

# **CAPITAL AREA HUMANE SOCIETY**

**FINANCIAL STATEMENTS**

**JUNE 30, 2016 AND 2015**

*CPAs / ADVISORS*



# CAPITAL AREA HUMANE SOCIETY

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Blue & Co., LLC / 8800 Lyra Drive, Suite 450 / Columbus, OH 43240  
main 614.885.BLUE (2583) fax 614.885.0580 email blue@blueandco.com  
*blueandco.com*

## **REPORT OF INDEPENDENT AUDITORS**

To the Board of Trustees  
Capital Area Humane Society  
Hilliard, Ohio

### Report on the Financial Statements

We have audited the accompanying financial statements of Capital Area Humane Society (the "Society"), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expense, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatements.


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 assessment of 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.

To the Board of Trustees  
Capital Area Humane Society  
Hilliard, Ohio

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 the Society as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Columbus, OH  
November 10, 2016

## CAPITAL AREA HUMANE SOCIETY

### STATEMENTS OF FINANCIAL POSITION JUNE 30, 2016 AND 2015

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	2016	2015
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,264,158	\$ 1,013,056
Accounts receivable	135	61
Contributions receivable	66,500	66,750
Inventories	8,224	6,023
Prepaid expenses and other	11,705	7,131
Investments	1,484,712	1,462,236
Total current assets	<u>2,835,434</u>	<u>2,555,257</u>
<b>Property and equipment, net</b>		
Land and improvements	251,000	251,000
Building and improvements	3,451,875	3,429,980
Equipment	313,581	231,428
Automobiles	259,266	227,773
Website	25,000	25,000
	<u>4,300,722</u>	<u>4,165,181</u>
Accumulated depreciation and amortization	<u>(2,161,930)</u>	<u>(1,982,916)</u>
Total property and equipment, net	2,138,792	2,182,265
<b>Other Assets</b>		
Donor restricted cash	63,792	67,464
Permanently restricted endowments	180,000	180,000
Beneficial interests in perpetual trusts	3,662,196	3,959,313
Total other assets	<u>3,905,988</u>	<u>4,206,777</u>
Total assets	<u>\$ 8,880,214</u>	<u>\$ 8,944,299</u>

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See accompanying notes to financial statements.

## CAPITAL AREA HUMANE SOCIETY

### STATEMENTS OF FINANCIAL POSITION JUNE 30, 2016 AND 2015

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	2016	2015
<b>Current liabilities</b>		
Accounts payable	\$ 30,884	\$ 17,081
Accrued expenses	75,483	61,919
Total current liabilities	106,367	79,000
<b>Net assets</b>		
Unrestricted net assets	4,801,359	4,591,772
Temporarily restricted net assets	130,292	134,214
Permanently restricted net assets	3,842,196	4,139,313
Total net assets	8,773,847	8,865,299
Total liabilities and net assets	\$ 8,880,214	\$ 8,944,299

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*See accompanying notes to financial statements.*

# CAPITAL AREA HUMANE SOCIETY

## STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, Gains, and Support</b>				
Contributions	\$ 664,270	\$ 471,062	\$ -	\$ 1,135,332
Direct mail	341,544	-	-	341,544
Membership	87,229	-	-	87,229
Special events	138,930			
Less: Costs of direct benefits to donor	(15,492)			
Special events, net	123,438	-	-	123,438
Cause marketing	54,754	-	-	54,754
Workplace giving	168,323	-	-	168,323
Legacies	173,993	-	-	173,993
Bequests	418,909	-	-	418,909
In-kind contributions	67,601	-	-	67,601
Adoption (net of refunds)	256,398	-	-	256,398
Admissions	30,440	-	-	30,440
Clinic	27,043	-	-	27,043
Earned cruelty investigation department income	5,108	-	-	5,108
Program income	10,190	-	-	10,190
Retail store	41,041	-	-	41,041
Embark transfer program	-	2,000	-	2,000
Interest, dividends and capital gains				
from investments	38,725	-	-	38,725
Net unrealized/realized gain on investments	(6,960)	-	-	(6,960)
Adjustment to fair value of beneficial interests	-	-	(297,117)	(297,117)
Other income	70,192	-	-	70,192
Net assets released from restrictions	476,984	(476,984)	-	-
Total revenue, gains and support	3,049,222	(3,922)	(297,117)	2,748,183
<b>Expenses</b>				
Program services:				
Animal care and adoptions	1,635,995	-	-	1,635,995
Animal cruelty investigations	408,272	-	-	408,272
Total program services	2,044,267	-	-	2,044,267
<b>Supporting services</b>				
General and administrative	494,001	-	-	494,001
Fundraising	301,367	-	-	301,367
Total supporting services	795,368	-	-	795,368
Total expenses	2,839,635	-	-	2,839,635
Change in net assets	209,587	(3,922)	(297,117)	(91,452)
<b>Net assets</b>				
Beginning of year	4,591,772	134,214	4,139,313	8,865,299
End of year	\$ 4,801,359	\$ 130,292	\$ 3,842,196	\$ 8,773,847

