

HUMANE SOCIETY OF GREATER DAYTON

FINANCIAL REPORT

DECEMBER 31, 2015 AND 2014

HUMANE SOCIETY OF GREATER DAYTON

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**FLAGEL HUBER FLAGEL**

Certified Public Accountants | Business Advisors

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Humane Society of Greater Dayton  
Dayton, Ohio

We have audited the accompanying financial statements of Humane Society of Greater Dayton, which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Humane Society of Greater Dayton as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Flagel Huber Flagel*

Certified Public Accountants

Dayton, Ohio

October 26, 2016

HUMANE SOCIETY OF GREATER DAYTON

STATEMENTS OF FINANCIAL POSITION

	DECEMBER 31,	
	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 615,306	\$ 551,153
Investments	800,193	815,666
Prepaid expenses	9,510	2,961
TOTAL CURRENT ASSETS	<u>1,425,009</u>	<u>1,369,780</u>
OTHER ASSETS		
Property and equipment, net	706,447	686,588
Deposits	190	190
Investments - permanently restricted	148,416	148,416
TOTAL OTHER ASSETS	<u>855,053</u>	<u>835,194</u>
TOTAL ASSETS	<u>\$ 2,280,062</u>	<u>\$ 2,204,974</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 16,739	\$ 30,603
Accrued expenses	22,344	0
TOTAL CURRENT LIABILITIES	<u>39,083</u>	<u>30,603</u>
NET ASSETS		
Unrestricted:		
Undesignated	1,820,962	1,808,483
Board designated - building	44,845	44,845
Board designated - endowment	54,392	54,392
Total unrestricted net assets	<u>1,920,199</u>	<u>1,907,720</u>
Temporarily restricted	<u>172,364</u>	<u>118,235</u>
Permanently restricted	<u>148,416</u>	<u>148,416</u>
TOTAL NET ASSETS	<u>2,240,979</u>	<u>2,174,371</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,280,062</u>	<u>\$ 2,204,974</u>

The accompanying notes are an integral part of these statements.

HUMANE SOCIETY OF GREATER DAYTON

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2015

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 969,066	\$ 26,377	\$ 0	\$ 995,443
Grant revenue	0	166,065	0	166,065
In-kind contributions	27,198	0	0	27,198
Direct mail contributions	428,929	0	0	428,929
Adoption fees	101,425	0	0	101,425
Owner release fees	17,631	0	0	17,631
Service fees	69,232	0	0	69,232
Sales (net of cost of sales totaling \$7,191)	7,168	0	0	7,168
Net assets released from restrictions	138,313	(138,313)	0	0
Total support and revenue	1,758,962	54,129	0	1,813,091
<b>OPERATING EXPENSES</b>				
Program service	1,299,952	0	0	1,299,952
Management and general	259,240	0	0	259,240
Fundraising	171,835	0	0	171,835
Total operating expenses	1,731,027	0	0	1,731,027
<b>OPERATING CHANGE IN NET ASSETS</b>	27,935	54,129	0	82,064
<b>OTHER REVENUE (EXPENSE)</b>				
Interest and dividends	44,831	0	0	44,831
Realized gain on investments	8,532	0	0	8,532
Unrealized gain (loss) on investments	(61,570)	0	0	(61,570)
Investment fees	(7,249)	0	0	(7,249)
Total other revenue (expense)	(15,456)	0	0	(15,456)
<b>CHANGE IN NET ASSETS</b>	12,479	54,129	0	66,608
<b>NET ASSETS – beginning of year</b>	1,907,720	118,235	148,416	2,174,371
<b>NET ASSETS – end of year</b>	\$ 1,920,199	\$ 172,364	\$ 148,416	\$ 2,240,979

The accompanying notes are an integral part of these statements.



