

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

**Consolidated Financial Statements
December 31, 2016 and 2015**

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

Consolidated Financial Statements

December 31, 2016 and 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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 7, 2017

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

Consolidated Statements of Financial Position

December 31, 2016 and 2015

	<u>Assets</u>	
	2016	2015
Current assets:		
Cash and cash equivalents	\$ 583,399	\$ 521,522
Pledges and accounts receivable	75,988	199,370
Prepaid expenses	12,500	6,506
Total current assets	671,887	727,398
Property and equipment:		
Land	225,882	225,882
Land improvements	262,183	254,193
Building	4,667,770	4,549,651
Furniture and fixtures	141,540	137,445
Equipment	280,989	260,348
Vehicles	30,098	30,098
	5,608,462	5,457,617
Less: accumulated depreciation	(1,276,331)	(1,102,292)
Property and equipment, net	4,332,131	4,355,325
Other assets:		
Pledges receivable for capital campaign, net of discount	20,294	55,027
Endowment fund	4,702,037	4,558,276
Other investments	135,407	123,681
Total other assets	4,857,738	4,736,984
	\$ 9,861,756	\$ 9,819,707

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

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

December 31, 2016 and 2015

Liabilities and Net Assets

	<u>2016</u>	<u>2015</u>
Current liabilities:		
Accounts payable	\$ 126,175	\$ 49,055
Accrued expenses	34,090	27,005
Line of credit	223,271	520,000
Current portion of long term debt	5,770	5,071
Current portion of capital lease obligation	<u>2,911</u>	<u>3,296</u>
Total current liabilities	392,217	604,427
Long term debt, net of current portion	16,125	21,895
Capital lease obligation, net of current portion	<u>9,894</u>	<u>3,110</u>
Total liabilities	418,236	629,432
Net assets:		
Unrestricted:		
Undesignated	4,735,795	4,871,907
Board-designated endowment	<u>4,687,932</u>	<u>4,317,575</u>
Total unrestricted	9,423,727	9,189,482
Temporarily restricted	<u>19,793</u>	<u>793</u>
Total net assets	<u>9,443,520</u>	<u>9,190,275</u>
	<u>\$ 9,861,756</u>	<u>\$ 9,819,707</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, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenue:			
Public support:			
Donations and bequests	\$ 1,278,000	\$ 1,000	\$ 1,279,000
Grant income	108,925	18,000	126,925
Capital campaign income	49,389	-	49,389
Special events	267,157	-	267,157
Membership dues	91,561	-	91,561
Other	<u>6,935</u>	<u>-</u>	<u>6,935</u>
Total public support	1,801,967	19,000	1,820,967
Revenue:			
Program service fees	<u>311,311</u>	<u>-</u>	<u>311,311</u>
Total public support and revenue	2,113,278	19,000	2,132,278
Investment and dividend income	96,204	-	96,204
Realized and unrealized gain on investments	<u>275,540</u>	<u>-</u>	<u>275,540</u>
	<u>2,485,022</u>	<u>19,000</u>	<u>2,504,022</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Expenses:			
Program services	1,790,439	-	1,790,439
Supporting services:			
Management and general	126,423	-	126,423
Fundraising	<u>333,915</u>	<u>-</u>	<u>333,915</u>
Total expenses	<u>2,250,777</u>	<u>-</u>	<u>2,250,777</u>
Change in net assets	234,245	19,000	253,245
Net assets at beginning of year	<u>9,189,482</u>	<u>793</u>	<u>9,190,275</u>
Net assets at end of year	\$ <u>9,423,727</u>	\$ <u>19,793</u>	\$ <u>9,443,520</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
Membership dues	98,640	-	98,640
Other	<u>7,349</u>	<u>-</u>	<u>7,349</u>
Total public support	1,435,070	82,729	1,517,799
Revenue:			
Program service fees	<u>287,706</u>	<u>-</u>	<u>287,706</u>
Total public support and revenue	1,722,776	82,729	1,805,505
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	<u>337,349</u>	<u>-</u>	<u>337,349</u>
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
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Consolidated Statement of Functional Expenses

