>     |
| Cash flows from investing activities                           |                      |                     |
| Purchase of property   | (163,874)            | (276,767)           |
| Proceeds from sale of property                                 | -                    | 560,121             |
| Proceeds (purchase) on sale of investments                     | 10,074               | (16)                |
| Net cash from investing activities                             | <u>(153,800)</u>     | <u>283,338</u>      |
| Cash flows from financing activities                           |                      |                     |
| Proceeds from contributions restricted to capital campaign     | 1,023,311            | 764,798             |
| Net cash from financing activities                             | <u>1,023,311</u>     | <u>764,798</u>      |
| Net change in cash, cash equivalents, and restricted cash      | 1,070,707            | 1,003,709           |
| Cash, cash equivalents, and restricted cash, beginning of year | <u>1,590,794</u>     | <u>587,085</u>      |
| Cash, cash equivalents, and restricted cash, end of year       | <u>\$ 2,661,501</u>  | <u>\$ 1,590,794</u> |

(Continued)

**Greenhill Humane Society, SPCA**  
**Statements of Cash Flows (Continued)**  
**Years Ended June 30, 2018 and 2017**

|  | Years Ended June 30, |                    |
|--|----------------------|--------------------|
|  | 2018                 | 2017               |
| Reconciliation of change in net assets to net cash from operating activities:        |                      |                    |
| Change in net assets   | \$ 1,286,883         | \$ 518,076         |
| Adjustments to reconcile change in net assets to net cash from operating activities: |                      |                    |
| Depreciation   | 31,155               | 42,269             |
| Net realized and unrealized (gains) losses on investments                            | (14,718)             | (18,113)           |
| Loss on sale of assets   | 15,816               | 51,425             |
| Contributions for long-term purposes   | (1,023,311)          | (764,798)          |
| Increase (decrease) in cash caused by certain working capital items:                 |                      |                    |
| Receivables  | (174,166)            | 90,553             |
| Inventory  | 4,668                | 8,182              |
| Other current assets   | (9,667)              | 348                |
| Accounts payable   | 75,642               | 18,978             |
| Accrued payroll and payroll costs  | 2,526                | (2,049)            |
| Other current liabilities  | 6,368                | 10,702             |
| Net cash from operating activities   | <u>\$ 201,196</u>    | <u>\$ (44,427)</u> |

**Greenhill Humane Society, SPCA**  
**Notes to Financial Statements**  
**Years Ended June 30, 2018 and 2017**

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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, 2018, Greenhill Humane Society, SPCA operated two animal shelters in Eugene, Oregon and cared for 3,458 animals in its Sheltering, Return to Owner, Adoption and Transfer Programs. During the year ended June 30, 2018, the Organization cared for 1,712 cats, 1,561 dogs, and 185 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, 89% of the cats, and 89% of the other animals. Overall, the Organization's live release rate for the year ended June 30, 2018 was 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, 2018, 288 animals were cared for through this program.

During the year ended June 30, 2018, 1,224 volunteers contributed 42,073 hours, and 127 foster families cared for 776 animals. 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 has an on-site veterinary medical clinic that performs spay/neuter services, essential surgeries, 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, 2018, the Organization performed 2,821 surgeries in their medical clinic including 2,522 spay/neuter surgeries and 299 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, 2018, the Organization performed 1,118 free spay/neuter surgeries through this program.

**Greenhill Humane Society, SPCA**  
**Notes to Financial Statements**  
**Years Ended June 30, 2018 and 2017**

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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 1,615 visits per day. In the year ended June 30, 2018, the Organization's outreach and education program reached more than 21,150 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, 2018 and 2017, 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, 2018 and 2017**

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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, 2018 and 2017, the Organization's uninsured cash balances totaled \$2,417,407 and \$1,138,735, 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, 2018 and 2017**

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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 ten 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 \$8,208 and \$6,988 as of June 30, 2018 and 2017, 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 or net realizable value.

