Michigan Humane Society

Financial Report

September 30, 2015

Contents

plante moran

Plante & Moran, PLLC
1098 Woodward Avenue
Detroit, MI 48226-1906
Tel: 313.496.7200
Fax: 313.496.7201
plantemoran.com

Independent Auditor's Report

To the Board of Directors
Michigan Humane Society

We have audited the accompanying financial statements of Michigan Humane Society (the "Organization"), which comprise the balance sheet as of September 30, 2015 and 2014 and the related statements of activities and changes in net assets, 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 Michigan Humane Society as of September 30, 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.

Plante & Moran, PLLC

February 2, 2016

Michigan Humane Society

Balance Sheet

		September 30, 2015		September 30, 2014
Assets				
Cash and cash equivalents	$	790,853	$	99,689
Accounts receivable:				
Operational accounts receivable		60,244		28,250
Legacies and bequests receivable		1,475,552		1,663,577
Investment-related and other accounts receivable		39,697		83,004
Capital campaign receivable (Note 3)		2,593,089		2,788,314
Investments (Note 12)		7,745,168		9,439,316
Inventory		373,102		421,154
Prepaid expenses and other		227,870		278,354
Interest in trusts (Note 12)		813,462		824,000
Property and equipment - Net (Note 5)		18,365,370		8,872,712
Assets restricted for long-term use (Note 6)		1,138,889		3,747,513
Total assets	**$**	**33,623,296**	**$**	**28,245,883**
Liabilities and Net Assets				
Liabilities				
Accounts payable	$	2,617,263	$	736,374
Annuities payable (Note 12)		60,527		69,330
Accrued salaries, wages, and employee benefits payable		705,248		652,319
Bank line of credit (Note 13)		2,551,203		-
Total liabilities		5,934,241		1,458,023
Net Assets				
Unrestricted (Note 7)		24,899,681		19,351,812
Temporarily restricted (Note 8)		2,601,874		7,248,548
Permanently restricted		187,500		187,500
Total net assets		27,689,055		26,787,860
Total liabilities and net assets	**$**	**33,623,296**	**$**	**28,245,883**

Michigan Humane Society

Statement of Activities and Changes in Net Assets

	Year Ended September 30, 2015	Year Ended September 30, 2014
Changes in Unrestricted Net Assets		
Revenue and support:		
Contributions	$ 7,178,558	$ 5,431,391
Legacies and bequests	2,954,206	937,542
Adoption center and charitable veterinary hospital - Net (Note 2)	6,305,237	5,751,221
Retail	9,462	10,122
Special event revenue:		
Gross revenue	1,808,473	1,621,598
Direct benefit to donor costs	(61,437)	(70,733)
Investment (losses) gains (Note 4)	(669,528)	1,346,109
Gain on disposal of property and equipment	-	2,331
Total revenue and support	17,524,971	15,029,581
Net assets released from restrictions	5,897,281	2,140,567
Total unrestricted revenue, support, and net assets released from restrictions	23,422,252	17,170,148
Expenses:		
Program services	14,810,458	13,972,223
Support services:		
Management and general	541,113	641,677
Fundraising	2,522,812	2,333,263
Total expenses	17,874,383	16,947,163
Increase in Unrestricted Net Assets	5,547,869	222,985
Changes in Temporarily Restricted Net Assets		
Contributions	39,259	3,975,203
Legacies and bequests	1,221,886	1,463,577
Change in value of split-interest agreements	(10,538)	27,000
Net assets released from restrictions	(5,897,281)	(2,140,567)
(Decrease) Increase in Temporarily Restricted Net Assets	(4,646,674)	3,325,213
Increase in Net Assets	901,195	3,548,198
Net Assets - Beginning of year	26,787,860	23,239,662
Net Assets - End of year	**$ 27,689,055**	**$ 26,787,860**

See Notes to Financial Statements.

