

**Geauga County Humane Society, Inc.
dba Rescue Village
and
The Rescue Village Foundation**

**Consolidated Financial Statements
December 31, 2013 and 2012**

**Geauga County Humane Society, Inc. dba Rescue Village
and
The Rescue Village Foundation**

Consolidated Statements of Financial Position

December 31, 2013 and 2012

	<u>Assets</u>	
	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 358,780	\$ 605,850
Pledges and accounts receivable	2,188	3,818
Prepaid expenses	17,168	12,181
Total current assets	<u>378,136</u>	<u>621,849</u>
Property and equipment:		
Land	225,882	225,882
Land improvements	119,520	119,520
Building	1,861,970	1,861,970
Furniture and fixtures	36,148	36,148
Equipment	133,755	130,064
Vehicles	35,330	35,330
	<u>2,412,605</u>	<u>2,408,914</u>
Less: accumulated depreciation	<u>(908,675)</u>	<u>(825,278)</u>
Property and equipment, net	<u>1,503,930</u>	<u>1,583,636</u>
Other assets:		
Pledges receivable for capital campaign, net of discount	427,052	-
Endowment fund	4,717,725	4,313,101
Other investments	805,160	75,099
Deposits	255	255
Total other assets	<u>5,950,192</u>	<u>4,388,455</u>
	<u>\$ 7,832,258</u>	<u>\$ 6,593,940</u>

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

**Geauga County Humane Society, Inc. dba Rescue Village
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Consolidated Statements of Financial Position (continued)

December 31, 2013 and 2012

Liabilities and Net Assets

	<u>2013</u>	<u>2012</u>
Current liabilities:		
Accounts payable	\$ 22,471	\$ 7,051
Accrued expenses	65,150	54,882
Deferred revenue	-	10,000
Current portion of capital lease obligation	3,089	2,991
Total current liabilities	<u>90,710</u>	<u>74,924</u>
Capital lease obligation, net of current portion	<u>9,605</u>	<u>12,693</u>
Total liabilities	100,315	87,617
Net assets:		
Unrestricted:		
Undesignated	2,419,606	2,361,132
Board-designated endowment	<u>4,702,402</u>	<u>4,117,698</u>
Total unrestricted	7,122,008	6,478,830
Temporarily restricted	<u>609,935</u>	<u>27,493</u>
Total net assets	<u>7,731,943</u>	<u>6,506,323</u>
	<u>\$ 7,832,258</u>	<u>\$ 6,593,940</u>

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

**Geauga County Humane Society, Inc. dba Rescue Village
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Consolidated Statement of Activities

For the year ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenue:			
Public support:			
Donations and bequests	\$ 981,209	\$ -	\$ 981,209
Grant income	38,761	-	38,761
Capital campaign income	-	677,675	677,675
Special events	273,456	-	273,456
Other	1,158	-	1,158
Total public support	<u>1,294,584</u>	<u>677,675</u>	<u>1,972,259</u>
Revenue:			
Membership dues	83,249	-	83,249
Program service fees	<u>217,698</u>	<u>-</u>	<u>217,698</u>
Total public support and revenue	1,595,531	677,675	2,273,206
Investment and dividend income	90,722	-	90,722
Realized and unrealized gain on investments	<u>705,947</u>	<u>-</u>	<u>705,947</u>
	<u>2,392,200</u>	<u>677,675</u>	<u>3,069,875</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>95,233</u>	<u>(95,233)</u>	<u>-</u>
Expenses:			
Program services	1,411,599	-	1,411,599
Supporting services:			
Management and general	98,770	-	98,770
Fundraising	<u>333,886</u>	<u>-</u>	<u>333,886</u>
Total expenses	<u>1,844,255</u>	<u>-</u>	<u>1,844,255</u>
Change in net assets	643,178	582,442	1,225,620
Net assets at beginning of year	<u>6,478,830</u>	<u>27,493</u>	<u>6,506,323</u>
Net assets at end of year	\$ <u><u>7,122,008</u></u>	\$ <u><u>609,935</u></u>	\$ <u><u>7,731,943</u></u>

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

**Geauga County Humane Society, Inc. dba Rescue Village
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Consolidated Statement of Activities

