

CHAMPAIGN COUNTY HUMANE SOCIETY
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**CHAMPAIGN COUNTY HUMANE SOCIETY
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YEARS ENDED JUNE 30, 2017 AND 2016**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Champaign County Humane Society
Urbana, Illinois

We have audited the accompanying financial statements of Champaign County Humane Society (a nonprofit organization), which comprises the statement of financial position as of June 30, 2017, 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 auditors' 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 2017 financial statements referred to above present fairly, in all material respects, the financial position of Champaign County Humane Society as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

An error was noted in beginning balances which required restatement of beginning net assets (see Note 16). Our auditors' opinion was not modified with respect to the restatement.

Other Matter

The 2016 financial statements of Champaign County Humane Society were audited by other auditors, whose report dated May 31, 2017 expressed an unmodified opinion on those statements.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Champaign, Illinois
December 20, 2017

**CHAMPAIGN COUNTY HUMANE SOCIETY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016**

ASSETS	<u>2017</u>	<u>2016</u> (As Restated)
CURRENT ASSETS		
Cash	\$ 80,014	\$ 105,046
Accounts Receivable	13,583	22,269
Bequest Receivable	1,125,000	-
Prepaid Expenses	21,887	19,558
Total Current Assets	<u>1,240,484</u>	<u>146,873</u>
PROPERTY AND EQUIPMENT		
Buildings and Improvements	1,326,433	1,322,948
Equipment	154,670	133,212
Less: Accumulated Depreciation	<u>(960,283)</u>	<u>(914,911)</u>
Total Property and Equipment	520,820	541,249
OTHER ASSETS		
Investments, at Fair Value	3,579,342	3,547,450
Beneficial Interest in Charitable Trust	<u>489,928</u>	<u>464,294</u>
Total Other Assets	<u>4,069,270</u>	<u>4,011,744</u>
Total Assets	<u><u>\$ 5,830,574</u></u>	<u><u>\$ 4,699,866</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 42,493	\$ 26,787
Accrued Payroll and Withholdings	<u>22,700</u>	<u>20,188</u>
Total Current Liabilities	65,193	46,975
NET ASSETS		
Unrestricted Net Assets	3,056,093	3,094,237
Unrestricted Net Assets - Board Designated	<u>150,000</u>	<u>150,000</u>
Total Unrestricted Net Assets	<u>3,206,093</u>	<u>3,244,237</u>
Temporarily Restricted Net Assets	1,125,000	-
Permanently Restricted Net Assets	<u>1,434,288</u>	<u>1,408,654</u>
Total Net Assets	<u>5,765,381</u>	<u>4,652,891</u>
Total Liabilities and Net Assets	<u><u>\$ 5,830,574</u></u>	<u><u>\$ 4,699,866</u></u>

See accompanying Notes to Financial Statements.

**CHAMPAIGN COUNTY HUMANE SOCIETY
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016 (As Restated)
CHANGES IN UNRESTRICTED NET ASSETS		
Revenues, Gains, and Support:		
Adoption Fees Contributions	\$ 91,814	\$ 107,769
General	228,592	235,279
Direct Mail Campaign	60,944	54,125
Bequests	15,923	88,413
Relinquish Fees	12,001	14,224
Fundraising Events	323,000	224,121
Community Shares	29,612	27,468
Contributed Services	15,508	-
Miscellaneous	24,170	39,547
Sales of Merchandise, Net	1,850	2,852
Investment Income (Loss), Net	345,550	(49,610)
Total Unrestricted Revenues and Gains	1,148,964	744,188
Net Assets Released from Restrictions	-	2,802
Total Revenues, Gains, and Support	1,148,964	746,990
EXPENSES		
Program Services:		
Animal Care	721,030	729,544
Supporting Service:		
General and Administrative	233,037	201,711
Fundraising	233,041	124,158
Total Expenses	1,187,108	1,055,413
Change in Unrestricted Net Assets	(38,144)	(308,423)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Bequests	1,125,000	-
Net Assets Released from Restrictions	-	(2,802)
Change in Temporarily Restricted Net Assets	1,125,000	(2,802)
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Unrealized Gain (Loss) from Investments Held in Trust	25,634	(14,821)
Change in Permanently Restricted Net Assets	25,634	(14,821)
TOTAL CHANGE IN NET ASSETS	1,112,490	(326,046)
Net Assets - Beginning of Year	4,652,891	4,978,937
NET ASSETS - END OF YEAR	\$ 5,765,381	\$ 4,652,891

See accompanying Notes to Financial Statements.

