

Greenhill Humane Society, SPCA
(A Nonprofit Organization)
Independent Auditors' Report
and
Financial Statements
June 30, 2020 and 2019

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Financial Statements

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Mueller Yuva Osterman Rasmusson LLP

Certified Public Accountants

Independent Auditors' Report

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

We have audited the accompanying financial statements of Greenhill Humane Society, SPCA (a nonprofit organization) which comprise the statement of financial position as of June 30, 2020, 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.

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.

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, 2020, 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.

Other Matters

The financial statements of Greenhill Humane Society, SPCA for the year ended June 30, 2019, were audited by another firm who expressed an unmodified opinion on those statements on December 28, 2019.

Mueller Yuva Osterman Rasmussen LLP

Mueller Yuva Osterman Rasmussen LLP
Eugene, Oregon
February 18, 2021

Greenhill Humane Society, SPCA
Statements of Financial Position
June 30, 2020 and 2019

	<u>Assets</u>	
	2020	2019
Current assets:		
Cash and cash equivalents	\$ 2,880,001	\$ 1,199,864
Accounts receivables	33,747	53,892
Unconditional promises to give, net	56,946	102,232
Inventory	5,757	11,347
Prepaid expenses and other assets	17,728	10,857
Total current assets	2,994,179	1,378,192
Property and equipment, net	6,413,919	5,435,733
Other assets:		
Restricted cash - capital campaign	-	93,829
Restricted cash - funds held in trust	38,006	-
Unconditional promises to give, net, less current portion	68,692	128,424
Endowment funds	163,610	171,311
Total other assets	270,308	393,564
Total assets	\$ 9,678,406	\$ 7,207,489

Greenhill Humane Society, SPCA
Statements of Financial Position (Continued)
June 30, 2020 and 2019

	2020	2019
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 73,857	\$ 189,110
Accrued expenses	110,071	112,562
Deferred revenue	481,062	4,400
Other current liabilities	287,085	238,186
Current portion of long-term debt	45,346	-
Total current liabilities	997,421	544,258
Long-term liabilities:		
Long-term debt, net of current portion	1,932,962	1,553,877
Funds held in trust	38,006	-
Total long-term liabilities	1,970,968	1,553,877
Total liabilities	2,968,389	2,098,135
Net assets		
Net assets without donor restrictions	6,529,313	4,747,382
Net assets with donor restrictions	180,704	361,972
Total net assets	6,710,017	5,109,354
Total liabilities and net assets	\$ 9,678,406	\$ 7,207,489

Greenhill Humane Society, SPCA
Statements of Activities
Years Ended June 30, 2020 and 2019

	Year Ended June 30, 2020			Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support:						
Donations and bequests	\$ 2,188,018	\$ 80,560	\$ 2,268,578	\$ 1,446,730	\$ 28,643	\$ 1,475,373
Capital campaign	-	197,569	197,569	-	504,195	504,195
In-kind donations	16,814	-	16,814	21,976	-	21,976
Special events, less direct costs	207,924	-	207,924	210,154	-	210,154
Sales and program fees, less cost of sales of \$24,199 in 2020 and \$19,683 in 2019	1,038,534	-	1,038,534	971,844	-	971,844
Grant - Paycheck Protection Program	316,055	-	316,055	-	-	-
Investment income	12,025	-	12,025	23,140	-	23,140
Loss on sale of assets	-	-	-	(3,234)	-	(3,234)
Other income	-	-	-	195	-	195
Trust revenue	2,000	-	2,000	-	-	-
Net assets released from restrictions	459,397	(459,397)	-	2,177,714	(2,177,714)	-
Total revenues, gains and other support	<u>4,240,767</u>	<u>(181,268)</u>	<u>4,059,499</u>	<u>4,848,519</u>	<u>(1,644,876)</u>	<u>3,203,643</u>
Expenses						
Program services	1,986,365	-	1,986,365	1,712,685	-	1,712,685
Management and general	200,911	-	200,911	152,646	-	152,646
Fundraising	271,560	-	271,560	281,404	-	281,404
Total expenses	<u>2,458,836</u>	<u>-</u>	<u>2,458,836</u>	<u>2,146,735</u>	<u>-</u>	<u>2,146,735</u>
Change in net assets	1,781,931	(181,268)	1,600,663	2,701,784	(1,644,876)	1,056,908
Net assets, beginning of year	<u>4,747,382</u>	<u>361,972</u>	<u>5,109,354</u>	<u>2,045,598</u>	<u>2,006,848</u>	<u>4,052,446</u>
Net assets, end of year	<u>\$ 6,529,313</u>	<u>\$ 180,704</u>	<u>\$ 6,710,017</u>	<u>\$ 4,747,382</u>	<u>\$ 361,972</u>	<u>\$ 5,109,354</u>

