

**GREENHILL HUMANE SOCIETY, SPCA**

**INDEPENDENT AUDITORS' REPORT**

**and**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2011 AND 2010**

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## **GREENHILL HUMANE SOCIETY, SPCA**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Greenhill Humane Society, SPCA:

We have audited the accompanying statements of financial position of Greenhill Humane Society, SPCA (a nonprofit organization) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Eugene, Oregon  
October 12, 2011

**GREENHILL HUMANE SOCIETY, SPCA****Statements of Financial Position**

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 587,012	\$ 229,694
Investments	205,218	252,249
Receivables	99,508	240,134
Other current assets	6,196	6,377
Total current assets	897,934	728,454
PROPERTY AND EQUIPMENT, net	659,610	642,285
ENDOWMENT FUNDS	38,989	32,532
Total	\$ 1,596,533	\$ 1,403,271
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 7,054	\$ 15,693
Accrued payroll and payroll costs	59,450	59,817
Deferred grant revenue	70,489	21,252
Current portion of capital lease obligation	1,279	2,030
Total current liabilities	138,272	98,792
CAPITAL LEASE OBLIGATION, net of current portion	-	1,276
Total liabilities	138,272	100,068
<b>NET ASSETS:</b>		
Unrestricted	1,340,385	1,066,204
Temporarily restricted	117,876	236,999
Total net assets	1,458,261	1,303,203
Total	\$ 1,596,533	\$ 1,403,271

See accompanying notes.

**GREENHILL HUMANE SOCIETY, SPCA**

**Statements of Activities**

	Year Ended June 30, 2011			Year Ended June 30, 2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>REVENUE, GAINS AND OTHER SUPPORT:</b>						
Donations and bequests	\$ 933,986	\$ 115,073	\$ 1,049,059	\$ 557,964	\$ 235,916	\$ 793,880
In-kind donations	89,395	-	89,395	52,697	-	52,697
Special events, less direct costs of \$21,742 in 2011 and \$22,224 in 2010	49,900	-	49,900	34,905	-	34,905
Sales and program fees, less cost of sales of \$28,435 in 2011 and \$23,408 in 2010	304,127	-	304,127	290,674	-	290,674
Investment income	10,694	-	10,694	33,800	-	33,800
Other income	3,411	-	3,411	-	-	-
<b>Total revenue, gains and other support</b>	<b>1,391,513</b>	<b>115,073</b>	<b>1,506,586</b>	<b>970,040</b>	<b>235,916</b>	<b>1,205,956</b>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b>234,196</b>	<b>(234,196)</b>	<b>-</b>	<b>52,333</b>	<b>(52,333)</b>	<b>-</b>
<b>EXPENSES:</b>						
Program services	1,096,470	-	1,096,470	1,022,770	-	1,022,770
Management and general	105,252	-	105,252	129,974	-	129,974
Fundraising	149,806	-	149,806	90,469	-	90,469
<b>Total expenses</b>	<b>1,351,528</b>	<b>-</b>	<b>1,351,528</b>	<b>1,243,213</b>	<b>-</b>	<b>1,243,213</b>
<b>CHANGE IN NET ASSETS</b>	<b>274,181</b>	<b>(119,123)</b>	<b>155,058</b>	<b>(220,840)</b>	<b>183,583</b>	<b>(37,257)</b>
<b>NET ASSETS, beginning of year</b>	<b>1,066,204</b>	<b>236,999</b>	<b>1,303,203</b>	<b>1,287,044</b>	<b>53,416</b>	<b>1,340,460</b>
<b>NET ASSETS, end of year</b>	<b>\$ 1,340,385</b>	<b>\$ 117,876</b>	<b>\$ 1,458,261</b>	<b>\$ 1,066,204</b>	<b>\$ 236,999</b>	<b>\$ 1,303,203</b>

See accompanying notes.