**CHAMPAIGN COUNTY HUMANE SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017**

	Animal Care	General and Administrative	Fundraising		Total
			General	Direct Capital Campaign	
Salaries and Benefits	\$ 433,586	\$ 191,624	\$ 49,257	\$ -	\$ 674,467
Insurance	21,415	-	-	-	21,415
Animal and Building Supplies	144,878	3,167	-	-	148,045
Travel and Seminars	4,025	1,082	-	-	5,107
Telephone and Utilities	35,985	4,942	295	-	41,222
Postage and Printing	-	594	23,864	-	24,458
Office Expenses	17,522	13,974	806	-	32,302
Advertising and Promotion	-	3,603	131,659	-	135,262
Depreciation	39,474	4,083	1,815	-	45,372
Professional Fees	19,324	9,393	800	24,545	54,062
Education and Training	4,821	575	-	-	5,396
Total Program Expenses - Functional Allocation	<u>\$ 721,030</u>	<u>\$ 233,037</u>	<u>\$ 208,496</u>	<u>\$ 24,545</u>	<u>\$ 1,187,108</u>

See accompanying Notes to Financial Statements.

**CHAMPAIGN COUNTY HUMANE SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016**

	<u>Animal Care</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Benefits	\$ 485,039	\$ 126,453	\$ 66,471	\$ 677,963
Insurance	16,712	5,283	1,379	23,374
Animal and Building Supplies	142,650	3,140	-	145,790
Travel and Seminars	3,078	2,220	502	5,800
Telephone and Utilities	34,970	5,265	482	40,717
Postage and Printing	-	435	24,713	25,148
Office Expenses	4,800	28,111	-	32,911
Advertising and Promotion	-	6,267	28,718	34,985
Depreciation	32,462	14,034	350	46,846
Professional Fees	3,764	8,918	975	13,657
Education and Training	6,069	1,585	568	8,222
Total Program Expenses - Functional Allocation	<u>\$ 729,544</u>	<u>\$ 201,711</u>	<u>\$ 124,158</u>	<u>\$ 1,055,413</u>

See accompanying Notes to Financial Statements.

**CHAMPAIGN COUNTY HUMANE SOCIETY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,112,490	\$ (326,046)
Adjustments to Reconcile Change in Net Assets by		
Net Cash Used by Operating Activities:		
Depreciation	45,372	46,846
Unrealized (Gains) Losses on Investments	(167,160)	110,505
Realized Gains on Sale of Investments	(113,061)	(23,415)
Change in Beneficial Interest in Charitable Trust	(25,634)	14,821
(Increase) Decrease in:		
Accounts Receivable	8,686	(16,443)
Bequest Receivable	(1,125,000)	-
Prepaid Expenses	(2,329)	1,394
Increase (Decrease) in:		
Accounts Payable	15,706	11,176
Accrued Payroll	2,512	4,068
Net Cash Used by Operating Activities	(248,418)	(177,094)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment and Building Improvements	(24,943)	(7,984)
Proceeds From Sale or Maturity of Investments	583,044	73,834
Purchase of Investments	(334,715)	(79,948)
Net Cash from Provided (Used) by Investing Activities	223,386	(14,098)
NET DECREASE IN CASH	(25,032)	(191,192)
Cash - Beginning of Year	105,046	296,238
CASH - END OF YEAR	\$ 80,014	\$ 105,046
SUPPLEMENTAL DISCLOSURES		
Noncash Activity:		
Bequest Receivable	\$ 1,125,000	\$ -

See accompanying Notes to Financial Statements.

**CHAMPAIGN COUNTY HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Champaign County Humane Society (the Organization or the Society) is a nonprofit, nongovernmental organization dedicated to preventing cruelty to animals, promoting animal welfare, and educating the public about humane care and treatment for all animals. The Organization is supported primarily through donor contributions.

Basis of Presentation

Under ASC 958, the Society is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted Net Assets

Unrestricted net assets are those assets presently available for use by the Organization at the discretion of the board.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those assets which are subject to donor-imposed stipulations that may or will be met, either be actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets

A permanently restricted net asset are those assets with a donor-imposed restriction that stipulates that resources be maintained permanently but permits the Organization to use up or expend part or all of the income (or other economic benefits) derived from the donated assets.