Michigan Humane Society

Statement of Functional Expenses
Year Ended September 30, 2015

	Program Services	Support Services: Management and General	Support Services: Fundraising	Total
Salaries	$ 7,928,151	$ 185,337	$ 535,194	$ 8,648,682
Employee benefits	1,087,934	78,266	38,849	1,205,049
Payroll taxes	645,149	40,088	42,437	727,674
Total salaries and salary-related expenses	9,661,234	303,691	616,480	10,581,405
Animal care	2,025,327	-	-	2,025,327
Facility	260,695	371	263	261,329
Insurance	57,127	1,255	2,904	61,286
Vehicle	137,018	9,696	9,560	156,274
Rental	125,472	44,636	39,840	209,948
Repairs and maintenance - Building	127,165	237	195	127,597
Utilities	322,322	2,335	2,069	326,726
Telephone and connectivity	99,147	8,683	8,320	116,150
Fundraising and special event costs	230,317	-	996,269	1,226,586
Public relations and marketing	326,835	364	24,472	351,671
Postage	27,609	2,994	351,673	382,276
Printing	36,480	580	34,585	71,645
Professional fees	177,549	54,544	202,433	434,526
Office supplies and expenses	117,089	11,877	6,675	135,641
Meeting	28,763	6,475	1,551	36,789
Employee	54,423	5,535	30,747	90,705
Cost of sales	4,293	-	-	4,293
Investment and banking fees	105,787	53,733	120,135	279,655
IT licenses and support	250,334	18,544	37,446	306,324
Support of collaborative efforts	3,023	-	-	3,023
Depreciation	598,456	8,721	27,240	634,417
Other	33,993	6,842	9,955	50,790
Total expenses before direct benefit to donor costs	14,810,458	541,113	2,522,812	17,874,383
Direct benefit to donor costs	-	-	-	61,437
Total expenses including direct benefit to donor costs	**$ 14,810,458**	**$ 541,113**	**$ 2,522,812**	**$ 17,935,820**

Michigan Humane Society

Statement of Functional Expenses
Year Ended September 30, 2014

	Program Services	Support Services: Management and General	Support Services: Fundraising	Total
Salaries	$ 7,387,509	$ 240,960	$ 510,000	$ 8,138,469
Employee benefits	938,805	67,824	26,969	1,033,598
Payroll taxes	626,322	47,268	42,896	716,486
Total salaries and salary-related expenses	8,952,636	356,052	579,865	9,888,553
Animal care	1,918,152	-	-	1,918,152
Facility	273,074	640	504	274,218
Insurance	57,318	1,299	2,830	61,447
Vehicle	144,617	18,240	8,074	170,931
Rental	123,914	43,866	39,176	206,956
Repairs and maintenance - Building	124,233	615	514	125,362
Utilities	324,029	2,434	2,157	328,620
Telephone and connectivity	99,075	12,010	8,696	119,781
Fundraising and special event costs	168,344	-	898,001	1,066,345
Public relations and marketing	296,525	1,807	12,706	311,038
Postage	27,761	4,318	332,456	364,535
Printing	15,497	69	14,482	30,048
Professional fees	215,354	51,934	255,132	522,420
Office supplies and expenses	129,940	9,409	8,448	147,797
Meeting	35,034	10,561	3,963	49,558
Employee	105,467	20,763	11,970	138,200
Cost of sales	3,177	-	-	3,177
Investment and banking fees	103,424	60,344	102,056	265,824
IT license and support	199,645	17,775	37,399	254,819
Support of collaborative efforts	1,135	350	-	1,485
Depreciation	619,916	9,161	9,862	638,939
Other	33,956	20,030	4,972	58,958
Total expenses before direct benefit to donor costs	13,972,223	641,677	2,333,263	16,947,163
Direct benefit to donor costs	-	-	-	70,733
Total expenses including direct benefit to donor costs	**$ 13,972,223**	**$ 641,677**	**$ 2,333,263**	**$ 17,017,896**

