

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

**Consolidated Financial Statements
December 31, 2015 and 2014**

Independent Auditor's Report

Boards of Trustees
Geauga County Humane Society, Inc. dba Rescue Village and
The Rescue Village Foundation

We have audited the accompanying consolidated financial statements of Geauga County Humane Society, Inc. dba Rescue Village and The Rescue Village Foundation (collectively referred to as the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Boards of Trustees
Geauga County Humane Society, Inc. dba Rescue Village and
The Rescue Village Foundation

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Geauga County Humane Society, Inc. dba Rescue Village and The Rescue Village Foundation as of December 31, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 21 through 23 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Ciuni & Panichi, Inc.

Cleveland, Ohio
June 28, 2016

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

Consolidated Statements of Financial Position

December 31, 2015 and 2014

	<u>Assets</u>	
	2015	2014
Current assets:		
Cash and cash equivalents	\$ 366,108	\$ 901,561
Pledges and accounts receivable	13,750	4,240
Prepaid expenses	6,506	8,415
Total current assets	386,364	914,216
Property and equipment:		
Land	225,882	225,882
Land improvements	254,193	119,520
Building	4,549,651	1,861,970
Furniture and fixtures	137,445	36,148
Equipment	260,348	133,755
Vehicles	30,098	26,130
Construction in progress	-	1,033,327
	5,457,617	3,436,732
Less: accumulated depreciation	(1,102,292)	(982,708)
Property and equipment, net	4,355,325	2,454,024
Other assets:		
Pledges receivable for capital campaign, net of discount	240,647	1,310,823
Endowment fund	4,558,276	4,834,248
Other investments	279,095	583,055
Deposits	-	255
Total other assets	5,078,018	6,728,381
	\$ 9,819,707	\$ 10,096,621

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

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

Consolidated Statements of Financial Position (continued)

December 31, 2015 and 2014

Liabilities and Net Assets

	<u>2015</u>	<u>2014</u>
Current liabilities:		
Accounts payable	\$ 49,055	\$ 433,019
Accrued expenses	27,005	38,101
Line of credit	520,000	-
Current portion of long term debt	5,071	-
Current portion of capital lease obligation	<u>3,296</u>	<u>3,191</u>
Total current liabilities	604,427	474,311
Long term debt, net of current portion	21,895	-
Capital lease obligation, net of current portion	<u>3,110</u>	<u>6,414</u>
Total liabilities	629,432	480,725
Net assets:		
Unrestricted:		
Undesignated	4,871,907	2,026,600
Board-designated endowment	<u>4,317,575</u>	<u>4,821,928</u>
Total unrestricted	9,189,482	6,848,528
Temporarily restricted	<u>793</u>	<u>2,767,368</u>
Total net assets	<u>9,190,275</u>	<u>9,615,896</u>
	\$ <u><u>9,819,707</u></u>	\$ <u><u>10,096,621</u></u>

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

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

Consolidated Statement of Activities

For the year ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenue:			
Public support:			
Donations and bequests	\$ 1,017,530	\$ -	\$ 1,017,530
Grant income	22,774	-	22,774
Capital campaign income	-	82,729	82,729
Special events	288,777	-	288,777
Other	7,349	-	7,349
Total public support	<u>1,336,430</u>	<u>82,729</u>	<u>1,419,159</u>
Revenue:			
Membership dues	98,640	-	98,640
Program service fees	287,706	-	287,706
Total public support and revenue	<u>1,722,776</u>	<u>82,729</u>	<u>1,805,505</u>
Investment and dividend income	94,504	-	94,504
Realized and unrealized loss on investments	<u>(120,360)</u>	<u>-</u>	<u>(120,360)</u>
	<u>1,696,920</u>	<u>82,729</u>	<u>1,779,649</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>2,849,304</u>	<u>(2,849,304)</u>	<u>-</u>
Expenses:			
Program services	1,665,427	-	1,665,427
Supporting services:			
Management and general	202,494	-	202,494
Fundraising	337,349	-	337,349
Total expenses	<u>2,205,270</u>	<u>-</u>	<u>2,205,270</u>
Change in net assets	2,340,954	(2,766,575)	(425,621)
Net assets at beginning of year	<u>6,848,528</u>	<u>2,767,368</u>	<u>9,615,896</u>
Net assets at end of year	\$ <u>9,189,482</u>	\$ <u>793</u>	\$ <u>9,190,275</u>