## HUMANE SOCIETY OF GREATER DAYTON

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2014

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 783,546	\$ 187,205	\$ 0	\$ 970,751
Grant revenue	18,157	0	0	18,157
In-kind contributions	12,343	0	0	12,343
Direct mail contributions	493,818	0	0	493,818
Adoption fees	128,958	0	0	128,958
Owner release fees	15,094	0	0	15,094
Service fees	74,462	0	0	74,462
Sales (net of cost of sales totaling \$6,687)	8,509	0	0	8,509
Net assets released from restrictions	204,187	(204,187)	0	0
Total support and revenue	<u>1,739,074</u>	<u>(16,982)</u>	<u>0</u>	<u>1,722,092</u>
<b>OPERATING EXPENSES</b>				
Program service	1,313,741	0	0	1,313,741
Management and general	237,270	0	0	237,270
Fundraising	160,978	0	0	160,978
Total operating expenses	<u>1,711,989</u>	<u>0</u>	<u>0</u>	<u>1,711,989</u>
<b>OPERATING CHANGE IN NET ASSETS</b>	<u>27,085</u>	<u>(16,982)</u>	<u>0</u>	<u>10,103</u>
<b>OTHER REVENUE (EXPENSE)</b>				
Interest and dividends	44,757	0	0	44,757
Realized gain on investments	1,891	0	0	1,891
Unrealized gain on investments	1,487	0	0	1,487
Investment fees	(6,967)	0	0	(6,967)
Total other revenue (expense)	<u>41,168</u>	<u>0</u>	<u>0</u>	<u>41,168</u>
<b>CHANGE IN NET ASSETS</b>	<u>68,253</u>	<u>(16,982)</u>	<u>0</u>	<u>51,271</u>
<b>NET ASSETS – beginning of year</b>	<u>1,839,467</u>	<u>135,217</u>	<u>148,416</u>	<u>2,123,100</u>
<b>NET ASSETS – end of year</b>	<u>\$ 1,907,720</u>	<u>\$ 118,235</u>	<u>\$ 148,416</u>	<u>\$ 2,174,371</u>

The accompanying notes are an integral part of these statements.

HUMANE SOCIETY OF GREATER DAYTON

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2015

	PROGRAM SERVICE	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and wages	\$ 461,053	\$ 89,216	\$ 66,547	\$ 616,816
Payroll taxes	32,182	19,420	4,646	56,248
Health insurance	9,522	4,700	2,079	16,301
Uniforms	7,080	0	0	7,080
Employee development	3,221	7,815	1,998	13,034
Animal food	5,137	0	0	5,137
Animal supplies	36,880	0	0	36,880
Veterinarian services	175,086	0	0	175,086
Veterinarian supplies	110,003	0	0	110,003
Auto expense	9,524	4,897	1,378	15,799
Facility maintenance	54,214	0	0	54,214
Depreciation	62,214	0	0	62,214
Liability insurance	16,201	0	0	16,201
Telephone	40,045	0	0	40,045
Utilities	49,125	0	0	49,125
Furry Scurry	14,706	0	9,804	24,510
Pet Afflaire	36,037	0	24,024	60,061
Special events	11,538	0	5,217	16,755
Strategic Planning	1,094	1,094	0	2,188
General printing	1,461	1,216	4,864	7,541
Advertising	0	4,381	2,081	6,462
Postage	9,975	2,363	962	13,300
Payroll service	0	4,694	0	4,694
Professional services	104,111	70,310	34,704	209,125
Licenses/permits	2,358	270	0	2,628
Rent	24,452	0	0	24,452
Supplies	6,744	21,127	1,195	29,066
Bank charges	0	19,146	0	19,146
Technology	5,084	43	0	5,127
Organization dues	35	2,985	2,856	5,876
Meals and entertainment	0	1,499	945	2,444
Newsletter	4,800	423	0	5,223
Miscellaneous	6,070	3,641	8,535	18,246
Total operating expenses	<u>\$ 1,299,952</u>	<u>\$ 259,240</u>	<u>\$ 171,835</u>	<u>\$ 1,731,027</u>
	75.1%	15.0%	9.9%	

The accompanying notes are an integral part of these statements.



HUMANE SOCIETY OF GREATER DAYTON

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2014

	PROGRAM SERVICE	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and wages	\$ 414,824	\$ 87,875	\$ 62,652	\$ 565,351
Payroll taxes	39,934	10,685	4,624	55,243
Health insurance	17,284	4,156	2,066	23,506
Uniforms	3,395	0	0	3,395
Employee development	2,994	8,680	1,948	13,622
Animal food	2,356	0	0	2,356
Animal supplies	48,706	0	0	48,706
Veterinarian services	173,838	0	0	173,838
Veterinarian supplies	125,274	0	0	125,274
Auto expense	10,851	5,134	848	16,833
Facility maintenance	51,333	0	0	51,333
Depreciation	56,576	0	0	56,576
Liability insurance	14,737	0	0	14,737
Telephone	38,510	0	0	38,510
Utilities	47,479	0	0	47,479
Furry Scurry	11,876	0	7,918	19,794
Pet Afflaire	23,783	0	15,855	39,638
Special events	22,919	0	11,075	33,994
Strategic Planning	8,307	8,307	0	16,614
General printing	650	3,528	8,250	12,428
Advertising	0	4,908	1,049	5,957
Postage	12,066	2,488	1,534	16,088
Payroll service	0	4,858	0	4,858
Professional services	129,757	42,219	37,991	209,967
Licenses/permits	1,758	1,136	0	2,894
Rent	22,773	0	0	22,773
Supplies	8,186	20,407	1,733	30,326
Bank charges	0	18,832	0	18,832
Technology	7,141	1,689	0	8,830
Organization dues	0	2,679	1,634	4,313
Meals and entertainment	0	2,190	1,175	3,365
Newsletter	7,023	168	0	7,191
Miscellaneous	9,411	7,331	626	17,368
Total operating expenses	\$ 1,313,741	\$ 237,270	\$ 160,978	\$ 1,711,989
	76.7%	13.9%	9.4%	