See accompanying notes to financial statements.

## CAPITAL AREA HUMANE SOCIETY

### STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, Gains, and Support</b>				
Contributions	\$ 703,580	\$ 251,664	\$ -	\$ 955,244
Direct mail	286,834	-	-	286,834
Membership	87,001	-	-	87,001
Special events	137,508			
Less: Costs of direct benefits to donor	<u>(13,056)</u>			
Special events, net	124,452	-	-	124,452
Cause marketing	50,837	-	-	50,837
Workplace giving	138,189	-	-	138,189
Legacies	164,777	-	-	164,777
Bequests	1,304,669	-	-	1,304,669
In-kind contributions	54,173	-	-	54,173
Adoption (net of refunds)	207,667	-	-	207,667
Admissions	41,709	-	-	41,709
Clinic	34,035	-	-	34,035
Earned cruelty investigation department income	7,432	-	-	7,432
Program income	9,075	-	-	9,075
Retail store	49,951	-	-	49,951
Interest, dividends and capital gains				
from investments	27,891	-	-	27,891
Net unrealized/realized gain on investments	7,397	-	-	7,397
Adjustment to fair value of beneficial interests	-	-	(137,351)	(137,351)
Other income	13,387	-	-	13,387
Net assets released from restrictions	415,265	(415,265)	-	-
Total revenue, gains and support	<u>3,728,321</u>	<u>(163,601)</u>	<u>(137,351)</u>	<u>3,427,369</u>
<b>Expenses</b>				
Program services:				
Animal care and adoptions	1,483,915	-	-	1,483,915
Animal cruelty investigations	268,714	-	-	268,714
Total program services	<u>1,752,629</u>	<u>-</u>	<u>-</u>	<u>1,752,629</u>
<b>Supporting services</b>				
General and administrative	307,027	-	-	307,027
Fundraising	295,879	-	-	295,879
Total supporting services	<u>602,906</u>	<u>-</u>	<u>-</u>	<u>602,906</u>
Total expenses	<u>2,355,535</u>	<u>-</u>	<u>-</u>	<u>2,355,535</u>
Change in net assets	1,372,786	(163,601)	(137,351)	1,071,834
<b>Net assets</b>				
Beginning of year	<u>3,218,986</u>	<u>297,815</u>	<u>4,276,664</u>	<u>7,793,465</u>
End of year	<u>\$ 4,591,772</u>	<u>\$ 134,214</u>	<u>\$ 4,139,313</u>	<u>\$ 8,865,299</u>

