

**THE NATIONAL HUMANE EDUCATION  
SOCIETY AND AFFILIATE**

**Charles Town, West Virginia**

**FINANCIAL REPORT**

**JUNE 30, 2019**

**OFFICERS AND DIRECTORS OF  
THE NATIONAL HUMANE EDUCATION SOCIETY**

**OFFICERS**

James D. Taylor, President  
Cynthia L. Taylor, Vice President  
Christina B. Fernandez, Secretary  
Virginia B. Dungan, Treasurer

**BOARD OF DIRECTORS**

Virginia B. Dungan  
Christina B. Fernandez  
Margaret C. Janes, DVM  
Ernest Lico  
Anne Small  
Cynthia L. Taylor  
James D. Taylor

---

**OFFICERS AND DIRECTORS OF AFFILIATE  
PEACE PLANTATION ANIMAL SANCTUARY, NEW YORK**

**OFFICERS**

Virginia B. Dungan, President  
Cynthia L. Taylor, Vice President  
James D. Taylor, Secretary/Treasurer

**BOARD OF DIRECTORS**

Virginia B. Dungan  
Cynthia L. Taylor  
James D. Taylor

## CONTENTS

---

	Page
<b>INDEPENDENT AUDITOR'S REPORT</b>	1-2
<b>FINANCIAL STATEMENTS</b>	
Consolidated Statements of Financial Position	3-4
Consolidated Statements of Activities	5
Consolidated Statements of Functional Expenses	6-7
Consolidated Statements of Cash Flows	8-9
Notes to Consolidated Financial Statements	10-19



**Kilmer & Associates**  
— CPA, P.C. —  
Certified Public Accountants & Consultants

---

## 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 financial statements of The National Humane Education Society and Affiliate (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## 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, 2019 and 2018, 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.

*Kilmer & Associates, CPA, P.C.*

Winchester, Virginia  
August 21, 2019

# THE NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE

## Consolidated Statements of Financial Position

June 30, 2019 and 2018

<b>Assets</b>		<b>2019</b>	<b>2018</b>
<b>Current Assets</b>			
Cash		\$ 207,034	\$ 657,592
Accounts receivable		13,427	11,961
Estates and bequests receivable		133,558	99,964
Prepaid expenses		78,504	19,814
Inventory		4,824	3,454
Total current assets		<u>437,347</u>	<u>792,785</u>
<b>Investments</b>			
Investments		<u>998,902</u>	<u>910,030</u>
<b>Property and Equipment</b>			
Land		161,514	161,514
Buildings and improvements		2,692,855	2,678,172
Furniture and equipment		556,093	554,131
Vehicles		108,628	89,727
Construction in progress		96,784	91,304
		<u>3,615,874</u>	<u>3,574,848</u>
Less accumulated depreciation		<u>1,796,035</u>	<u>1,694,820</u>
		<u>1,819,839</u>	<u>1,880,028</u>
Total assets		<u>\$ 3,256,088</u>	<u>\$ 3,582,843</u>

See Accompanying Notes to Consolidated Financial Statements

# THE NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE

## Consolidated Statements of Financial Position

(Continued)

June 30, 2019 and 2018

<b>Liabilities and Net Assets</b>			
		<b>2019</b>	<b>2018</b>
<b>Current Liabilities</b>			
Accounts payable	\$	121,045	\$ 112,884
Accrued salaries		43,599	43,339
Compensated absences		30,859	29,666
Deferred revenue		7,546	-
Payroll liabilities		3,593	9,229
Current portion of long-term debt		1,149,643	51,501
Total current liabilities		<u>1,356,285</u>	<u>246,619</u>
 <b>Long-Term Debt</b> , less current maturities		<u>-</u>	<u>1,160,574</u>
 Total liabilities		<u>1,356,285</u>	<u>1,407,193</u>
 <b>Net Assets</b>			
Without donor restrictions		1,798,009	1,937,339
With donor restrictions		101,794	238,311
Total net assets		<u>1,899,803</u>	<u>2,175,650</u>
 Total liabilities and net assets	\$	<u><u>3,256,088</u></u>	<u><u>\$ 3,582,843</u></u>