For the year ended December 31, 2016

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Salaries and wages	\$ 900,200	\$ 74,269	\$ 139,919	\$ 1,114,388
Payroll taxes	72,690	8,717	9,729	91,136
Employee benefits	<u>101,019</u>	<u>-</u>	<u>2,667</u>	<u>103,686</u>
Total salaries and related expenses	1,073,909	82,986	152,315	1,309,210
Mail house	-	-	80,874	80,874
Postage	31,950	11	6,473	38,434
Rent and utilities	61,578	-	530	62,108
Repairs and maintenance	40,573	-	-	40,573
Telephone	6,219	-	455	6,674
Licenses and permits	13,470	-	-	13,470
Equipment rental and leases	7,142	-	-	7,142
Clothing	15,301	-	-	15,301
Vehicle	7,891	-	1,375	9,266
Printing	1,838	1,350	3,649	6,837
Insurance	13,627	2,861	-	16,488
Dues and subscriptions	19,063	25	5,120	24,208
Depreciation	187,095	-	-	187,095
Advertising	13,450	-	1,532	14,982
Professional fees	17,719	34,184	6,988	58,891
Administrative expenses	28,945	794	8,630	38,369
Training and education	7,501	-	1,035	8,536
Veterinary	23,845	-	-	23,845
Drugs and medical supplies	91,474	-	-	91,474
Shelter supplies and expense	30,705	-	43	30,748
Photographs	252	-	-	252
Rubbish removal	13,601	-	-	13,601
Spay and neuter expense	19,599	-	-	19,599
Travel	13,313	-	4,953	18,266
Special events	14,389	-	59,943	74,332
Interest	23,683	-	-	23,683
Capital campaign	6,716	4,212	-	10,928
Other expense	<u>5,591</u>	<u>-</u>	<u>-</u>	<u>5,591</u>
Total expenses	\$ <u>1,790,439</u>	\$ <u>126,423</u>	\$ <u>333,915</u>	\$ <u>2,250,777</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 expense	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 Statements of Cash Flows

For the years ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 253,245	\$ (425,621)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	187,095	138,093
Realized and unrealized gain (loss) on investments	(275,540)	120,360
Loss on disposal of property and equipment	156	7,122
Donated property and equipment	-	(43,524)
Gain on termination of capital lease	(5,575)	-
Capital campaign income	(49,389)	(82,729)
(Increase) decrease in operating assets:		
Pledges receivable	5,395	(9,510)
Prepaid expenses	(5,994)	2,164
Increase (decrease) in operating liabilities:		
Accounts payable	(40,999)	(954)
Accrued expenses	7,085	(11,096)
Net cash provided (used) by operating activities	75,479	(305,695)
Cash flows from investing activities:		
Purchase of property and equipment	(30,584)	(2,356,904)
Proceeds from sale of property and equipment	-	500
Proceeds from sale of investments	360,720	2,104,090
Purchases of and income retained in investments	(240,667)	(1,640,110)
Net cash provided (used) by investing activities	89,469	(1,892,424)
Cash flows from financing activities:		
Principal payments on capitalized lease obligation	(3,380)	(3,199)
Net (repayments) borrowings on lines of credit	(296,729)	520,000
Principal payments on long term debt	(5,071)	(2,632)
Collection of contributions for capital campaign	202,109	1,152,905
Net cash (used) provided by financing activities	(103,071)	1,667,074
Net increase (decrease) in cash and cash equivalents	61,877	(531,045)
Cash and cash equivalents, beginning of year	521,522	1,052,567
Cash and cash equivalents, end of year	\$ 583,399	\$ 521,522

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, 2016 and 2015

Supplemental disclosures of cash flow information:

Cash paid during the year for:

Interest	\$	23,683	\$	38,781
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Non-cash investing and financing activities:

Property and equipment additions included in accounts payable	\$	118,119	\$	41,347
Acquisition of property and equipment through capital lease		15,354		-
Acquisition of property and equipment included in long term debt		-		29,598

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, 2016 and 2015

Note 1: Summary of Significant Accounting Policies

The accompanying consolidated financial statements include the accounts of Geauga County Humane Society, Inc. dba Rescue Village (“Rescue Village”) 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

Rescue Village is located in Russell Township, Geauga County, Ohio. Rescue Village’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.

Rescue Village’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, 2016 and 2015, 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, 2016 and 2015

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.

Reclassifications

Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current year consolidated financial statements.

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.

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

December 31, 2016 and 2015

Note 1: Summary of Significant Accounting Policies (continued)

Contributions and Pledges Receivable (continued)

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.

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, 2016 and 2015 totaled \$14,982 and \$9,864, respectively.

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

December 31, 2016 and 2015

Note 1: Summary of Significant Accounting Policies (continued)

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.

Income Taxes

Rescue Village and the Foundation are not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and are exempt from federal income taxes pursuant to Section 501(a) of the IRC. 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, 2016 and 2015, 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.

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 7, 2017, the date the consolidated financial statements were available to be issued.

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

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

Note 2: Pledges Receivable for Capital Campaign

Capital campaign pledges beyond one year were discounted to their estimated fair value assuming their respective terms and a discount rate of prime (3.75% and 3.50% at December 31, 2016 and 2015, respectively). The pledges receivable for the capital campaign as of December 31, 2016 and 2015 were scheduled to be collected as follows:

	2016	2015
Payable in one year, current pledges receivable for capital campaign	\$ <u>67,633</u>	\$ <u>185,620</u>
Payable in two years	\$ 21,055	\$ 36,610
Payable in three years	<u>-</u>	<u>21,055</u>
	21,055	57,665
Less: discounts to fair value	<u>(761)</u>	<u>(2,638)</u>
Net long-term pledges receivable for capital campaign	\$ <u>20,294</u>	\$ <u>55,027</u>

Management has determined that no allowance for doubtful accounts was necessary at December 31, 2016 and December 31, 2015.

Note 3: Investments

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

	2016	2015
Endowment fund:		
Cash and cash equivalents	\$ 95,950	\$ 156,612
Mutual funds (equities)	3,375,918	3,224,705
Mutual funds (fixed income)	1,226,289	1,172,071
Asset backed securities	3,859	4,861
Accrued interest	<u>21</u>	<u>27</u>
Total endowment fund	<u>4,702,037</u>	<u>4,558,276</u>
Other investments:		
Mutual funds (equities)	1,096	1,043
Certificates of deposit	110,155	96,638
Common stock	10,527	12,371
Governmental securities	<u>13,629</u>	<u>13,629</u>
Total other investments	<u>135,407</u>	<u>123,681</u>
Total investments	\$ <u>4,837,444</u>	\$ <u>4,681,957</u>

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

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

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>2016</u>
Cash and cash equivalents	\$ 95,950	\$ -	\$ -	\$ 95,950
Certificates of deposit	-	110,155	-	110,155
Common stock	10,527	-	-	10,527
Mutual funds (equities)	3,377,014	-	-	3,377,014
Mutual funds (fixed income)	1,226,289	-	-	1,226,289
Governmental securities	-	13,629	-	13,629
Asset backed securities	-	3,859	-	3,859
Accrued interest	-	21	-	21
	<u>\$ 4,709,780</u>	<u>\$ 127,664</u>	<u>\$ -</u>	<u>\$ 4,837,444</u>

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2015</u>
Cash and cash equivalents	\$ 156,612	\$ -	\$ -	\$ 156,612
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>\$ 4,566,802</u>	<u>\$ 115,155</u>	<u>\$ -</u>	<u>\$ 4,681,957</u>