*See accompanying notes to financial statements.*



## CAPITAL AREA HUMANE SOCIETY

### STATEMENT OF FUNCTIONAL EXPENSE YEAR ENDED JUNE 30, 2016

	Animal Care and Adoptions	Animal Cruelty Investigations (CID)	General and Administrative	Fundraising	Total
Animal care supplies	\$ 111,772	\$ 878	\$ -	\$ -	\$ 112,650
Veterinary supplies	271,780	111,181	-	-	382,961
General supplies	11,475	2,895	20,667	172	35,209
Office supplies	5,234	591	2,127	366	8,318
Special events	-	-	-	15,492	15,492
Postage	265	83	3,309	5,715	9,372
Printing	1,538	1,393	1,132	133,322	137,385
Permits and fees	2,152	420	1,247	-	3,819
Retail store	21,076	-	-	-	21,076
Benefits and wages	1,012,597	245,294	153,808	138,695	1,550,394
Employee safety program and equipment	1,389	4,040	-	-	5,429
Professional development	6,410	5,947	-	555	12,912
Professional services	2,828	1,083	50,631	7,266	61,808
Relationship management	5,927	12	2,778	93	8,810
Banking	76	38	28,760	-	28,874
Depreciation	153,081	11,529	8,646	5,758	179,014
Equipment	6,057	629	44,065	-	50,751
Facility repair and improvements	-	-	17,571	-	17,571
Grounds maintenance	-	-	7,960	-	7,960
Insurance	1,650	7,975	24,036	-	33,661
IT equipment and services	11,369	1,621	21,247	7,554	41,791
Miscellaneous	687	-	-	1,167	1,854
Telecommunications	1,523	1,591	4,781	667	8,562
Utilities	-	-	100,475	-	100,475
Vehicle	7,109	11,072	105	37	18,323
Property tax	-	-	656	-	656
<b>Total</b>	<b>1,635,995</b>	<b>408,272</b>	<b>494,001</b>	<b>316,859</b>	<b>2,855,127</b>
Less expenses included with revenues on the statement of activities	-	-	-	(15,492)	(15,492)
<b>Total expenses included in the expense section of the statement of activities</b>	<b>\$ 1,635,995</b>	<b>\$ 408,272</b>	<b>\$ 494,001</b>	<b>\$ 301,367</b>	<b>\$ 2,839,635</b>

*See accompanying notes to financial statements.*

## CAPITAL AREA HUMANE SOCIETY

### STATEMENT OF FUNCTIONAL EXPENSE YEAR ENDED JUNE 30, 2015

	Animal Care and Adoptions	Animal Cruelty Investigations (CID)	General and Administrative	Fundraising	Total
Animal care supplies	\$ 84,520	\$ 366	\$ -	\$ -	\$ 84,886
Veterinary supplies	218,783	4,680	-	-	223,463
General supplies	16,143	1,380	17,253	-	34,776
Office supplies	6,436	138	5,396	351	12,321
Special events	-	-	-	13,056	13,056
Postage	499	238	1,418	5,863	8,018
Printing	1,170	1,230	273	114,803	117,476
Permits and fees	2,118	459	1,354	-	3,931
Retail store	28,757	-	-	-	28,757
Benefits and wages	910,447	217,824	98,139	140,877	1,367,287
Employee safety program and equipment	1,592	4,798	-	-	6,390
Professional development	1,550	2,338	3,995	1,374	9,257
Professional services	8,251	400	28,837	18,152	55,640
Relationship management	3,987	-	1,549	63	5,599
Banking	76	19	26,550	89	26,734
Depreciation	71,009	5,348	4,011	2,670	83,038
Equipment	8,917	641	32,164	-	41,722
Facility repair and improvements	-	-	29,443	-	29,443
Grounds maintenance	-	-	8,184	-	8,184
Insurance	1,690	8,260	19,753	-	29,703
Interest	-	-	38	-	38
IT equipment and services	13,886	1,820	6,702	8,231	30,639
Miscellaneous	5,777	-	14,047	1,015	20,839
Telecommunications	1,265	1,304	4,222	387	7,178
Utilities	91,202	4,009	3,007	2,004	100,222
Vehicle	5,840	13,462	36	-	19,338
Property tax	-	-	656	-	656
<b>Total</b>	<b>1,483,915</b>	<b>268,714</b>	<b>307,027</b>	<b>308,935</b>	<b>2,368,591</b>
Less expenses included with revenues on the statement of activities	-	-	-	(13,056)	(13,056)
<b>Total expenses included in the expense section of the statement of activities</b>	<b>\$ 1,483,915</b>	<b>\$ 268,714</b>	<b>\$ 307,027</b>	<b>\$ 295,879</b>	<b>\$ 2,355,535</b>