Greenhill Humane Society, SPCA
Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services				Management and General	Fundraising	Total
	Sheltering/ Adoptions	Spay/ Neuter	Humane Education	Total			
Personnel expenses:							
Salaries and wages	\$ 968,629	\$ 142,677	\$ 72,714	\$ 1,184,020	\$ 140,612	\$ 110,822	\$ 1,435,454
Payroll taxes	74,973	13,009	6,052	94,034	17,598	9,184	120,816
Employee benefits and insurance	120,500	16,846	17,144	154,490	17,470	14,674	186,634
Total personnel expenses	<u>1,164,102</u>	<u>172,532</u>	<u>95,910</u>	<u>1,432,544</u>	<u>175,680</u>	<u>134,680</u>	<u>1,742,904</u>
Animal care expenses:							
Supplies	34,230	92	-	34,322	-	-	34,322
Food	25,417	-	-	25,417	-	-	25,417
Veterinary services	80,968	5,719	-	86,687	-	-	86,687
Other animal care	8,049	2,513	-	10,562	-	-	10,562
Total animal care expenses	<u>148,664</u>	<u>8,324</u>	<u>-</u>	<u>156,988</u>	<u>-</u>	<u>-</u>	<u>156,988</u>
Other expenses:							
Bank fees	6,540	776	603	7,919	259	14,392	22,570
Depreciation and amortization	133,979	14,580	11,149	159,708	6,539	6,861	173,108
Dues and subscriptions	1,180	1,167	30	2,377	2,051	504	4,932
Facility and landscaping	7,841	322	251	8,414	107	143	8,664
Insurance	35,182	643	500	36,325	3,151	286	39,762
Interest	36,261	594	462	37,317	198	-	37,515
Miscellaneous expense	5,472	65	642	6,179	467	395	7,041
Office supplies and equipment	20,398	1,918	1,281	23,597	664	975	25,236
Events/marketing/outreach	1,174	-	3,856	5,030	-	90,913	95,943
Printing and postage	7,057	503	671	8,231	670	6,621	15,522
Professional services	24,209	2,236	1,634	28,079	1,050	7,575	36,704
Repairs and maintenance	6,300	221	104	6,625	49	60	6,734
Staff training and conferences	3,761	6,259	230	10,250	6,085	131	16,466
Telephone and internet	11,684	1,210	817	13,711	650	707	15,068
Utilities	35,160	3,840	2,987	41,987	1,279	1,707	44,973
Vehicle expense	938	39	30	1,007	12	17	1,036
Capital campaign expense	77	-	-	77	-	5,593	5,670
Trust expenses	-	-	-	-	2,000	-	2,000
Total other expenses	<u>337,213</u>	<u>34,373</u>	<u>25,247</u>	<u>396,833</u>	<u>25,231</u>	<u>136,880</u>	<u>558,944</u>
Total expenses	<u>\$ 1,649,979</u>	<u>\$ 215,229</u>	<u>\$ 121,157</u>	<u>\$ 1,986,365</u>	<u>\$ 200,911</u>	<u>\$ 271,560</u>	<u>\$ 2,458,836</u>