**GREENHILL HUMANE SOCIETY, SPCA**

**Statements of Functional Expenses**

**Year Ended June 30, 2011**

	Program Services				Management and General	Fundraising	2011 Total
	Sheltering/ Adoptions	Spay/ Neuter	Community Outreach	Total			
Personnel expenses:							
Salaries and wages	\$ 496,568	\$ 100,262	\$ 66,238	\$ 663,068	\$ 62,707	\$ 61,596	\$ 787,371
Payroll taxes	59,342	10,060	6,187	75,589	7,872	6,013	89,474
Employee benefits and insurance	51,593	10,781	5,824	68,198	5,861	5,090	79,149
<b>Total personnel expenses</b>	<b>607,503</b>	<b>121,103</b>	<b>78,249</b>	<b>806,855</b>	<b>76,440</b>	<b>72,699</b>	<b>955,994</b>
Animal care:							
Supplies	22,751	11,715	-	34,466	-	-	34,466
Food	11,981	-	-	11,981	-	-	11,981
Veterinary services	51,018	15,769	-	66,787	-	-	66,787
Other animal care	15,966	5,869	-	21,835	-	-	21,835
<b>Total animal care expenses</b>	<b>101,716</b>	<b>33,353</b>	<b>-</b>	<b>135,069</b>	<b>-</b>	<b>-</b>	<b>135,069</b>
Other expenses:							
Bank fees	4,086	314	103	4,503	860	7,564	12,927
Depreciation and amortization	28,458	1,865	396	30,719	5,479	366	36,564
Dues and subscriptions	2,326	85	394	2,805	182	38	3,025
Facility and landscaping	2,623	199	62	2,884	643	36	3,563
Insurance	2,618	182	57	2,857	2,734	31	5,622
Miscellaneous expense	1,442	(335)	3,136	4,243	407	665	5,315
Office supplies and equipment	14,383	736	709	15,828	4,421	550	20,799
Newsletter and other mailings	60	-	6,733	6,793	-	3,075	9,868
Postage	642	59	3,695	4,396	469	18,849	23,714
Printing	3,428	657	15,601	19,686	567	33,340	53,593
Professional services	14,890	990	303	16,183	7,629	12,072	35,884
Repairs and maintenance	12,346	625	74	13,045	1,690	38	14,773
Staff training and conferences	1,802	1,003	551	3,356	32	13	3,401
Telephone and internet	8,019	669	188	8,876	1,779	342	10,997
Utilities	15,133	590	185	15,908	1,519	101	17,528
Vehicle expense	2,259	156	49	2,464	401	27	2,892
<b>Total other expenses</b>	<b>114,515</b>	<b>7,795</b>	<b>32,236</b>	<b>154,546</b>	<b>28,812</b>	<b>77,107</b>	<b>260,465</b>
<b>Total expenses</b>	<b>\$ 823,734</b>	<b>\$ 162,251</b>	<b>\$ 110,485</b>	<b>\$ 1,096,470</b>	<b>\$ 105,252</b>	<b>\$ 149,806</b>	<b>\$ 1,351,528</b>

See accompanying notes.

**GREENHILL HUMANE SOCIETY, SPCA**

**Statements of Functional Expenses**

**Year Ended June 30, 2010**

	Program Services				Management and General	Fundraising	2010 Total
	Sheltering/ Adoptions	Spay/ Neuter	Community Outreach	Total			
Personnel expenses:							
Salaries and wages	\$ 480,371	\$ 94,335	\$ 58,970	\$ 633,676	\$ 80,288	\$ 45,460	\$ 759,424
Payroll taxes and insurance	52,123	6,050	6,015	64,188	8,570	4,610	77,368
Employee benefits	49,460	4,500	2,521	56,481	2,829	2,952	62,262
<b>Total personnel expenses</b>	<b>581,954</b>	<b>104,885</b>	<b>67,506</b>	<b>754,345</b>	<b>91,687</b>	<b>53,022</b>	<b>899,054</b>
Animal care:							
Supplies	18,915	13,603	-	32,518	-	-	32,518
Food	13,019	-	-	13,019	-	-	13,019
Veterinary services	54,182	9,265	-	63,447	-	-	63,447
Other animal care	22,580	3,075	-	25,655	-	-	25,655
<b>Total animal care expenses</b>	<b>108,696</b>	<b>25,943</b>	<b>-</b>	<b>134,639</b>	<b>-</b>	<b>-</b>	<b>134,639</b>
Other expenses:							
Bank fees	868	335	-	1,203	(247)	8,231	9,187
Depreciation and amortization	27,118	1,555	345	29,018	5,182	345	34,545
Dues and subscriptions	1,769	56	915	2,740	356	105	3,201
Facility and landscaping	2,199	126	28	2,353	841	28	3,222
Insurance	2,513	131	29	2,673	2,725	29	5,427
Miscellaneous expense	3,664	179	2,602	6,445	978	9	7,432
Office supplies and equipment	11,076	567	327	11,970	3,664	179	15,813
Newsletter and other mailings	-	-	2,689	2,689	-	1,444	4,133
Postage	2,378	133	5,305	7,816	902	7,548	16,266
Printing	2,482	113	18,483	21,078	1,598	15,778	38,454
Professional services	4,097	198	630	4,925	16,130	2,439	23,494
Repairs and maintenance	11,129	464	121	11,714	934	55	12,703
Staff training and conferences	2,448	249	11	2,708	935	706	4,349
Telephone and internet	7,645	422	94	8,161	1,596	334	10,091
Utilities	14,390	733	163	15,286	2,442	163	17,891
Vehicle expense	1,706	86	1,215	3,007	251	54	3,312
<b>Total other expenses</b>	<b>95,482</b>	<b>5,347</b>	<b>32,957</b>	<b>133,786</b>	<b>38,287</b>	<b>37,447</b>	<b>209,520</b>
<b>Total expenses</b>	<b>\$ 786,132</b>	<b>\$ 136,175</b>	<b>\$ 100,463</b>	<b>\$ 1,022,770</b>	<b>\$ 129,974</b>	<b>\$ 90,469</b>	<b>\$ 1,243,213</b>

