

**THE NATIONAL HUMANE EDUCATION  
SOCIETY AND AFFILIATE**

**Charles Town, West Virginia**

**FINANCIAL REPORT**

**June 30, 2015**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
The National Humane Education Society and Affiliate  
Charles Town, West Virginia

We have audited the accompanying consolidated financial statements of The National Humane Education Society and Affiliate, which comprise the consolidated statement of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

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

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

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The National Humane Education Society and Affiliate as of June 30, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United states of America.

**Other Matter**

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

*Gount, Hyde & Barbour, P.C.*

Winchester, Virginia  
November 6, 2015

**THE NATIONAL HUMANE EDUCATION  
SOCIETY AND AFFILIATE**

**Consolidated Statements of Financial Position**

June 30, 2015 and 2014

<b>Assets</b>	<b>2015</b>	<b>2014</b>
<b>Current Assets</b>		
Cash	\$ 232,810	\$ 160,260
Accounts receivable	45,720	22,929
Estates and bequests receivable	508,809	234,407
Prepaid expenses	22,841	705,562
Inventory	2,429	4,513
Security deposit	- -	2,000
Total current assets	<u>812,609</u>	<u>1,129,671</u>
<b>Investments</b>		
Investments	<u>726,822</u>	<u>1,079,641</u>
<b>Property and Equipment</b>		
Land	185,109	185,109
Buildings and improvements	3,328,238	3,319,877
Furniture and equipment	501,857	567,499
Vehicles	82,242	99,649
Construction in progress	<u>76,797</u>	<u>73,554</u>
	4,174,243	4,245,688
Less accumulated depreciation	<u>1,893,765</u>	<u>1,903,420</u>
	<u>2,280,478</u>	<u>2,342,268</u>
Total assets	<u>\$ 3,819,909</u>	<u>\$ 4,551,580</u>

See Notes to Consolidated Financial Statements.

# **Liabilities and Net Assets**

	<b>2015</b>	<b>2014</b>
<b>Current Liabilities</b>		
Accounts payable	\$ 274,163	\$ 1,337,827
Accrued salaries	28,093	30,791
Compensated absences	35,498	41,209
Other current liabilities	300	4,112
Revolving line of credit	--	279,242
Current portion of long-term debt	48,480	47,579
Total current liabilities	<u>386,534</u>	<u>1,740,760</u>
 <b>Long-Term Debt</b> , less current maturities	 <u>1,313,505</u>	 <u>1,007,830</u>
 Total liabilities	 <u>1,700,039</u>	 <u>2,748,590</u>
 <b>Net Assets</b>		
Unrestricted	2,110,169	1,794,727
Temporarily restricted	<u>9,701</u>	<u>8,263</u>
Total net assets	<u>2,119,870</u>	<u>1,802,990</u>
 Total liabilities and net assets	 <u>\$ 3,819,909</u>	 <u>\$ 4,551,580</u>

**THE NATIONAL HUMANE EDUCATION  
SOCIETY AND AFFILIATE**

**Consolidated Statement of Activities**

For the Year Ended June 30, 2015

	<b>2015</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Totals</b>
<b>Revenues and Net Gains (Losses):</b>			
Contributions	\$ 2,249,213	\$ 3,144	\$ 2,252,357
Estate and bequests	1,059,568	--	1,059,568
Foundations and trusts	69,054	--	69,054
Loss on sale of property and equipment	(453)	--	(453)
Mailing list rental income	151,554	--	151,554
Interest and dividends	25,157	--	25,157
Merchandise sales, net of cost of goods	376	--	376
Thrift store, net of expenses	(29,843)	--	(29,843)
Net realized and unrealized gains on long-term investments	2,272	--	2,272
Other	190,448	--	190,448
Special events, net	44,959	--	44,959
Service fees	563,262	--	563,262
Net assets released from restrictions	1,706	(1,706)	--
Total unrestricted revenues and net gains	<u>4,327,273</u>	<u>1,438</u>	<u>4,328,711</u>
<b>Expenses:</b>			
Program services	3,284,064	--	3,284,064
Management and general	336,134	--	336,134
Fundraising/membership acquisition	391,633	--	391,633
Total expenses	<u>4,011,831</u>	<u>--</u>	<u>4,011,831</u>
Change in net assets	<u>315,442</u>	<u>1,438</u>	<u>316,880</u>
<b>Net Assets at Beginning of Year</b>	<u>1,794,727</u>	<u>8,263</u>	<u>1,802,990</u>
<b>Net Assets at End of Year</b>	<u>\$ 2,110,169</u>	<u>\$ 9,701</u>	<u>\$ 2,119,870</u>

See Notes to Consolidated Financial Statements.