For the year ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenue:			
Public support:			
Donations and bequests	\$ 1,042,090	\$ 26,700	\$ 1,068,790
Grant income	21,048	-	21,048
Special events	241,200	-	241,200
Other	18,003	-	18,003
Total public support	<u>1,322,341</u>	<u>26,700</u>	<u>1,349,041</u>
Revenue:			
Membership dues	92,547	-	92,547
Program service fees	220,780	-	220,780
Total public support and revenue	<u>1,635,668</u>	<u>26,700</u>	<u>1,662,368</u>
Investment and dividend income	91,289	-	91,289
Realized and unrealized loss on investments	365,245	-	365,245
	<u>2,092,202</u>	<u>26,700</u>	<u>2,118,902</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	10,498	(10,498)	-
Expenses:			
Program services	1,335,426	-	1,335,426
Supporting services:			
Management and general	70,111	-	70,111
Fundraising	304,506	-	304,506
Total expenses	<u>1,710,043</u>	<u>-</u>	<u>1,710,043</u>
Change in net assets	392,657	16,202	408,859
Net assets at beginning of year	<u>6,086,173</u>	<u>11,291</u>	<u>6,097,464</u>
Net assets at end of year	<u>\$ 6,478,830</u>	<u>\$ 27,493</u>	<u>\$ 6,506,323</u>

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

**Geauga County Humane Society, Inc. dba Rescue Village
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Consolidated Statement of Functional Expenses

For the year ended December 31, 2013

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Salaries and wages	\$ 764,752	\$ 48,192	\$ 84,089	\$ 897,033
Payroll taxes	80,339	3,737	9,112	93,188
Employee benefits	<u>72,005</u>	<u>3,814</u>	<u>2,923</u>	<u>78,742</u>
Total salaries and related expenses	917,096	55,743	96,124	1,068,963
Mail house	-	-	77,916	77,916
Postage	9,299	-	23,263	32,562
Rent and utilities	33,595	-	-	33,595
Repairs and maintenance	33,728	-	743	34,471
Telephone	6,273	-	-	6,273
Licenses and permits	8,915	-	-	8,915
Equipment rental and leases	19,036	-	2,795	21,831
Clothing	11,427	-	-	11,427
Vehicle	11,589	-	177	11,766
Printing	4,384	-	3,294	7,678
Insurance	9,787	2,050	-	11,837
Dues and subscriptions	6,407	-	16,079	22,486
Depreciation	83,397	-	-	83,397
Advertising	5,233	-	234	5,467
Professional fees	33,990	13,070	2,715	49,775
Office supplies	27,054	269	4,305	31,628
Training and education	5,782	-	411	6,193
Veterinary	17,921	-	-	17,921
Drugs and medical supplies	63,668	-	-	63,668
Shelter supplies and expense	29,297	-	-	29,297
Photographs	642	-	43	685
Rubbish removal	13,170	-	-	13,170
Spay and neuter expense	34,196	-	-	34,196
Travel	16,787	177	1,853	18,817
Special events	5,585	-	62,707	68,292
Interest	479	-	-	479
Capital campaign	-	27,461	41,072	68,533
Other expense	<u>2,862</u>	<u>-</u>	<u>155</u>	<u>3,017</u>
Total expenses	\$ <u>1,411,599</u>	\$ <u>98,770</u>	\$ <u>333,886</u>	\$ <u>1,844,255</u>

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**Geauga County Humane Society, Inc. dba Rescue Village
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Consolidated Statement of Functional Expenses