Basis of Accounting

The Society uses the accrual method of accounting as required in accordance with accounting principles generally accepted in the United States of America. This method recognizes revenue when earned and expenses when incurred.

Revenue Recognition

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are recorded as decreases in unrestricted net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period that the unconditional promise is received. Contributions received with donor-imposed restrictions and related gains and income that are met in the same year as received are reported as unrestricted revenues. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

**CHAMPAIGN COUNTY HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Grant revenues are deferred until earned. Grant revenues are considered to be earned when the related expenses have been incurred and all other requirements of the grant have been met.

Donated materials, property and equipment, and investments are recorded at fair value when received.

In-kind property of \$100,674 and \$114,705 as of June 30, 2017 and 2016, respectively, is included in contributions on the statement of activities.

Contributions receivable are recognized in these financial statements in accounts receivable at June 30, 2017 and 2016 of \$12,201 and \$20,777, respectively. There is no allowance for uncollectible contributions.

Contributed Services

The Organization recognized contribution revenue of \$15,508 in 2017 for contributed veterinary services. Contribution revenue was measured based on the fair value of the services provided. No amount for contributed services was reported in 2016.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Income Taxes

The Society is a nonprofit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Code as other than a private foundation.

**CHAMPAIGN COUNTY HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is recorded at cost, donated property and equipment is recorded at fair market value. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	40 Years
Improvements	10 - 20 Years
Equipment	3 - 10 Years

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising

Advertising costs are expensed as they are incurred. Advertising expense for the years ending June 30, 2017 and 2016 was \$3,603 and \$6,266, respectively.

Reclassification

Certain 2016 amounts have been reclassified to conform to the 2017 presentation, which did not affect the change in net assets reported in the prior year.

NOTE 2 RISK MANAGEMENT

The Society is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Society carried commercial insurance. There were no significant reductions in insurance coverage during the current fiscal year. No risk has been retained by the Society.

**CHAMPAIGN COUNTY HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 3 CONCENTRATION OF CREDIT RISK

The Society maintains bank accounts and savings accounts at several financial institutions. Demand deposits and time deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000. Balances in the accounts may exceed the federally insured limit at various times during the year.

NOTE 4 BENEFICIAL INTEREST IN CHARITABLE TRUST

The Society receives periodic cash disbursements from the LuElla Dillman Trust. In accordance with the trust agreement, the principal is retained by the trust in perpetuity with the income distributed generally on a quarterly basis. The aggregate trust value as of June 30, 2017 and 2016 was \$489,928 and \$464,294, respectively. The Society is the sole beneficiary of the income generated by the trust. These are shown as permanently restricted net assets on the statement of financial position.

The change in market value during the year ending June 30, 2017 and 2016 of \$25,634 and (\$14,821), respectively, has been included in the statement of activities as a permanently restricted transaction. The trust distributed cash in the amount of \$8,423 and \$8,405 during the year ended June 30, 2017 and 2016, respectively, and this amount has been included in the statement of activities as unrestricted income since all temporary restrictions were met during the fiscal year.

NOTE 5 UNCERTAIN TAX POSITIONS

Accounting principles generally accepted in the United States of America require the Organization's management evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more than likely would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of June 30, 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statement. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

**CHAMPAIGN COUNTY HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 6 ACCOUNTS RECEIVABLE

Accounts receivable in less than one year consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Dillman Trust Income	\$ 1,382	\$ 1,492
Spring Mailer	-	3,500
Mutt Strut	-	1,000
Other	12,201	16,277
Total Accounts Receivable	<u>\$ 13,583</u>	<u>\$ 22,269</u>

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2017</u>	<u>2016</u>
Cost:		
Buildings and Improvements	\$ 1,326,433	\$ 1,322,948
Equipment	154,670	133,212
Subtotal	<u>1,481,103</u>	<u>1,456,160</u>
Accumulated Depreciation:		
Buildings and Improvements	839,091	802,947
Equipment	121,192	111,964
Subtotal	<u>960,283</u>	<u>914,911</u>
Net Book Value	<u>\$ 520,820</u>	<u>\$ 541,249</u>
Depreciation Expense:		
Buildings and Improvements	\$ 36,144	\$ 38,541
Equipment	9,228	8,305
Total	<u>\$ 45,372</u>	<u>\$ 46,846</u>