See accompanying notes.

# GREENHILL HUMANE SOCIETY, SPCA

## Statements of Cash Flows

### Change in Cash and Cash Equivalents

	Year Ended June 30	
	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from service recipients and other sources	\$ 460,414	\$ 401,492
Cash received from donations and bequests	1,186,123	614,481
Cash paid to employees and suppliers	(1,320,026)	(1,195,965)
Interest and dividends received	3,645	4,146
Net cash provided by (used in) operating activities	330,156	(175,846)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property	(18,934)	(24,766)
Proceeds from sale of property	500	-
Purchase of investments	(2,377)	(250,978)
Proceeds from sale of investments	50,000	222,071
Net cash provided by (used in) investing activities	29,189	(53,673)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on capital lease obligation	(2,027)	(1,927)
Net cash used in financing activities	(2,027)	(1,927)
NET CHANGE IN CASH AND CASH EQUIVALENTS	357,318	(231,446)
CASH AND CASH EQUIVALENTS, beginning of year	229,694	461,140
CASH AND CASH EQUIVALENTS, end of year	\$ 587,012	\$ 229,694

(Continued)

See accompanying notes.



**GREENHILL HUMANE SOCIETY, SPCA****Statements of Cash Flows (Continued)****Reconciliation of Change in Net Assets to  
Net Cash Provided by (Used In) Operating Activities**

	<b>Year Ended June 30</b>	
	<b>2011</b>	<b>2010</b>
CHANGE IN NET ASSETS	\$ 155,058	\$ (37,257)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Depreciation	36,564	34,545
Gain on sale of property	(500)	-
Net realized and unrealized gains on investments	(6,328)	(27,405)
Non-cash in-kind contributions of property and equipment	(34,955)	-
Increase (decrease) in cash caused by certain working capital items:		
Receivables	140,626	(182,100)
Other current assets	(540)	(1,389)
Accounts payable	(8,639)	12,968
Accrued payroll and payroll costs	(367)	3,540
Deferred grant revenue	49,237	21,252
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>\$ 330,156</b>	<b>\$ (175,846)</b>

See accompanying notes.

# GREENHILL HUMANE SOCIETY, SPCA

## Notes to Financial Statements

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### 1. Organization and Summary of Significant Accounting Policies

*Organization.* Greenhill Humane Society, SPCA, 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 in Eugene, Oregon. Greenhill Humane Society, SPCA, (the Organization) primarily relies on funding from individual and corporate donors.

*Program Services.* The Organization's programs services are paid for with donations, fundraisers and fees for products and services.

*Sheltering and Adoptions* - During the year ended June 30, 2011, Greenhill Humane Society, SPCA achieved an 89% save rate for cats and an even higher rate for dogs, at nearly 100%. During the year ended June 30, 2010, the Organization achieved an 86% save rate for cats and a 99% save rate for dogs. During the year ended June 30, 2011, the Organization found homes for 789 dogs, 1,017 cats and 72 small animals. During the year ended June 30, 2010, the Organization found homes for 746 dogs, 956 cats and 114 small animals. The Organization 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 years ended June 30, 2011 and 2010, 564 and 634 animals found homes through this program, respectively. All of the animals at the Organization are provided with a high level of medical care and an enriching environment that includes behavioral training and exercise programs.