Michigan Humane Society

Statement of Cash Flows

	Year Ended September 30, 2015	Year Ended September 30, 2014
Cash Flows from Operating Activities		
Increase in net assets	$ 901,195	$ 3,548,198
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	634,417	638,939
Gain on disposal of property and equipment	-	(2,331)
Amortization discount on pledges receivable	67,679	37,695
Net realized and unrealized losses (gains) on investments	935,016	(995,326)
Investments donated for long-term projects	-	(189,583)
Change in value of interest in trusts	10,538	(27,000)
Contributions restricted for building improvements	(1,646,807)	(3,287,766)
Contributions restricted for future operations - Bequests receivable	(1,221,886)	(1,463,577)
Changes in operating assets and liabilities which provided (used) cash:		
Operational accounts receivable	(31,994)	6,358
Other accounts receivable	43,307	14,198
Legacies and bequests receivable	1,409,911	1,252,164
Inventory	48,052	(42,493)
Prepaid expenses and other	50,484	(130,569)
Accounts payable	(197,978)	56,610
Accrued salaries, wages, and employee benefits payable	52,929	38,932
Net cash provided by (used in) operating activities	1,054,863	(545,551)
Cash Flows from Investing Activities		
Purchase of property and equipment	(8,057,011)	(1,185,212)
Proceeds from disposition of property and equipment	-	1,200
Purchases of investments	(2,287,825)	(3,570,092)
Proceeds from sales and maturities of investments	5,239,323	3,849,526
Net cash used in investing activities	(5,105,513)	(904,578)
Cash Flows from Financing Activities		
Borrowings from line of credit	2,551,203	-
Proceeds from capital campaign contributions	1,764,353	1,436,158
Proceeds from contributions restricted for building improvements	10,000	10,000
Investments donated for long-term projects	-	189,583
Net cash provided by financing activities	4,325,556	1,635,741
Net Increase in Cash and Cash Equivalents	274,906	185,612
Cash and Cash Equivalents - Beginning of year	1,654,836	1,469,224
Cash and Cash Equivalents - End of year	**$ 1,929,742**	**$ 1,654,836**
Cash and Cash Equivalents are Classified on the Balance Sheet as Follows		
Cash and cash equivalents	$ 790,853	$ 99,689
Assets restricted for long-term use	1,138,889	1,555,147
Total	**$ 1,929,742**	**$ 1,654,836**

See Notes to Financial Statements.

Note 1 - Nature of Organization and Significant Accounting Policies

Nature of Organization - Michigan Humane Society (the "Organization") is a not-for-profit corporation dedicated to ending companion animal homelessness, providing the highest quality service and compassion to the animals entrusted to its care, and being a leader in promoting humane values. The Organization operates three adoption centers, three charitable veterinary hospitals, emergency animal rescue services, a cruelty investigation division, and an education division. In addition, the Organization facilitates companion animal adoption at multiple offsite locations and special events. Southeastern Michigan is the primary service area for the Organization's operations.

Significant accounting policies are as follows:

Cash Equivalents - The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents except for certain money market mutual funds that are included in the Organization's investment portfolio. The balances in the Organization's deposit accounts may, from time to time, exceed the amounts covered by FDIC insurance.

Accounts Receivable - Accounts receivable consist of operational accounts receivable, capital campaign pledges receivable, legacies and bequests receivable, and investment-related and other accounts receivable.

Operational accounts receivable are stated at invoice amounts from services provided. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal payment periods. In addition, a general valuation allowance is established for other accounts receivable based on historical loss experience. All amounts deemed uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. All operational accounts receivable are considered fully collectible as of September 30, 2015 and 2014.

Capital campaign pledges receivable are stated at the gross promise to give, less amortized discounts and allowances for uncollectible pledges. The Organization calculates the amortized discounts at 3.00 percent of the pledges receivable balance as of September 30, 2015 and 2014.

The legacies and bequests receivable consist of wills and bequests for which the donor and all other life beneficiaries are deceased and are therefore irrevocable. Payment on these receivables is expected in the next year. The legacies and bequests receivable are deemed fully collectible as of September 30, 2015 and 2014.

The investment-related and other accounts receivable consist primarily of interest and dividend income receivable.

Investments - Investments in debt and equity securities are recorded at fair value as described in Note 12.

Note 1 - Nature of Organization and Significant Accounting Policies (Continued)

Risks and Uncertainties - The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

Inventory - Inventory, which consists of medical supplies and retail items, is stated at the lower of cost or market, using the first-in, first-out (FIFO) method of valuation.

Interest in Trusts - Interest in trusts consists of funds which are held in trusts of which the Organization is a beneficiary. The corpus of the trusts is expected to be paid to the Organization through 2020.

Property and Equipment - Property and equipment are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives, which range from 2 to 40 years depending on the type of asset. Costs of maintenance and repairs are charged to expense when incurred.

The Organization reports gifts of property, plant, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of property, plant, and equipment with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire property, plant, and equipment are reported as restricted support. Absent explicit donor stipulations about how long the property, plant, and equipment must be maintained, the Organization reports expirations of donor restrictions over time based on an estimate of the useful lives of the donated or acquired property, plant, and equipment.