**THE NATIONAL HUMANE EDUCATION  
SOCIETY AND AFFILIATE**

**Consolidated Statement of Activities**

For the Year Ended June 30, 2014

	<b>2014</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Totals</b>
<b>Revenues and Net Gains (Losses):</b>			
Contributions	\$ 3,335,540	\$ 5,000	\$ 3,340,540
Estate and bequests	409,476	--	409,476
Foundations and trusts	30,354	--	30,354
Loss on sale of property and equipment	(17,337)	--	(17,337)
Mailing list rental income	71,826	--	71,826
Interest and dividends	43,055	--	43,055
Merchandise sales, net of cost of goods	1,674	--	1,674
Thrift store, net of expenses	(12,032)	--	(12,032)
Net realized and unrealized gains on long-term investments	152,015	--	152,015
Other	21,403	--	21,403
Special events, net	23,326	--	23,326
Service fees	573,862	--	573,862
Net assets released from restrictions	<u>8,451</u>	<u>(8,451)</u>	<u>--</u>
Total unrestricted revenues and net gains	<u>4,641,613</u>	<u>(3,451)</u>	<u>4,638,162</u>
<b>Expenses:</b>			
Program services	4,427,731	--	4,427,731
Management and general	495,809	--	495,809
Fundraising/membership acquisition	<u>718,145</u>	<u>--</u>	<u>718,145</u>
Total expenses	<u>5,641,685</u>	<u>--</u>	<u>5,641,685</u>
Change in net assets	<u>(1,000,072)</u>	<u>(3,451)</u>	<u>(1,003,523)</u>
<b>Net Assets at Beginning of Year</b>	<u>2,794,799</u>	<u>11,714</u>	<u>2,806,513</u>
<b>Net Assets at End of Year</b>	<u><u>\$ 1,794,727</u></u>	<u><u>\$ 8,263</u></u>	<u><u>\$ 1,802,990</u></u>

See Notes to Consolidated Financial Statements.



**THE NATIONAL HUMANE EDUCATION  
SOCIETY AND AFFILIATE**

**Consolidated Statement of Functional Expenses**  
For the Year Ended June 30, 2015

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising/ Membership Acquisition</b>	<b>Total</b>
Salaries and wages	\$ 997,928	\$ 129,352	\$ 37,333	\$ 1,164,613
Employee benefits	82,975	12,636	4,063	99,674
Payroll taxes	78,243	10,729	3,097	92,069
	1,159,146	152,717	44,493	1,356,356
Accounting	1,000	20,700	--	21,700
Advertising	2,126	304	89	2,519
Alliance partnerships	20,828	--	--	20,828
Animal food	37,277	--	--	37,277
Bank charges	18,997	4,808	17,801	41,606
Casual labor	1,552	--	--	1,552
Computer services	4,573	745	280	5,598
Depreciation	124,968	852	3,177	128,997
Direct mail processing (caging)	--	45,674	--	45,674
Dues and subscriptions	405	350	100	855
Eblasts	2,299	--	100	2,399
Education materials	858	--	--	858
Emergency animal care	1,461	--	--	1,461
Equipment rental and maintenance	11,465	2,928	905	15,298
Groundskeeping	3,148	--	--	3,148
Insurance	35,462	986	462	36,910
Interest	50,240	1,647	772	52,659
Internet connection	840	--	--	840
Legal	808	2,802	1,469	5,079
License and fees	847	1,321	223	2,391
Membership list	75,505	6,143	20,372	102,020
Miscellaneous	1,032	609	146	1,787
Office	3,060	4,848	114	8,022
Postage	470,717	39,903	124,530	635,150
Printing	13,910	359	--	14,269
(forwarded)	2,042,524	287,696	215,033	2,545,253

See Notes to Consolidated Financial Statements.