See Accompanying Notes to Consolidated Financial Statements

# THE NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE

## Consolidated Statements of Activities

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Change in net assets without donor restrictions</b>		
<b>Revenues and Net Gains (Losses):</b>		
Contributions	\$ 1,534,018	\$ 1,898,163
Estates and bequests	1,016,834	1,186,619
Pass-through of contracted veterinary services	503,084	523,947
Service fees	65,886	58,642
Mailing list rental income	48,607	48,497
Net realized and unrealized gains (loss) on		
long-term investments	65,060	46,424
Foundations and trusts	66,005	43,297
Special events, net of expenses	60,800	42,366
Interest and dividends	25,574	23,968
Other	3,898	5,021
Merchandise sales, net of cost of goods	1,170	448
Gain (loss) on sale of property and equipment	(307)	-
Total revenues and net gains (losses)	<u>3,390,629</u>	<u>3,877,392</u>
 <b>Net assets released from restrictions</b>		
Satisfaction of program restrictions	<u>144,247</u>	<u>15,980</u>
Total net assets released from restrictions	<u>144,247</u>	<u>15,980</u>
Total revenues and net gains (losses) without donor restrictions	<u>3,534,876</u>	<u>3,893,372</u>
 <b>Expenses:</b>		
Program services	3,065,967	2,991,099
Management and general	314,053	318,978
Fundraising/membership acquisition	294,186	316,048
Total expenses	<u>3,674,206</u>	<u>3,626,125</u>
Change in net assets without donor restrictions	<u>(139,330)</u>	<u>267,247</u>
 <b>Changes in net assets with donor restrictions</b>		
Contributions	7,730	239,843
Net assets released from restriction	<u>(144,247)</u>	<u>(15,980)</u>
Change in net assets with donor restrictions	<u>(136,517)</u>	<u>223,863</u>
 Change in net assets	(275,847)	491,110
 <b>Net Assets at Beginning of Year</b>	<u>2,175,650</u>	<u>1,684,540</u>
 <b>Net Assets at End of Year</b>	<u><u>\$ 1,899,803</u></u>	<u><u>\$ 2,175,650</u></u>

See Accompanying Notes to Consolidated Financial Statements



**THE NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE**

**Consolidated Statements of Functional Expenses**  
Year Ended June 30, 2019  
(Comparative Totals for the Year Ended June 30, 2018)

	<b>Program Services</b>						<b>Management and General</b>	<b>Fundraising/ Membership Acquisition</b>	<b>2019 Total</b>	<b>2018 Total</b>
	<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>				
Salaries and wages	\$ 119,297	\$ -	\$ 714,719	\$ -	\$ 34,870	\$ 99,359	\$ 133,138	\$ 26,531	\$ 1,127,914	\$ 1,138,491
Employee benefits	20,299	-	67,852	-	6,393	2,974	16,274	5,369	119,161	109,986
Payroll taxes	8,736	-	60,201	-	2,604	7,925	10,144	1,927	91,537	96,370
	<u>\$ 148,332</u>	<u>\$ -</u>	<u>\$ 842,772</u>	<u>\$ -</u>	<u>\$ 43,867</u>	<u>\$ 110,258</u>	<u>\$ 159,556</u>	<u>\$ 33,827</u>	<u>\$ 1,338,612</u>	<u>\$ 1,344,847</u>
Accounting	-	-	-	-	-	-	21,080	-	21,080	20,200
Advertising	-	-	6,271	-	-	-	3,465	1,574	11,310	9,728
Alliance Partnerships	-	17,228	-	-	-	-	-	-	17,228	20,644
Animal food	117	-	37,239	-	-	-	-	-	37,356	36,129
Bank charges	-	-	-	-	-	9,223	545	14,162	23,930	28,234
Casual labor	-	-	-	-	-	-	-	-	-	749
Computer services	1,567	-	4,267	-	310	1,086	1,766	911	9,907	4,279
Depreciation	5,040	-	100,777	-	1,352	1,181	3,552	1,664	113,566	109,802
Direct mail processing (caging)	-	-	-	-	-	-	27,620	-	27,620	35,657
Dues and subscriptions	50	-	335	-	-	-	20	533	938	1,424
Eblasts	-	-	-	-	-	-	-	3,275	3,275	5,710
Education materials	2,989	-	-	-	-	-	-	-	2,989	3,182
Emergency animal care	-	-	4,873	-	-	-	-	-	4,873	2,264
Equipment rental and maintenance	-	-	7,123	-	-	-	-	-	7,123	5,205
Groundskeeping	-	-	3,207	-	-	-	-	-	3,207	2,288
Insurance	1,099	-	21,967	-	295	257	774	363	24,755	22,028
Interest	2,068	-	41,360	-	555	485	1,458	683	46,609	52,533
Internet connection	547	-	2,248	-	547	2,248	547	547	6,684	8,765
Legal	-	-	-	100	-	-	6,136	-	6,236	18,077
License and fees	-	-	726	25	-	-	51	2,810	3,612	3,801
Membership list	42,831	-	-	-	7,104	-	5,110	17,071	72,116	104,098
Miscellaneous	-	-	2,643	-	-	-	106	142	2,891	2,655
Office	343	-	8,297	-	-	-	625	413	9,678	9,236
Postage	272,800	-	572	-	62,731	77	30,113	63,824	430,117	519,578
Printing	1,824	-	923	-	-	108	44	585	3,484	28,255
(forwarded)	<u>\$ 479,607</u>	<u>\$ 17,228</u>	<u>\$ 1,085,600</u>	<u>\$ 125</u>	<u>\$ 116,761</u>	<u>\$ 124,923</u>	<u>\$ 262,568</u>	<u>\$ 142,384</u>	<u>\$ 2,229,196</u>	<u>\$ 2,399,368</u>