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

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

Consolidated Statement of Activities

For the year ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenue:			
Public support:			
Donations and bequests	\$ 665,927	\$ -	\$ 665,927
Grant income	17,334	-	17,334
Capital campaign income	-	2,391,421	2,391,421
Special events	239,563	-	239,563
Other	54	-	54
Total public support	<u>922,878</u>	<u>2,391,421</u>	<u>3,314,299</u>
Revenue:			
Membership dues	87,903	-	87,903
Program service fees	231,736	-	231,736
Total public support and revenue	<u>1,242,517</u>	<u>2,391,421</u>	<u>3,633,938</u>
Investment and dividend income	99,144	-	99,144
Realized and unrealized gain on investments	250,202	-	250,202
	<u>1,591,863</u>	<u>2,391,421</u>	<u>3,983,284</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>233,988</u>	<u>(233,988)</u>	<u>-</u>
Expenses:			
Program services	1,457,975	-	1,457,975
Supporting services:			
Management and general	257,201	-	257,201
Fundraising	384,155	-	384,155
Total expenses	<u>2,099,331</u>	<u>-</u>	<u>2,099,331</u>
Change in net assets	(273,480)	2,157,433	1,883,953
Net assets at beginning of year	<u>7,122,008</u>	<u>609,935</u>	<u>7,731,943</u>
Net assets at end of year	\$ <u>6,848,528</u>	\$ <u>2,767,368</u>	\$ <u>9,615,896</u>

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

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

Consolidated Statement of Functional Expenses

For the year ended December 31, 2015

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Salaries and wages	\$ 854,861	\$ 60,289	\$ 106,763	\$ 1,021,913
Payroll taxes	57,865	7,009	7,880	72,754
Employee benefits	<u>90,653</u>	<u>5,078</u>	<u>6,159</u>	<u>101,890</u>
Total salaries and related expenses	1,003,379	72,376	120,802	1,196,557
Mail house	-	-	80,494	80,494
Postage	9,012	-	35,083	44,095
Rent and utilities	59,777	-	-	59,777
Repairs and maintenance	25,345	-	-	25,345
Telephone	6,024	-	-	6,024
Licenses and permits	13,020	-	-	13,020
Equipment rental and leases	20,718	-	-	20,718
Clothing	13,355	-	-	13,355
Vehicle	8,371	-	35	8,406
Printing	6,325	-	2,791	9,116
Insurance	12,930	3,598	-	16,528
Dues and subscriptions	6,308	400	14,354	21,062
Depreciation	138,093	-	-	138,093
Advertising	8,604	152	1,108	9,864
Professional fees	14,359	40,477	8,224	63,060
Administrative expenses	25,172	255	11,215	36,642
Training and education	3,966	-	-	3,966
Veterinary	34,852	-	-	34,852
Drugs and medical supplies	87,477	-	-	87,477
Shelter supplies and expense	32,292	-	3	32,295
Photographs	104	-	-	104
Rubbish removal	13,999	-	-	13,999
Spay and neuter expense	24,857	-	-	24,857
Travel	12,110	-	356	12,466
Special events	16,844	-	51,956	68,800
Interest	16,676	22,105	-	38,781
Capital campaign	28,808	63,131	10,928	102,867
Other expense	<u>22,650</u>	<u>-</u>	<u>-</u>	<u>22,650</u>
Total expenses	\$ <u>1,665,427</u>	\$ <u>202,494</u>	\$ <u>337,349</u>	\$ <u>2,205,270</u>