*See accompanying notes to financial statements.*

## CAPITAL AREA HUMANE SOCIETY

### STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (91,452)	\$ 1,071,834
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	179,014	83,038
Net unrealized/realized (gain)/loss on investments	6,960	(7,397)
Adjustment to fair value of beneficial interests in perpetual trusts	297,117	137,351
Changes in operating assets and liabilities		
Accounts receivable	(74)	6,474
Contributions receivable	250	131,328
Inventories	(2,201)	(941)
Prepaid expenses and other	(4,574)	6,677
Deferred revenue	-	(25,000)
Accounts payable	13,803	(23,321)
Accrued expenses	13,564	15,062
Net cash flows from operating activities	412,407	1,395,105
<b>Cash flows from investing activities</b>		
Net unappropriated earnings	-	24,069
Change in donor restricted cash	3,672	32,273
Change in investments	(29,436)	(1,454,839)
Purchase of property and equipment	(135,541)	(319,088)
Net cash flows from investing activities	(161,305)	(1,717,585)
Change in cash and cash equivalents	251,102	(322,480)
Cash and cash equivalents, beginning of year	1,013,056	1,335,536
Cash and cash equivalents, end of year	\$ 1,264,158	\$ 1,013,056
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ -	\$ 38

*See accompanying notes to financial statements.*

# CAPITAL AREA HUMANE SOCIETY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

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### 1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

The Capital Area Humane Society ("Society") is a nonprofit organization, formed in 1883. The Society's mission is to fight animal cruelty, help animals in need and advocate for their well-being. The Society is responsible for investigating reports of animal cruelty and neglect in Franklin County, Ohio and for providing services for pets and people in central Ohio including animal adoption, low cost spay/neuter, dog training, humane education and emergency sheltering for the pets of victims of domestic violence. The Society's primary sources of funding received are from individual and corporate donations, grants, membership and bequests.

#### Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### Financial statement presentation

The Society reports information regarding its financial position and activities according to the following three classes:

- Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Society or the passage of time. The Society reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If the donor restriction expires in the same fiscal year the gift is received, the Society reports the gift as a temporarily restricted contribution and as net assets released from restriction in the statement of activities.
- Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be maintained permanently by the Society. Generally, the donors of these assets permit the Society to use all or part of the income earned on related investments for general or specific purposes.

# CAPITAL AREA HUMANE SOCIETY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

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### Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

### Revenue recognition

Animal care, adoptions and animal law enforcement - The Society records the income from animal care, adoptions, and animal cruelty investigations at the time services are rendered based upon service date.

Contracts and grants - The Society records grant income and grant transactions in the period earned.

Contributions - Contributions received, including unconditional promises to give, are recognized as revenues in the period received at their fair values.

### Cash and cash equivalents

Cash equivalents are defined by the Society as short-term, highly liquid investments with original maturities of three months or less. Cash and cash equivalents consist of a money market account, and checking and savings accounts excluding those classified as endowment investments and donor restricted cash. The carrying amounts of cash and cash equivalents approximate fair value.

The Society maintains its cash in accounts which at times may exceed federally insured limits. The Society believes that it is not exposed to any significant credit risk on cash and cash equivalents.

### Accounts receivable

Accounts receivable are stated at the amount the Society expects to collect from outstanding balances. Management estimates an allowance for doubtful accounts based upon management's review of delinquent accounts and an assessment of the Society's historical evidence of collections. Specific accounts are charged to the allowance when management determines that the account may be uncollectible. Management has reviewed the detail of accounts receivable and has determined that an allowance for doubtful accounts is not required at June 30, 2016 and 2015.

### Contributions receivable

Contributions receivable consist of amounts that have been unconditionally promised to the Society. Management estimates an allowance for uncollectible contributions receivable based on current economic conditions, historical trends, and current and past experience with their donor base. As of June 30, 2016 and 2015, no allowance for uncollectible contributions was deemed necessary.

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# CAPITAL AREA HUMANE SOCIETY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

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### Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market. Inventories consist of goods held for resale in the Society's retail store.

### Investments

Investments are carried at fair value. The fair values of mutual fund securities are based on quoted market prices. Investments received by donors as gifts are recorded at fair value at the date of gift. Realized investment gains and losses represent the difference between the proceeds on sales of investments and their carrying value. Investment return includes interest, dividends and both realized and unrealized gains and losses. All realized and unrealized gains and losses on investments are reported as increases or decreases, respectively, to unrestricted net assets unless required by donors to be reinvested in restricted net assets.