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

Greenhill Humane Society, SPCA
Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services				Management and General	Fundraising	Total
	Sheltering/ Adoptions	Spay/ Neuter	Humane Education	Total			
Personnel expenses:							
Salaries and wages	\$ 906,064	\$ 127,593	\$ 67,987	\$ 1,101,644	\$ 120,157	\$ 106,987	\$ 1,328,788
Payroll taxes	84,479	10,709	5,846	101,034	10,413	9,711	121,158
Employee benefits and insurance	107,205	16,237	14,508	137,950	10,971	10,525	159,446
Total personnel expenses	<u>1,097,748</u>	<u>154,539</u>	<u>88,341</u>	<u>1,340,628</u>	<u>141,541</u>	<u>127,223</u>	<u>1,609,392</u>
Animal care expenses:							
Supplies	26,680	8	-	26,688	-	-	26,688
Food	22,187	-	-	22,187	-	-	22,187
Veterinary services	68,485	21,313	-	89,798	-	-	89,798
Other animal care	13,149	3,220	-	16,369	-	-	16,369
Total animal care expenses	<u>130,501</u>	<u>24,541</u>	<u>-</u>	<u>155,042</u>	<u>-</u>	<u>-</u>	<u>155,042</u>
Other expenses:							
Bank fees	7,256	354	292	7,902	118	12,226	20,246
Depreciation and amortization	26,828	2,924	2,236	31,988	1,032	1,376	34,396
Dues and subscriptions	2,530	716	236	3,482	86	1,088	4,656
Facility and landscaping	5,254	300	233	5,787	65	1,247	7,099
Insurance	17,543	1,243	657	19,443	3,987	337	23,767
Interest	143	17	13	173	6	5,416	5,595
Miscellaneous expense	4,465	297	173	4,935	880	6,853	12,668
Office supplies and equipment	22,061	568	1,016	23,645	389	199	24,233
Events/marketing/outreach	1,369	-	3,517	4,886	-	108,391	113,277
Printing and postage	8,369	445	637	9,451	542	6,191	16,184
Professional services	20,880	2,076	1,573	24,529	2,467	8,519	35,515
Repairs and maintenance	8,470	563	426	9,459	368	243	10,070
Staff training and conferences	3,009	5,208	259	8,476	292	259	9,027
Telephone and internet	15,535	950	676	17,161	445	618	18,224
Utilities	39,001	2,278	1,772	43,051	399	1,072	44,522
Vehicle expense	2,476	96	75	2,647	29	146	2,822
Total other expenses	<u>185,189</u>	<u>18,035</u>	<u>13,791</u>	<u>217,015</u>	<u>11,105</u>	<u>154,181</u>	<u>382,301</u>
Total expenses	<u>\$ 1,413,438</u>	<u>\$ 197,115</u>	<u>\$ 102,132</u>	<u>\$ 1,712,685</u>	<u>\$ 152,646</u>	<u>\$ 281,404</u>	<u>\$ 2,146,735</u>

Greenhill Humane Society, SPCA
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	Years Ended June 30,	
	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 1,600,663	\$ 1,056,908
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	173,108	34,396
Net realized and unrealized (gains) losses on investments	285	(10,366)
Loss on sale of assets	-	3,234
In-kind contributions	(16,814)	(21,976)
In-kind expenses	16,814	21,976
Provision for doubtful accounts	4,632	-
Contributions for long-term purposes	(275,191)	(208,387)
Increase (decrease) in operating assets and liabilities:		
Accounts receivables	20,145	35,252
Unconditional promises to give	100,386	143,452
Inventory	5,590	2,633
Other current assets	(6,871)	(47)
Accounts payable	(115,253)	67,391
Accrued payroll and payroll costs	(2,491)	5,898
Deferred revenue	476,662	4,400
Other current liabilities	48,899	214,967
Funds held in trust	38,006	-
	2,068,570	1,349,731
Cash flows from investing activities		
Purchase of fixed assets	(1,151,294)	(4,486,823)
Proceeds (purchase) on sale of investments	7,416	7,020
Net cash from investing activities	(1,143,878)	(4,479,803)

Greenhill Humane Society, SPCA
Statements of Cash Flows (Continued)
Years Ended June 30, 2020 and 2019

	Years Ended June 30,	
	2020	2019
Cash flows from financing activities		
Proceeds from long-term debt	\$ 446,123	\$ 1,553,877
Payments on long-term debt	(21,692)	-
Proceeds from contributions restricted to capital campaign	275,191	208,387
Net cash from financing activities	699,622	1,762,264
Net change in cash, cash equivalents and restricted cash	1,624,314	(1,367,808)
Cash, cash equivalents, and restricted cash, beginning of year	1,293,693	2,661,501
Cash, cash equivalents, and restricted cash, end of year	\$ 2,918,007	\$ 1,293,693
Supplemental disclosures of cash flow information:		
Cash and cash equivalents	\$ 2,880,001	\$ 1,199,864
Cash restricted for capital campaign	-	93,829
Cash restricted for funds held in trust	38,006	-
Total cash, cash equivalents, and restricted cash	\$ 2,918,007	\$ 1,293,693
Cash paid for interest	\$ 39,998	\$ 5,594

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2020 and 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 that provides care and shelter for animals, support and resources for people, and education to promote the humane treatment of animals. The Organization operates an animal shelter 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, 2020, Greenhill Humane Society, SPCA cared for 3,630 animals in its Sheltering, Return to Owner, Adoption and Transfer Programs. During the year ended June 30, 2020, the Organization cared for 1,965 cats, 1,465 dogs, and 200 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 shelter, 88% of the cats, and 93% of the other animals. Overall, the Organization's live release rate for the year ended June 30, 2020 was 91%.