**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, 2018 and 2017**

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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:

|                               | 2018             | 2017             |
|-------------------------------|------------------|------------------|
| Professional services         | \$ 17,974        | \$ 22,815        |
| Food, medication and vaccines | 7,649            | 6,229            |
| Total                         | <u>\$ 25,623</u> | <u>\$ 29,044</u> |

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

|                        | 2018             | 2017             |
|------------------------|------------------|------------------|
| Sheltering/Adoptions   | \$ 14,815        | \$ 18,591        |
| Spay/Neuter            | -                | 779              |
| Humane Education       | -                | -                |
| Management and General | 25               | -                |
| Fundraising            | 3,134            | 3,445            |
| Total                  | <u>\$ 17,974</u> | <u>\$ 22,815</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, 2018 and 2017**

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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 \$292,563 and \$233,028 were allocated to fundraising for the years ended June 30, 2018 and 2017, respectively. Direct mailing campaign expenses of \$89,679 and \$71,560 were incurred for the years ended June 30, 2018 and 2017, 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, 2018 and 2017**

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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:

|  | 2018                | 2017                |
|--|---------------------|---------------------|
| Non-interest bearing accounts                | \$ 487,510          | \$ 286,035          |
| Interest bearing accounts                    | 646,598             | 568,141             |
| Cash restricted for capital campaign project | 1,527,393           | 736,618             |
| Total  | <u>\$ 2,661,501</u> | <u>\$ 1,590,794</u> |

**Note 3 – Receivables**

Receivables consist of the following at June 30:

|                             | 2018              | 2017              |
|-----------------------------|-------------------|-------------------|
| Trade accounts receivable   | \$ 89,144         | \$ 29,149         |
| Bark pledges receivable     | -                 | 8,025             |
| Annual pledges receivable   | 8,710             | 10,970            |
| Campaign pledges receivable | 265,398           | 225,942           |
| Bequests receivable         | 100,000           | 15,000            |
| Total                       | <u>\$ 463,252</u> | <u>\$ 289,086</u> |
| Current                     | \$ 296,078        | \$ 182,524        |
| Non-current                 | 167,174           | 106,562           |
| Total receivables           | <u>\$ 463,252</u> | <u>\$ 289,086</u> |

**Greenhill Humane Society, SPCA**  
**Notes to Financial Statements**  
**Years Ended June 30, 2018 and 2017**

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**Note 3 – Receivables (Continued)**

Estimated annual collections of pledges receivable are as follows:

|   | 2018                     | 2017                     |
|---|--------------------------|--------------------------|
| Less than one year                                | \$ 109,663               | \$ 142,067               |
| One to five years                                 | 142,653                  | 109,858                  |
| More than five years                              | 30,000                   | -                        |
|   | <u>282,316</u>           | <u>251,925</u>           |
| Less allowance for uncollectible promises to give | 8,208                    | 6,988                    |
| Total pledges receivable                          | <u><u>\$ 274,108</u></u> | <u><u>\$ 244,937</u></u> |

**Note 4 – Property and Equipment**

Property and equipment consisted of the following at June 30:

|  | 2018                     | 2017                     |
|--|--------------------------|--------------------------|
| Land and land improvements                     | \$ 44,992                | \$ 44,992                |
| Buildings                                      | 881,854                  | 937,643                  |
| Furniture and fixtures                         | 77,397                   | 116,516                  |
| Equipment                                      | 102,405                  | 99,170                   |
| Software                                       | 38,479                   | 38,479                   |
| Vehicles                                       | 18,923                   | 18,923                   |
| Construction in process                        | 512,162                  | 366,364                  |
|  | <u>1,676,212</u>         | <u>1,622,087</u>         |
| Less accumulated depreciation and amortization | 689,672                  | 752,450                  |
| Total  | <u><u>\$ 986,540</u></u> | <u><u>\$ 869,637</u></u> |

Construction in process at June 30, 2018 and 2017 was \$512,162 and \$366,364, respectively. The Organization entered into a contract with McKenzie Commercial Contractors, Inc. for a facility remodel and expansion project at the Greenhill Road location with total expected cost of \$5.6 million.

**Greenhill Humane Society, SPCA**  
**Notes to Financial Statements**  
**Years Ended June 30, 2018 and 2017**

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**Note 5 – 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 contributions were made to the fund during the years ended June 30, 2018 and 2017.

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 \$167,965 and \$163,321 as of June 30, 2018 and 2017, 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>2018</u>       | <u>2017</u>       |
|--|-------------------|-------------------|
| Unrestricted endowment net assets, beginning of year | \$ 163,321        | \$ 145,192        |
| Endowment realized gains (losses)                    | 3,075             | 1,510             |
| Endowment unrealized gains (losses)                  | 11,643            | 16,603            |
| Interest   | 1,340             | 1,329             |
| Investment expenses                                  | (1,493)           | (1,313)           |
| Distributions  | <u>(9,921)</u>    | <u>-</u>          |
| Unrestricted endowment net assets, end of year       | <u>\$ 167,965</u> | <u>\$ 163,321</u> |

The majority of the investments held at OCF consist of marketable equity and debt securities that are recorded at fair market value based on current quoted market prices. However, a portion of the investments held at OCF consist of investments in limited partnerships and real estate whose fair values have been estimated by OCF management in the absence of readily determinable market values. These estimates are based on information provided by fund managers or general partners and real estate appraisals; therefore, the reported values may differ from the value that would have been used had a quoted market price existed. The Organization used the estimates provided by OCF in valuing its beneficial interest in those investments.

