

GREENVILLE HUMANE SOCIETY
AUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

GREENVILLE HUMANE SOCIETY

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Independent Auditor's Report

The Board of Directors
Greenville Humane Society
Greenville, South Carolina

We have audited the accompanying financial statements of Greenville Humane Society, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 financial statements are free of 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.

Members
American Institute of Certified Public Accountants
S.C. Association of Certified Public Accountants



The Board of Directors
Greenville Humane Society
July 25, 2016

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 Greenville Humane Society as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

McKinley, Cooper & Co., LLC

Greenville, South Carolina
July 25, 2016

GREENVILLE HUMANE SOCIETY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

Assets

Current assets

Cash and cash equivalents	\$	1,582,405
Cash and cash equivalents, restricted		875,572
Total cash and cash equivalents		2,457,977
Promises to give, net		69,656
Prepaid expenses and other current assets		14,498
Total current assets		2,542,131

Non-current assets

Investments		1,430,519
Promises to give, net		73,940
Beneficial interest in perpetual trust		1,293,656
Property and equipment, net		1,546,061
Total non-current assets		4,344,176

Total assets	\$	6,886,307
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Liabilities and Net Assets

Liabilities

Accounts payable	\$	8,531
Accrued liabilities		45,098
Deferred revenue		41,660
Total liabilities		95,289

Net assets

Unrestricted net assets		3,047,675
Temporarily restricted net assets		2,449,687
Permanently restricted net assets		1,293,656
Total net assets		6,791,018

Total liabilities and net assets	\$	6,886,307
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The accompanying notes are an integral part of these financial statements.

GREENVILLE HUMANE SOCIETY

**STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	\$ 935,314	\$ 1,662,503	\$ -	\$ 2,597,817
Fundraisers	131,230	-	-	131,230
Program service fees				
Adoptions	852,090	-	-	852,090
Vaccine Clinic	342,414	-	-	342,414
Spay/Neuter Clinic	615,553	-	-	615,553
Grooming	18,114	-	-	18,114
Admissions	271,788	-	-	271,788
Income on investments	1,262	25,078	-	26,340
Net unrealized and realized gains (losses) on investments	-	(44,252)	-	(44,252)
Change in value of beneficial interest in perpetual trust	-	-	(96,151)	(96,151)
Other	7,638	-	-	7,638
Net assets released from restrictions				
Restrictions satisfied by payments	825,116	(825,116)	-	-
	<u>4,000,519</u>	<u>818,213</u>	<u>(96,151)</u>	<u>4,722,581</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT				
EXPENSES				
Program services	2,542,172	-	-	2,542,172
Supporting services				
Management and general	88,924	-	-	88,924
Fundraising	222,530	-	-	222,530
	<u>2,853,626</u>	<u>-</u>	<u>-</u>	<u>2,853,626</u>
TOTAL EXPENSES				
INCREASE (DECREASE) IN NET ASSETS	1,146,893	818,213	(96,151)	1,868,955
NET ASSETS, BEGINNING OF YEAR	<u>1,900,782</u>	<u>1,631,474</u>	<u>1,389,807</u>	<u>4,922,063</u>
NET ASSETS, END OF YEAR	<u>\$ 3,047,675</u>	<u>\$ 2,449,687</u>	<u>\$ 1,293,656</u>	<u>\$ 6,791,018</u>