The Organization runs the Second Chance Program which receives animals from other shelters and animal welfare agencies in Oregon, California, and beyond, 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, 2020, 290 animals were cared for through this program.

During the year ended June 30, 2020, 2,538 volunteers contributed 25,944 hours, and 117 foster families cared for 738 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, 2020, the Organization performed 3,145 surgeries in their medical clinic including 2,918 spay/neuter surgeries and 227 other essential surgeries.

Greenhill's trap/neuter/return program (TNR) provides free and low-cost spay/neuter surgeries for free-roaming, unowned community cats within Lane County. During the year ended June 30, 2020, the Organization performed 1,341 free spay/neuter surgeries through this program.

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2020 and 2019

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 1,788 visits per day. In the year ended June 30, 2020, the Organization's outreach and education program reached more than 12,179 children and adults.

Basis of presentation – The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. 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. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

Cash, cash equivalents, and restricted cash– The Organization considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents. Restricted cash is 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. Restricted cash is also money held in a pet trust. 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, 2020 and 2019, the Organization's uninsured cash balances totaled \$2,653,689 and \$1,034,918, respectively.

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2020 and 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 solicited 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 donor restricted revenue at their net realizable value. Pledges that are expected to be collected in future years are recorded as donor restricted revenue at present value of the estimated future cash flows. An allowance for pledges contribution receivable in the amount of \$3,576 and \$8,208 as of June 30, 2020 and 2019, 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 \$5,000 and a useful life of two years or more 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.

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.

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2020 and 2019

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

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.

Deferred revenue – Deferred revenue consists of advance payments of contract revenue and registrations.

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

Funds held in trust – The Organization holds pet trust funds that will be spent according to trust documents over the lives of the pets.

Revenue recognition – revenue from exchange transactions – The Organization recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Organization records the following exchange transaction revenue in its statements of activities for the years ending June 30, 2020 and 2019:

Service revenue – The Organization conducts program-related services and events where the performance obligation is delivery of the program. Fees for service revenue are recognized when the service is performed based on amounts established by the Organization. Fees collected prior to the delivery of services are classified as deferred revenue.

Special fundraising event revenue - Proceeds from fundraising events are recognized as revenue during the period that the fundraising events occur.

Retail sales – The Organization operates retail operations. The performance obligation is the delivery of goods to the customer. The transaction price is established by the Organization given listed sales prices determined by the value of the inventory item being sold. As each item is individually priced, no allocation of the transaction price is necessary. The Organization recognizes revenue as the customer pays and takes possession of the merchandise. If there is a right of return, the liability is estimated for such returns, which offsets revenue. No liability for probable customer returns was considered necessary as of June 30, 2020 and 2019.

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2020 and 2019

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

Revenue recognition – contributions and support – 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. Deferred revenue consists of amounts received in advance under contracts or grant and is recognized when the services are performed.

Conditional contributions arise when a donor-imposed condition exists, based on a determination from the agreement, that a recipient is entitled to the contribution only if it has overcome a barrier, with a right of return to the provider should the barrier not be met. Assets received through a conditional contribution are accounted for as a refundable advance until the conditions have been substantially met or explicitly waived by the donor; consequently, revenue is recognized on the dates the conditions have been met.

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

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

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

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

	2020	2019
Professional services	\$ 7,967	\$ 14,428
Food, medication and vaccines	7,024	7,548
Supplies	1,823	-
Total	\$ 16,814	\$ 21,976

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2020 and 2019

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

Contributed services and materials (continued) – In-kind professional services were spent for the following programs:

	2020	2019
Sheltering/Adoptions	\$ 5,686	\$ 7,298
Fundraising	2,281	7,130
Total	\$ 7,967	\$ 14,428

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

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 \$305,221 and \$281,404 were allocated to fundraising for the years ended June 30, 2020 and 2019, respectively. Direct mailing campaign expenses of \$80,298 and \$82,900 were incurred for the years ended June 30, 2020 and 2019, respectively, which are included in fundraising on the statements of functional expenses.