**Greenhill Humane Society, SPCA**  
**Notes to Financial Statements**  
**Years Ended June 30, 2018 and 2017**

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**Note 6 – Restrictions on Net Assets**

Temporarily restricted net assets at June 30 were as follows:

|                                | 2018                | 2017              |
|--------------------------------|---------------------|-------------------|
| Bequests receivable            | \$ 100,000          | \$ 15,000         |
| Pledges receivable             | 8,710               | 18,995            |
| Capital campaign               | 1,893,508           | 919,006           |
| Grant for adoption fee waivers | 1,310               | -                 |
| Grant for spay/neuter services | 3,320               | -                 |
| Total                          | <u>\$ 2,006,848</u> | <u>\$ 953,001</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 receives grants restricted for a specific purpose. Grants are considered temporarily restricted net assets until purpose restrictions are met.

**Note 7 – Related Party Transactions**

Related party transactions consist of related party pledges receivable of \$10,213 and \$14,484 for the years ended June 30, 2018 and 2017, respectively.

**Greenhill Humane Society, SPCA**  
**Notes to Financial Statements**  
**Years Ended June 30, 2018 and 2017**

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**Note 8 – Fair Value of Financial Instruments**

Fair values of assets measured on a recurring basis at June 30, 2018 are as follows:

|                 | Total<br>Carrying/<br>Fair Value | Level 1 | Level 2 | Level 3    |
|-----------------|----------------------------------|---------|---------|------------|
| Endowment funds | \$ 167,965                       | \$ -    | \$ -    | \$ 167,965 |

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

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

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

|   | 2018       | 2017       |
|---|------------|------------|
| Level 3, endowment funds, beginning of year | \$ 163,321 | \$ 145,192 |
| Net realized and unrealized gains (losses)  | 14,718     | 18,113     |
| Interest                                    | 1,340      | 1,329      |
| Investment expenses                         | (1,493)    | (1,313)    |
| Distributions                               | (9,921)    | -          |
| Level 3, endowment funds, end of year       | \$ 167,965 | \$ 163,321 |

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.

**Greenhill Humane Society, SPCA**  
**Notes to Financial Statements**  
**Years Ended June 30, 2018 and 2017**

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**Note 8 – Fair Value of Financial Instruments (Continued)**

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 9 – 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>2018</u>             | <u>2017</u>             |
|---|-------------------------|-------------------------|
| Interest and dividends  | \$ 4,444                | \$ 1,809                |
| Net realized and unrealized gains (losses) -<br>endowment funds | <u>14,718</u>           | <u>18,113</u>           |
| Total   | <u><u>\$ 19,162</u></u> | <u><u>\$ 19,922</u></u> |

Investment expenses totaled \$1,493 and \$1,313 for the years ended June 30, 2018 and 2017, respectively.

**Note 10 – 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 were \$1,000. Total rent expense for the years ended June 30, 2018 and 2017 was \$0 and \$3,500, respectively.

**Note 11 – Litigation and Contingent Liabilities**

The Organization is subject to litigation in the normal course of business. Management does not believe that such litigation will have a material effect on its financial position.

**Greenhill Humane Society, SPCA**  
**Notes to Financial Statements**  
**Years Ended June 30, 2018 and 2017**

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**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, 2018. The Organization is subject to income tax examinations by tax authorities for the years ended June 30, 2015 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 November 1, 2018, the date of the auditor's report, which represents the date the financial statements were available to be issued.

August 2018 the Organization obtained a construction-to-permanent commercial real estate loan up to a maximum amount of \$2,150,000 from Columbia State Bank to be used for the Phase 1 construction and permanent financing of improvements. Interest will be at the index rate plus 2.25% for the first eleven-year period, adjusted for the second ten-year period with a final adjustment following that for the remainder of the loan. The loan will be collateralized by real property and business assets. Requirements and prepayment penalties will apply.