The Society invests in a professionally managed portfolio that contains mutual funds and money market funds. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

### Beneficial interests in perpetual trusts

The Society follows guidance from the Financial Accounting Standards Board (FASB), which establishes standards for transactions between the Society (as beneficiary), and PNC Bank as the recipient organization. The Society reports a beneficial interest in the perpetual trusts at PNC Bank.

### Property and equipment

Property and equipment are recorded at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Depreciation is provided on the straight-line method over the estimated useful lives of the applicable assets, which range from 3 to 40 years. Depreciation expense was \$179,014 and \$83,038 for the years ended June 30, 2016 and 2015, respectively.

### Impairment of long-lived assets

The Society reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Measurement of any impairment would include a comparison of estimated undiscounted future cash flows to be generated during the remaining life of the asset to its net carrying value. The Society believes the carrying values of all long-lived assets at June 30, 2016 and 2015 are recoverable.

# CAPITAL AREA HUMANE SOCIETY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

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### Special events

The Society expenses the costs associated with special events they carry out as they are incurred. The expense associated with Special Events has been determined to be a direct benefit to the donor; therefore, this expense is netted with revenues on the statement of activities. Special events expenses were \$15,492 and \$13,056 in 2016 and 2015, respectively.

### In-kind contributions

The Society has received in-kind contributions of \$67,601 and \$54,173 in 2016 and 2015, respectively, and recorded both expense and contributions. These contributions are related to donations of supplies, food, and medication.

### Donated services

Donated services are recognized as contributions, if the services (a) create or enhance nonfinancial assets or (b) require specialized skill, are performed by people with those skills, and would otherwise be purchased by the Society.

Many individuals volunteer their time and perform a variety of tasks that assist the Society in their programs. However, since no objective basis exists for recording and assigning value to their services, they are not reflected in the accompanying financial statements.

### Functional allocation of expenses

The costs of providing programs and activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and activities benefited based on estimates developed by the Society's management.

### Income tax

The Society is a tax-exempt organization as defined under Section 501(c)(3) of the Internal Revenue Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Society and recognize a tax liability if the Society has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Society, and has concluded that as of June 30, 2016 and 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements.

# CAPITAL AREA HUMANE SOCIETY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

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The Society is generally exempt from income taxes. However, the Society is required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only. The Society is subject to routine audits by taxing jurisdictions. However, as of the date the financial statements were available to be issued, there were no audits for any tax periods in progress.

### Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform to the current year presentation. There were no changes in net assets as a result of these classifications.

### Subsequent events

The Society 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 November 10, 2016, which is the date the financial statements were available to be issued.

## 2. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30, 2016 and 2015, totaling \$66,500 and \$66,750, respectively, are due within one year. As of June 30, 2016 and 2015, no allowance for uncollectible contributions was deemed necessary.

## 3. BENEFICIAL INTERESTS IN PERPETUAL TRUSTS

The Society is the beneficiary of the Lillian Schaaf and Dickson Moore Trusts for which PNC Bank serves as trustee. The amounts received vary annually based on the income earned by the trusts. The combined amount of contributions received from these funds totaled \$173,993 and \$164,777 for the years ended June 30, 2016 and 2015, respectively. The trusts have been recorded on the statements of financial position under the caption "Beneficial interests in perpetual trusts." The trusts are recorded at the fair market value of the funds in the trust. At June 30, 2016 and 2015, the fair value of beneficial interest in perpetual trusts amounted to \$3,662,196 and \$3,959,313, respectively.

## 4. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- *Level 1:* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access.



## CAPITAL AREA HUMANE SOCIETY

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

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- *Level 2:* Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- *Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

There were no transfers between hierarchy levels during 2016 and 2015. The Society's policy is to recognize transfers between levels as of the end of the reporting period.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015:

*Mutual Funds:* Valued at the daily closing prices as reported by the fund. Mutual funds held by the Society are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

*Money Market Funds:* Generally transact subscription and redemption activity at a \$1 stable net asset value (NAV); however, on a daily basis, the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.