For the year ended December 31, 2012

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Salaries and wages	\$ 720,128	\$ 35,060	\$ 98,713	\$ 853,901
Payroll taxes	67,614	2,699	12,260	82,573
Employee benefits	<u>72,343</u>	<u>3,203</u>	<u>4,379</u>	<u>79,925</u>
Total salaries and related expenses	860,085	40,962	115,352	1,016,399
Mail house	197	23	86,581	86,801
Postage	12,222	24	2,611	14,857
Rent and utilities	38,767	-	-	38,767
Repairs and maintenance	28,326	850	-	29,176
Telephone	8,368	-	-	8,368
Licenses and permits	8,257	-	50	8,307
Equipment rental and leases	25,028	-	4,907	29,935
Clothing	10,555	-	-	10,555
Vehicle	6,458	-	115	6,573
Printing	5,646	-	4,462	10,108
Insurance	8,339	2,050	-	10,389
Dues and subscriptions	3,593	750	1,885	6,228
Depreciation	80,081	-	-	80,081
Advertising	3,969	37	4,415	8,421
Professional fees	28,359	22,723	18,274	69,356
Office supplies	29,232	47	2,984	32,263
Training and education	12,466	-	2,557	15,023
Veterinary	8,304	-	-	8,304
Drugs and medical supplies	52,913	-	-	52,913
Shelter supplies and expense	34,325	-	-	34,325
Photographs	577	-	-	577
Rubbish removal	14,691	-	-	14,691
Spay and neuter expense	30,899	-	-	30,899
Travel	14,759	333	2,628	17,720
Special events	9,010	2,269	57,685	68,964
Interest	-	<u>43</u>	-	<u>43</u>
Total expenses	\$ <u>1,335,426</u>	\$ <u>70,111</u>	\$ <u>304,506</u>	\$ <u>1,710,043</u>

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

**Geauga County Humane Society, Inc. dba Rescue Village
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Consolidated Statements of Cash Flows

For the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,225,620	\$ 408,859
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	83,397	80,081
Realized and unrealized gain on investments	(705,947)	(365,245)
Capital campaign income	(677,675)	-
(Increase) decrease in operating assets:		
Pledges receivable	1,630	19,992
Prepaid expenses	(4,987)	806
Increase (decrease) in operating liabilities:		
Accounts payable	15,420	(5,290)
Accrued expenses	10,268	6,466
Deferred revenue	(10,000)	10,000
Net cash (used) provided by operating activities	<u>(62,274)</u>	<u>155,669</u>
Cash flows from investing activities:		
Purchase of property and equipment	(3,691)	(7,850)
Proceeds from sale of investments	1,132,057	116,958
Purchases of and income retained in investments	(1,560,795)	(212,109)
Net cash used by investing activities	<u>(432,429)</u>	<u>(103,001)</u>
Cash flows from financing activities:		
Principal payments on capitalized lease obligation	(2,990)	(245)
Collection of contributions for capital campaign	250,623	(245)
Net cash provided (used) by financing activities	<u>247,633</u>	<u>(245)</u>
Net (decrease) increase in cash and cash equivalents	(247,070)	52,423
Cash and cash equivalents, beginning of year	<u>605,850</u>	<u>553,427</u>
Cash and cash equivalents, end of year	\$ <u><u>358,780</u></u>	\$ <u><u>605,850</u></u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 479	\$ 43
Non-cash investing and financing activities:		
Acquisition of equipment with capital lease obligation	\$ -	\$ 15,929

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

**Geauga County Humane Society, Inc. dba Rescue Village
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Notes to Consolidated Financial Statements

December 31, 2013 and 2012

Note 1: Summary of Significant Accounting Policies

The accompanying consolidated financial statements include the accounts of Geauga County Humane Society, Inc. dba Rescue Village (the “Society”) and its affiliate, The Rescue Village Foundation (the “Foundation”) (collectively referred to as the “Organization”). All significant intra-entity accounts and transactions have been eliminated.

Nature of Activities

The Society is located in Russell Township, Geauga County, Ohio. The Society’s purpose is to shelter and find homes for sick, injured, abused, and abandoned domestic animals; to foster compassion for all living things through education; and to prevent cruelty by enforcing animal protection laws.

The Society’s primary sources of revenue are from donations and bequests, program service fees (adoptions and memorials), and fundraising events.

In 2011, the Board of Trustees of the Society elected to form a separate legal foundation to hold the assets of the board-designated endowment. Effective July 1, 2011, the Foundation was formed for this purpose.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions. These include both undesignated and board-designated net assets.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. If donor-imposed restrictions are met in the same year as they are imposed, the net assets are reported as unrestricted.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions that are to be maintained by the Organization in perpetuity. At December 31, 2013 and 2012, the Organization had no permanently restricted net assets.

**Geauga County Humane Society, Inc. dba Rescue Village
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Notes to Consolidated Financial Statements

December 31, 2013 and 2012

Note 1: Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

The Organization follows authoritative guidance issued by the Financial Accounting Standards Board (“FASB”) which established the FASB Accounting Standards Codification (“ASC”) as the single source of authoritative accounting principles generally accepted in the United States of America.