Contributions - Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support. Other restricted gifts are reported as restricted support and temporarily or permanently restricted net assets.

Note 1 - Nature of Organization and Significant Accounting Policies (Continued)

The Organization receives donations of various goods and services. For the years ended September 30, 2015 and 2014, in-kind donations of $272,100 and $157,147, respectively, met the criteria for recording in accordance with generally accepted accounting principles and have been recorded in the statement of activities and changes in net assets. The Organization also receives significant volunteer services that are not recordable in accordance with generally accepted accounting principles.

Classification of Net Assets - Net assets of the Organization are classified as unrestricted, temporarily restricted, or permanently restricted depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Donor-imposed restrictions that expire with the passage of time or that can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on permanently restricted net assets are available to support the general charitable purpose of the Organization. In accordance with generally accepted accounting principles, these earnings and gains are classified as temporarily restricted until they are appropriated for expenditure.

Board-designated Net Assets - Unrestricted board-designated net assets are investments and other assets set aside by the board as disclosed in Note 7. These designations are based on board actions, which can be altered or revoked at a future time by the board.

Permanently Restricted Net Assets - The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of their equity and bond holdings, while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide a rate of return equivalent to those of its general investment portfolio. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through current yield (interest and dividends). The Organization targets a diversified asset allocation in order to achieve its long-term return objectives within prudent risk constraints.

Note 1 - Nature of Organization and Significant Accounting Policies (Continued)

Functional Allocation of Expenses - The costs of providing program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce different amounts.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Federal Income Taxes - The Organization is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Organization and has concluded that as of September 30, 2015 and 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2012.

Note 1 - Nature of Organization and Significant Accounting Policies (Continued)

Upcoming Accounting Change - In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Organization's year ending September 30, 2020. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Organization has not yet determined which application method it will use or the potential effects of the new standard on the financial statements, if any.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including February 2, 2016, which is the date the financial statements were available to be issued.

Note 2 - Adoption Center and Charitable Veterinary Hospital Revenue

Adoption center and charitable veterinary hospital revenue for the years ended September 30, 2015 and 2014 is reported net of discounts as follows:

	2015	2014
Adoption center and charitable veterinary hospital revenue - Gross	$ 6,991,403	$ 6,515,398
Clinic discounts and other	(686,166)	(764,177)
Net revenue	$ 6,305,237	$ 5,751,221

Clinic discounts represent services provided for free or at reduced fees, including sterilizations performed for free or below cost, treatment and care provided to animals during their stay at the Organization, treatment of animals post-adoption, treatment of animals from cruelty situations, and services provided to clients with limited financial capability at reduced prices.

Note 3 - Contributions Receivable

Included in contributions receivable are unconditional promises to give generated from a capital campaign that began during 2013. They are included as follows:

	2015	2014
Gross promises to give before unamortized discount	$ 2,826,672	$ 2,953,862
Less unamortized discount	(174,150)	(106,471)
Less allowance for doubtful accounts	(59,433)	(59,077)
Net contributions receivable	$ 2,593,089	$ 2,788,314
Amounts due in:		
Less than one year	$ 1,113,506	$ 1,584,662
One to five years	1,713,166	1,369,200
Total	$ 2,826,672	$ 2,953,862

The Organization receives contributions from related parties such as board members and management. For the years ended September 30, 2015 and 2014, such contributions were approximately $794,000 and $656,000, respectively. A total of $802,585 and $1,080,862 due at September 30, 2015 and 2014, respectively, was received from these related parties.

Note 4 - Investment Gains (Losses)

Investment gains (losses) consisted of the following for the years ended September 30, 2015 and 2014:

	2015	2014
Interest and dividend income	$ 265,488	$ 350,783
Net realized and unrealized (losses) gains	(935,016)	995,326
Total	$ (669,528)	$ 1,346,109

Note 5 - Property and Equipment

The cost of property and equipment is summarized as follows:

	2015	2014
Land	$ 848,268	$ 848,268
Land improvements	510,252	495,361
Buildings	7,066,643	7,066,643
Building improvements	2,698,985	2,593,951
Medical and other equipment	4,107,685	3,982,269
Transportation equipment - Cost	865,141	804,008
Furniture and fixtures - Cost	462,261	448,642
Computer equipment and software - Cost	418,874	409,014
Leasehold improvements	90,381	86,133
Construction in progress	11,231,806	1,438,931
Total cost	28,300,296	18,173,220
Accumulated depreciation	(9,934,926)	(9,300,508)
Net carrying amount	$ 18,365,370	$ 8,872,712

Depreciation expense totaled $634,417 and $638,939 in 2015 and 2014, respectively.