*Corporate bonds:* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

*Beneficial interest in perpetual trusts:* Valued at fair value as reported by the trustee, which represents the Society's pro rata interest in the net assets of the trust, substantially all of which are valued on a mark-to-market basis.

## CAPITAL AREA HUMANE SOCIETY

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

Fair values of financial instruments at June 30, 2016 follow:

	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	\$ -	\$ 44,362	\$ -	\$ 44,362
Mutual funds:				
Small cap fund	45,823	-	-	45,823
Large cap fund	829,469	-	-	829,469
Corporate bonds:				
Consumer cyclical sector bonds	-	66,213	-	66,213
Consumer defensive sector bonds	-	307,397	-	307,397
Energy services sector bonds	-	144,504	-	144,504
Financial services sector bonds	-	78,305	-	78,305
Industrial sector bonds	-	17,851	-	17,851
Technology sector bonds	-	37,314	-	37,314
Telecommunication services sector bonds	-	61,049	-	61,049
Utilities sector bonds	-	32,425	-	32,425
	\$ 875,292	\$ 789,420	\$ -	\$ 1,664,712
Other assets:				
Beneficial interest in perpetual trusts	-	-	3,662,196	3,662,196
Total	\$ 875,292	\$ 789,420	\$ 3,662,196	\$ 5,326,908

Fair values of financial instruments at June 30, 2015 follow:

	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	\$ -	\$ 55,699	\$ -	\$ 55,699
Mutual funds:				
Small cap fund	80,108	-	-	80,108
Large cap fund	821,984	-	-	821,984
Corporate bonds:				
Consumer cyclical sector bonds	-	64,807	-	64,807
Consumer defensive sector bonds	-	260,657	-	260,657
Energy services sector bonds	-	138,367	-	138,367
Financial services sector bonds	-	56,279	-	56,279
Industrial sector bonds	-	37,088	-	37,088
Technology sector bonds	-	36,025	-	36,025
Telecommunication services sector bonds	-	61,181	-	61,181
Utilities sector bonds	-	30,041	-	30,041
	\$ 902,092	\$ 740,144	\$ -	\$ 1,642,236
Other assets:				
Beneficial interest in perpetual trusts	-	-	3,959,313	3,959,313
Total	\$ 902,092	\$ 740,144	\$ 3,959,313	\$ 5,601,549

## CAPITAL AREA HUMANE SOCIETY

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

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The total fair value of money market funds, mutual funds, and corporate bonds at June 30, 2016 and 2015 is \$1,664,712 and \$1,642,236, respectively. These amounts are made up of the total investments and permanently restricted endowments.

#### Level 3 Gains and Losses

The table below sets forth a summary of changes in fair value for the Society's level 3 assets for the year ended June 30, 2016:

	<u>Level 3 Assets</u>
Balance, beginning of year	\$ 3,959,313
Change in fair value	<u>(297,117)</u>
Balance, end of year	<u>\$ 3,662,196</u>

The table below sets forth a summary of changes in fair value for the Society's level 3 assets for the year ended June 30, 2015:

	<u>Level 3 Assets</u>
Balance, beginning of year	\$ 4,096,664
Change in fair value	<u>(137,351)</u>
Balance, end of year	<u>\$ 3,959,313</u>

#### 5. LINES OF CREDIT

At June 30, 2016, the Society has a \$300,000 line of credit with PNC Bank of which \$0 was outstanding at June 30, 2016 and 2015. The line of credit is due upon demand and subject to review and extension by the bank. Interest is payable at the WSJ prime rate. The interest rate at June 30, 2016 was 3.25%. The maturity date on the line of credit is March 21, 2021. The line of credit is secured by a building with a net book value of approximately \$1,125,000 at June 30, 2016.

#### 6. RESTRICTED NET ASSETS

At June 30, 2016 and 2015, temporarily restricted net assets consist of the following:

	<u>2016</u>	<u>2015</u>
Contributions - purpose restricted	\$ 63,792	\$ 67,464
Contributions - time restricted	66,500	66,750
	<u>\$ 130,292</u>	<u>\$ 134,214</u>

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# CAPITAL AREA HUMANE SOCIETY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

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Contributions that are purpose restricted are assets that were contributed by donors for specific purposes. These restrictions relate to contributions designated for the Embark transfer program, the cruelty investigation department, and various other purposes. During 2016 and 2015, \$476,984 and \$415,265, respectively, were released from restrictions due to use for its restricted purpose.