**THE NATIONAL HUMANE EDUCATION  
SOCIETY AND AFFILIATE**

**Consolidated Statement of Functional Expenses (continued)**  
For the Year Ended June 30, 2015

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising/ Membership Acquisition</b>	<b>Total</b>
(forwarded)	2,042,524	287,696	215,033	2,545,253
Production costs	432,358	35,469	125,447	593,274
Professional fundraising/ public education	122,122	9,839	35,771	167,732
Real estate taxes	6,880	226	106	7,212
Registration fees	--	--	12,252	12,252
Shelter maintenance	17,433	--	--	17,433
Shelter supplies	43,726	--	--	43,726
Spay Today - contracted veterinary services	461,912	--	--	461,912
Telephone	10,331	824	824	11,979
Trash removal	4,250	98	46	4,394
Travel	14,162	120	142	14,424
Uniforms	1,137	--	--	1,137
Utilities	51,535	1,476	692	53,703
Vehicle	10,204	362	106	10,672
Veterinary medical supplies and services	64,710	--	--	64,710
Website	780	24	1,214	2,018
	<u>\$ 3,284,064</u>	<u>\$ 336,134</u>	<u>\$ 391,633</u>	<u>\$ 4,011,831</u>

See Notes to Consolidated Financial Statements.

**THE NATIONAL HUMANE EDUCATION  
SOCIETY AND AFFILIATE**

**Consolidated Statement of Functional Expenses**  
For the Year Ended June 30, 2014

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising/ Membership Acquisition</b>	<b>Total</b>
Salaries and wages	\$ 1,126,320	\$ 131,945	\$ 40,550	\$ 1,298,815
Employee benefits	93,636	10,427	8,259	112,322
Payroll taxes	93,304	10,950	3,360	107,614
	1,313,260	153,322	52,169	1,518,751
Accounting	7,442	17,919	--	25,361
Advertising	3,272	2,532	43	5,847
Alliance partnerships	201,417	--	--	201,417
Animal food	57,813	--	--	57,813
Bank charges	18,533	757	25,037	44,327
Computer services	7,209	729	192	8,130
Contracted services	994	--	--	994
Depreciation	131,019	8,009	1,063	140,091
Direct mail processing (caging)	--	62,059	5,394	67,453
Dues and subscriptions	225	500	--	725
Emergency animal care	5,971	--	--	5,971
Equipment rental and maintenance	18,439	2,356	885	21,680
Groundskeeping	4,552	--	--	4,552
Insurance	22,489	21,518	80	44,087
Interest	47,407	1,554	728	49,689
Internet connection	840	--	--	840
Legal	75	5,578	--	5,653
License and fees	1,589	773	146	2,508
Membership list	240,295	15,134	27,991	283,420
Miscellaneous	3,214	2,845	23	6,082
Office	4,057	7,875	450	12,382
Postage	654,991	128,241	285,573	1,068,805
Printing	5,575	2,056	224	7,855
(forwarded)	2,750,678	433,757	399,998	3,584,433

See Notes to Consolidated Financial Statements.

**THE NATIONAL HUMANE EDUCATION  
SOCIETY AND AFFILIATE**

**Consolidated Statement of Functional Expenses (continued)**

For the Year Ended June 30, 2014

	<b><u>Program Services</u></b>	<b><u>Management and General</u></b>	<b><u>Fundraising/ Membership Acquisition</u></b>	<b><u>Total</u></b>
(forwarded)	2,750,678	433,757	399,998	3,584,433
Production costs	681,074	42,271	240,424	963,769
Professional fundraising/ public education	217,155	15,430	61,550	294,135
Real estate taxes	6,530	214	100	6,844
Registration fees	--	365	11,926	12,291
Shelter maintenance	10,814		150	10,964
Shelter supplies	51,621	--	19	51,640
Spay Today - contracted veterinary services	460,956	--	--	460,956
Telephone	13,832	881	881	15,594
Trash removal	4,996	102	48	5,146
Travel	4,495	464	233	5,192
Uniforms	418	--	--	418
Utilities	91,276	1,450	680	93,406
Vehicle	14,458	608	--	15,066
Veterinary medical supplies and services	118,112	--	--	118,112
Website	1,316	267	2,136	3,719
	<u>\$ 4,427,731</u>	<u>\$ 495,809</u>	<u>\$ 718,145</u>	<u>\$ 5,641,685</u>

See Notes to Consolidated Financial Statements.