*Spay/Neuter Services* - During the year ended June 30, 2011, the Organization performed 3,110 surgeries in their regular on-site clinic and over 1,064 surgeries through the trap-neuter-return program. During the year ended June 30, 2010, the Organization performed 3,402 surgeries in their regular on-site clinic and over 586 surgeries through the trap-neuter-return program. This program offers the surgeries at no cost to feral colony caretakers.

*Community Outreach* - 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 every major on-line "petworking" site. The Organization's website receives an average of 808 visits per day.

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# GREENHILL HUMANE SOCIETY, SPCA

## Notes to Financial Statements

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### 1. Organization and Summary of Significant Accounting Policies (Continued)

*Volunteer and Foster Programs.* Greenhill Humane Society, SPCA has approximately 254 active volunteers and 110 active foster families. During the years ended June 30, 2011 and 2010, approximately 24,400 and 23,900 hours were donated by unpaid volunteers, respectively. 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.

*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 stipulation that will be met 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 statements of activities as net assets released from restriction.

*Permanently Restricted* - Net assets subject to donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the Organization to use the income.

Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. The Organization has no permanently restricted net assets.

Expenses are reported as decreases in unrestricted net assets. 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.

*Cash and Cash Equivalents.* The Organization considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents. The Organization maintains its cash balances in several financial institutions located primarily in Eugene, Oregon. At times, balances may exceed amounts insured by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses in such accounts.

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# GREENHILL HUMANE SOCIETY, SPCA

## Notes to Financial Statements

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### 1. Organization and Summary of Significant Accounting Policies (Continued)

*Investments.* Certificates of deposit are carried at cost plus accrued interest. Endowment funds consist of a portfolio of different investments, including marketable equity and debt securities and alternative investments. Marketable equity and debt securities are recorded at fair market value based on current quoted market prices. Investments in limited partnerships and real estate are recorded at fair market value based on information provided by the fund managers or the general partners and real estate appraisals. Interest, dividends and gains and losses, both realized and unrealized, on investments are included in the statements of activities in revenues, gains and other support.

*Business Risks and Uncertainties.* As the Organization's investments are comprised of certificates of deposit and marketable equity and debt securities, significant changes in prevailing interest rates and market conditions may adversely affect the timing and amount of cash flows on such investments and their related values. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in values in the near term could materially affect the Organization's financial position and the amounts reported in the statements of activities.

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

The Organization considers contributions and bequests receivable to be fully collectible; accordingly, no allowance for uncollectible amounts was considered necessary. The allowance for uncollectible contributions and bequests receivable is provided based on management's judgment, including such factors as prior collection history, type of contribution and nature of activity.

*Property and Equipment.* Property and equipment purchases 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. 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.

Leased equipment meeting certain criteria is capitalized and the present value of the related lease payments is recorded as a liability. Amortization of capitalized leased assets is computed on the straight-line method over the term of the lease and is included in depreciation expense.

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**GREENHILL HUMANE SOCIETY, SPCA**  
**Notes to Financial Statements**

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**1. Organization and Summary of Significant Accounting Policies (Continued)**

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

Contributions receivable are for the support of future operations, programs and activities and are recorded at the present value of the estimated future cash flows, net of any allowance for uncollectible amounts.

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

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

*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, as they do not require specialized skill.

Certain donated professional services or services requiring specialized skills are recorded as contributions and as expenditures at their actual or estimated fair market value on the date of receipt.

Donated materials, goods and supplies are recorded as contributions and as expenditures at their actual or estimated fair market values on the date of receipt.

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

	<b>2011</b>	<b>2010</b>
Professional services	\$ 17,800	\$ 18,468
Software donation (capitalized asset)	34,955	-
Food, medication and vaccines	36,640	34,229
<b>Total</b>	<b>\$ 89,395</b>	<b>\$ 52,697</b>

Contributed goods and materials are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

(Continued)

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# GREENHILL HUMANE SOCIETY, SPCA

## Notes to Financial Statements

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### 1. Organization and Summary of Significant Accounting Policies (Continued)

*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 informational tax returns in the U.S. federal and Oregon jurisdictions. The Organization is not subject to U.S. federal and state examinations by tax authorities for years prior to 2007, as the statute of limitations has expired on those years.

*Advertising.* Advertising costs are expensed as incurred. Advertising expense was \$10,954 and \$9,374 for the years ended June 30, 2011 and 2010, respectively.