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

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

Consolidated Statement of Functional Expenses

For the year ended December 31, 2014

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Salaries and wages	\$ 822,931	\$ 53,992	\$ 101,778	\$ 978,701
Payroll taxes	73,209	3,954	7,418	84,581
Employee benefits	<u>75,873</u>	<u>3,986</u>	<u>6,583</u>	<u>86,442</u>
Total salaries and related expenses	972,013	61,932	115,779	1,149,724
Mail house	-	-	78,426	78,426
Postage	8,795	285	28,391	37,471
Rent and utilities	35,502	-	-	35,502
Repairs and maintenance	29,694	-	-	29,694
Telephone	5,902	-	-	5,902
Licenses and permits	10,483	-	200	10,683
Equipment rental and leases	11,324	-	-	11,324
Clothing	13,238	-	-	13,238
Vehicle	9,871	45	173	10,089
Printing	2,922	-	8,177	11,099
Insurance	10,656	3,598	-	14,254
Dues and subscriptions	4,808	425	11,090	16,323
Depreciation	81,316	-	-	81,316
Advertising	9,474	160	610	10,244
Professional fees	25,857	19,692	12,785	58,334
Office supplies	15,972	1,352	9,525	26,849
Training and education	3,710	-	260	3,970
Veterinary	27,599	-	-	27,599
Drugs and medical supplies	65,188	-	-	65,188
Shelter supplies and expense	28,166	164	123	28,453
Photographs	584	-	-	584
Rubbish removal	14,493	-	-	14,493
Spay and neuter expense	36,073	-	-	36,073
Travel	9,646	277	862	10,785
Special events	7,520	75	60,390	67,985
Interest	367	-	-	367
Capital campaign	7,428	169,196	57,364	233,988
Other expense	<u>9,374</u>	<u>-</u>	<u>-</u>	<u>9,374</u>
Total expenses	\$ <u>1,457,975</u>	\$ <u>257,201</u>	\$ <u>384,155</u>	\$ <u>2,099,331</u>

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

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ (425,621)	\$ 1,883,953
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	138,093	81,316
Realized and unrealized gain on investments	120,360	(250,202)
Loss on disposal of property and equipment	7,122	1,917
Donated property and equipment	(43,524)	-
Capital campaign income	(82,729)	(2,391,421)
(Increase) decrease in operating assets:		
Pledges receivable	(9,510)	(2,052)
Prepaid expenses and deposits	2,164	8,753
Increase (decrease) in operating liabilities:		
Accounts payable	(954)	(13,809)
Accrued expenses	(11,096)	(27,049)
Net cash used by operating activities	(305,695)	(708,594)
Cash flows from investing activities:		
Purchase of property and equipment	(2,356,904)	(608,970)
Proceeds from sale of property and equipment	500	-
Proceeds from sale of investments	2,104,090	1,537,163
Purchases of and income retained in investments	(1,644,518)	(1,181,379)
Net cash used by investing activities	(1,896,832)	(253,186)
Cash flows from financing activities:		
Principal payments on capitalized lease obligation	(3,199)	(3,089)
Net borrowings on lines of credit	520,000	-
Principal payments on long term debt	(2,632)	-
Collection of contributions for capital campaign	1,152,905	1,507,650
Net cash provided by financing activities	1,667,074	1,504,561
Net (decrease) increase in cash and cash equivalents	(535,453)	542,781
Cash and cash equivalents, beginning of year	901,561	358,780
Cash and cash equivalents, end of year	\$ 366,108	\$ 901,561

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

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

Consolidated Statements of Cash Flows (continued)

For the years ended December 31, 2015 and 2014

Supplemental disclosures of cash flow information:

Cash paid during the year for:

Interest	\$	38,781	\$	367
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Non-cash investing and financing activities:

Property and equipment additions included in accounts payable	\$	41,347	\$	424,357
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Acquisition of property and equipment included in long term debt		29,598		-
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The accompanying notes are an integral part of these consolidated financial statements

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

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

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.