**THE NATIONAL HUMANE EDUCATION  
SOCIETY AND AFFILIATE**

**Consolidated Statements of Cash Flows**  
For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	\$ 316,880	\$ (1,003,523)
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) operating activities:		
Depreciation	128,997	140,091
Gain on investments	(2,092)	(152,015)
Proceeds from donated securities	--	(10,690)
Loss on sale of property and equipment	453	17,337
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(22,791)	(5,342)
Decrease (increase) in prepaid expenses and other receivables	682,721	(107,087)
(Increase) in estate and bequests receivable	(274,402)	(81,687)
Decrease in inventory	2,084	536
Decrease in other current assets	2,000	--
(Decrease) increase in accounts payable	(1,063,664)	380,311
(Decrease) in compensated absences	(5,711)	(5,909)
(Decrease) increase in accrued salaries	(2,698)	2,257
(Decrease) in other current liabilities	(3,812)	(2,108)
Net cash (used in) operating activities	<u>(242,035)</u>	<u>(827,829)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(67,660)	(105,174)
Proceeds from the sale of investments	386,649	695,471
Purchase of investments	(31,738)	(108,715)
Net cash provided by investing activities	<u>287,251</u>	<u>481,582</u>
<b>Cash Flows from Financing Activities</b>		
(Repayment of) proceeds from short-term debt, net	(279,242)	180,000
Proceeds from (principal payments on) long-term debt	<u>306,576</u>	<u>(46,581)</u>
Net cash provided by financing activities	<u>27,334</u>	<u>133,419</u>
Net increase (decrease) in cash and cash equivalents	72,550	(212,828)
<b>Cash and Cash Equivalents, beginning of year</b>	<u>160,260</u>	<u>373,088</u>
<b>Cash and Cash Equivalents, end of year</b>	<u>\$ 232,810</u>	<u>\$ 160,260</u>
<b>Supplemental Disclosures of Cash Flow Information,</b>		
cash payments for interest	<u>\$ 52,659</u>	<u>\$ 49,689</u>

See Notes to Consolidated Financial Statements.

**THE NATIONAL HUMANE EDUCATION  
SOCIETY AND AFFILIATE**

**Notes to Consolidated Financial Statements**

**Note 1. Nature of Activities and Summary of Significant Accounting Policies**

**Nature of Activities**

The National Humane Education Society (NHES) was founded in 1948 as a private, nonprofit organization with a central mission “to foster a sentiment of kindness to animals in children and adults.” NHES achieves this mission through its programs that consist of national and international Humane Education and Advocacy Program activities; low-cost spay/neuter services through its Spay Today Program; comprehensive animal adoption services through The Briggs Animal Adoption Center located in Charles Town, West Virginia; lifelong sanctuary provided by its Affiliate, Peace Plantation Animal Sanctuary, New York, Inc., located in Walton, New York; and alliance partnership programs. In September 2014, the Peace Plantation Animal Sanctuary was closed and the animals were safely relocated to another animal sanctuary.

NHES was granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code on February 16, 1950, and incorporated in the District of Columbia. The NHES Affiliate, Peace Plantation Animal Sanctuary, New York, Inc. is exempt from federal income tax under NHES’s umbrella exemption.

NHES is supported primarily through donor contributions, grants, foundations and trusts, estates and bequests, and mailing list rental income.

**Basis of Accounting**

The financial statements of NHES and its Affiliate have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America and to the general practices of nonprofit organizations.

**Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) Topic 958, Not-for-Profit Entities. Under FASB ASC Topic 958, the Organization 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.

## Notes to Consolidated Financial Statements

### Classification of Net Assets

Net assets are reduced by liabilities and are reported in the financial statements in three classes: unrestricted net assets, temporarily restricted net assets, or permanently restricted net assets, based on the absence or existence of donor-imposed restrictions.

*Permanently restricted net assets* generally result from assets donated for a specific purpose with a donor stipulation that the assets be preserved and not be sold, or from assets donated with donor stipulations that they be invested to provide a permanent source of income, e.g., endowment funds.

*Temporarily restricted net assets* are those assets donated for (a) support of particular operating activities, (b) temporary investment for a specified term, (c) use in a specified future period, or (d) acquisition and use of long-lived assets.

*Unrestricted net assets* generally result from receipt of unrestricted contributions, grants, revenues from providing services, producing and delivering goods, raising contributions, and performing administrative functions. The only limitations on the use of unrestricted net assets are the broad limits, resulting from the nature of the organization, the environment in which it operates, the purposes specified in the articles of incorporation or bylaws, limits from contractual agreements with suppliers and creditors, and self-imposed limits such as voluntary resolutions by the Trustees to designate a portion of its unrestricted net assets to function as an endowment.