Functional Allocation of Expenses

The costs of providing various programs and related supporting services have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated to the appropriate programs and supporting services benefited based upon management’s best estimate of the resources used in providing each service.

Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

The Organization maintains its cash accounts at various financial institutions. The balances, at times, may exceed federally insured limits.

Contributions and Pledges Receivable

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

Unconditional pledges receivable are recognized as revenues in the period the promise is received. Conditional pledges receivable are recognized when the conditions on which they depend are substantially met. The pledges are stated at their fair market value. Pledges that are to be received over a period of years, if applicable, are discounted to fair value based on their respective payment terms and an appropriate discount rate as of the date the pledge is received.

**Geauga County Humane Society, Inc. dba Rescue Village
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Notes to Consolidated Financial Statements

December 31, 2013 and 2012

Note 1: Summary of Significant Accounting Policies (continued)

Contributions and Pledges Receivable (continued)

Deferred revenue is recognized when funds are received in advance of the earnings process or satisfaction of donor-imposed conditions. Once services are provided, or conditions are satisfied, the Organization recognizes revenue and reduces the deferred revenue balance.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statements of financial position. Realized and unrealized gains and losses are included in investment income in the period in which they occur.

Property and Equipment

Depreciation of property and equipment is provided by use of declining balance and straight-line methods over the estimated useful lives of the assets, which range from 2 to 40 years.

Assets having a useful life in excess of one year and with costs of \$1,000 or greater are capitalized. Major additions and improvements are capitalized while replacements, maintenance, and repairs which do not improve or extend the lives of the respective assets are expensed. Purchased property and equipment are stated at cost.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2013 and 2012 totaled \$5,467 and \$8,421, respectively.

Contributed Services

The Organization recognizes contributions of services received when those services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by the donation.

**Geauga County Humane Society, Inc. dba Rescue Village
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Notes to Consolidated Financial Statements

December 31, 2013 and 2012

Note 1: Summary of Significant Accounting Policies (continued)

Income Taxes

The Society and the Foundation are not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and are exempt from federal income taxes pursuant to Section 501(a) of the Code. No provision for federal income taxes has been reported in the consolidated financial statements.

The Organization accounts for income taxes in accordance with the "Income Taxes" topic of the FASB ASC. Uncertain income tax positions are evaluated at least annually by management. The Organization classifies interest and penalties related to income tax matters as management and general expense in the accompanying consolidated financial statements. As of December 31, 2013 and 2012, the Organization has identified no uncertain income tax positions and has incurred no amounts for income tax penalties and interest for the years then ended.

The Society and the Foundation file their respective Federal Form 990 in the U.S. federal jurisdiction and the office of the state's attorney general for the State of Ohio. The Organization believes it is no longer subject to examination by the Internal Revenue Service for fiscal years before 2010.

Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and temporary investments, investment securities, and pledges receivable.

The Organization has significant investments in equity and debt securities and is, therefore, subject to concentrations of credit risk. Investments are managed by investment advisors who are overseen by the Investment Committee of the Board of Trustees. Though the market value of investments is subject to fluctuations on a year-to-year basis, the Trustees believe that the investment policy is prudent for the long-term welfare of the Organization.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 10, 2014, the date the consolidated financial statements were available to be issued.

**Geauga County Humane Society, Inc. dba Rescue Village
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Notes to Consolidated Financial Statements

December 31, 2013 and 2012

Note 2: Pledges Receivable for Capital Campaign

Capital campaign pledges were discounted to their estimated fair value assuming their respective terms and a discount rate of prime (3.25% at December 31, 2013). The pledges receivable as of December 31, 2013 are scheduled to be collected as follows:

Payable within one year	\$ 152,991
Payable in two years	130,092
Payable in three years	88,707
Payable in four years	47,710
Payable in five years	<u>24,444</u>
	443,944
Less: discounts to fair value	<u>(16,892)</u>
Net pledges receivable	\$ <u>427,052</u>

Management has determined that no allowance for doubtful accounts is necessary at December 31, 2013.