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

GREENVILLE HUMANE SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Employee compensation and related expenses				
Salaries	\$ 1,302,124	\$ -	\$ -	\$ 1,302,124
Employee benefits	29,660	-	-	29,660
Payroll taxes	111,113	-	-	111,113
Total employee compensation and related expenses	1,442,897	-	-	1,442,897
Other expenses				
Admissions	307,956	-	-	307,956
Adoptions expense	283,768	-	-	283,768
Advertising	-	16,638	-	16,638
Animal food	12,508	-	-	12,508
Bank fees	-	40,901	-	40,901
Clinic expense	21,923	-	-	21,923
Contract labor	3,460	-	-	3,460
Dues and licenses	9,971	-	-	9,971
Education	8,956	-	-	8,956
Foster expense	44,796	-	-	44,796
Fundraising	-	-	199,543	199,543
Insurance	9,279	-	-	9,279
Interest expense	-	-	-	-
Investment fees	20,543	-	-	20,543
IT/website	11,009	-	-	11,009
Office supplies and uniforms	24,451	-	-	24,451
Other	631	10,674	-	11,305
Professional fees	-	20,711	22,987	43,698
Rent	41,000	-	-	41,000
Repairs and maintenance	52,270	-	-	52,270
Telephone	12,663	-	-	12,663
Utilities	31,845	-	-	31,845
Veterinary supplies and services	129,700	-	-	129,700
Volunteer expense	5,488	-	-	5,488
Total expenses before depreciation	2,475,114	88,924	222,530	2,786,568
Depreciation	67,058	-	-	67,058
Total expenses	\$ 2,542,172	\$ 88,924	\$ 222,530	\$ 2,853,626

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

GREENVILLE HUMANE SOCIETY

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 1,868,955
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	67,058
Change in value of beneficial interest in perpetual trust	96,151
(Increase) decrease in assets	
Net promises to give	(95,760)
Prepaid expenses and other current assets	(5,140)
Increase (decrease) in liabilities	
Accounts payable	(13,296)
Accrued liabilities	(9,838)
Deferred revenue	(30,690)
	<hr/>
Net cash provided by operating activities	1,877,440

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of improvements and equipment	(105,965)
Net decrease in value of investments	126,993
	<hr/>
Net cash provided by investing activities	21,028

NET INCREASE IN CASH AND CASH EQUIVALENTS

1,898,468

CASH AND CASH EQUIVALENTS, beginning of year

559,509

CASH AND CASH EQUIVALENTS, end of year

\$ 2,457,977

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

GREENVILLE HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1 – Summary of Significant Accounting Policies

Organization – The Greenville Humane Society (the “Society”) was organized under the laws of the State of South Carolina in 1930 as a tax-exempt, not-for-profit organization to provide proper and effective means for the prevention of cruelty to animals.

The Society’s purposes are accomplished through various programs which include providing animals for public adoption and offering low cost animal spay and neuter surgeries, as well as low cost vaccines to the general public. The Society is supported through investment income on endowed assets, contributions from the general public and from fees charged to the general public for services performed.

Basis of Accounting and Financial Statement Presentation – The financial statements are prepared using the accrual basis of accounting whereby revenues are recognized when earned and expenses are recorded when incurred.

The Society’s financial statements are presented in accordance with FASB ASC 958-205 *Not-For-Profit Presentation of Financial Statements*.

In accordance with FASB ASC 958-205, the Society is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Society is required to present a statement of cash flows.

Unrestricted Net Assets

Unrestricted net assets are those currently available for use by the Society.

Temporarily Restricted Net Assets

Temporarily restricted net assets are grants and contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Society pursuant to these stipulations.

Permanently Restricted Net Assets

Permanently restricted net assets are grants and contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by the Society’s actions.

Contributions – Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that

GREENVILLE HUMANE SOCIETY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Society reports that support as unrestricted.

Use of Estimates – The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions related to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may ultimately differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Concentration of Credit Risk – The Society maintains cash balances at three financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At various times during the year, the Society's bank balances may exceed insured limits. At December 31, 2015, the Society's uninsured cash balances totaled \$250,510.

Cash Equivalents – The Society considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Contributed Services and In-kind Contributions – Local businesses and individuals contribute specific professional services and other items to the Humane Society. The items are reflected in the financial statements only when the donor provides documentation of the fair market value of the contribution.

Beneficial Interest in Perpetual Trust – The Society has beneficial interests in a perpetual trust, which is held by a third party. The Society recognizes contribution revenue equal to its proportionate share of the fair value of the trust assets upon notification and determination that its right to receive benefits under the agreement is unconditional and irrevocable. Changes in the fair value of The Society's interest in the trust assets are reflected as gains or losses in the statement of activities in the period in which they occur. The distributions are recognized as contribution income. Under terms of the trust, the Society is to receive an annual distribution equal to the greater of an amount equal to 5% of the fair market value of assets in the trust, or all the net income of the trust for its unrestricted use.

