

CHAMPAIGN COUNTY HUMANE SOCIETY, INC.

Financial Statements

For the Fiscal Years Ended

June 30, 2015 and 2014

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Independent Auditors' Report

To the Board of Directors
Champaign County Humane Society, Inc.
Urbana, Illinois

We have audited the accompanying financial statements of Champaign County Humane Society, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's 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 Champaign County Humane Society, Inc., as of June 30, 2015 and 2014, 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.

Stuejell Kudlock & Company, LLC

Rantoul, Illinois
May 26, 2016

CHAMPAIGN COUNTY HUMANE SOCIETY, INC.

Statements of Financial Position

June 30,

ASSETS

	<u>2015</u>	<u>2014</u>
Current Assets:		
Cash (Note 1)	\$ 199,002	\$ 207,311
Accounts receivable (Note 5)	5,826	288,959
Prepaid expenses	<u>20,952</u>	<u>19,764</u>
Total Current Assets	<u>225,780</u>	<u>516,034</u>
Property and Equipment (Notes 1 and 6):		
Buildings and improvements	1,322,948	1,267,796
Equipment	125,226	106,091
Less accumulated depreciation	<u>(868,065)</u>	<u>(816,847)</u>
Total Fixed Assets	<u>580,109</u>	<u>557,040</u>
Other Assets:		
Cash (Note 12)	97,236	94,079
Investments, at fair value (Note 7 and 13)	<u>3,628,428</u>	<u>3,651,012</u>
Total Other Assets	<u>3,725,664</u>	<u>3,745,091</u>
Total Assets	<u>\$ 4,531,553</u>	<u>\$ 4,818,165</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 15,611	\$ 14,048
Accrued payroll and withholdings	<u>16,120</u>	<u>13,841</u>
Total Current Liabilities	<u>31,731</u>	<u>27,889</u>
Net Assets:		
Unrestricted net assets (Note 14)	3,552,660	3,754,632
Temporarily restricted net assets (Note 12)	2,802	935,644
Permanently restricted net assets (Note 12 and 14)	<u>944,360</u>	<u>100,000</u>
Total Net Assets	<u>4,499,822</u>	<u>4,790,276</u>
Total Liabilities and Net Assets	<u>\$ 4,531,553</u>	<u>\$ 4,818,165</u>

The accompanying notes are an integral part of these statements.

CHAMPAIGN COUNTY HUMANE SOCIETY, INC.

Statements of Activity

For the Fiscal Years Ended June 30,

	<u>2015</u>	<u>2014</u>
Unrestricted Net Assets (Note 1):		
Unrestricted revenues, gains and support:		
Adoption fees	\$ 114,727	\$ 134,487
Contributions		
General	225,887	218,336
Direct mail campaign	59,733	53,803
Bequests (Note 9)	29,356	355,207
Relinquish fees	22,089	24,950
Fundraising events (Note 10)	199,599	186,971
Community shares	26,267	20,444
Miscellaneous	40,440	32,162
Sales of merchandise	3,463	4,204
Investment income (Note 7)	<u>23,318</u>	<u>424,478</u>
Total unrestricted revenues and gains	744,879	1,455,042
Net assets released from restrictions	<u>88,482</u>	<u>5,643</u>
Total unrestricted revenues, gains and support	<u>833,361</u>	<u>1,460,685</u>
Expenses		
Program services		
Animal care	732,013	736,205
Supporting services		
General and administrative	197,907	176,434
Fundraising	<u>105,413</u>	<u>106,760</u>
Total expenses	<u>1,035,333</u>	<u>1,019,399</u>
Increase (decrease) in unrestricted net assets	<u>(201,972)</u>	<u>441,286</u>
Temporarily Restricted Net Assets (Notes 1 and 12):		
Net assets released from restrictions	(88,482)	(5,643)
Reclassification to permanently restricted assets	<u>(844,360)</u>	<u>-</u>
Increase (decrease) in temporarily restricted net assets	<u>(932,842)</u>	<u>(5,643)</u>
Permanently Restricted Net Assets (Note 12):		
Reclassification from temporarily restricted net assets	<u>844,360</u>	<u>-</u>
Increase (decrease) in net assets	(290,454)	435,643
Net Assets, beginning of year	<u>4,790,276</u>	<u>4,354,633</u>
Net Assets, end of year	<u>\$ 4,499,822</u>	<u>\$ 4,790,276</u>

The accompanying notes are an integral part of these statements.