Note 3: Investments

Investments (at fair value) consisted of the following at December 31:

	<u>2013</u>	<u>2012</u>
Endowment fund:		
Cash and cash equivalents	\$ 153,148	\$ 512,485
Mutual funds (equities)	3,586,682	2,996,119
Mutual funds (fixed income)	969,824	747,718
Corporate securities	-	45,632
Asset backed securities	8,027	10,478
Accrued interest	<u>44</u>	<u>669</u>
Total endowment fund	<u>4,717,725</u>	<u>4,313,101</u>
Other investments:		
Cash and cash equivalents	262,720	48,371
Certificates of deposit	511,780	16,728
Common stock	20,660	-
Governmental securities	<u>10,000</u>	<u>10,000</u>
Total other investments	<u>805,160</u>	<u>75,099</u>
Total investments	\$ <u>5,522,885</u>	\$ <u>4,388,200</u>

**Geauga County Humane Society, Inc. dba Rescue Village
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Notes to Consolidated Financial Statements

December 31, 2013 and 2012

Note 4: Fair Value Measurements

In accordance with the “Fair Value Measurements” topic of the FASB ASC, the Organization uses a three-level fair value hierarchy that categorizes assets and liabilities measured at fair value based on the observability of the inputs utilized in the valuation. This hierarchy prioritizes the inputs into three broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly; and Level 3 inputs are unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own valuation assumptions. These inputs reflect management’s judgment about the assumptions that a market participant would use in pricing the asset and are based on the best available information, which has been internally developed.

Financial assets (liabilities) consisted of the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total at 12/31/2013</u>
Cash and cash equivalents	\$ 415,868	\$ -	\$ -	\$ 415,868
Certificates of deposit	-	511,780	-	511,780
Common stock	20,660	-	-	20,660
Mutual funds (equities)	3,586,682	-	-	3,586,682
Mutual funds (fixed income)	969,824	-	-	969,824
Governmental securities	-	10,000	-	10,000
Asset backed securities	-	8,027	-	8,027
Accrued interest	-	44	-	44
	<u>\$ 4,993,034</u>	<u>\$ 529,851</u>	<u>\$ -</u>	<u>\$ 5,522,885</u>

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total at 12/31/2012</u>
Cash and cash equivalents	\$ 560,856	\$ -	\$ -	\$ 560,856
Certificates of deposit	-	16,728	-	16,728
Mutual funds (equities)	2,996,119	-	-	2,996,119
Mutual funds (fixed income)	747,718	-	-	747,718
Corporate securities	-	45,632	-	45,632
Governmental securities	-	10,000	-	10,000
Asset backed securities	-	10,478	-	10,478
Accrued interest	-	669	-	669
	<u>\$ 4,304,693</u>	<u>\$ 83,507</u>	<u>\$ -</u>	<u>\$ 4,388,200</u>

**Geauga County Humane Society, Inc. dba Rescue Village
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Notes to Consolidated Financial Statements

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Note 5: Temporarily Restricted Net Assets

At December 31, 2013 and 2012, temporarily restricted net assets were available for the following purposes:

	<u>2013</u>	<u>2012</u>
Marketing and social media	\$ -	\$ 11,700
Program restricted (In Kids We Trust)	793	793
Program restricted (Neighborhood Cats)	-	5,000
Operations – time restricted	-	10,000
Capital campaign	<u>609,142</u>	<u>-</u>
	<u>\$ 609,935</u>	<u>\$ 27,493</u>

Net assets released from restriction during the years ended December 31, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Marketing and social media	\$ 11,700	\$ -
Program restricted (In Kids We Trust)	-	498
Program restricted (Neighborhood Cats)	5,000	-
Operations – time restricted	10,000	10,000
Capital campaign	<u>68,533</u>	<u>-</u>
	<u>\$ 95,233</u>	<u>\$ 10,498</u>

**Geauga County Humane Society, Inc. dba Rescue Village
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Notes to Consolidated Financial Statements

December 31, 2013 and 2012

Note 6: Net Asset Classification of Endowment Funds

The Organization had the following board-designated, unrestricted net asset activities during the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Beginning balance, board-designated, unrestricted net assets	\$ 4,117,698	\$ 3,852,892
Investment return:		
Investment income	89,060	89,614
Net appreciation	<u>705,967</u>	<u>365,245</u>
Total investment return	795,027	454,859
Contributions to endowment	-	5,350
Amounts appropriated for expenditure	<u>(210,323)</u>	<u>(195,403)</u>
Ending balance, board-designated, unrestricted net assets	\$ <u>4,702,402</u>	\$ <u>4,117,698</u>

Return Objectives and Risk Parameters

The Organization has adopted an endowment investment policy for the Endowment Fund that attempts to provide support and funding for long-term operations. Under this policy, investments of all Organization assets are directed by the Investment Committee of the Board of Trustees. The Committee may, at its option, use professional managers. The standard for the Investment Committee with regard to the Endowment Fund assets shall be the preservation of corpus while prudently maximizing real growth. The Organization will conduct a quarterly monitoring of the portfolio. Investment performance will be measured against comparative capital market indices.