*Fundraising Expenses.* During 2011, the Organization began a direct mailing campaign and incurred expenses of \$46,332, 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.

*Fair Value Measurements.* The fair value accounting standards establish a single definition of fair value and a framework for measuring fair value in generally accepted accounting principles that is intended to result in increased consistency and comparability in fair value measurements. The accounting standards also expand disclosures about fair value measurements and applies whenever other authoritative literature requires (or permits) certain assets or liabilities to be measured at fair value, but does not expand the use of fair value.

*Subsequent Events.* Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 12, 2011, which is the date the financial statements were available to be issued.

*Use of Estimates.* The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Reclassifications.* Certain 2010 amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on previously reported net assets and change in net assets.

**GREENHILL HUMANE SOCIETY, SPCA**  
**Notes to Financial Statements**

**2. Investments**

Investments are composed of certificates of deposit and are carried at cost basis plus accrued interest, which approximates fair value. Investment holdings are summarized as follows at June 30:

	<b>2011</b>	<b>2010</b>
Certificates of deposit	\$ 202,248	\$ 250,000
Accrued interest	2,970	2,249
<b>Total</b>	<b>\$ 205,218</b>	<b>\$ 252,249</b>

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

	<b>2011</b>	<b>2010</b>
Interest and dividends	\$ 4,366	\$ 6,395
Net realized and unrealized gains - investments	-	24,580
Net realized and unrealized gains - endowment funds	6,328	2,825
<b>Total investment income</b>	<b>\$ 10,694</b>	<b>\$ 33,800</b>

Investment expenses were approximately \$300 for the years ended June 30, 2011 and 2010.

**3. Receivables**

Receivables consisted of the following at June 30:

	<b>2011</b>	<b>2010</b>
Trade accounts receivable	\$ 4,840	\$ 8,402
Pledges receivable	26,145	31,732
Bequests receivable	68,523	200,000
<b>Total</b>	<b>\$ 99,508</b>	<b>\$ 240,134</b>

Pledges receivable with due dates extending beyond one year are discounted using an interest rate for similar term investments. As of June 30, 2011, all pledges were due in less than one year.

**GREENHILL HUMANE SOCIETY, SPCA**  
**Notes to Financial Statements**

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**4. Property and Equipment**

Property and equipment consisted of the following at June 30:

	<b>2011</b>	<b>2010</b>
Land and land improvements	\$ 44,992	\$ 44,992
Buildings	915,092	901,452
Furniture and fixtures	66,012	59,901
Equipment	63,530	63,530
Software	34,955	-
Vehicles	14,053	14,053
Construction in process	7,644	10,456
	1,146,278	1,094,384
Less accumulated depreciation and amortization	486,668	452,099
<b>Total</b>	<b>\$ 659,610</b>	<b>\$ 642,285</b>

Equipment includes assets under capital lease of \$8,995 at June 30, 2011 and 2010. Accumulated amortization on leased assets is \$7,946 and \$6,147 at June 30, 2011 and 2010, respectively.

As of June 30, 2011, the Organization had construction in process of \$7,644 associated with architectural fees for the expansion of their facilities. As the Organization is in the planning phase, the total cost of the project has not yet been determined.

**5. Endowment Funds**

In October 2004, the Organization established a general endowment fund in the amount of \$25,000 of unrestricted net assets at the Oregon Community Foundation (OCF) to support the mission of the Organization. The agreement with OCF stipulates that the fund assets shall be held and owned by OCF. Upon the approval of the OCF Board of Directors, OCF may distribute a fixed percentage of the fund assets to the Organization annually. No amounts were distributed to the Organization during the years ended 2011 and 2010.

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 the use of assets away from the Organization.

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**GREENHILL HUMANE SOCIETY, SPCA**  
**Notes to Financial Statements**

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**5. Endowment Funds (Continued)**

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 \$38,989 and \$32,532 as of June 30, 2011 and 2010, 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:

	<b>2011</b>	<b>2010</b>
Unrestricted endowment net assets, beginning of year	\$ 32,532	\$ 29,461
Endowment realized gains (losses)	167	(75)
Endowment unrealized gains	6,161	2,900
Interest	366	519
Investment expenses	(237)	(273)
Unrestricted endowment net assets, end of year	<b>\$ 38,989</b>	<b>\$ 32,532</b>

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 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. The Organization used the estimates provided by OCF in valuing its beneficial interest in those investments.