The Foundation was formed as a separate legal foundation to hold the assets of the board-designated endowment.

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, 2015 and 2014, 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, 2015 and 2014

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, 2015 and 2014

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, 2015 and 2014 totaled \$9,864 and \$10,244, 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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The Rescue Village Foundation**

Notes to Consolidated Financial Statements

December 31, 2015 and 2014

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, 2015 and 2014, 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.

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 Boards 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 28, 2016, 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, 2015 and 2014

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 (3.50% and 3.25% at December 31, 2015 and 2014, respectively). The pledges receivable as of December 31, 2015 and 2014 were scheduled to be collected as follows:

	<u>2015</u>	<u>2014</u>
Payable within one year	\$ 185,620	\$ 1,073,264
Payable in two years	36,610	169,023
Payable in three years	21,055	50,110
Payable in four years	<u>-</u>	<u>29,555</u>
	243,285	1,321,952
Less: discounts to fair value	<u>(2,638)</u>	<u>(11,129)</u>
Net pledges receivable	\$ <u><u>240,647</u></u>	\$ <u><u>1,310,823</u></u>

Management has determined that no allowance for doubtful accounts is necessary at December 31, 2015 and December 31, 2014.

Note 3: Investments

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

	<u>2015</u>	<u>2014</u>
Endowment fund:		
Cash and cash equivalents	\$ 156,612	\$ 60,748
Mutual funds (equities)	3,224,705	3,519,887
Mutual funds (fixed income)	1,172,071	1,247,639
Asset backed securities	4,861	5,941
Accrued interest	<u>27</u>	<u>33</u>
Total endowment fund	<u>4,558,276</u>	<u>4,834,248</u>
Other investments:		
Cash and cash equivalents	155,414	151,006
Mutual funds (equities)	1,043	884
Certificates of deposit	96,638	417,536
Common stock	12,371	-
Governmental securities	<u>13,629</u>	<u>13,629</u>
Total other investments	<u>279,095</u>	<u>583,055</u>
Total investments	\$ <u><u>4,837,371</u></u>	\$ <u><u>5,417,303</u></u>

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

December 31, 2015 and 2014

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 at December 31:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2015</u>
Cash and cash equivalents	\$ 312,026	\$ -	\$ -	\$ 312,026
Certificates of deposit	-	96,638	-	96,638
Common stock	12,371	-	-	12,371
Mutual funds (equities)	3,225,748	-	-	3,225,748
Mutual funds (fixed income)	1,172,071	-	-	1,172,071
Governmental securities	-	13,629	-	13,629
Asset backed securities	-	4,861	-	4,861
Accrued interest	-	27	-	27
	<u>\$ 4,722,216</u>	<u>\$ 115,155</u>	<u>\$ -</u>	<u>\$ 4,837,371</u>

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2014</u>
Cash and cash equivalents	\$ 211,754	\$ -	\$ -	\$ 211,754
Certificates of deposit	-	417,536	-	417,536
Mutual funds (equities)	3,520,771	-	-	3,520,771
Mutual funds (fixed income)	1,247,639	-	-	1,247,639
Governmental securities	-	13,629	-	13,629
Asset backed securities	-	5,941	-	5,941
Accrued interest	-	33	-	33
	<u>\$ 4,980,164</u>	<u>\$ 437,139</u>	<u>\$ -</u>	<u>\$ 5,417,303</u>

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

December 31, 2015 and 2014

Note 5: Temporarily Restricted Net Assets

At December 31, 2015 and 2014, temporarily restricted net assets were available for the following purposes:

	<u>2015</u>	<u>2014</u>
Program restricted (In Kids We Trust)	\$ 793	\$ 793
Capital campaign	<u>-</u>	<u>2,766,575</u>
	<u>\$ 793</u>	<u>\$ 2,767,368</u>