### Cash and Cash Equivalents

For purposes of reporting cash flows, NHES considers all cash on demand deposits, money market deposits, cash management accounts and certificates of deposit, with original maturities of three months or less or accessible on demand, to be cash equivalents. Except that cash held in brokerage accounts are recorded as investments.

### Inventory

Inventory primarily consists of shirts and is stated at cost.

### Investments

Investments are recorded at fair value, determined in accordance with the provisions of FASB ASC 820, Fair Value Measurements and Disclosures. FASB ASC 820 establishes a fair value hierarchal disclosure framework which prioritizes and ranks the level of market price observable inputs used in measuring investments at fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

*Level 1* – Inputs based on quoted market prices for identical assets or liabilities in an active market. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

## **Notes to Consolidated Financial Statements**

*Level 2* – Observable market inputs or unobservable inputs that are corroborated by market data. Price inputs are quoted prices for identical or similar financial instruments in markets that are not active; and model-derived valuations in which all significant inputs or significant value drivers are observable in active markets.

*Level 3* – Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Due to the inherent uncertainty of these estimates, these values may differ from the values that would have been used had a ready market for these investments existed. Investments that are included in this category generally include private fund investment structures and limited interest.

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by the passage of time or by use) in the reporting period in which the income and gains are recognized.

Cash equivalents categorized as investments represent cash and money market mutual funds.

### **Property, Equipment and Depreciation**

Property and equipment are stated at cost when purchased and at estimated fair market value when donated. Depreciation of property and equipment is computed principally on the straight-line method over the estimated useful lives of five to forty years. Maintenance and repairs of property and equipment are charged to operations, and major improvements are capitalized. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and gain or loss is included in operations. NHES has a capitalization policy to capitalize all fixed-asset purchases over \$250.

### **Contributions**

All 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 increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If the donor restriction is met in the year received, the contribution is recorded as unrestricted.



## **Notes to Consolidated Financial Statements**

Gifts of land, buildings, and equipment are presented as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets 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 long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, NHES reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service (as the assets are used in the NHES's activities).

### **Fundraising**

NHES is funded entirely by private contributions. NHES received no operating support from any governmental agency or program or any of the national fundraising organizations, such as the United Way General Funds. However, NHES does receive pass-through contributions from the United Way as designated by donors.

Under an existing contract, a professional fundraiser/public educator is an advisor/agent assisting in the fundraising activities and the production/distribution of educational material that NHES undertakes during the year.

### **Donated Investments, Materials and Services**

Investments, materials and specialized services received as donations are recognized in the accompanying financial statements at their estimated fair market values at the date they were donated.

### **Advertising Costs**

NHES follows the policy of charging the production costs of advertising to expense as they are incurred. Advertising expenses for the years ended June 30, 2015 and 2014 was \$2,519 and \$5,847, 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 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Affiliate and Principles of Consolidation**

On July 19, 1996, NHES established the nonstock, nonprofit corporation of Peace Plantation Animal Sanctuary, New York, Inc., to carry out NHES's operating of an animal sanctuary, located in Walton, New York. NHES funded this operation with direct contributions which amounted to \$154,931 and \$412,478 for the fiscal year ended June 30, 2015 and 2014, respectively.

The consolidated financial statements include the accounts of NHES and its Affiliate. Intercompany accounts and transactions are eliminated in the consolidation.

## Notes to Consolidated Financial Statements

### Note 2. Long-Term Debt

#### Notes Payable

The details of long-term debt as of June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Real estate mortgage note payable, \$ 8,253 per month, including interest at 4% until April 17, 2020 with a balloon payment of \$1,120,384 then due, collateralized by land and improvements with a carrying value of \$1,576,306	\$ 1,353,842	\$ 1,044,392
Equipment loan payable to Kubota Credit Corporation, Inc., \$240 per month until April 24, 2018, 0% interest, collateralized by equipment.	8,143	11,017
	1,361,985	1,055,409
Less current portion	48,480	47,579
	<u>\$ 1,313,505</u>	<u>\$ 1,007,830</u>

Aggregate maturities required on long-term debt are as follows:

2016	\$ 48,480
2017	50,510
2018	51,868
2019	51,501
2020	1,159,626
	<u>\$ 1,361,985</u>

### Note 3. Revolving Line of Credit

NHES has an uncollateralized revolving line of credit in the amount of \$300,000. The line has a variable interest rate equal to the prime rate as published in The Wall Street Journal. The outstanding balance at June 30, 2015 and 2014 was \$0 and \$279,242, respectively.