Investments – Investments consist primarily of assets invested in government and corporate bond funds, equity funds, and money-market accounts. The Society accounts for investments in accordance with FASB ASC 958-320 and subsections. This standard requires that investments in debt securities be measured at fair value in the statement of financial position. Fair value of marketable equity and debt securities is based on quoted market prices. The realized and unrealized gain or loss on investments is reflected in the consolidated statement of changes in net assets.

Property, Plant, and Equipment – Property, plant, and equipment are stated at cost less accumulated depreciation. Depreciation is calculated by applying the straight-line method over the useful lives of the

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long-lived assets. Useful lives are 7 years on equipment, furniture, and fixtures and from 15 to 25 years on buildings and leasehold improvements.

Asset Capitalization Policy – The Society both purchases goods and receives in-kind donations of goods and services which will benefit more than one fiscal period. Goods purchased or received which have a cost of less than \$500 on an individual basis or less than \$1,000 on an aggregate basis for like-kind items are expensed in the respective period(s) the expenses occur.

Promises to Give – Promises to give represent the amount of unconditional promises to give expected to be collected during the next two fiscal years. In accordance with FASB ASC 958-605, the promises to give have been discounted to present value using a 5% discount rate. The current portion of the receivable of \$69,656 represents the amount of unconditional promises to give expected to be collected during the next fiscal year. The non-current portion of the receivable of \$73,940 represents the amount expected to be collected from 2017 to 2020.

Income Tax Status – The Society has obtained exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as an organization which is not a private foundation as well as an eleemosynary corporation recognized in South Carolina. Therefore, no provision for income taxes has been included in the financial statements.

The Financial Accounting Standards Board (FASB) ASC 740-10 prescribes a comprehensive model for how an organization should measure, recognize, present, and disclose in its financial statements uncertain tax positions that the Society has taken or expects to take on a tax return.

In accordance with ASC 740-10, the Society recognizes the tax benefits from uncertain tax positions only if it is more-likely-than-not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Society's income tax filings are subject to audit by various taxing authorities. Management believes there was no significant impact on the Society's financial statements as a result of ASC 740-10.

Fair Value of Financial Instruments - The carrying values of cash and cash equivalents, promises to give, accounts payable and accrued liabilities approximate fair value because of the terms and relative short maturity of these financial instruments. The carrying values, which are the fair value of investments, are based on values provided by an external investment manager or comparison to quoted market values.

The carrying values of long-term pledges receivable have been discounted to present value using a 5% discount rate. The carrying value of long-term debt approximates fair value based on discounting the projected cash flows using market rates available for similar maturities. None of the financial instruments are held for trading purposes.

Note 2 – Cash, Restricted

As of December 31, 2015, the Society maintained \$875,572 in donor-imposed restricted cash.

GREENVILLE HUMANE SOCIETY

NOTES TO FINANCIAL STATEMENTS

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NOTE 3 – PROMISES TO GIVE

During the year ended December 31, 2015, the Society began a Capital Campaign in an effort to raise funds to be used for a new shelter facility. In accordance with FASB ASC 958-605, the promises to give have been discounted to present value using a 5% discount rate.

The current portion of the capital campaign receivable represents the amount of unconditional promises to give expected to be collected during the next fiscal year. The non-current portion of capital campaign receivable represents pledges expected to be collected between one and five years. An allowance for doubtful accounts has been established based on past experience.

Current and long-term receivables are as follows:

Due within one year	\$ 77,441
Due within five years	89,097
	<hr/>
	166,538
Less, discount to present value	(21,491)
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	145,047
Less, allowance for doubtful accounts	(1,451)
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	\$ 143,596
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Note 4 – Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, establishes a single authoritative definition of fair value, establishes a consistent framework for measuring fair value in accordance with GAAP, and expands disclosure requirements about fair value measurements. The pronouncement defines fair value and establishes a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The hierarchy is broken down into three levels based on inputs that market participants would use in valuing the asset or liability based on market data obtained from sources independent of the Society 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.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;

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- 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 by 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.