Construction in progress relates to construction of a new facility in Detroit, Michigan. The Organization has entered into construction contracts related to the facility. The remaining commitment on these contracts was approximately $2.4 million as of September 30, 2015.

Note 6 - Assets Restricted for Long-term Use

Assets restricted for long-term use consist of the following at September 30:

	2015	2014
Detroit building project:		
Donor-restricted:		
Cash and cash equivalents	$ -	$ 1,399,166
Investments	-	533,811
Board-designated:		
Cash and cash equivalents	960,015	-
Investments	-	1,658,555
Total Detroit building project	960,015	3,591,532
Other building projects - Cash and cash equivalents	178,874	155,981
Total	$ 1,138,889	$ 3,747,513

Note 7 - Board-designated Net Assets

Unrestricted net assets include net assets designated by the board for the following purposes as of September 30:

	2015	2014
Operating reserve	$ 7,500,200	$ 8,672,200
Detroit building project	960,015	1,658,555
Total	$ 8,460,215	$ 10,330,755

Note 8 - Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30, 2015 and 2014 are restricted for the following purposes:

	2015	2014
Time-restricted contributions	$ 2,289,014	$ 2,237,577
Construction of new facilities	-	4,685,958
Building and equipment improvements	178,874	155,981
Program activity	85,455	134,663
Life insurance policy cash surrender value	48,531	34,369
Total temporarily restricted net assets	$ 2,601,874	$ 7,248,548

Note 9 - Operating Leases

The Organization has operating lease agreements for office space and equipment. Total rent expense under these leases was $213,122 and $216,825 for the years ended September 30, 2015 and 2014, respectively. Future commitments under these operating leases are as follows:

2016	$ 194,951
2017	196,155
2018	175,093
2019	17,347
2020	17,347
Thereafter	5,193
Total	$ 606,086

Note 10 - Employee Benefit Plan

The Organization has a 403(b) retirement plan (the "Plan"). Under the Plan, employees can elect to defer a portion of their compensation. The Organization made matching contributions of $133,645 and $122,799 to the Plan for the years ended September 30, 2015 and 2014, respectively.

Note 11 - Allocation of Joint Costs

The Organization's newsletter and certain event activities include requests for contributions, as well as education and retail components. Total joint costs for these activities were $506,188 and $442,638 for the years ended September 30, 2015 and 2014, respectively. These costs are not specifically attributable to fundraising or education activities and were allocated as follows:

	2015	2014
Fundraising	$ 223,927	$ 162,738
Education	282,261	279,900
Total	$ 506,188	$ 442,638

Note 12 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Organization's assets and liabilities measured at fair value on a recurring basis at September 30, 2015 and 2014 and the valuation techniques used by the Organization to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets and liabilities that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets or liabilities in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability.

Note 12 - Fair Value Measurements (Continued)

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Assets and Liabilities Measured at Fair Value on a Recurring Basis at September 30, 2015

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2015
Assets				
Investments (including assets restricted for long-term use):				
Money market funds	$ 1,254,672	$ -	$ -	$ 1,254,672
U.S. agency notes	-	99,998	-	99,998
Mutual funds	434,654	-	-	434,654
Common stock:				
Communications	174,640	-	-	174,640
Consumer cyclical	516,574	-	-	516,574
Consumer noncyclical	365,879	-	-	365,879
Energy	177,700	-	-	177,700
Financial	274,862	-	-	274,862
Industrial	344,195	-	-	344,195
Technology	637,776	-	-	637,776
Utilities	370,136	-	-	370,136
Health care	637,681	-	-	637,681
Preferred stock	-	160,085	-	160,085
Corporate debt:				
Aa credit rating	-	155,685	-	155,685
A credit rating	-	625,038	-	625,038
Baa credit rating	-	1,155,582	-	1,155,582
Ba credit rating	-	95,136	-	95,136
B credit rating	-	58,875	-	58,875
Not rated	-	206,000	-	206,000
Total investments (including assets restricted for long-term use)	5,188,769	2,556,399	-	7,745,168
Interest in trusts	-	-	813,462	813,462
Total assets	$ 5,188,769	$ 2,556,399	$ 813,462	$ 8,558,630
Liabilities - Charitable gift annuity	$ -	$ -	$ 60,527	$ 60,527