**CHAMPAIGN COUNTY HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 8 INVESTMENTS

Investments are stated at fair value. Fair values of investment securities are based on quoted market prices or dealer quotes. Investments are comprised of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
	Fair Value	Fair Value
Unrestricted:		
Mutual Funds	\$ 2,260,677	\$ 2,453,503
Common Stock	3,007	3,007
Exchange Traded Funds	74,628	
U.S. Treasury and Federal Agency Bonds and Notes	428	46,797
Permanently Restricted:		
Mutual Funds	1,207,472	1,010,403
Common Stock	14,475	10,746
U.S. Treasury and Federal Agency Bonds and Notes	18,655	22,994
Beneficial Interest in Charitable Trust	489,928	464,294
Total	<u>\$ 4,069,270</u>	<u>\$ 4,011,744</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Unrestricted:		
Interest and Dividends (Net of Agency Fees \$18,820 and \$23,165)	\$ 65,329	\$ 37,480
Unrealized Gain (Loss)	167,160	(110,505)
Realized Gain	113,061	23,415
Permanently Restricted:		
Unrealized Gain (Loss)	25,634	(14,821)
Total Investment Income (Loss)	<u>\$ 371,184</u>	<u>\$ (64,431)</u>

NOTE 9 FAIRVALUE MEASUREMENTS

In determining fair value, the Organization uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

The fair value measurement framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The fair value measurement framework defines levels within the hierarchy based on the reliability of inputs as follows:

**CHAMPAIGN COUNTY HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.
or broker-traded transactions.

Following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy.

Equity securities, mutual funds, and money markets listed on a national market or exchange are valued at the last sales price. Such securities are classified within Level 1 of the valuation hierarchy.

Debt securities consisting of corporate and government bonds are generally valued at benchmark yields, reported trades, broker/dealer quotes, and other items. Debt securities are generally classified within Level 2 of the valuation hierarchy.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 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.

**CHAMPAIGN COUNTY HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

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

	Total	2017		
		(Level 1)	(Level 2)	(Level 3)
Investments:				
Mutual Funds:				
Diversified Emerging Markets	\$ 210,374	\$ 210,374	\$ -	\$ -
Foreign Large Blend	217,255	217,255	-	-
Foreign Large Value	129,066	129,066	-	-
Foreign Small/Mid Blend	27,924	27,924	-	-
Foreign Small/Mid Value	64,882	64,882	-	-
Global Real Estate	195,263	195,263	-	-
Inflation-Protected Bond	23,645	23,645	-	-
Intermediate-Term Bond	27,690	27,690	-	-
Large Value	284,961	284,961	-	-
Mid-Cap Blend	559,237	559,237	-	-
Short Government	364,556	364,556	-	-
Short-Term Bond	314,158	314,158	-	-
Small Blend	62,461	62,461	-	-
Small Value	156,405	156,405	-	-
Ultrashort Bond	397,255	397,255	-	-
World Bond	433,017	433,017	-	-
Common Stock:				
Technology	14,475	14,475	-	-
Miscellaneous	3,007	3,007	-	-
Exchange Traded Funds:				
Large Blend	64,341	64,341	-	-
Small Blend	10,287	10,287	-	-
Fixed Income:				
Government	19,083	-	19,083	-
Beneficial interest in charitable trust	489,928	-	-	489,928
Total	<u>\$ 4,069,270</u>	<u>\$ 3,560,259</u>	<u>\$ 19,083</u>	<u>\$ 489,928</u>