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.

Functional allocation of expense – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. The expenses that are allocated include depreciation, interest, office, and occupancy, which are allocated on the basis of proportion of facilities used, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2020 and 2019

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

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.

New accounting pronouncement – As of July 1, 2019, the Organization adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Results for reporting the years ending June 30, 2020 and 2019 are presented under FASB ASC Topic 606. The ASU has been applied retrospectively to all periods presented, with no effect on net assets or previously issued financial statements.

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2020 and 2019

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

New accounting pronouncement (continued) - During the year, the Organization also adopted the provisions of FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (FASB ASC Topic 606). If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant. Results for reporting the year ending June 30, 2020 are presented under FASB ASU 2018-08. The comparative information has not been restated and continues to be reported under the accounting standards in effect in those reporting periods. There was no material impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

Effective July 1, 2019, the Organization adopted FASB ASU 2016-01, *Financial Instruments – Overall Recognition and Measurement of Financial Assets and Financial Liabilities* (Topic 825-10) allows a not-for-profit to choose, on an investment-by-investment basis, to report an equity investment without a readily determinable fair value, that does not qualify for the practical expedient fair value in accordance with FASB ASC 820-10-35-59, at its cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issue. The FASB ASU requires additional disclosures about those investments. Adoption of this accounting pronouncement had no effect on the Organization's June 30, 2020 and 2019 financial statements.

The Organization adopted the provisions of FASB ASU 2016-18, *Statement of Cash Flows* (Topic 230) during the year. This ASU requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in the ASU do not provide a definition of restricted cash or restricted cash equivalents. The Organization has applied the provisions of ASU 2016-18 retrospectively to all periods presented with no effect on net assets or previously issued financial statements.

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 for the prior year.

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2020 and 2019

Note 2 – Cash and Cash Equivalents

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

	<u>2020</u>	<u>2019</u>
Non-interest bearing accounts	\$ 61,821	\$ 32,112
Interest bearing accounts	2,818,180	1,167,752
Cash restricted for capital campaign project	-	93,829
Cash restricted for bequest requirements	<u>38,006</u>	<u>-</u>
Total	<u><u>\$ 2,918,007</u></u>	<u><u>\$ 1,293,693</u></u>

Note 3 – Receivables

Receivables consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Trade accounts receivable	\$ 33,747	\$ 53,892
Campaign pledges receivable	115,638	193,260
Bequests receivable	<u>10,000</u>	<u>37,396</u>
Total	<u><u>\$ 159,385</u></u>	<u><u>\$ 284,548</u></u>
Current	\$ 90,693	\$ 156,124
Non-current	<u>68,692</u>	<u>128,424</u>
Total receivables	<u><u>\$ 159,385</u></u>	<u><u>\$ 284,548</u></u>

Estimated annual collections of pledges receivable are as follows:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 48,397	\$ 73,044
One to five years	55,817	113,424
More than five years	<u>15,000</u>	<u>15,000</u>
	119,214	201,468
Less allowance for uncollectible promises to give	<u>3,576</u>	<u>8,208</u>
Total pledges receivable	<u><u>\$ 115,638</u></u>	<u><u>\$ 193,260</u></u>

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2020 and 2019

Note 4 – Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Land and land improvements	\$ 45,527	\$ 42,076
Buildings	6,909,230	846,486
Furniture and fixtures	42,041	38,972
Equipment	75,648	71,472
Software	3,524	3,524
Vehicles	18,923	18,923
Construction in process	-	4,933,297
Amortized loan fees	62,765	62,765
	<u>7,157,658</u>	<u>6,017,515</u>
Less accumulated depreciation and amortization	<u>743,739</u>	<u>581,782</u>
Total	<u><u>\$ 6,413,919</u></u>	<u><u>\$ 5,435,733</u></u>

Construction in process at June 30, 2020 and 2019 was \$0 and \$4,933,297, respectively. The Organization contracted with McKenzie Commercial Contractors, Inc. for a facility remodel and expansion project at the Greenhill Road location. The facility was placed in service July 1, 2019. Interest expense capitalized was \$0 and \$62,765 for the years ended June 30, 2020 and 2019, respectively.

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, 2020 and 2019.

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.