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

December 31, 2016 and 2015

Note 5: Temporarily Restricted Net Assets

At December 31, 2016 and 2015, temporarily restricted net assets were available for the following purposes:

	2016	2015
Program restricted (In Kids We Trust)	\$ 793	\$ 793
Program restricted (Trap, Neuter, Return)	1,000	-
Program restricted (Expansion of Humane Education)	18,000	-
	\$ 19,793	\$ 793

Net assets released from restriction during the years ended December 31, 2016 and 2015 were as follows:

	2016	2015
Capital campaign	\$ -	\$ 2,849,304
	\$ -	\$ 2,849,304

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, 2016 and 2015:

	2016	2015
Beginning balance, board-designated, unrestricted net assets	\$ 4,317,575	\$ 4,821,928
Investment return:		
Investment and dividend income	94,871	92,825
Net appreciation (depreciation)	275,486	(120,322)
Total investment return	370,357	(27,497)
Contributions to endowment	-	-
Amounts appropriated for expenditure	-	(476,856)
Ending balance, board-designated, unrestricted net assets	\$ 4,687,932	\$ 4,317,575

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

December 31, 2016 and 2015

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 Rescue Village. During the year ended December 31, 2016, no payment was made from the Endowment Fund to Rescue Village.

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.

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

December 31, 2016 and 2015

Note 7: Line of Credit and Long Term Debt

The Organization has a revolving line of credit with a maximum availability of \$520,000. The line of credit balance totaled \$223,271 and \$520,000 at December 31, 2016 and 2015, respectively. The revolving line of credit bears interest at the variable rate of prime plus 1% (4.75% and 4.50% at December 31, 2016 and 2015, respectively). This line of credit is secured by the assets of the Organization and is guaranteed by the Foundation.

	2016	2015
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 of approximately \$551, including interest. Interest is charged at the fixed rate of 4.39%.	\$ 21,895	\$ 26,966
Less current portion	(5,770)	(5,071)
Long term debt, net of current portion	\$ 16,125	\$ 21,895

Annual maturities of long-term debt are as follows:

2017	\$ 5,770
2018	6,028
2019	6,298
2020	3,799
	\$ 21,895

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Notes to Consolidated Financial Statements

December 31, 2016 and 2015

Note 8: Leases

The Organization leases certain office equipment under long-term leases. Rent expense totaled \$1,098 and \$1,033 during the years ended December 31, 2016 and 2015, respectively.

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

	<u>Capital</u>	<u>Operating</u>
2017	\$ 3,456	\$ 175
2018	3,456	-
2019	3,456	-
2020	3,456	-
2021	<u>288</u>	<u>-</u>
Total minimum payments	14,112	\$ <u>175</u>
Less amounts representing interest	<u>(1,307)</u>	
Present value of minimum payments	12,805	
Less amount due within one year	<u>(2,911)</u>	
Amount due after one year	\$ <u>9,894</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, 2016

	<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	\$ 582,597	\$ 802	\$ -	\$ 583,399
Pledges and accounts receivable	75,988	-	-	75,988
Other receivables	19,605	-	(19,605)	-
Prepaid expenses	<u>12,500</u>	<u>-</u>	<u>-</u>	<u>12,500</u>
Total current assets	<u>690,690</u>	<u>802</u>	<u>(19,605)</u>	<u>671,887</u>
Property and equipment:				
Land	225,882	-	-	225,882
Land improvements	262,183	-	-	262,183
Building	4,667,770	-	-	4,667,770
Furniture and fixtures	141,540	-	-	141,540
Equipment	280,989	-	-	280,989
Vehicles	<u>30,098</u>	<u>-</u>	<u>-</u>	<u>30,098</u>
	5,608,462	-	-	5,608,462
Less: accumulated depreciation	<u>(1,276,331)</u>	<u>-</u>	<u>-</u>	<u>(1,276,331)</u>
Property and equipment, net	<u>4,332,131</u>	<u>-</u>	<u>-</u>	<u>4,332,131</u>
Other assets:				
Pledges receivable for capital campaign, net	20,294	-	-	20,294
Endowment fund	-	4,702,037	-	4,702,037
Other investments	<u>135,407</u>	<u>-</u>	<u>-</u>	<u>135,407</u>
Total other assets	<u>155,701</u>	<u>4,702,037</u>	<u>-</u>	<u>4,857,738</u>
	<u>\$ 5,178,522</u>	<u>\$ 4,702,839</u>	<u>\$ (19,605)</u>	<u>\$ 9,861,756</u>