**CHAMPAIGN COUNTY HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

	Total	2016		
		(Level 1)	(Level 2)	(Level 3)
Investments:				
Mutual Funds:				
Diversified Emerging Markets	\$ 192,145	\$ 192,145	\$ -	\$ -
Foreign Large Blend	196,524	196,524	-	-
Foreign Large Value	110,831	110,831	-	-
Foreign Small/Mid Blend	26,034	26,034	-	-
Foreign Small/Mid Value	59,584	59,584	-	-
Global Real Estate	223,495	223,495	-	-
Inflation-Protected Bond	23,857	23,857	-	-
Large Value	312,456	312,456	-	-
Mid-Cap Blend	607,777	607,777	-	-
Short Government	366,874	366,874	-	-
Short-Term Bond	137,015	137,015	-	-
Small Blend	71,301	71,301	-	-
Small Value	166,309	166,309	-	-
Ultrashort Bond	474,865	474,865	-	-
World Bond	431,043	431,043	-	-
Common Stock:	-			
Technology	10,746	10,746	-	-
Miscellaneous	3,007	3,007	-	-
Exchange Traded Funds:				
Large Blend	8,394	8,394	-	-
Small Blend	55,402	55,402	-	-
Fixed Income:				
Government	69,791	-	69,791	-
Beneficial interest in charitable trust	464,294	-	-	464,294
Total	<u>\$ 4,011,744</u>	<u>\$ 3,477,659</u>	<u>\$ 69,791</u>	<u>\$ 464,294</u>

NOTE 10 OPERATING LEASES

The Society's facilities are on land leased from the county of Champaign. The Society entered into a new lease commencing on January 1, 2016, with an initial term of 11 years and an option to renew for three additional five-year terms. The annual rental rate for the first 11-year term is \$7,000. The annual rate for the renewal terms will be negotiated by the parties. Lease expense for the years ended June 30, 2017 and 2016 totaled \$7,000 and \$6,750, respectively.

**CHAMPAIGN COUNTY HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 10 OPERATING LEASES (CONTINUED)

Future minimum lease payments under the lease are as follows for the fiscal years ended June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 7,000
2019	7,000
2020	7,000
2021	7,000
2022	7,000
Thereafter	31,500
Total	<u><u>\$ 66,500</u></u>

NOTE 11 BEQUESTS

In 1988, the Society received the donation of the annual on-going income from the estate of LuElla R. Dillman. The assets of this estate are held in trust and the annual income is paid to the Society. The trust agreement stipulates that one-half of the income from the trust shall be used for building or interior improvements to living quarters for animals and one-half of the income shall be for medical funds for the care of animals as the trustee shall designate with the advice of veterinarians as may be designated by the trustee from time to time. In the event of the dissolution of the Society, the assets and income there from are awarded to another organization. During the fiscal years ended June 30, 2017 and 2016, the Society has received revenues from this source of \$8,423 and \$8,405, respectively, and has been recognized in the statement of activities as unrestricted income.

In December 2016, the Society received the donation of 140 acres of land from the estate of Verna Buck, subject to a life estate. Upon the termination of the life estate, the Society will have unrestricted use of the property. During the fiscal year ended June 30, 2017, the Society recognized a receivable and revenue from this source of \$1,125,000.

The Society recognized nonrecurring revenue from various other estates of \$7,500 and \$80,008 for the fiscal years ending June 30, 2017 and 2016, respectively.

**CHAMPAIGN COUNTY HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 12 FUNDRAISING EVENTS

Fundraising event revenues and expenses consist of the following:

<u>Description</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Net Revenue (Expense)</u>
<u>June 30, 2017</u>			
Dinner/Auction	\$ 124,743	\$ 47,575	\$ 77,168
Garage Sale	135,348	69,800	65,548
Mutt Strut	33,545	13,392	20,153
Other	29,364	892	28,472
Total	<u>\$ 323,000</u>	<u>\$ 131,659</u>	<u>\$ 191,341</u>

<u>Description</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Net Revenue (Expense)</u>
<u>June 30, 2016</u>			
Dinner/Auction	\$ 106,260	\$ 21,263	\$ 84,997
Garage Sale	62,442	3,899	58,543
Mutt Strut	28,447	3,135	25,312
Other	26,972	421	26,551
Total	<u>\$ 224,121</u>	<u>\$ 28,718</u>	<u>\$ 195,403</u>

NOTE 13 TEMPORARILY RESTRICTED NET ASSETS

Edith J. Goode Residuary Trust

In May 2011, the Society received a grant of \$18,775 for the further development of statistics related to animal welfare concerns and continuing studies on the prevention of animal cruelty. Program expenditures of \$-0- and \$2,802 were incurred as of June 30, 2017 and 2016, respectively. There are no temporarily restricted net assets remaining as of June 30, 2017 and 2016.

Verna Buck Life Estate

In December 2016, the Society received the donation of 140 acres of land from the estate of Verna Buck, subject to a life estate. Upon the termination of the life estate, the Society will have unrestricted use of the property. The value of the property is reported as temporarily restricted net assets as of June 30, 2017 due to the time restriction imposed by the life estate.