Inputs refer broadly to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors. The Society is required by the pronouncement to maximize the use of observable inputs (Levels 1 and 2) and minimize the use of unobservable inputs (Level 3). The Society considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Society's perceived risk of that instrument.

The following table summarizes the valuation of the Society's financial assets and liabilities measured at fair value as of December 31, 2015, based on the level of input utilized to measure fair value:

	Level 1	Level 2	Level 3	Total
Investments				
Short-term investments				
Money market funds	\$ 146,275	\$ -	\$ -	\$ 146,275
Debt investments				
Mutual funds	228,289	-	-	228,289
Equity investments				
Mutual funds	742,658	-	-	742,658
Complimentary strategies funds	152,305	-	-	152,305
Broad commodities funds	25,451	-	-	25,451
Real estate investment trusts	135,541	-	-	135,541
Total investments	<u>\$ 1,430,519</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,430,519</u>
Beneficial interest in perpetual trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,293,656</u>	<u>\$ 1,293,656</u>

The table below sets forth a summary of changes in the fair value of the Society's Level 3 assets for the year ended December 31, 2015:

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	Beneficial interest in perpetual trust
Fair value as of December 31, 2014	\$ 1,389,807
Change in value of beneficial interest in perpetual trust	(96,151)
Fair value as of December 31, 2015	\$ 1,293,656

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value. There have been no changes in the methodologies used at December 31, 2015.

Short-term investments - The fair value of short-term investments, consisting primarily of money market funds, is classified as Level 1.

Debt Investments - Investments in fixed income daily traded mutual funds are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets and are accordingly categorized as Level 1, with no valuation adjustment applied.

Equity Investments - Investments in equity vehicles are comprised of daily traded mutual funds. Securities held in daily traded mutual funds are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1, with no valuation adjustments applied.

Beneficial interest in perpetual trust – The Society’s beneficial interests in perpetual trust held by third party is valued using the fair value of the assets in the trust as a practical expedient, unless facts and circumstances indicate that the fair values of the assets in the trust differ from the fair value of the beneficial interests. Perpetual trust held by third party is classified within Level 3 of the fair value hierarchy.

While the Society believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Note 5 – Investments

Investments are summarized as follows as of December 31:

GREENVILLE HUMANE SOCIETY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

	2015	
	Cost	Fair Value
Short-term investments		
Money market funds	\$ 146,275	\$ 146,275
Debt investments		
Mutual funds	236,059	228,289
Equity investments		
Mutual funds	677,258	742,658
Complimentary strategies funds	157,244	152,305
Broad commodities funds	39,470	25,451
Real estate investment trusts	120,217	135,541
Total investments	\$ 1,376,523	\$ 1,430,519

Investment income from cash equivalents and investments is comprised of the following for the year ended December 31, 2015:

	Unrestricted	Temporarily Restricted	Total
Dividends and interest	\$ 1,262	\$ 25,078	\$ 26,340
Realized gains (losses)	-	18,241	18,241
Unrealized gains (losses)	-	(62,493)	(62,493)
	\$ 1,262	\$ (19,174)	\$ (17,912)

Corresponding investment expenses for the year ended December 31, 2015 were \$20,543.

Investment restrictions and designations at December 31 are summarized as follows:

	2015
Temporarily restricted	
Term endowment funds	\$ 1,430,519
Total investments	\$ 1,430,519

Note 6 – Beneficial Interest in Perpetual Trust

The Society is the income beneficiary of a perpetual trust. The trust fund is held and controlled by a third party trustee. The Society is entitled to a specified percentage, as defined in the trust agreement, of the annual income distributions from the trust. The Society will also be entitled to a specified percentage of the total amount of the corpus assets that will be distributed if the trust is ever dissolved. The Society estimated the fair value of its beneficial interest in perpetual trust at December 31, 2015 is \$1,293,656 and the estimate is based upon the Society's respective interest in the value of the underlying assets held by

GREENVILLE HUMANE SOCIETY

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the trust. The trust consists entirely of marketable equity securities and mutual funds, fixed income securities and temporary cash investments. Distributions from the perpetual trust totaled \$68,001 for the year ended December 31, 2015, and are included in contribution income in the accompanying statement of activities.