The accompanying notes are an integral part of these statements.

## HUMANE SOCIETY OF GREATER DAYTON

## STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 66,608	\$ 51,271
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	62,214	56,576
Realized gain on investments	(8,532)	(1,891)
Unrealized (gain) loss on investments	61,570	(1,487)
Changes in assets and liabilities:		
Prepaid expenses	(6,549)	(706)
Accounts payable	(13,864)	(24,088)
Accrued expenses	22,344	(7,272)
TOTAL ADJUSTMENTS	117,183	21,132
NET CASH PROVIDED BY OPERATING ACTIVITIES	183,791	72,403
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(82,073)	(21,595)
Proceeds from sale of investments	45,248	192,762
Purchase of investments	(82,813)	(230,421)
NET CASH USED IN INVESTING ACTIVITIES	(119,638)	(59,254)
CHANGE IN CASH	64,153	13,149
CASH AND CASH EQUIVALENTS – beginning of year	551,153	538,004
CASH AND CASH EQUIVALENTS – end of year	\$ 615,306	\$ 551,153

The accompanying notes are an integral part of these statements.

# HUMANE SOCIETY OF GREATER DAYTON

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

### 1. ORGANIZATION

The Humane Society of Greater Dayton (the Society) is a not-for-profit organization that has been serving the Dayton and surrounding communities since 1902. Since its inception, the Society's respect for animals has been unconditional. The Society is in the business of saving animal lives, and in 2010, became a "no-kill" facility. As the area's oldest, most established animal-advocate center, the Society works with and helps all types of animals. Services include pet adoptions, spay & neuter services, cruelty prevention and investigations, school education programs, offsite adoptions, community outreach programs, information referral, lost and found pet directory, education outreach, pet therapy and the sale of dog licenses. Each program is designed to help create a community where animals are valued and life is enhanced through the relationship with pets.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed in the preparation of the financial statements. These policies conform to accounting principles generally accepted in the United States of America for not-for-profit organizations.

#### Basis of Accounting

The Society utilizes the accrual basis of accounting. Accordingly, revenue is recognized as it is earned and expenses are recorded as incurred.

#### Basis of Presentation

The Society is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets represent resources that are available to support the Society's operations.

Temporarily restricted net assets represent resources for which donor imposed restrictions have not been met. When donor restrictions expire, that is, when a purpose restriction is accomplished or a stipulated time restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which a restricted contribution is received, the Society may report the revenue as unrestricted.

Permanently restricted net assets represent resources that are restricted by the donor and require, in perpetuity, that the principal is invested and only the investment income is used for operations.

HUMANE SOCIETY OF GREATER DAYTON

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Endowment contributions and investments are restricted by the donor. Investment earnings available for distribution are recorded in unrestricted net assets. Investment earnings with donor restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restrictions.

Cash and Cash Equivalents

For financial statement purposes, the Society considers all checking accounts, money market accounts, and certificates of deposit to be cash equivalents. The Society maintains its cash in bank deposit accounts which at times may exceed federally insured limits. The Society has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect on outstanding balances.

Investments

Investments are stated at fair market value. Unrealized gains and losses are included in the Statements of Activities.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed by the straight-line method over the estimated useful lives ranging from five to forty years.

Impairment of Long-Lived Assets

The Society reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value. No impairment losses were recognized during the years ended December 31, 2015 and 2014.



HUMANE SOCIETY OF GREATER DAYTON

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

A favorable determination letter has been obtained from the Internal Revenue Service exempting the Society from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Society's tax-exempt purpose may be subject to taxation as unrelated business income.