CHAMPAIGN COUNTY HUMANE SOCIETY, INC.
Statements of Program Expenses - Functional Allocation
For the Fiscal Years Ended June 30,

	<u>2015</u>				<u>2014</u>			
	<u>Animal Care</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total</u>	<u>Animal Care</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and benefits	\$ 487,875	\$ 123,172	\$ 56,840	\$ 667,887	\$ 480,900	\$ 112,606	\$ 56,552	\$ 650,058
Insurance	16,872	5,333	1,392	23,597	16,168	5,178	1,362	22,708
Animal and building supplies	141,142	2,799	-	143,941	139,712	2,500	-	142,212
Travel and seminars	2,790	2,192	680	5,662	4,625	2,903	818	8,346
Telephone and utilities	32,949	5,019	482	38,450	34,876	5,155	384	40,415
Postage and printing	-	488	20,677	21,165	-	499	21,188	21,687
Office expense	4,800	27,387	-	32,187	4,980	21,579	-	26,559
Advertising and promotion	-	8,250	22,719	30,969	-	8,562	24,112	32,674
Depreciation and amortization	37,651	13,397	170	51,218	35,746	9,282	281	45,309
Professional fees	3,271	8,350	993	12,614	1,672	7,935	800	10,407
Education and training	<u>4,663</u>	<u>1,520</u>	<u>1,460</u>	<u>7,643</u>	<u>17,526</u>	<u>235</u>	<u>1,263</u>	<u>19,024</u>
Total	<u>\$ 732,013</u>	<u>\$ 197,907</u>	<u>\$ 105,413</u>	<u>\$ 1,035,333</u>	<u>\$ 736,205</u>	<u>\$ 176,434</u>	<u>\$ 106,760</u>	<u>\$ 1,019,399</u>

The accompanying notes are an integral part of these statements.

CHAMPAIGN COUNTY HUMANE SOCIETY, INC.

Statements of Cash Flows

For the Fiscal Years Ended June 30,

	<u>2015</u>	<u>2014</u>
Cash flows from (used in) operating activities (Note 1):		
Increase (decrease) in net assets	\$ (290,454)	\$ 435,643
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	51,218	45,309
Unrealized (gains) losses on investments	68,884	(288,374)
Realized (gains) losses on sale of investments	(34,662)	(72,193)
(Increase) decrease in:		
Accounts receivable	283,133	615,266
Prepaid expenses	(1,188)	(2,339)
Increase (decrease) in:		
Accounts payable	1,563	(983)
Accrued payroll	2,279	1,679
Deferred grant revenue	<u>-</u>	<u>(959)</u>
Net cash from (used in) operating activities	<u>80,773</u>	<u>733,049</u>
 Cash flows from (used in) investing activities:		
Purchase of equipment and building improvements	(74,287)	(84,327)
Proceeds from sale or maturity of investments	207,701	423,864
Purchase of investments	<u>(219,339)</u>	<u>(1,182,037)</u>
Net cash from (used in) investing activities	<u>(85,925)</u>	<u>(842,500)</u>
Net increase (decrease) in cash	(5,152)	(109,451)
Cash and cash equivalents, beginning of year	<u>301,390</u>	<u>410,841</u>
Cash and cash equivalents, end of year	<u>\$ 296,238</u>	<u>\$ 301,390</u>
 Supplemental Disclosures:		
Non-cash contributions received	<u>\$ 113,350</u>	<u>\$ 112,188</u>

The accompanying notes are an integral part of these statements.

CHAMPAIGN COUNTY HUMANE SOCIETY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

Note 1 – Summary of Significant Accounting Policies:

Organization and Nature of Activities

The Champaign County Humane Society, Inc. is a non-profit, non-governmental 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

Permanently restricted net assets 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 by generally accepted accounting principles. 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, INC.

Notes to Financial Statements (continued)

June 30, 2015 and 2014

Note 1 – Summary of Significant Accounting Policies (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 \$113,350 and \$112,118 as of June 30, 2015 and 2014, respectively, are included in contributions on the statement of activities.

