

**GREENHILL HUMANE SOCIETY SPCA**

**ANNUAL FINANCIAL REPORT**

**June 30, 2019**

GREENHILL HUMANE SOCIETY, SPCA  
For the Year Ended June 30, 2019

BOARD OF DIRECTORS

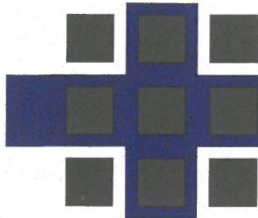
Josh Smith	Board President
Lisa Schor	Board Vice President
Willy Hart	Board Secretary
Cathy Worthington	Board Treasurer
Vi Jaqua	Director
Jennifer Morrocco	Director
Leia Pitcher	Director
Lisa Romano	Director
Sandy Smalley	Director
Renee Watts	Director
Amanda Weslak	Director
Danielle Livingston	Director
Karly Jenkins	Director
Lisa McCourt	Director
Larry Jaffee	Director

OFFICER

Cary Lieberman	Executive Director
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## RICHARD MAXWELL CPA LLC

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### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Greenhill Humane Society SPCA

I have audited the accompanying financial statements of Greenhill Humane Society SPCA (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Opinion**

In my 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

The comparative summary data for the Greenhill Humane Society SPCA's audited financial statements for the year ended June 30, 2018 were audited by another firm. I express no opinion on this data; however, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Richard Maxwell CPA LLC*

RICHARD MAXWELL CPA LLC

Eugene, OR

December 28, 2019

***FINANCIAL STATEMENTS:***

**GREENHILL HUMANE SOCIETY, SPCA**  
**Statement of Financial Position**  
**June 30, 2019**  
**With Comparative Totals as of June 30, 2018**

	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,199,864	\$ 1,134,108
Accounts receivable	53,892	89,144
Inventory	11,347	13,980
Unconditional promises to give, net	230,656	374,108
Prepaid expenses and other assets	10,857	10,810
Total current assets	<u>1,506,616</u>	<u>1,622,150</u>
Property and equipment, net	5,435,731	986,540
Other assets:		
Restricted cash for capital campaign	93,829	1,527,393
Endowment funds	171,311	167,965
Total assets	<u><u>\$ 7,207,487</u></u>	<u><u>\$ 4,304,048</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 189,108	\$ 121,719
Accrued expenses	112,562	106,664
Deferred revenue	4,400	-
Other current liabilities	238,186	23,219
Current portion of long-term debt	1,553,877	-
Total current liabilities	<u>2,098,133</u>	<u>251,602</u>
Long-term debt, less current portion	<u>-</u>	<u>-</u>
Total liabilities	<u>2,098,133</u>	<u>251,602</u>
Net assets:		
Net assets without donor restrictions	4,747,382	2,045,598
Net assets with donor restrictions	361,972	2,006,848
Total net assets	<u>5,109,354</u>	<u>4,052,446</u>
Total liabilities and net assets	<u><u>\$ 7,207,487</u></u>	<u><u>\$ 4,304,048</u></u>

The accompanying notes are an integral part of this statement.

**GREENHILL HUMANE SOCIETY, SPCA**  
**Statement of Activities**  
**For the Year Ended June 30, 2019**  
**With Comparative Totals for the Year Ended June 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total	2018
REVENUES AND OTHER SUPPORT:				
Donations and bequests	\$ 1,456,354	\$ 28,643	\$ 1,484,997	\$ 1,341,747
Capital campaign	-	504,195	504,195	1,063,987
In-kind donations	21,976	-	21,976	25,623
Special events, less direct costs	200,529	-	200,529	97,954
Sales and program fees, less cost of sales	971,845	-	971,845	949,697
Investment income (loss)	23,140	-	23,140	19,162
Gain (loss) on sale of assets	(3,234)	-	(3,234)	(15,816)
Other income	195	-	195	6,771
Net assets released from restrictions:				
Satisfaction of program restrictions	2,177,714	(2,177,714)	-	-
Total revenues and other support	<u>4,848,519</u>	<u>(1,644,876)</u>	<u>3,203,643</u>	<u>3,489,125</u>
EXPENSES				
Program services	1,712,685	-	1,712,685	1,766,558
General and administrative	152,646	-	152,646	143,121
Fundraising	281,404	-	281,404	292,563
Total expenses	<u>2,146,735</u>	<u>-</u>	<u>2,146,735</u>	<u>2,202,242</u>
Change in net assets	2,701,784	(1,644,876)	1,056,908	1,286,883
Net assets, beginning of year	2,045,598	2,006,848	4,052,446	2,765,563
Net assets, end of year	<u>\$ 4,747,382</u>	<u>\$ 361,972</u>	<u>\$ 5,109,354</u>	<u>\$ 4,052,446</u>

The accompanying notes are an integral part of this statement.