Strategies Employed for Achieving Objectives

The Organization's assets will be managed to meet the following objectives:

- Long-term capital appreciation
- Moderate risk commensurate with a balanced portfolio
- Liquidity adequate to cover annual payouts
- Broad diversification
- Low fee investment vehicles

**Geauga County Humane Society, Inc. dba Rescue Village
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Notes to Consolidated Financial Statements

December 31, 2013 and 2012

Note 6: Net Asset Classification of Endowment Funds (continued)

Spending Policy

The Organization may receive an annual payment from the Endowment Fund equal to 5% of the average of total invested endowment assets. This average will be calculated using quarter-end balances for the 12 prior quarters.

It is not currently intended that the Endowment Fund will invest in or hold individual equity securities, real property, or other "hard" assets. Should these types of assets be received through a bequest or other donation, it will be the responsibility of the Investment Committee or designated Organization board member to arrange for liquidation of the asset as quickly as is reasonable.

Other Information

On March 1, 2012, the assets of the Endowment Fund were transferred from the Society to the Foundation. The value of the assets of the endowment on the date of the transfer totaled \$4,116,710. This transaction had no effect on the consolidated financial statements.

Note 7: Leases

The Organization leases certain office equipment under long-term leases. Rent expense totaled \$1,807 and \$3,743 during the years ended December 31, 2013 and 2012, respectively.

Future minimum rental commitments for the Organization's capital and operating leases are as follows:

	<u>Capital</u>	<u>Operating</u>
2014	\$ 3,456	\$ 864
2015	3,456	864
2016	3,456	642
2017	3,168	175
2018	-	-
Thereafter	<u>-</u>	<u>-</u>
Total minimum payments	13,536	\$ <u>2,545</u>
Less amounts representing interest	<u>(842)</u>	
Present value of minimum payments	12,694	
Less amount due within one year	<u>(3,089)</u>	
Amount due after one year	\$ <u><u>9,605</u></u>	

**Geauga County Humane Society, Inc. dba Rescue Village
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Notes to Consolidated Financial Statements

December 31, 2013 and 2012

Note 8: Conditional Promises to Give

As of December 31, 2012, the Organization had an outstanding conditional promise to give related to a performance grant of \$10,000. This amount is presented as deferred revenue on the accompanying December 31, 2012 consolidated statement of financial position. The Organization recognized \$10,000 in the year ending December 31, 2013, when the conditions upon which the promise was dependent were substantially met.

Note 9: Contingencies

The Organization is involved from time to time in routine litigation. Management does not believe that the ultimate resolution of any litigation will be material to the consolidated financial statements of the Organization.

**Geauga County Humane Society, Inc. dba Rescue Village
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Consolidating Statements of Financial Position

December 31, 2013

	<u>Assets</u>			
	<u>Rescue Village</u>	<u>The Rescue Village Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
Current assets:				
Cash and cash equivalents	\$ 358,780	\$ -	\$ -	\$ 358,780
Pledges and accounts receivable	2,188	-	-	2,188
Other receivables	19,933	-	(19,933)	-
Prepaid expenses	<u>17,168</u>	<u>-</u>	<u>-</u>	<u>17,168</u>
Total current assets	<u>398,069</u>	<u>-</u>	<u>(19,933)</u>	<u>378,136</u>
Property and equipment:				
Land	225,882	-	-	225,882
Land improvements	119,520	-	-	119,520
Building	1,861,970	-	-	1,861,970
Furniture and fixtures	36,148	-	-	36,148
Equipment	133,755	-	-	133,755
Vehicles	<u>35,330</u>	<u>-</u>	<u>-</u>	<u>35,330</u>
	2,412,605	-	-	2,412,605
Less: accumulated depreciation	<u>(908,675)</u>	<u>-</u>	<u>-</u>	<u>(908,675)</u>
Property and equipment, net	<u>1,503,930</u>	<u>-</u>	<u>-</u>	<u>1,503,930</u>
Other assets:				
Pledges receivable for capital campaign, net	427,052	-	-	427,052
Endowment fund	-	4,717,725	-	4,717,725
Other investments	805,160	-	-	805,160
Deposits	<u>255</u>	<u>-</u>	<u>-</u>	<u>255</u>
Total other assets	<u>1,232,467</u>	<u>4,717,725</u>	<u>-</u>	<u>5,950,192</u>
	<u>\$ 3,134,466</u>	<u>\$ 4,717,725</u>	<u>\$ (19,933)</u>	<u>\$ 7,832,258</u>