**CHAMPAIGN COUNTY HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 14 ENDOWMENT FUNDS

Queenie B. Mills Endowment Fund

In the fiscal year ending June 30, 2015, the Society completed construction of the Queenie B. Mills Memorial Garden. The remaining historic dollar value of the Queenie B. Mills Endowment Fund of \$844,360 is classified as permanently restricted net assets. Income from the fund is classified with unrestricted net assets and is expended to support the programs and services of the Society in any manner determined by the board of directors of the Society.

The Society has investment and spending policies based on the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). As a result of the Society's interpretation of UPMIFA, and in accordance with donor restrictions, contributions to this endowment fund are classified as permanently restricted net assets.

This donor-restricted endowment fund is invested in the U.S. Treasury notes and bonds, common stock, and equity mutual funds, pursuant to the Organization's investment and spending objectives. A breakdown of these investments by class is provided in Note 7 to these financial statements. The fund also held cash deposits of \$16,725 and \$7,863 as of June 30, 2017 and 2016, respectively. On an annual basis the Society will draw down at a rate of up to 4% of the account market value determined as of March 31st averaged over the prior three years.

Endowment Fund

The Society established an endowment fund in 2014 for the purpose of funding future operations. Its endowment includes both donor-restricted endowment funds of \$100,000 and funds established by the board of directors to function as endowments of \$150,000. As required in accordance with accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Society's board of trustees has interpreted the PMIFA as requiring the preservation of the original gift amount of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets.

Investment Objective

The overall investment objective for the endowment fund shall be the prudent management of these assets such that the principal of the endowment fund maintains long-term stable growth and all costs to the endowment fund are controlled.

**CHAMPAIGN COUNTY HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 14 ENDOWMENT FUNDS (CONTINUED)

If an event that is due to extraordinary unforeseen circumstances or a catastrophic event, additional funds may be withdrawn from the endowment fund. Any distribution in excess of 3% of the five year rolling average noted in the paragraph above must be approved by a three-quarters majority vote of the Society's board of directors when such funds are essential in order for the Society to continue operations essential to the welfare of animals.

Spending Policies

There is a specific account that currently comprises the endowment fund. This fund will receive assets from donors, and will provide an annual payment to the Society for operations in the amount of 3% annually based on a five-year rolling average ending balance of the fund as of the last day of March 31st of each of the five preceding years. As such, the long-term objective of the endowment fund is to achieve an investment return that exceeds the rate of the inflation and expenses by 4% over time.

Risk Tolerance

The finance committee of the board of directors (Committee) is responsible for making recommendations on financial policy to the full board. The Society rates its own risk tolerance as moderate with regards to the endowment fund. While an effort will be made to preserve capital over the long term with a portion of fixed income and other investment instruments, the Committee recognizes that all investments have risks and that there is no guarantee that the investments cannot lose value. Therefore, the Society has indicated the willingness to tolerate temporary declines in the value of the endowment investments to achieve long-term growth objectives.

Investment research has demonstrated that risk is best minimized through diversification of assets, including all of the asset classes listed below. Further, it is understood that some risk needs to be taken to preserve the purchasing power of funds over time to outpace inflation, expected withdrawals, and increased needs in downturns in the economy.

Asset Allocation

To accomplish the Society's investment objectives, the Committee is authorized to include the following asset classes of the quality described herein.

- Cash and cash equivalents, including money market funds. May also be a short term (defined as less than one-year maturity), high-quality fixed income mutual fund
- Bonds or Fixed Income (corporate, U.S. government, agencies, or foreign government).
- Stocks – Domestic, International, Emerging Market.
- Real Estate Investment Trusts (REIT's)
- Commodities

All investments must be publicly traded and have little to no liquidity risk.

**CHAMPAIGN COUNTY HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 14 ENDOWMENT FUNDS (CONTINUED)

The actual asset allocations for the portfolio shall be set by the investment manager with approval of the Committee within the ranges provided below. These ranges can only be modified by the full board.

The Society is not interested in making tactical asset allocation changes, but would instead strive to maintain an allocation that focuses on the long-term goals of the endowment fund. The overall allocation will be reviewed at least annually by the investment manager and Committee and rebalanced to the target allocation.