**GREENHILL HUMANE SOCIETY, SPCA**  
**Schedule of Functional Expenses**  
**For the Year Ended June 30, 2019**  
**With Comparative Totals for the Year Ended June 30, 2018**

	<b>Program Services</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>Total</b>	<b>2018</b>
Personnel expenses:					
Salaries and wages	\$ 1,101,644	\$ 120,157	\$ 106,987	\$ 1,328,789	\$ 1,335,442
Payroll taxes	101,034	10,413	9,711	121,157	151,802
Employee benefits and insurance	137,950	10,971	10,525	159,446	155,429
Total personnel expenses	<u>1,340,628</u>	<u>141,541</u>	<u>127,223</u>	<u>1,609,392</u>	<u>1,642,673</u>
Animal care expenses:					
Animal care - supplies	26,687	-	-	26,687	32,727
Animal care - food	22,187	-	-	22,187	24,746
Animal care - veterinary services	89,799	-	-	89,799	104,091
Animal care - other care	16,369	-	-	16,369	12,520
Total animal care expenses	<u>155,042</u>	<u>-</u>	<u>-</u>	<u>155,042</u>	<u>174,084</u>
Other expenses:					
Bank fees	7,902	118	12,226	20,246	20,241
Depreciation and amortization	31,988	1,032	1,376	34,396	31,155
Dog training program	-	-	-	-	303
Dues and subscriptions	3,482	86	1,088	4,656	5,792
Facility and landscaping	5,787	65	1,247	7,099	5,366
Insurance	19,443	3,987	337	23,767	24,294
Miscellaneous expense	5,108	886	12,269	18,262	3,362
Office supplies and equipment	23,646	389	199	24,234	26,614
Events/marketing/outreach expense	4,886	-	108,390	113,276	116,096
Printing and postage	9,451	542	6,191	16,184	17,820
Professional services	24,529	2,467	8,519	35,516	30,797
Repairs and maintenance	9,459	368	243	10,071	7,430
Staff training and conferences	8,476	292	259	9,027	5,515
Telephone and internet	17,161	445	618	18,223	13,539
Utilities	43,051	399	1,072	44,522	41,014
Vehicle expense	2,647	29	146	2,822	3,929
Capital campaign expense	-	-	-	-	32,216
Total other expenses	<u>217,015</u>	<u>11,105</u>	<u>154,181</u>	<u>382,301</u>	<u>385,483</u>
	<u>\$ 1,712,685</u>	<u>\$ 152,646</u>	<u>\$ 281,404</u>	<u>\$ 2,146,735</u>	<u>\$ 2,202,240</u>

The accompanying notes are an integral part of this statement.

**GREENHILL HUMANE SOCIETY, SPCA**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2019**

	<u>2019</u>
Cash flow from operating activities:	
Net income (loss)	\$ 1,056,908
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Loss on disposal of assets	3,234
Depreciation	34,396
In-kind contributions	(21,976)
In-kind expenses	21,976
Provision for doubtful accounts	-
Increase (decrease) in operating assets and liabilities:	
Accounts receivable	35,252
Unconditional promises to give	143,452
Inventories	2,633
Prepaid expenses	(47)
Payables	67,389
Accrued expenses	5,898
Current portion of long-term debt	1,553,877
Deferred revenue	4,400
Net cash provided by operating activities	<u>2,907,392</u>
Cash flows from investing activities:	
Purchases of fixed assets	<u>(4,483,587)</u>
Net cash used by investing activities	<u>(4,483,587)</u>
Cash flows from financing activities:	
Proceeds from long-term debt	1,433,564
Proceeds from contributions restricted to capital campaign	208,387
Net cash provided by financing activities	<u>1,641,951</u>
Net increase (decrease) in cash	65,756
Cash at the beginning of the year	<u>1,134,108</u>
Cash at the end of the year	<u><u>\$ 1,199,864</u></u>
Supplemental disclosure of cash flow information:	
Cash paid for:	
Interest	<u><u>\$ 5,594</u></u>

The accompanying notes are an integral part of this statement.

**Greenhill Humane Society, SPCA**  
**Notes to Financial Statements**  
**Year Ended June 30, 2019**

**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, 2019, Greenhill Humane Society, SPCA operated two animal shelters in Eugene, Oregon and cared for 3,387 animals in its Sheltering, Return to Owner, Adoption and Transfer Programs. During the year ended June 30, 2019, the Organization cared for 1,780 cats, 1,384 dogs, and 223 other animals. The Organization continues to maintain one of the highest live release rates in the country. The Organization saved 95% of the dogs that came to the shelters, 89.3% of the cats, and 89.9% of the other animals. Overall, the Organization's live release rate for the year ended June 30, 2019 is 91.6%.

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, 2019, 177 animals were cared for through this program.