The Society determines the recognition of uncertain tax positions, if applicable, that may subject the Society to unrelated business income tax necessary by applying a more-likely-than-not recognition threshold and determines the measurement of uncertain tax positions considering the amounts and probabilities of the outcomes that could be realized upon ultimate settlement with tax authorities. The Society has no tax positions which must be considered for disclosure. The Society believes it is no longer subject to income tax examinations for the years prior to 2012.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donated Services and Materials

Donated services are recognized as contributions only if the services create or enhance nonfinancial assets or require specialized skills, are performed by people possessing those skills, and would otherwise be purchased by the Society. Donated services and materials are recorded as contributions at their fair value at the date of donation. The value of substantial donated volunteer services has not been reflected in the accompanying financial statements since these criteria are not met.

Advertising

Advertising costs are charged to operations when incurred. Advertising costs incurred during 2015 and 2014 were \$6,462 and \$5,957, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain amounts for the prior year have been reclassified to conform with the current year's presentation. These reclassifications did not result in any changes to net assets.

HUMANE SOCIETY OF GREATER DAYTON

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

3. INVESTMENTS

The Society's investments as of December 31, 2015, are comprised of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Money market accounts	\$ 85,042	\$ 85,042	\$ 0
Equity securities	404,371	487,893	83,522
Fixed income securities	277,777	260,611	(17,166)
Alternative strategies securities	35,500	31,198	(4,302)
Alternative investments	17,389	22,947	5,558
Real estate securities	59,420	60,918	1,498
	<u>\$ 879,499</u>	<u>\$ 948,609</u>	<u>\$ 69,110</u>

The Society's investments as of December 31, 2014, are comprised of the following:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Money market accounts	\$ 68,328	\$ 68,328	\$ 0
Equity securities	387,172	505,504	118,332
Fixed income securities	271,473	271,234	(239)
Alternative strategies securities	32,500	30,810	(1,690)
Alternative investments	14,509	19,306	4,797
Real estate securities	59,420	68,900	9,480
	<u>\$ 833,402</u>	<u>\$ 964,082</u>	<u>\$ 130,680</u>

Interest and dividends earned on investments during 2015 and 2014 totaled \$44,831 and \$44,757, respectively.

These funds are covered by the Securities Investor Protection Corporation (SIPC), and are insured in the event of fraudulent brokerage activity only and, therefore, are still subject to market risk.

HUMANE SOCIETY OF GREATER DAYTON

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

4. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Building	\$ 1,093,093	\$ 1,064,745
Building improvements	166,791	133,496
Community dog park	156,926	156,926
Animal vehicles	43,377	43,377
Furniture and equipment	183,439	176,762
Construction in process	13,753	0
Total	<u>1,657,379</u>	<u>1,575,305</u>
Less accumulated depreciation	<u>(950,932)</u>	<u>(888,718)</u>
Net book value	<u>\$ 706,447</u>	<u>\$ 686,588</u>

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2015</u>	<u>2014</u>
Specific programs	<u>\$ 172,364</u>	<u>\$ 118,235</u>

Temporarily restricted net assets for which donor restrictions were accomplished during 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Spay/neuter expenses (net)	\$ 0	\$ 45,000
Shelter	<u>138,313</u>	<u>159,187</u>
	<u>\$ 138,313</u>	<u>\$ 204,187</u>

# HUMANE SOCIETY OF GREATER DAYTON

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

### 6. ENDOWMENT FUNDS

The Society's endowment consists of donated funds which were contributed to provide support to the organization. Its endowment includes donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Society follows the State Prudent Management of Institutional Funds Act (SPMIFA) and its own governing documents. The Society has interpreted SPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable under SPMIFA. The Society's donors have not placed restrictions on the use of the investment income or net appreciation resulting from the donor-restricted endowment funds.

All endowment funds are administered by a third party organization in which the Society relies upon for prudent investment policies. The primary objective for the investment of these assets is to generate sufficient long-term growth of capital, without undue exposure to risk, to provide a sustainable level of spending distributions, as well as enhance the real purchasing power of the investments. The objectives shall be accomplished utilizing a balanced strategy of equities and fixed income based upon a mix which is intended to provide real growth, net of inflation and investment fees.