Target Allocation

The endowment fund target allocation is defined below. The fund will be reallocated to target when out of range, at least annually.

Asset Class:	Target	Range
Fixed Income and Cash	35%	30% - 45%
Domestic Equities	45%	35% - 55%
International Equities (Including Emerging Markets)	15%	5% - 25%
Alternative Funds	5%	0% - 10%
Total	100%	

Endowment Activity

	Donor- Restricted Endowment Funds	Board- Designated Endowment Funds	Total
Balance - July 1, 2015	\$ 944,360	\$ 150,000	\$ 1,094,360
Contributions to Endowment	-	-	-
Amounts Appropriated for Expenditure	-	-	-
Balance - June 30, 2016	944,360	150,000	1,094,360
Contributions to Endowment	-	-	-
Amounts Appropriated for Expenditure	-	-	-
Balance - June 30, 2017	\$ 944,360	\$ 150,000	\$ 1,094,360

**CHAMPAIGN COUNTY HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 14 ENDOWMENT FUND (CONTINUED)

Net Asset Classification

	<u>2017</u>	<u>2016</u>
Donor-Restricted Endowment Funds:		
Permanently Restricted	\$ 944,360	\$ 944,360
Total Donor-Restricted Funds	<u>944,360</u>	<u>944,360</u>
Board-Designated Endowment Funds:		
Unrestricted	<u>150,000</u>	<u>150,000</u>
Total Board-Designated Funds	<u>150,000</u>	<u>150,000</u>
 Total Endowment	 <u><u>\$ 1,094,360</u></u>	 <u><u>\$ 1,094,360</u></u>

The endowment earned net investment income of \$135,508 for the fiscal year ending June 30, 2017 and net investment loss of \$19,729 for the fiscal year ending June 30, 2016. Earnings from the endowment were including in unrestricted net assets as of June 30, 2017 and 2016.

There were no underwater endowments as of June 30, 2017 and 2016.

NOTE 15 RETIREMENT PLAN

The Society began a Simple IRA plan for the benefit of its eligible employees in 2016. The Society has agreed to match each participant's salary deferrals dollar-for-dollar up to 3% of each participant's compensation. The Society's contribution expense for the years ended June 30, 2017 and 2016 was \$5,274 and \$7,735, respectively.

NOTE 16 RESTATEMENT OF NET ASSETS

In previously issued financial statements, the Society did not record a beneficial interest in a charitable trust, nor the related change in value of the trust from year to year. Accounting standards require that if a beneficiary has an unconditional right to receive some or all of the specified cash flows from a charitable trust, the beneficiary should measure its beneficial interest at fair value. For charitable trusts that exist in perpetuity, fair value can generally be approximated by measuring the fair value of the assets contributed to the trust. A beneficial interest in a perpetual trust should be classified as permanently restricted net assets. The Society has determined that the beneficial interest should have been recorded and the contribution recognized as permanently restricted net assets when the trust was created. Correcting this error created the asset beneficial interest in charitable trust and increased permanently restricted net assets by \$479,115 at June 30, 2015. The effect of the restatement on the change in net assets and change in permanently restricted net assets for the year ended June 30, 2016 was a decrease of \$14,821.

**CHAMPAIGN COUNTY HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 16 RESTATEMENT OF NET ASSETS (CONTINUED)

The restatement of June 30, 2015 and 2016 net assets are as follows:

Net Assets, June 30, 2015, as previously reported	\$ 4,499,822
Adjustment for beneficial interest in charitable trust	<u>479,115</u>
Net Assets, June 30, 2015, as restated	<u><u>\$ 4,978,937</u></u>
Net Assets, June 30, 2016, as previously reported	\$ 4,188,597
Adjustment for beneficial interest in charitable trust	<u>464,294</u>
Net Assets, June 30, 2016, as restated	<u><u>\$ 4,652,891</u></u>

NOTE 17 SUBSEQUENT EVENTS

Management evaluated subsequent events through December 20, 2017, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2017, but prior to December 20, 2017, that provided additional evidence about conditions that existed at June 30, 2017, have been recognized in the financial statements for the year ended June 30, 2017. Events or transactions that provided evidence about conditions that did not exist at June 30, 2017 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2017.

On September 21, 2017, the Organization was notified that it was named as the sole beneficiary in the Last Will and Testament of one of its benefactors. The value of the estate, which includes personal and real property, is not currently estimable.