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2020 and 2019

Note 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 \$163,610 and \$171,311 as of June 30, 2020 and 2019, 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>2020</u>	<u>2019</u>
Endowment net assets without donor restrictions, beg. of year	\$ 171,311	\$ 167,965
Endowment realized gains (losses)	646	909
Endowment unrealized gains (losses)	(931)	9,457
Interest	1,164	1,240
Investment expenses	(1,536)	(1,442)
Distributions	<u>(7,044)</u>	<u>(6,818)</u>
Endowment net assets without donor restrictions, end of year	<u>\$ 163,610</u>	<u>\$ 171,311</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 – Fair Value of Financial Instruments

Fair values of assets measured on a recurring basis at June 30, 2020 are as follows:

	Total Carrying/ Fair Value	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Endowment funds	<u>\$ 163,610</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 163,610</u>

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2020 and 2019

Note 6 – Fair Value of Financial Instruments (Continued)

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

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

	2020	2019
Level 3, endowment funds, beginning of year	\$ 171,311	\$ 167,965
Net realized and unrealized gains (losses)	(285)	10,366
Interest	1,164	1,240
Investment expenses	(1,536)	(1,442)
Distributions	(7,044)	(6,818)
Level 3, endowment funds, end of year	<u>\$ 163,610</u>	<u>\$ 171,311</u>

Endowment funds consist of a portfolio of different investments, including marketable equity and debt securities and alternative investments and are generally categorized in Level 3 of the fair value hierarchy. See the endowment fund footnote for a description of valuation methodologies used.

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.

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2020 and 2019

Note 7 – 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:

	2020	2019
Interest and dividends	\$ 12,310	\$ 12,774
Net realized and unrealized gains (losses) - endowment funds	(285)	10,366
Total	\$ 12,025	\$ 23,140

Investment expenses totaled \$1,536 and \$1,442 for the years ended June 30, 2020 and 2019, respectively.

Note 8 – Long-term Debt

August 2018 the Organization obtained a construction-to-permanent commercial real estate loan up to a maximum amount of \$2,150,000 from Columbia Bank to be used for the phase 1 construction and permanent financing of improvements. Interest is at the index rate plus 2.25% for the first eleven-year period (currently 4.44%), adjusted for the second ten-year period with a final adjustment for the remainder of the loan. The loan is collateralized by real property, rents, and business assets. Requirements and prepayment penalties apply. The loan contains affirmative and negative covenants, including a financial ratio, which the Organization is in compliance with as of June 30, 2020. The balance of the construction loan was \$1,553,877 at June 30, 2019. January 2020 the loan was termed to a permanent loan in the amount of \$2,000,000 with required monthly payments of \$11,122. The loan matures December 2044. Long-term debt at June 30, 2020 consists of the following:

	2020	2019
Note payable	\$ 1,978,308	\$ -
Less current portion of long-term debt	(45,346)	-
Long-term debt, net of current portion	\$ 1,932,962	\$ -

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2020 and 2019

Note 8 – Long-term Debt (Continued)

The future scheduled maturities of long-term debt are as follows:

Years ending June 30:	
2021	\$ 45,400
2022	47,400
2023	49,600
2024	51,700
2025	54,300
Thereafter	1,729,908

Note 9 – Refundable Advance - Paycheck Protection Program

In April 2020, the Organization received a \$316,055 loan under the U.S. Small Business Administration Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19. The terms of the loan state it will be repaid with 18 monthly payments of \$17,787 starting November 2020 with interest at one percent. The Organization may qualify for forgiveness of all or a portion of the principal and interest due under the note based on conditions established by the SBA. The loan is unsecured with a maturity date of April 28, 2022.

The Organization expects to qualify for full loan forgiveness on the April 2020 loan by meeting the PPP's eligibility criteria. Therefore, the PPP loan represents, in substance, a grant that is expected to be forgiven. The Organization is accounting for the PPP loan in accordance with FASB ASC 958-605 as a conditional contribution. The PPP loan is reflected on the statement of financial position as a refundable advance and grant revenue is recognized when the conditions are substantially met. Given that the conditions with respect to the PPP loan are met over time, through incurring eligible expenses, the grant revenues are being recognized as qualifying expenses are incurred. For the year ended June 30, 2020, the Organization incurred \$316,055 in qualifying expenses and has recognized this as grant revenue.