### Note 4. Functional Allocations of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated between the program and supportive services.

## Notes to Consolidated Financial Statements

### Note 5. Investments

Investments are recorded at fair value. The aggregate cost and market value of investments for the years ended June 30, 2015 and 2014 is as follows:

	<b>June 30, 2015</b>		
	<b>Cost</b>	<b>Fair Market Value</b>	<b>Unrealized Gain (Loss)</b>
Cash/money accounts	\$ 47,077	\$ 47,077	\$ - -
Corporate stocks	243,974	349,687	105,713
Corporate bonds	43,477	46,214	2,737
Municipal bonds	197,347	205,315	7,968
Mutual funds	81,571	78,529	(3,042)
	<u>\$ 613,446</u>	<u>\$ 726,822</u>	<u>\$ 113,376</u>
	<b>June 30, 2014</b>		
	<b>Cost</b>	<b>Fair Market Value</b>	<b>Unrealized Gain (Loss)</b>
Cash/money accounts	\$ 27,812	\$ 27,812	\$ - -
Corporate stocks	435,838	651,985	216,147
Corporate bonds	44,030	47,894	3,864
Municipal bonds	225,543	230,424	4,881
Limited partnerships	8,475	10,515	2,040
Mutual funds	114,747	111,011	(3,736)
	<u>\$ 856,445</u>	<u>\$ 1,079,641</u>	<u>\$ 223,196</u>

The classification of investments by level within the valuation hierarchy as of June 30, 2015 and 2014 is as follow:

	<b>June 30, 2015</b>			
	<b>Total</b>	<b>Quoted Prices (Level 1)</b>	<b>Significant Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Cash/money accounts	\$ 47,077	\$ 47,077	\$ - -	\$ - -
Corporate stocks	349,687	349,687	- -	- -
Corporate bonds	46,214	46,214	- -	- -
Municipal bonds	205,315	205,315	- -	- -
Mutual funds	<u>78,529</u>	<u>78,529</u>	<u>- -</u>	<u>- -</u>
	<u>\$ 726,822</u>	<u>\$ 726,822</u>	<u>\$ - -</u>	<u>\$ - -</u>

## Notes to Consolidated Financial Statements

June 30, 2014				
	<b>Total</b>	<b>Quoted Prices (Level 1)</b>	<b>Significant Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Cash/money accounts	\$ 27,812	\$ 27,812	\$ --	\$ --
Corporate stocks	651,985	651,985	--	--
Corporate bonds	47,894	47,894	--	--
Municipal bonds	230,424	230,424	--	--
Limited partnerships	10,515	10,515	--	--
Mutual funds	<u>111,011</u>	<u>111,011</u>	<u>--</u>	<u>--</u>
	<u>\$ 1,079,641</u>	<u>\$ 1,079,641</u>	<u>\$ --</u>	<u>\$ --</u>

### **Note 6. Concentration of Credit Risk**

The Organization maintains its cash accounts in a number of different financial institutions, which at times may exceed federally insured limits. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

### **Note 7. Estates and Bequests**

NHES is the beneficiary under various wills and trust agreements, the total realizable amount of which is not presently determinable. Such amounts were recognized in the financial statements when the right to receive was established and the amounts of proceeds were measurable. As of June 30, 2015 and 2014, estates and bequests receivable that were determinable and measurable were \$508,809 and \$234,407, respectively.

## Notes to Consolidated Financial Statements

### Note 8. Temporarily Restricted Net Assets

Temporarily restricted assets consist of the following:

	<u>2015</u>	<u>2014</u>
Capital improvements (Peace Plantation)	\$ 2,325	\$ 2,325
Climbing structures/cat toys (Peace Plantation)	2,000	2,000
Pet Cemetery	853	853
Wing construction	2,500	2,500
Vet room flooring (Peace Plantation)	585	585
Spay and neutering	1,438	--
	<u>\$ 9,701</u>	<u>\$ 8,263</u>

### Note 9. Assets Released From Restrictions

Net assets during the years ended June 30, 2015 and 2014 were released from donor restrictions by incurring expenses satisfying restricted purposes or by occurrence of other events specified by donors.

	<u>2015</u>	<u>2014</u>
Pet Cemetery	\$ --	\$ 4,147
Heater (Peace Plantation)	--	2,192
Propane tank (Peace Plantation)	--	1,195
Lighting upgrade (Peace Plantation)	--	917
Spay and neutering	1,706	--
	<u>\$ 1,706</u>	<u>\$ 8,451</u>

### Note 10. Lease Agreements

On April 18, 2014, NHES entered into a two year lease agreement for the Thrift Store requiring monthly rental payments of \$2,000 beginning September 1, 2014. Rent expense was \$21,500 and \$18,000 for the years ended June 30, 2015 and 2014, respectively.