During the year ended June 30, 2019, 854 volunteers contributed 36,868 hours, and 119 foster families cared for 720 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, 2019, the Organization performed 3,119 surgeries in its medical clinic, including 2,864 spay/neuter surgeries and 255 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, 2019, the Organization performed 1,276 free spay/neuter surgeries through this program.

**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 1,500 visits per day. In the year ended June 30, 2019, the Organization's outreach and education program reached more than 26,000 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.

**Greenhill Humane Society, SPCA**  
**Notes to Financial Statements**  
**Year Ended June 30, 2019**

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

**Basis of presentation** - the financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donor, as follows:

**Net Assets Without Donor Restrictions**

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

**Net Assets With Donor Restrictions**

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Organization's unspent contributions are included in this class if the donor limited their use.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Contributions, pledges and grants received are recorded as support that is without donor restrictions or with donor restrictions. 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 net assets with donor restrictions 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 net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Expenses are reported as decreases in net assets without donor restrictions.

**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, 2019 and 2018, the Organization's uninsured cash balances totaled \$1,034,918 and \$2,417,407, 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.

**Greenhill Humane Society, SPCA**  
**Notes to Financial Statements**  
**Year Ended June 30, 2019**

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

**Receivables** - The Organization considers trade accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts was considered necessary. Management evaluates past due balances on an account-by-account basis; and if amounts become uncollectible, they are charged to operations when that determination is made.

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

The Organization has an annual campaign to raise funds for operations. The Organization is also soliciting donations for a capital campaign that are to be paid over time (up to 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 \$8,208 as of June 30, 2019 and 2018, 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**  
**Year Ended June 30, 2019**

**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:

	2019	2018
Professional services	\$ 11,889	\$ 17,974
Food, medicine and vaccines	<u>7,548</u>	<u>7,649</u>
Total	\$ <u>19,437</u>	\$ <u>25,623</u>

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

	2019	2018
Sheltering/adoptions	\$ 7,298	\$ 14,815
Management and general	-	25
Fundraising	<u>4,591</u>	<u>3,134</u>
Total	\$ <u>11,889</u>	\$ <u>17,974</u>

Contributed goods and materials are reported as net assets without restrictions unless explicit donor stipulations specify how the donated assets must be used.

**Compensated absences** - The Organization's policy allows full-time employees to accrue vacation leave to a specified limit, which is payable upon termination.

**Income taxes** - The Organization is an Oregon not-for-profit organization and complies with the requirements of Section 501(c)(3) of the Internal Revenue Code. Thus, the Organization is exempt from federal and state income taxes. Management believes the Organization meets the requirements to maintain its tax-exempt status. The Organization files information tax returns in the U.S. federal and Oregon jurisdictions.

**Fundraising and advertising expenses** - The Organization uses advertising and fundraising to promote its programs to the community. Advertising and fundraising costs are expensed as incurred. Total costs of \$275,794 and \$292,563 were allocated to fundraising for the years ended June 30, 2019 and 2018, respectively. Direct mailing campaign expenses of \$82,900 and \$89,697 were incurred for the years ended June 30, 2019 and 2018, respectively, which are included in fundraising on the statements of functional expenses.



**Greenhill Humane Society, SPCA**  
**Notes to Financial Statements**  
**Year Ended June 30, 2019**

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

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

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

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

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

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

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

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

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

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

**Note 2 - Cash and Cash Equivalents**

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

	2019	2018
Noninterest-bearing accounts	\$ 32,612	\$ 487,510
Interest-bearing accounts	1,167,252	646,598
Cash restricted for capital campaign project	93,828	1,527,393
Total	<u>\$ 1,293,692</u>	<u>\$ 2,661,501</u>

**Greenhill Humane Society, SPCA**  
**Notes to Financial Statements**  
**Year Ended June 30, 2019**

**Note 3 - Receivables**

Receivables consist of the following at June 30:

	2019	2018
Trade accounts receivable	\$ 53,892	\$ 89,144
Annual pledges receivable	-	8,710
Capital campaign pledges receivable	193,260	265,398
Bequests receivable	37,396	100,000
Total	<u>\$ 284,548</u>	<u>\$ 463,252</u>
Current portion	\$ 156,135	\$ 296,078
Non-current	<u>128,413</u>	<u>167,174</u>
Total	<u>\$ 284,548</u>	<u>\$ 463,252</u>

Estimated annual collections of pledges receivable:

	2019	2018
Less than one year	\$ 73,044	\$ 109,663
One to five years	113,424	142,653
More than five years	<u>15,000</u>	<u>30,000</u>
Total	201,468	282,316
Less allowance for uncollectible pledges	<u>8,208</u>	<u>8,208</u>
Total pledges receivable	<u>\$ 193,260</u>	<u>\$ 274,108</u>