Contributions receivable are recognized in these financial statements in accounts receivable at June 30, 2015 and 2014 respectively, of \$3,905 and \$286,872. There is no allowance for uncollectible contributions.

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with fundraising, special projects and other shelter operations, but these services do not meet the criteria for recognition as contributed services.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Temporarily restricted cash of endowment funds is \$2,802 and \$54,697 as of June 30, 2015 and 2014, respectively, and included in cash equivalents.

Compensated Absences

Employees of the Society are entitled to paid vacation and sick leave depending on job classification, length of service and other factors. The Society's policy is to recognize the costs of compensated absences when actually paid to employees.

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 not-for-profit 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, INC.

Notes to Financial Statements (continued)

June 30, 2015 and 2014

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 generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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.

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 (FDIC) up to \$250,000. Balances in the accounts may exceed the federally insured limit at various times during the year.

CHAMPAIGN COUNTY HUMANE SOCIETY, INC.

Notes to Financial Statements (continued)

June 30, 2015 and 2014

Note 4 – 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, 2015, 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. The years prior to June 30, 2012 are closed.

Note 5 – Accounts Receivable:

Accounts receivable in less than one year consist of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Dillman Trust income	\$ 1,921	\$ 2,087
Bequest Income	-	283,025
Spring Mailer	710	555
Garage Sale	-	267
Mutt Strut	1,440	1,160
Other	<u>1,755</u>	<u>1,865</u>
 Total	 <u>\$ 5,826</u>	 <u>\$ 288,959</u>

Note 6 – Property and Equipment:

Property and equipment consists of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Cost:		
Buildings and improvements	\$ 1,322,948	\$ 1,267,796
Equipment	<u>125,226</u>	<u>106,091</u>
Subtotal	<u>1,448,174</u>	<u>1,373,887</u>
Accumulated depreciation:		
Buildings and improvements	764,406	721,285
Equipment	<u>103,659</u>	<u>95,562</u>
Subtotal	<u>868,065</u>	<u>816,847</u>
Net book value	<u>\$ 580,109</u>	<u>\$ 557,040</u>
Depreciation expense:		
Buildings and improvements	\$ 43,121	\$ 38,844
Equipment	<u>8,097</u>	<u>6,465</u>
Total	<u>\$ 51,218</u>	<u>\$ 45,309</u>

CHAMPAIGN COUNTY HUMANE SOCIETY, INC.

Notes to Financial Statements (continued)

June 30, 2015 and 2014

Note 7 – 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, 2015 and 2014:

2015	Cost	Fair Value	Carrying Value
Unrestricted:			
Mutual funds	\$ 2,011,335	\$ 2,257,069	\$ 2,257,069
Common stock	36,513	67,451	67,451
U.S. Treasury and Federal Agency bonds and notes	63,635	49,284	49,284
Corporate bonds and notes	25,000	-	-
Permanently Restricted:			
Mutual funds	987,835	1,213,240	1,213,240
Common stock	11,386	9,271	9,271
U.S. Treasury and Federal Agency bonds and notes	<u>28,738</u>	<u>32,113</u>	<u>32,113</u>
Total	<u>\$ 3,164,442</u>	<u>\$ 3,628,428</u>	<u>\$ 3,628,428</u>

2014	Cost	Fair Value	Carrying Value
Unrestricted:			
Mutual funds	\$ 1,814,649	\$ 2,137,559	\$ 2,287,712
Common stock	33,506	64,295	64,295
Municipal bonds	30,000	31,667	31,667
U.S. Treasury and Federal Agency bonds and notes	108,661	97,998	97,998
Corporate bonds and notes	60,108	61,555	61,555
Temporarily restricted:			
Common stock	11,386	8,757	8,757
Mutual funds	750,395	964,041	964,041
U.S. Treasury and Federal Agency bonds and notes	31,614	34,884	34,884
Permanently Restricted:			
Mutual funds	<u>250,000</u>	<u>250,256</u>	<u>100,103</u>
Total	<u>\$ 3,090,319</u>	<u>\$ 3,651,012</u>	<u>\$ 3,651,012</u>

CHAMPAIGN COUNTY HUMANE SOCIETY, INC.