Note 7 – Property and Equipment

Property and equipment consists of leasehold improvements, equipment, furniture and fixtures. The following represents property and equipment owned by the Society at December 31:

	2015
Leasehold improvements	\$ 1,623,734
Machinery and equipment	41,812
Furniture and fixtures	86,089
Construction in progress	63,481
	1,815,116
Less: accumulated depreciation	(269,055)
	\$ 1,546,061

Depreciation expense for the year ended December 31, 2015 was \$67,058.

Note 8 – Lease Obligations

The Society has entered into a non-cancelable operating lease for the land and building which houses the Society operations. The lease expires in December 2035 and requires monthly payments through the term of the lease.

The following are operating lease future minimum payments:

Year Ending December 31,	
2016	\$ 47,150
2017	47,150
2018	47,150
2019	47,150
2020	47,150
Thereafter	941,438
	\$ 1,177,188

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Note 9 – Endowment Assets

At December 31, 2015, the Society's endowment consists of five individual donor-restricted endowment funds. 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.

Interpretation of Relevant Law

The Board of Directors of the Society has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") enacted July 1, 2008 in the State of South Carolina as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulation of earnings required to be added to the permanent endowment as stipulated by the donor-applicable donor gift instrument.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

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

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**NOTES TO FINANCIAL STATEMENTS
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	Unrestricted- Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2014	\$ -	\$ 1,557,512	\$ 1,389,807	\$ 2,947,319
Investment return:				
Investment income, net of fees	-	4,250	-	4,250
Net appreciation (depreciation), (realized and unrealized)	-	(44,252)	-	(44,252)
Change in value of beneficial interest in perpetual trust	-	-	(96,151)	(96,151)
	-	(40,002)	(96,151)	(136,153)
Contributions	-	-	-	-
Appropriation of endowment assets for expenditures	-	(86,991)	-	(86,991)
Endowment net assets, December 31, 2015	\$ -	\$ 1,430,519	\$ 1,293,656	\$ 2,724,175

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Society to retain as a fund of perpetual duration. Deficiencies of this nature result from unfavorable market fluctuations and would be included in unrestricted net assets. There were no such deficiencies as of December 31, 2015.

Return Objectives and Risk Parameters

The Society has adopted investment and spending policies for endowment assets that attempt to provide a relatively predictable, stable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Strategies Employed for Achieving Objectives

To address its long-term rate-of-return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). At December 31, 2015, \$1,293,656 of the endowment funds are held in perpetual trust, the investment of which is determined by the trustee rather than the Society.

Endowment Investment and Spending Policies

The Society's spending policy appropriates for distribution each year a certain percentage of its endowment funds' average fair value for the prior three years through the fiscal yearend preceding the

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fiscal year in which the distribution is planned. In establishing this policy, the Society considered the expected return on its endowment. The goal of such spending policy is to allow the endowment to maintain its purchasing power, achieve a reasonable degree of stability and predictability in income availability for operations and to achieve a balance between present and future needs. Real growth is achieved through new gifts and any excess investment return.

Note 10 – Net Assets

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets is as follows:

	<u>2015</u>
Permanently restricted net assets:	
The portion of endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA Beneficial interest in perpetual trust	\$ 1,293,656
Total permanently restricted net assets	<u>\$ 1,293,656</u>
	<u>2015</u>
Temporarily restricted net assets:	
The portion of endowment funds subject to a time restriction either by explicit donor stipulation or under UPMIFA:	
With purpose restrictions for spending	\$ 1,430,519
Total endowment funds classified as temporarily restricted net assets	<u>1,430,519</u>
Capital Campaign:	
Cash and cash equivalents	875,572
Promises to give	<u>143,596</u>
Total Capital Campaign temporarily restricted net assets	<u>1,019,168</u>
Total temporarily restricted net assets	<u>\$ 2,449,687</u>

Note 11 – Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, all costs have been allocated among the program and supporting services benefited.

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Note 12 – Risk and Uncertainties

The Society's investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with these investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Note 13 – Subsequent Events

Subsequent events have been evaluated through the date of the auditor's report, which is the date the financial statements were available to be issued.