On December 6, 2014, NHES entered into an agreement with an employee to lease an apartment on the property of NHES, requiring monthly rental payments of \$300. Rent revenue was \$1,500 for the year ending June 30, 2015.

## Notes to Consolidated Financial Statements

### Note 11. Thrift Store

Thrift store income and expenses consist of the following for June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
<b>Merchandise Sales</b>	\$ 58,601	\$ 55,604
<b>Expenses</b>		
Cost of goods sold	171	- -
Advertising	1,377	1,464
Bank charges	833	1,309
Casual labor	- -	50
Dues and subscriptions	75	- -
Insurance	165	- -
Miscellaneous	2,926	2,255
Office expense	161	182
Payroll taxes	4,969	3,398
Printing - graphics	29	127
Rent	22,600	18,000
Salaries and wages	43,419	32,427
Telephone	2,227	1,943
Trash removal	2,805	2,535
Utilities	6,212	3,877
Website	475	69
Total expenses	<u>88,444</u>	<u>67,636</u>
Net (loss)	<u>\$ (29,843)</u>	<u>\$ (12,032)</u>

### Note 12. Subsequent Events

The Organization has evaluated all subsequent events through November 6, 2015, the date the financial statements were available to be issued. The Organization has determined there are no subsequent events that require recognition or disclosure.

**THE NATIONAL HUMANE EDUCATION  
SOCIETY AND AFFILIATE**

**Supplementary Information  
Statement of Program Service Expenses  
For the Year Ended June 30, 2015**

	<b>Humane Education</b>	<b>Alliance Partnerships</b>	<b>Briggs Animal Adoption</b>	<b>Peace Plantation</b>	<b>Member Services</b>	<b>Spay Today</b>	<b>Total</b>
Salaries and wages	\$ 99,434	\$ 23,557	\$ 686,555	\$ 82,488	\$ 32,827	\$ 73,067	\$ 997,928
Employee benefits	11,269	2,772	53,452	7,918	5,183	2,381	82,975
Payroll taxes	8,248	1,954	56,094	3,163	2,723	6,061	78,243
	<u>118,951</u>	<u>28,283</u>	<u>796,101</u>	<u>93,569</u>	<u>40,733</u>	<u>81,509</u>	<u>1,159,146</u>
Accounting	--	--	--	1,000	--	--	1,000
Advertising	278	--	1,738	--	--	110	2,126
Alliance partnerships	--	20,828	--	--	--	--	20,828
Animal food	--	--	32,382	4,895	--	--	37,277
Bank charges	--	--	782	41	--	18,174	18,997
Casual labor	--	--	--	1,552	--	--	1,552
Computer services	717	--	2,816	59	205	776	4,573
Depreciation	6,355	--	97,554	19,266	744	1,049	124,968
Dues and subscriptions	--	--	365	40	--	--	405
Eblasts	1,149	--	575	--	--	575	2,299
Education materials	858	--	--	--	--	--	858
Emergency animal care	--	--	1,461	--	--	--	1,461
Equipment rental and maintenance	905	--	6,615	1,230	905	1,810	11,465
Groundskeeping	--	--	2,463	685	--	--	3,148
Insurance	1,398	--	27,961	5,400	375	328	35,462
Interest	2,337	--	46,729	--	627	547	50,240
Internet connection	420	--	420	--	--	--	840
Legal	--	--	150	658	--	--	808
License and fees	15	--	832	--	--	--	847
Membership list	64,975	--	--	--	10,530	--	75,505
Miscellaneous	45	--	279	510	--	198	1,032
Office	--	--	3,016	44	--	--	3,060
Postage	402,087	--	1,057	406	67,020	147	470,717
Printing	12,684	--	1,226	--	--	--	13,910
Production costs	367,148	--	--	--	65,210	--	432,358
Professional fundraising/ public education	104,792	--	--	--	17,330	--	122,122
Real estate taxes	320	--	6,399	--	86	75	6,880
Shelter maintenance	--	--	11,712	5,721	--	--	17,433
Shelter supplies	--	--	37,722	6,004	--	--	43,726
Spay Today - contracted veterinary services	--	--	--	--	--	461,912	461,912
Telephone	824	--	2,893	3,128	824	2,662	10,331
Trash removal	139	--	2,784	1,257	37	33	4,250
Travel	5,914	1,254	1,144	5,850	--	--	14,162
Uniforms	--	--	937	--	--	200	1,137
Utilities	2,094	--	41,879	6,509	562	491	51,535
Vehicle	119	--	9,403	357	--	325	10,204
Veterinary medical supplies and services	--	--	57,541	7,169	--	--	64,710
Website	<u>180</u>	<u>--</u>	<u>240</u>	<u>180</u>	<u>--</u>	<u>180</u>	<u>780</u>
	<u>\$ 1,094,704</u>	<u>\$ 50,365</u>	<u>\$ 1,197,176</u>	<u>\$ 165,530</u>	<u>\$ 205,188</u>	<u>\$ 571,101</u>	<u>\$ 3,284,064</u>