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**GREENHILL HUMANE SOCIETY, SPCA**  
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**6. Capital Leases**

The Company leases a copy machine under a capital lease agreement. Capital lease obligations consisted of the following at June 30:

	<b>2011</b>	<b>2010</b>
Obligation under capital lease, due in monthly installments of \$188 including interest at 8.25%, collateralized by equipment, matures January 2012	\$ 1,279	\$ 3,306
Less current portion	1,279	2,030
<b>Total</b>	<b>\$ -</b>	<b>\$ 1,276</b>

Total future minimum lease payments required under the capital lease are \$1,316 during 2012, which includes \$37 of interest, resulting in the present value of net minimum lease payments of \$1,279 as of June 30, 2011.

**7. Restrictions on Net Assets**

Temporarily restricted net assets at June 30 were as follows:

	<b>2011</b>	<b>2010</b>
Bequests receivable	\$ 68,523	\$ 200,000
Pledges receivable	26,145	31,732
Vision campaign	18,645	300
Mend a friend	2,503	4,967
Development assistant position	2,060	-
<b>Total</b>	<b>\$ 117,876</b>	<b>\$ 236,999</b>

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 until funds are received by the Organization due to a time restriction.
- The Organization has begun to solicit pledges. Pledges are considered temporarily restricted net assets until funds are received by the Organization due to a time restriction.

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# **GREENHILL HUMANE SOCIETY, SPCA**

## **Notes to Financial Statements**

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### **7. Restrictions on Net Assets (Continued)**

- The Organization began a process of creating a vision of future programs and capital needs. As part of this process, the Organization has raised campaign funds to be expended on the vision development process.
- The Organization developed the Mend a Friend program to give more animals life saving medical treatments in order for them to lead healthy lives with loving families.
- During 2011, the Organization received a donation for the purpose of hiring a Development Assistant.

### **8. Related Party Transactions**

Two members of the Board of Directors provide veterinarian services at clinics used by the Organization. During 2011 and 2010, the Organization paid \$58 and \$776, respectively, for these services. In addition, during 2011 and 2010, the board members provided \$12,836 and \$9,587 of in-kind veterinarian services to the Organization, respectively.

A member of the Board of Directors provided in-kind legal services of \$350 during 2011.

A former member of the Board of Directors, who is now a member of the finance committee, is the owner of a business used by the Organization for bookkeeping services. During 2011 and 2010, the Organization paid \$4,800 and \$5,200, respectively, for these services.

### **9. Fair Value of Financial Instruments**

Generally accepted accounting principles define fair value 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 frame work 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 One provides the most reliable and observable measure of fair value, whereas Level Three generally requires significant judgment. When valuing assets or liabilities, GAAP requires the most observable inputs to be used.

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**GREENHILL HUMANE SOCIETY, SPCA**  
**Notes to Financial Statements**

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**9. Fair Value of Financial Instruments (Continued)**

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

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

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

Level Three - 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.

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

The carrying amounts of financial instruments including cash and cash equivalents approximate fair value, because of the relatively short maturity of these instruments.

The fair value of certificates of deposit is estimated using recently executed transactions, market price quotations and pricing models that factor in, where applicable, interest rates, maturity dates and default risk. These investments are generally categorized in Level Two of the fair value hierarchy.

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 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 Three of the fair value hierarchy.

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

Valuation techniques utilized to determine fair value are consistently applied.

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**GREENHILL HUMANE SOCIETY, SPCA**  
**Notes to Financial Statements**

**9. Fair Value of Financial Instruments (Continued)**

Fair values of assets measured on a recurring basis at June 30, 2011 are as follows:

	<b>Total Carrying/ Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and cash equivalents	\$ 587,012	\$ 587,012	\$ -	\$ -
Certificates of deposit	205,218	-	205,218	-
Endowment funds	38,989	-	-	38,989

Fair values of assets measured on a recurring basis at June 30, 2010 are as follows:

	<b>Total Carrying/ Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and cash equivalents	\$ 229,694	\$ 229,694	\$ -	\$ -
Certificates of deposit	252,249	-	252,249	-
Endowment funds	32,532	-	-	32,532

The following table presents additional information about Level Three assets measured at fair value.

	<b>2011</b>	<b>2010</b>
Level 3, endowment funds, beginning of year	\$ 32,532	\$ 29,461
Net realized and unrealized gains	6,328	2,825
Interest	366	519
Investment expenses	(237)	(273)
Level 3, endowment funds, end of year	\$ 38,989	\$ 32,532