Notes to Financial Statements (continued)

June 30, 2015 and 2014

Note 7 – Investments (Continued):

The following schedule summarizes the investment return and its classification in the Statement of Activities for the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Unrestricted:		
Interest and dividends (net of agency fees of \$22,907 and \$19,416)	\$ 57,540	\$ 63,911
Unrealized gain and (loss)	(68,884)	288,374
Realized gain (loss)	<u>34,662</u>	<u>72,193</u>
Total investment income (loss)	<u>\$ 23,318</u>	<u>\$ 424,478</u>

Note 8 – 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 ten years and an option to renew for three additional five year terms. The annual rental rate for the first ten year term is \$7,000. The annual rate for the renewal terms will be negotiated by the parties.

Note 9 – 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. 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, 2015 and 2014, the Society has received revenues from this source of \$9,810 and \$12,706, respectively.

The Society recognized non-recurring revenue from various other estates of \$19,546 and \$342,501 for the fiscal years ending June 30, 2015 and 2014, respectively.

CHAMPAIGN COUNTY HUMANE SOCIETY, INC.

Notes to Financial Statements (continued)

June 30, 2015 and 2014

Note 10 – 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, 2015</u>			
Dinner/Auction	\$ 95,248	\$ 17,279	\$ 77,969
Garage Sale	62,137	2,536	59,601
Mutt Strut	16,977	2,749	14,228
Other	25,237	155	25,082
Totals	<u>\$ 199,599</u>	<u>\$ 22,719</u>	<u>\$ 177,880</u>
 <u>June 30, 2014</u>			
Dinner/Auction	\$ 84,584	\$ 18,406	\$ 66,178
Garage Sale	69,625	2,389	67,236
Mutt Strut	23,350	2,531	20,819
Other	9,412	786	8,626
Totals	<u>\$ 186,971</u>	<u>\$ 24,112</u>	<u>\$ 162,859</u>

Note 11 – Subsequent Events:

No events have occurred subsequent to June 30, 2015, that are required to be disclosed in these financial statements. This evaluation was made as of May 26, 2016, the date these financial were available to be issued.

CHAMPAIGN COUNTY HUMANE SOCIETY, INC.

Notes to Financial Statements (continued)

June 30, 2015 and 2014

Note 12 – Temporarily Restricted Net Assets:

Queenie B. Mills Endowment Fund

The historic dollar value of the Queenie B. Mills Endowment Fund contributions must be maintained inviolate, except for construction of a memorial garden upon the grounds of the Humane Society. A reclassification of \$81,252 from temporarily to unrestricted net assets for memorial garden construction occurred during the fiscal year ending June 30, 2015. The remaining historic dollar value of the Queenie B. Mills Endowment Fund of \$844,360 has been reclassified from temporarily restricted to 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 Humane Society in any manner determined by the Board of Directors of the Humane 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, preferred/fixed rate securities and corporate bonds and notes, pursuant to the Organization's investment and spending objectives. A breakdown of these investments by class is provided in Note 4 to these financial statements. The fund also held cash deposits of \$17,034 and \$45,192 as of June 30, 2015 and 2014, 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. This amount will be reclassified annually into unrestricted net assets.

The composition of endowment net assets for this fund and the changes in endowment net assets as of June 30, 2015 and 2014 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, July 1, 2013	\$1,031,255	
Investment income	20,806	
Net appreciation (depreciation)	131,831	
Program expenditures	<u>(131,015)</u>	
Endowment net assets, June 30, 2014	\$1,052,877	\$1,052,877
Investment income		18,241
Net appreciation (depreciation)		(10,326)
Program expenditures		<u>(42,599)</u>
Endowment net assets, June 30, 2015		<u>\$1,018,193</u>

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 \$7,230 and \$5,643 were incurred as of June 30, 2015 and 2014, respectively. Grant funds of \$2,802 are restricted for future expenditures as of June 30, 2015.

CHAMPAIGN COUNTY HUMANE SOCIETY, INC.