**Note 4 - Property and Equipment**

	2019	2018
Land and land improvements	\$ 42,076	\$ 44,992
Buildings	846,484	881,854
Furniture and fixtures	38,972	77,397
Equipment	71,472	102,405
Software	3,524	38,479
Vehicles	18,923	18,923
Construction in progress	4,933,297	512,162
Amortized loan fees	<u>62,765</u>	-
Total assets	6,017,513	1,676,212
Less: accumulated depreciation and amortization	<u>(581,782)</u>	<u>(689,672)</u>
Total property and equipment, net	<u>\$ 5,435,731</u>	<u>\$ 986,540</u>

Construction in process at June 30, 2019 and 2018 was \$4,933,927 and \$512,162, 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. Depreciation expense for the year ended June 30, 2019 was \$34,396.



**Greenhill Humane Society, SPCA**  
**Notes to Financial Statements**  
**Year Ended June 30, 2019**

**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, 2019 and 2018.

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 \$171,311 and \$167,965 as of June 30, 2019 and 2018, 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:

	2019	2018
Endowment net assets not restricted by donor, beginning of year	\$ 167,965	\$ 163,321
Endowment realized gains (losses)	909	3,075
Endowment unrealized gains (losses)	9,457	11,643
Interest	1,240	1,340
Investment expenses	(1,442)	(1,493)
Distributions	(6,818)	(9,921)
Endowment net assets not restricted by donor, end of year	<u>\$ 171,311</u>	<u>\$ 167,965</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.

**Note 6 - Restrictions on Net Assets**

*Temporarily restricted net assets at June 30 were as follows:*

	2019	2018
Bequests receivable	\$ 37,396	\$ 100,000
Pledges receivable	-	8,710
Capital campaign	295,296	1,893,508
Grant for adoption fee waivers	11,310	1,310
Grant for spay/neuter services	17,670	3,320
Restricted for trap/neuter/return	300	-
Total	<u>\$ 361,972</u>	<u>\$ 2,006,848</u>

**Greenhill Humane Society, SPCA**  
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**Note 6 – Restriction on Net Assets, continued**

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 – Line of Credit**

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. The balance of the line of credit was \$1,553,877 at June 30, 2019 and is expected to be termed during the next fiscal period.

**Note 8 - Related Party Transactions**

Related party transactions consist of related party pledges receivable of \$18,400 and \$10,213 for the years ended June 30, 2019 and 2018, respectively.

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

Fair values of assets measured on a recurring basis at June 30, 2019 are as follows:

	Total Carrying/ Fair Value	Level 1	Level 2	Level 3
Endowment funds	\$ 171,311	\$ -	\$ -	\$171,311

See Note 5 for additional information regarding Level 3 assets measured at fair value.

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**  
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**Note 9 – Fair Value of Financial Measurements, 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 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:

	2019	2018
Interest and dividends	\$ 12,774	\$ 4,444
Net realized and unrealized gains - endowment funds	10,366	14,718
Total	<u>\$ 23,140</u>	<u>\$ 19,162</u>

Investment expenses totaled \$1,442 and \$1,493 for the years ended June 30, 2019 and 2018, 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.

**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, 2019. The Organization is subject to income tax examinations by tax authorities for the years ended June 30, 2016 and later.

**Note 13 - Liquidity and Availability of Financial Assets**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019 are:

**Greenhill Humane Society, SPCA**  
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**Note 13 - Liquidity and Availability of Financial Assets, continued**

Financial assets, at year end	
Cash	\$ 1,199,864
Accounts receivable	53,892
Inventory	11,347
Unconditional promises to give	230,656
Prepaid expenses	10,857
	<u>1,506,616</u>
Less those unavailable for general expenditures within one year, due to:	
Restricted by donor time and purpose restrictions	<u>(324,576)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,182,040</u></u>
Net assets with Donor restrictions	\$ 324,576
Less restrictions expected to be released in FYE 2020	<u>(110,440)</u>
Total unavailable for expenditures within one year	<u><u>\$ 214,136</u></u>

**Note 14 - Change in Accounting Principle**

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. Greenhill Humane Society, SPCA has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of Greenhill Humane Society, SPCA's financial statements:

- The temporarily & permanently restricted net assets have been renamed net assets with donor restrictions
- The unrestricted net asset and board designated net asset classes have been combined into a single net asset class called net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources.

The changes have the following effect on net assets at June 30, 2019:

Net asset class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 2,045,598	\$ -
Temporarily restricted net assets	2,006,848	-
Net assets without donor restrictions	-	2,045,598
Net assets with donor restrictions	-	2,006,848
Total net assets	<u><u>\$ 4,052,446</u></u>	<u><u>\$ 4,052,446</u></u>

**Note 15 - Subsequent Events**

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through December 30, 2019, the date of the auditor's report, which represents the date the financial statements were available to be issued.