Net assets released from restriction during the years ended December 31, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Capital campaign	\$ <u>2,849,304</u>	\$ <u>233,988</u>
	<u>\$ 2,849,304</u>	<u>\$ 233,988</u>

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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Beginning balance, board-designated, unrestricted net assets	\$ 4,821,928	\$ 4,702,402
Investment return:		
Investment and dividend income	92,825	96,752
Net (depreciation) appreciation	<u>(120,322)</u>	<u>247,774</u>
Total investment return	(27,497)	344,526
Contributions to endowment	-	-
Amounts appropriated for expenditure	<u>(476,856)</u>	<u>(225,000)</u>
Ending balance, board-designated, unrestricted net assets	<u>\$ 4,317,575</u>	<u>\$ 4,821,928</u>

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

December 31, 2015 and 2014

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

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 its Investment Committee. 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

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.

During the year ended December 31, 2015, the Board of Trustees approved a one-time \$250,000 payment from the Endowment Fund to the Society.

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 Foundation board member to arrange for liquidation of the asset as quickly as is reasonable.

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Notes to Consolidated Financial Statements

December 31, 2015 and 2014

Note 7: Line of Credit and Long Term Debt

During the year ended December 31, 2014, the Organization opened a construction line of credit for financing of the building expansion project. The line of credit carried a maximum principal amount of \$1,920,000. The line incurred interest at the variable rate of prime plus 1% (4.25% at December 31, 2014). The line of credit was secured by the building under construction and was guaranteed by both the Society and the Foundation. There were no draws on this line during the year ended December 31, 2014.

After completion of the construction during the year ended December 31, 2015, this line of credit was closed and the remaining balance of \$520,000 was rolled into a revolving line of credit with a maximum availability of \$520,000. The revolving line of credit bears interest at the variable rate of prime plus 1% (4.50% at December 31, 2015). This line of credit is secured by the assets of the Organization and is guaranteed by the Foundation.

	2015	2014
Long-term debt at December 31 consisted of the following:		
Vehicle note payable, secured by the vehicle itself, in the original amount of \$29,598, payable in 60 monthly payments approximately \$551, including interest. Interest is charged at the fixed rate of 4.39%.	\$ 26,966	\$ -
Less current portion	(5,071)	-
Long term debt, net of current portion	\$ 21,895	\$ -

Annual maturities of long-term debt are as follows:

2016	\$ 5,071
2017	5,770
2018	6,028
2019	6,298
2020	3,799
	\$ 26,966

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

December 31, 2015 and 2014

Note 8: Leases

The Organization leases certain office equipment under long-term leases. Rent expense totaled \$1,033 and \$813 during the years ended December 31, 2015 and 2014, respectively.

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

	<u>Capital</u>	<u>Operating</u>
2016	\$ 3,456	\$ 642
2017	<u>3,161</u>	<u>175</u>
Total minimum payments	6,617	\$ <u>817</u>
Less amounts representing interest	<u>(211)</u>	
Present value of minimum payments	6,406	
Less amount due within one year	<u>(3,296)</u>	
Amount due after one year	\$ <u>3,110</u>	

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, 2015

	<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	\$ 366,108	\$ -	\$ -	\$ 366,108
Pledges and accounts receivable	13,750	-	-	13,750
Other receivables	245,339	-	(245,339)	-
Prepaid expenses	<u>6,506</u>	<u>-</u>	<u>-</u>	<u>6,506</u>
Total current assets	<u>631,703</u>	<u>-</u>	<u>(245,339)</u>	<u>386,364</u>
Property and equipment:				
Land	225,882	-	-	225,882
Land improvements	254,193	-	-	254,193
Building	4,549,651	-	-	4,549,651
Furniture and fixtures	137,445	-	-	137,445
Equipment	260,348	-	-	260,348
Vehicles	30,098	-	-	30,098
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	5,457,617	-	-	5,457,617
Less: accumulated depreciation	<u>(1,102,292)</u>	<u>-</u>	<u>-</u>	<u>(1,102,292)</u>
Property and equipment, net	<u>4,355,325</u>	<u>-</u>	<u>-</u>	<u>4,355,325</u>
Other assets:				
Pledges receivable for capital campaign, net	240,647	-	-	240,647
Endowment fund	-	4,558,276	-	4,558,276
Other investments	279,095	-	-	279,095
Deposits	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other assets	<u>519,742</u>	<u>4,558,276</u>	<u>-</u>	<u>5,078,018</u>
	<u>\$ 5,506,770</u>	<u>\$ 4,558,276</u>	<u>\$ (245,339)</u>	<u>\$ 9,819,707</u>