Endowment net asset composition by type of fund as of December 31, 2015 is as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 0	\$ 148,416	\$ 148,416
Board designated endowment funds	54,392	0	54,392
Total Funds	<u>\$ 54,392</u>	<u>\$ 148,416</u>	<u>\$ 202,808</u>



HUMANE SOCIETY OF GREATER DAYTON

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

6. ENDOWMENT FUNDS (Continued)

Changes in endowment net assets for the year ended December 31, 2015 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets -			
beginning of year	\$ 54,392	\$ 148,416	\$ 202,808
Investment income	0	0	0
Net appreciation (depreciation)	0	0	0
Amounts appropriated for expenditure	0	0	0
Amounts transferred from unrestricted assets	0	0	0
Endowment net assets - end of year	<u>\$ 54,392</u>	<u>\$ 148,416</u>	<u>\$ 202,808</u>

Endowment net asset composition by type of fund as of December 31, 2014 is as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 0	\$ 148,416	\$ 148,416
Board designated endowment funds	54,392	0	54,392
Total Funds	<u>\$ 54,392</u>	<u>\$ 148,416</u>	<u>\$ 202,808</u>

Changes in endowment net assets for the year ended December 31, 2014 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets -			
beginning of year	\$ 54,392	\$ 148,416	\$ 202,808
Investment income	0	0	0
Net appreciation (depreciation)	0	0	0
Amounts appropriated for expenditure	0	0	0
Amounts transferred from unrestricted assets	0	0	0
Endowment net assets - end of year	<u>\$ 54,392</u>	<u>\$ 148,416</u>	<u>\$ 202,808</u>

HUMANE SOCIETY OF GREATER DAYTON

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

7. FAIR VALUE MEASUREMENTS

The Society's investments are reported at fair value in the accompanying Statements of Financial Position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Society believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to measure the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of inputs used to measure fair value under this accounting standard are described as follows:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access. Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets.
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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## NOTES TO FINANCIAL STATEMENTS

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### 7. FAIR VALUE MEASUREMENTS (Continued)

The following is a description of the valuation methodologies the Society used for assets measured at fair value:

Money market accounts: Carrying value is equal to the fair value determined by quoted prices in active exchange markets.

Equity securities, fixed income securities, alternative strategies securities and real estate securities: Reference to quoted market prices, net asset values per share and other relevant information generated by market transactions.

Alternative Investments: Valued at the equity (pro rata interest) in the net assets of the hedge fund of funds, based on valuations provided by respective fund managers. The fair values reported by the fund managers are based on quoted market prices, if available, or other valuation methods.

Fair values of assets measured on a recurring basis at December 31, 2015 are as follows:

	Level 1	Level 2	Level 3	Total
Money market accounts	\$ 85,042	\$ 0	\$ 0	\$ 85,042
Equity securities	487,893	0	0	487,893
Fixed income securities	260,611	0	0	260,611
Alternative strategies securities	31,198	0	0	31,198
Alternative investments	0	0	22,947	22,947
Real estate securities	60,918	0	0	60,918
Total assets at fair value	<u>\$ 925,662</u>	<u>\$ 0</u>	<u>\$ 22,947</u>	<u>\$ 948,609</u>

HUMANE SOCIETY OF GREATER DAYTON

NOTES TO FINANCIAL STATEMENTS

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7. FAIR VALUE MEASUREMENTS (Continued)

The changes in Level 3 assets measured at fair value on a recurring basis are summarized as follows:

	Alternative Investments
Beginning balance at January 1, 2015	\$ 19,306
Total gains or losses (realized and unrealized) and other activity included in changes in net assets	7,007
Net purchases and sales	(3,366)
Ending balance at December 31, 2015	\$ 22,947

Fair values of assets measured on a recurring basis at December 31, 2014 are as follows:

	Level 1	Level 2	Level 3	Total
Money market accounts	\$ 68,328	\$ 0	\$ 0	\$ 68,328
Equity securities	505,504	0	0	505,504
Fixed income securities	271,234	0	0	271,234
Alternative strategic securities	30,810	0	0	30,810
Alternative investments	0	0	19,306	19,306
Real estate securities	68,900	0	0	68,900
Total assets at fair value	\$ 944,776	\$ 0	\$ 19,306	\$ 964,082

The changes in Level 3 assets measured at fair value on a recurring basis are summarized as follows:

	Alternative Investments
Beginning balance at January 1, 2014	\$ 18,784
Total gains or losses (realized and unrealized) and other activity included in changes in net assets	4,797
Net purchases and sales	(4,275)
Ending balance at December 31, 2014	\$ 19,306



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8. BENEFICIAL INTEREST

The Society is the beneficiary of various funds established by donors. The funds are held by a third party organization which has variance power over the funds and, accordingly, the Society has not included its interest in these funds in the accompanying financial statements. The total value of these funds at December 31, 2015 and 2014 was \$509,322 and \$551,112, respectively. The Society will receive a portion of income or principal from these funds when certain conditions are met as stipulated in the fund agreements. Total amount received from these funds during the years ended December 31, 2015 and 2014 totaled \$20,418 and \$18,723, respectively.

9. SUBSEQUENT EVENTS

Management evaluated the activity of the Society through October 26, 2016 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.