**THE NATIONAL HUMANE EDUCATION  
SOCIETY AND AFFILIATE**

**Supplementary Information  
Statement of Program Service Expenses  
For the Year Ended June 30, 2014**

	<b>Humane Education</b>	<b>Alliance Partnerships</b>	<b>Briggs Animal Adoption</b>	<b>Peace Plantation</b>	<b>Member Services</b>	<b>Spay Today</b>	<b>Total</b>
Salaries and wages	\$ 115,121	\$ 17,639	\$ 653,338	\$ 221,274	\$ 45,082	\$ 73,866	\$ 1,126,320
Employee benefits	13,386	3,556	44,472	23,828	5,738	2,656	93,636
Payroll taxes	9,573	1,467	54,827	17,557	3,737	6,143	93,304
	<u>138,080</u>	<u>22,662</u>	<u>752,637</u>	<u>262,659</u>	<u>54,557</u>	<u>82,665</u>	<u>1,313,260</u>
Accounting	--	--	--	7,442	--	--	7,442
Advertising	1,978	--	1,190	--	--	104	3,272
Alliance partnerships	--	201,417	--	--	--	--	201,417
Animal food	--	--	35,020	22,749	--	44	57,813
Bank charges	--	--	1,047	5	--	17,481	18,533
Computer services	1,134	--	4,261	950	192	672	7,209
Contracted services	--	--	994	--	--	--	994
Depreciation	3,218	--	104,184	22,000	863	754	131,019
Dues and subscriptions	--	--	225	--	--	--	225
Emergency animal care	--	--	5,971	--	--	--	5,971
Equipment rental and maintenance	885	--	9,435	5,464	885	1,770	18,439
Groundskeeping	--	--	4,385	167	--	--	4,552
Insurance	242	--	4,838	17,287	65	57	22,489
Interest	2,205	--	44,093	--	592	517	47,407
Internet connection	420	--	420	--	--	--	840
Legal	--	--	--	75	--	--	75
License and fees	18	--	1,526	45	--	--	1,589
Membership list	183,045	--	--	--	57,250	--	240,295
Miscellaneous	41	--	686	2,461	--	26	3,214
Office	132	--	2,934	899	--	92	4,057
Postage	596,093	--	686	736	57,338	138	654,991
Printing	3,791	--	1,266	145	--	373	5,575
Production costs	612,883	--	--	--	68,191	--	681,074
Professional fundraising/ public education	187,517	--	--	--	29,638	--	217,155
Real estate taxes	304	--	6,074	--	81	71	6,530
Shelter maintenance	--	--	8,964	1,850	--	--	10,814
Shelter supplies	55	--	34,579	16,927	--	60	51,621
Spay Today - contracted veterinary services	--	--	--	--	--	460,956	460,956
Telephone	881	--	3,577	5,960	881	2,533	13,832
Trash removal	145	--	2,900	1,878	39	34	4,996
Travel	3,389	--	209	884	--	13	4,495
Uniforms	--	--	418	--	--	--	418
Utilities	2,058	--	41,153	47,031	552	482	91,276
Vehicle	--	--	7,733	6,687	--	38	14,458
Veterinary medical supplies and services	--	--	60,716	57,396	--	--	118,112
Website	180	--	766	190	--	180	1,316
	<u>\$ 1,738,694</u>	<u>\$ 224,079</u>	<u>\$ 1,142,887</u>	<u>\$ 481,887</u>	<u>\$ 271,124</u>	<u>\$ 569,060</u>	<u>\$ 4,427,731</u>