Permanently Restricted – Permanently restricted net assets consist of the following:

	2016	2015
Endowment	\$ 180,000	\$ 180,000
Schaaf trust	2,351,808	2,533,753
Moore trust	1,310,388	1,425,560
	<u>\$ 3,842,196</u>	<u>\$ 4,139,313</u>

Income earned on the endowment and the Schaaf trust may be utilized for current operations. Income earned on the Moore trust must be used for the prevention of cruelty to animals.

### 7. ENDOWMENT FUNDS

The Society's endowment consists of a donor restricted endowment fund established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The Society has interpreted the Ohio Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date 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 donor 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 temporarily restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard prudence prescribed by UPMIFA. In accordance with UPMIFA, the Society will consider the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and appreciation of investments
- (6) Other resources of the Society
- (7) The investment policies of the Society

# CAPITAL AREA HUMANE SOCIETY

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

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**Funds with Deficiencies:** From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Society to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United State of America, deficiencies of this nature will be reported in unrestricted net assets. There were no such deficiencies at June 30, 2016 and 2015.

**Return Objectives and Risk Parameters:** The Society has adopted investment and spending policies for endowment assets with the objective of preserving the long-term, real purchasing power of the assets while also placing an emphasis on capital preservation in declining markets versus capital appreciation and return in rising markets. As of June 30, 2016 and 2015 \$3,662,196 and \$3,959,313, respectively, of the endowment funds are held in perpetual trusts, the investment of which is determined by the trustee rather than the Society.

**Strategies Employed for Achieving Objectives:** To satisfy its objectives, the Society relies on a strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a diversified, periodically rebalanced, asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy and How the Investment Objectives Relate to Spending Policy:** The Society has a policy of appropriating for distribution each year five percent of the moving three (3) year average value of the endowment, as determined in the last quarter of each calendar year, and will be incorporated in the following fiscal year's distribution as income available to programs. In establishing this policy, the Society considered the long-term expected return on its endowment.

Endowment net asset composition by fund type as of June 30:

	2016
	Permanently Restricted
Donor-restricted endowment	\$ 3,842,196
	2015
	Permanently Restricted
Donor-restricted endowment	\$ 4,139,313

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## CAPITAL AREA HUMANE SOCIETY

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015

Changes in endowment net assets for the year ended June 30:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Beginning Balance July 1, 2015	\$ -	\$ -	\$ 4,139,313	\$ 4,139,313
Investment return:				
Net investment income	38,725	-	-	38,725
Net depreciation	(6,960)	-	(297,117)	(304,077)
Total investment return	\$ 31,765	\$ -	\$ (297,117)	\$ (265,352)
Amounts allocated for spending	(31,765)	-	-	(31,765)
Ending Balance at June 30, 2016	\$ -	\$ -	\$ 3,842,196	\$ 3,842,196
	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Beginning Balance July 1, 2014	\$ -	\$ -	\$ 4,276,664	\$ 4,276,664
Investment return:				
Net investment income	27,891	-	-	27,891
Net appreciation/(depreciation)	7,397	-	(137,351)	(129,954)
Total investment return	\$ 35,288	\$ -	\$ (137,351)	\$ (102,063)
Amounts allocated for spending	(35,288)	-	-	(35,288)
Ending Balance at June 30, 2015	\$ -	\$ -	\$ 4,139,313	\$ 4,139,313

#### 8. FUNDS HELD BY THE COLUMBUS FOUNDATION

The Society is the beneficiary of the Brown Pet Cemetery Fund. The Fund is held in the name of the Society at the Columbus Foundation, a local foundation for receiving and distributing charitable funds. The Columbus Foundation holds legal title to the assets and the Society must apply for distribution of funds. The fund and the income derived there from are subject to the variance power of The Columbus Foundation and therefore, are not recorded on the Society's statements of financial position. The fair value of the fund amounted to \$125,259 and \$121,674 at June 30, 2016 and 2015, respectively.