Notes to Financial Statements (continued)

June 30, 2015 and 2014

Note 13 – Fair Value Measurements:

The Organization has determined the fair value of certain assets and liabilities through application of SFAS No. 157, Fair Value Measurement, or ASC 820. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

- Level 1 – Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.
- Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets.

Fair values of assets and liabilities measured on a recurring basis at June 30, 2015 and June 30, 2014 are as follows:

<u>June 30, 2015</u>	<u>Fair Value</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Investments				
Mutual funds	\$ 3,216,844	\$ 3,216,844	\$ -	\$ -
Common stock	330,187	330,187	-	-
Municipal bonds	-	-	-	-
U.S. Treasury and Federal Agency bonds and notes	81,397	81,397	-	-
Corporate bonds and notes	-	-	-	-
	<u>\$ 3,628,428</u>	<u>\$ 3,628,428</u>	<u>\$ -</u>	<u>\$ -</u>

CHAMPAIGN COUNTY HUMANE SOCIETY, INC.

Notes to Financial Statements (continued)

June 30, 2015 and 2014

Note 13 – Fair Value Measurements (continued):

<u>June 30, 2014</u>	<u>Fair Value</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Mutual funds	\$ 3,351,856	\$ 3,351,856	\$ -	\$ -
Common stock	73,052	73,052	-	-
Municipal bonds	31,667	31,667	-	-
U.S. Treasury and Federal Agency bonds and notes	132,882	132,882	-	-
Corporate bonds and notes	61,555	61,555	-	-
	<u>\$ 3,651,012</u>	<u>\$ 3,651,012</u>	<u>\$ -</u>	<u>\$ -</u>

Note 14 – 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 and funds established by the Board of Directors to function as endowments. As required by generally accepted accounting principles, 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 Uniform Prudent Management of Institutional Funds Act (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, INC.

Notes to Financial Statements (continued)

June 30, 2015 and 2014

Note 14 – Endowment Fund (continued):

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.

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.

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.

CHAMPAIGN COUNTY HUMANE SOCIETY, INC.

Notes to Financial Statements (continued)

June 30, 2015 and 2014

Note 14 – Endowment Fund (continued):

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 1 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.

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.

<u>Asset Class</u>	<u>Target</u>	<u>Range</u>
Fixed Income and Cash	35%	30% - 45%
Domestic Equities	45%	35% - 55%
International Equities (incl. Emerging Markets)	15%	5% - 25%
Alternative Funds	5%	0% - 10%
Total	100%	

CHAMPAIGN COUNTY HUMANE SOCIETY, INC.

Notes to Financial Statements (continued)

June 30, 2015 and 2014

Note 14 – Endowment Fund (continued):

Endowment Activity

	<u>Donor- Restricted Endowment Funds</u>	<u>Board- Designated Endowment Funds</u>	<u>Total</u>
Balance July 1, 2013	\$ 100,000	\$ -	\$ 100,000
Investment return			
Investment income	348	522	870
Net appreciation (depreciation)	<u>3,556</u>	<u>5,333</u>	<u>8,889</u>
Total investment return	<u>3,904</u>	<u>5,855</u>	<u>9,759</u>
Contributions to endowment	-	-	-
Amounts appropriated for expenditure	-	-	-
Transfer to create board-designated endowment funds	<u>-</u>	<u>150,000</u>	<u>150,000</u>
Balance June 30, 2014	103,904	155,855	259,759
Investment return			
Investment income	1,486	2,229	3,715
Net appreciation (depreciation)	<u>(912)</u>	<u>(1,369)</u>	<u>(2,281)</u>
Total investment return	574	860	1,434
Contributions to endowment	-	-	-
Amounts appropriated for expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Balance June 30, 2015	\$ <u>104,478</u>	\$ <u>156,715</u>	\$ <u>261,193</u>

CHAMPAIGN COUNTY HUMANE SOCIETY, INC.

Notes to Financial Statements (continued)

June 30, 2015 and 2014

Note 14 – Endowment Fund (continued):

<u>Net Asset Classification</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
Donor-restricted endowment funds:		
Permanently restricted	\$ <u>100,000</u>	\$ <u>100,000</u>
Total donor-restricted funds	<u>100,000</u>	<u>100,000</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>250,000</u>	\$ <u>250,000</u>