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

December 31, 2015

Liabilities and Net Assets

	<u>Rescue Village</u>	<u>The Rescue Village Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
Current liabilities:				
Accounts payable	\$ 49,055	\$ 231,466	\$ (231,466)	\$ 49,055
Accrued expenses	27,005	13,873	(13,873)	27,005
Line of credit	520,000	-	-	520,000
Current portion of long term debt	5,071	-	-	5,071
Current portion of capital lease obligation	<u>3,296</u>	<u>-</u>	<u>-</u>	<u>3,296</u>
Total current liabilities	604,427	245,339	(245,339)	604,427
Long term debt, net of current portion	21,895	-	-	21,895
Capital lease obligation, net of current portion	<u>3,110</u>	<u>-</u>	<u>-</u>	<u>3,110</u>
Total liabilities	629,432	245,339	(245,339)	629,432
Net assets:				
Unrestricted:				
Undesignated	4,876,545	(4,638)	-	4,871,907
Board-designated endowment	<u>-</u>	<u>4,317,575</u>	<u>-</u>	<u>4,317,575</u>
Total unrestricted	4,876,545	4,312,937	-	9,189,482
Temporarily restricted	<u>793</u>	<u>-</u>	<u>-</u>	<u>793</u>
Total net assets	<u>4,877,338</u>	<u>4,312,937</u>	<u>-</u>	<u>9,190,275</u>
	<u>\$ 5,506,770</u>	<u>\$ 4,558,276</u>	<u>\$ (245,339)</u>	<u>\$ 9,819,707</u>

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

For the year ended December 31, 2015

	<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	\$ 1,017,530	\$ -	\$ -	\$ 1,017,530
Support from The Rescue Village Foundation	476,856	-	(476,856)	-
Grant income	22,774	-	-	22,774
Capital campaign income	82,729	-	-	82,729
Special events	288,777	-	-	288,777
Other	<u>7,349</u>	<u>-</u>	<u>-</u>	<u>7,349</u>
Total public support	1,896,015	-	(476,856)	1,419,159
Revenue:				
Membership dues	98,640	-	-	98,640
Program service fees	<u>287,706</u>	<u>-</u>	<u>-</u>	<u>287,706</u>
Total public support and revenue	2,282,361	-	(476,856)	1,805,505
Investment and dividend income	1,679	92,825	-	94,504
Realized and unrealized gain on investments	<u>(38)</u>	<u>(120,322)</u>	<u>-</u>	<u>(120,360)</u>
	<u>2,284,002</u>	<u>(27,497)</u>	<u>(476,856)</u>	<u>1,779,649</u>
Expenses:				
Program services	1,665,427	476,856	(476,856)	1,665,427
Supporting services:				
Management and general	202,466	28	-	202,494
Fundraising	<u>337,349</u>	<u>-</u>	<u>-</u>	<u>337,349</u>
Total expenses	<u>2,205,242</u>	<u>476,884</u>	<u>(476,856)</u>	<u>2,205,270</u>
Change in net assets	78,760	(504,381)	-	(425,621)
Net assets at beginning of year	<u>4,798,578</u>	<u>4,817,318</u>	<u>-</u>	<u>9,615,896</u>
Net assets at end of year	\$ <u>4,877,338</u>	\$ <u>4,312,937</u>	\$ <u>-</u>	\$ <u>9,190,275</u>