**Geauga County Humane Society, Inc. dba Rescue Village
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Consolidating Statements of Financial Position (continued)

December 31, 2013

Liabilities and Net Assets

	<u>Rescue Village</u>	<u>The Rescue Village Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
Current liabilities:				
Accounts payable	\$ 22,471	\$ 19,933	\$ (19,933)	\$ 22,471
Accrued expenses	65,150	-	-	65,150
Deferred revenue	-	-	-	-
Current portion of capital lease obligation	<u>3,089</u>	<u>-</u>	<u>-</u>	<u>3,089</u>
Total current liabilities	90,710	19,933	(19,933)	90,710
Capital lease obligation, net of current portion	<u>9,605</u>	<u>-</u>	<u>-</u>	<u>9,605</u>
Total liabilities	100,315	19,933	(19,933)	100,315
Net assets:				
Unrestricted:				
Undesignated	2,424,216	(4,610)	-	2,419,606
Board-designated endowment	<u>-</u>	<u>4,702,402</u>	<u>-</u>	<u>4,702,402</u>
Total unrestricted	2,424,216	4,697,792	-	7,122,008
Temporarily restricted	<u>609,935</u>	<u>-</u>	<u>-</u>	<u>609,935</u>
Total net assets	<u>3,034,151</u>	<u>4,697,792</u>	<u>-</u>	<u>7,731,943</u>
	<u>\$ 3,134,466</u>	<u>\$ 4,717,725</u>	<u>\$ (19,933)</u>	<u>\$ 7,832,258</u>

**Geauga County Humane Society, Inc. dba Rescue Village
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Consolidating Statements of Activities

For the year ended December 31, 2013

	<u>Rescue Village</u>	<u>The Rescue Village Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
Public support and revenue:				
Public support:				
Donations and bequests	\$ 981,209	\$ -	\$ -	\$ 981,209
Support from The Rescue Village Foundation	210,323	-	(210,323)	-
Grant income	38,761	-	-	38,761
Capital campaign income	677,675	-	-	677,675
Special events	273,456	-	-	273,456
Other	1,158	-	-	1,158
Total public support	<u>2,182,582</u>	<u>-</u>	<u>(210,323)</u>	<u>1,972,259</u>
Revenue:				
Membership dues	83,249	-	-	83,249
Program service fees	217,698	-	-	217,698
Total public support and revenue	<u>2,483,529</u>	<u>-</u>	<u>(210,323)</u>	<u>2,273,206</u>
Investment and dividend income	1,662	89,060	-	90,722
Realized and unrealized (loss) gain on investments	(20)	705,967	-	705,947
	<u>2,485,171</u>	<u>795,027</u>	<u>(210,323)</u>	<u>3,069,875</u>
Expenses:				
Program services	1,411,599	210,323	(210,323)	1,411,599
Supporting services:				
Management and general	98,770	-	-	98,770
Fundraising	333,886	-	-	333,886
Total expenses	<u>1,844,255</u>	<u>210,323</u>	<u>(210,323)</u>	<u>1,844,255</u>
Change in net assets	640,916	584,704	-	1,225,620
Net assets at beginning of year	<u>2,393,235</u>	<u>4,113,088</u>	<u>-</u>	<u>6,506,323</u>
Net assets at end of year	<u>\$ 3,034,151</u>	<u>\$ 4,697,792</u>	<u>\$ -</u>	<u>\$ 7,731,943</u>