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

December 31, 2016

Liabilities and Net Assets

	<u>Rescue Village</u>	<u>The Rescue Village Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
Current liabilities:				
Accounts payable	\$ 126,175	\$ 5,731	\$ (5,731)	\$ 126,175
Accrued expenses	34,090	13,874	(13,874)	34,090
Line of credit	223,271	-	-	223,271
Current portion of long term debt	5,770	-	-	5,770
Current portion of capital lease obligation	<u>2,911</u>	<u>-</u>	<u>-</u>	<u>2,911</u>
Total current liabilities	392,217	19,605	(19,605)	392,217
Long term debt, net of current portion	16,125	-	-	16,125
Capital lease obligation, net of current portion	<u>9,894</u>	<u>-</u>	<u>-</u>	<u>9,894</u>
Total liabilities	418,236	19,605	(19,605)	418,236
Net assets:				
Unrestricted:				
Undesignated	4,740,493	(4,698)	-	4,735,795
Board-designated endowment	<u>-</u>	<u>4,687,932</u>	<u>-</u>	<u>4,687,932</u>
Total unrestricted	4,740,493	4,683,234	-	9,423,727
Temporarily restricted	<u>19,793</u>	<u>-</u>	<u>-</u>	<u>19,793</u>
Total net assets	<u>4,760,286</u>	<u>4,683,234</u>	<u>-</u>	<u>9,443,520</u>
	<u>\$ 5,178,522</u>	<u>\$ 4,702,839</u>	<u>\$ (19,605)</u>	<u>\$ 9,861,756</u>

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

For the year ended December 31, 2016

	<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	\$ 1,279,000	\$ -	\$ -	\$ 1,279,000
Grant income	126,925	-	-	126,925
Capital campaign income	49,389	-	-	49,389
Special events	267,157	-	-	267,157
Membership dues	91,561	-	-	91,561
Other	<u>6,935</u>	<u>-</u>	<u>-</u>	<u>6,935</u>
Total public support	1,820,967	-	-	1,820,967
Revenue:				
Program service fees	<u>311,311</u>	<u>-</u>	<u>-</u>	<u>311,311</u>
Total public support and revenue	2,132,278	-	-	2,132,278
Investment and dividend income	1,333	94,871	-	96,204
Realized and unrealized gain on investments	<u>54</u>	<u>275,486</u>	<u>-</u>	<u>275,540</u>
	<u>2,133,665</u>	<u>370,357</u>	<u>-</u>	<u>2,504,022</u>
Expenses:				
Program services	1,790,439	-	-	1,790,439
Supporting services:				
Management and general	126,363	60	-	126,423
Fundraising	<u>333,915</u>	<u>-</u>	<u>-</u>	<u>333,915</u>
Total expenses	<u>2,250,717</u>	<u>60</u>	<u>-</u>	<u>2,250,777</u>
Change in net assets	(117,052)	370,297	-	253,245
Net assets at beginning of year	<u>4,877,338</u>	<u>4,312,937</u>	<u>-</u>	<u>9,190,275</u>
Net assets at end of year	\$ <u>4,760,286</u>	\$ <u>4,683,234</u>	\$ <u>-</u>	\$ <u>9,443,520</u>