Note 12 - Fair Value Measurements (Continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis at September 30, 2014

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2014
Assets				
Investments (including assets restricted for long-term use):				
Money market funds	$ 1,267,403	$ -	$ -	$ 1,267,403
U.S. agency notes	-	149,998	-	149,998
Mutual funds	429,247	-	-	429,247
Common stock:				
Communications	359,072	-	-	359,072
Consumer cyclical	586,261	-	-	586,261
Consumer noncyclical	354,103	-	-	354,103
Energy	1,448,107	-	-	1,448,107
Financial	721,263	-	-	721,263
Industrial	537,736	-	-	537,736
Technology	515,510	-	-	515,510
Utilities	1,133,426	-	-	1,133,426
Preferred stock	-	195,396	-	195,396
Corporate debt:	-	-	-	-
Aa credit rating	-	49,954	-	49,954
A credit rating	-	432,320	-	432,320
Baa credit rating	-	1,860,223	-	1,860,223
Ba credit rating	-	848,282	-	848,282
B credit rating	-	602,300	-	602,300
Not rated	-	141,081	-	141,081
Total investments (including assets restricted for long-term use)	7,352,128	4,279,554	-	11,631,682
Interest in trusts	-	-	824,000	824,000
Total assets	$ 7,352,128	$ 4,279,554	$ 824,000	$ 12,455,682
Liabilities - Charitable gift annuity	$ -	$ -	$ 69,330	$ 69,330

Preferred stock and debt securities, which include U.S. agency notes, convertible bonds, and corporate bonds, are valued using quoted market prices and other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models, and other pricing models. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve as well as other relevant economic measures.

Note 12 - Fair Value Measurements (Continued)

The following table summarizes the valuation methods and inputs used to determine fair value at September 30, 2015 for assets and liabilities measured at fair value on a recurring basis using unobservable inputs (Level 3 inputs):

	Fair Value at September 30, 2015	Valuation Technique	Significant Unobservable Inputs Used	Range
Assets - Interest in trusts	$ 813,462	Discounted cash flow	Growth rate	3%
	-		Life expectancies of beneficiaries	25-26 years
Liabilities - Charitable gift annuity	60,527	Discounted cash flow	Growth rate	2.05%
	-		Life expectancies of beneficiaries	3-32 years

The Organization has processes in place to select the appropriate valuation technique and unobservable inputs to perform Level 3 fair value measurements. These processes include reviewing the life expectancy of the income beneficiary of the trusts, the term of the trusts, the expected growth and distribution rates, and the Organization's relative share of assets held in the trusts.

Changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the years ended September 30, 2015 and 2014 are as follows:

	Interest in Trusts	Charitable Gift Annuities
Balance at October 1, 2014	$ 824,000	$ 69,330
Change in beneficial interest in trusts recognized in losses	(10,538)	-
Distributions	-	(8,803)
Balance at September 30, 2015	$ 813,462	$ 60,527

	Interest in Trusts	Charitable Gift Annuities
Balance at October 1, 2013	$ 1,081,000	$ 60,273
Issuances	12,606	18,962
Change in beneficial interest in trusts recognized in gains	27,000	-
Distributions	(296,606)	(9,905)
Balance at September 30, 2014	$ 824,000	$ 69,330

Note 12 - Fair Value Measurements (Continued)

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets. As a result, the unrealized gains and losses for these assets presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

Of the Level 3 assets still held by the Organization at September 30, 2015, the unrealized (loss) gain for the years ended September 30, 2015 and 2014 was ($10,538) and $27,000, respectively, which is recognized in the statement of activities and changes in net assets.

Note 13 - Bank Line of Credit

During 2015, the Organization obtained a line of credit from a bank with a current limit of $7,500,000 and bearing interest at a rate of 1.50 percent above LIBOR (an effective rate of 1.69 percent at September 30, 2015). The outstanding balance at September 30, 2015 was $2,551,203. The Organization is subject to meeting certain covenant requirements. The line of credit matures on December 31, 2020 and is collateralized by investments of the Organization.