Subsequent to year end, the Organization received additional PPP funding January 2021 in the amount of \$349,750. The terms of the loan state it will be repaid with 45 monthly payments of \$8,021 starting May 2022 with interest at one percent. The Organization may qualify for forgiveness of all or a portion of the principal and interest due under the note based on conditions established by the SBA. The loan is unsecured with a maturity date of January 25, 2026.

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2020 and 2019

Note 10 – Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30:

	<u>2020</u>	<u>2019</u>
Bequests receivable	\$ 10,000	\$ 37,396
Capital campaign	115,638	295,296
Grant for adoption fee waivers	6,310	11,310
Grant for spay/neuter services	20,383	17,670
Grant for care of dogs	28,373	-
Restricted for trap/neuter/return	<u>-</u>	<u>300</u>
Total	<u>\$ 180,704</u>	<u>\$ 361,972</u>

Net assets with donor restrictions are subject to the following time and purpose restrictions:

- The Organization periodically receives bequests. Bequests are considered 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 restricted net assets due to time and purpose restrictions.
- The Organization receives grants restricted for a specific purpose. Grants are considered restricted net assets until purpose restrictions are met.

Note 11 – Special Event Revenue

Gross receipts from special fundraising events recorded by the Organization consist of exchange transactions revenue and contribution revenue. As a result of adopting FASB ASU 2014-09 during the fiscal year ended June 30, 2020, the Organization is required to separately present the components of this revenue.

	<u>2020</u>	<u>2019</u>
Contributions	\$ 232,802	\$ 221,201
Special event revenue	<u>13,584</u>	<u>47,135</u>
Total	246,386	268,336
Less direct costs	<u>(38,462)</u>	<u>(58,182)</u>
Net special events revenue	<u>\$ 207,924</u>	<u>\$ 210,154</u>

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2020 and 2019

Note 12 – Retirement Plan

In July 2019, the Organization adopted a SIMPLE retirement plan for the benefit of its employees. All employees are eligible to participate in the plan at the date of hire. The plan requires employer-matching contributions on a dollar-for-dollar basis up to 3% of each employee's compensation. Employer matches for June 30, 2020 were \$22,613.

Note 13 – Related Party Transactions

Related party transactions consist of related party pledges receivable of \$12,400 and \$18,400 for the years ended June 30, 2020 and 2019, respectively.

Note 14 – Self-Insurance

Unemployment self-insurance is administered through 501(c) Agencies Trust. The Organization maintained a balance of \$14,116 and \$7,300 as a prepaid expense for the years ended June 30, 2020 and 2019, respectively. No unemployment claims were paid for the years ended June 30, 2020 and 2019.

Note 15 – 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.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic which continues to spread throughout the United States. The extent to which the coronavirus impacts our operations will depend partly on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration and severity of the outbreak, and the actions that may be required to contain the coronavirus or treat its impact. The Organization will continue to monitor the situation closely and it is possible that it will implement further measures. The ultimate disruption which may be caused by the outbreak is uncertain; however, management does not feel it will result in a material adverse impact on the Organization's financial position, operations and cash flows. The Organization received two PPP loans to mitigate the financial impact (Note 9).

Note 16 – 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 February 18, 2021, the date of the auditor's report, which represents the date the financial statements were available to be issued.

Greenhill Humane Society, SPCA
Notes to Financial Statements
Years Ended June 30, 2020 and 2019

Note 17 – 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, 2020. The Organization is subject to income tax examinations by tax authorities for the years ended June 30, 2017 and later.

Note 18 – Liquidity and Reserves

The Organization has a policy to manage its liquidity and reserves consistent with the goals of operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization's objective is to maintain liquid financial assets without donor restrictions sufficient to cover three months of program expenditures. The following reflects the financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general expenditures within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents and restricted cash	\$ 2,918,007	\$ 1,293,693
Accounts receivable, collected in less than one year	33,747	53,892
Unconditional promises to give, collected in less than one year	<u>56,946</u>	<u>102,232</u>
 Total financial assets, excluding noncurrent receivables	 3,008,700	 1,449,817
 Contractual or donor-imposed restrictions:		
Cash restricted for funds in trust	(38,006)	-
Contractual or donor-imposed restrictions	(180,704)	(361,972)
Add back: amounts available for donor-specified expenditures in following year	<u>109,887</u>	<u>233,548</u>
 Financial assets available to meet cash needs for expenditures within one year	 <u><u>\$ 2,899,877</u></u>	 <u><u>\$ 1,321,393</u></u>