See Accompanying Notes to Consolidated Financial Statements

**THE NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE**

**Consolidated Statements of Functional Expenses**

(Continued)

Year Ended June 30, 2019

(Comparative Totals for the Year Ended June 30, 2018)

	<b>Program Services</b>						<b>Management and General</b>	<b>Fundraising/ Membership Acquisition</b>	<b>2019 Total</b>	<b>2018 Total</b>
	<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>				
(forwarded)	\$ 479,607	\$ 17,228	\$ 1,085,600	\$ 125	\$ 116,761	\$ 124,923	\$ 262,568	\$ 142,384	\$ 2,229,196	\$ 2,399,368
Production costs	330,715	-	-	-	78,570	-	38,649	93,797	541,731	392,213
Professional fundraising/ public education	84,811	-	-	-	27,391	-	9,696	37,778	159,676	108,496
Real estate taxes	-	-	-	-	-	-	-	-	-	161
Registration fees	-	-	-	-	-	-	-	12,672	12,672	11,475
Shelter maintenance	-	-	9,454	-	-	-	-	-	9,454	11,049
Shelter supplies	-	-	47,925	-	-	-	-	-	47,925	55,695
Spay Today - contracted veterinary services	-	-	-	-	-	494,201	-	-	494,201	472,939
Telephone	685	-	2,192	-	685	2,192	685	685	7,124	5,526
Trash removal	211	-	4,259	-	57	49	148	70	4,794	4,826
Travel	7,282	920	147	-	-	178	56	71	8,654	5,895
Uniforms	195	-	3,049	-	-	125	-	-	3,369	3,008
Utilities	1,976	-	41,532	-	530	463	1,390	654	46,545	55,653
Vehicle	1,364	-	20,220	-	-	25	113	135	21,857	13,240
Veterinary medical supplies and services	-	-	79,381	(25)	-	-	-	-	79,356	78,264
Website	-	-	964	-	-	-	748	5,940	7,652	8,317
	<u>\$ 906,846</u>	<u>\$ 18,148</u>	<u>\$ 1,294,723</u>	<u>\$ 100</u>	<u>\$ 223,994</u>	<u>\$ 622,156</u>	<u>\$ 314,053</u>	<u>\$ 294,186</u>	<u>\$ 3,674,206</u>	<u>\$ 3,626,125</u>

See Accompanying Notes to Consolidated Financial Statements

# THE NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE

## Consolidated Statements of Cash Flows

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities</b>		
Increase (Decrease) in net assets	\$ (275,847)	\$ 491,110
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	113,566	109,802
(Gain) loss on investments, net unrealized gains on long-term investments	(65,060)	(46,424)
(Gain) loss on sale of property and equipment	307	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(1,466)	2,020
(Increase) decrease in prepaid expenses	(58,690)	(5,204)
(Increase) decrease in estates and bequests receivable	(33,594)	(63,365)
(Increase) decrease in inventory	(1,370)	(2,072)
Increase (decrease) in accounts payable	8,161	(35,812)
Increase (decrease) in compensated absences	1,193	2,351
Increase (decrease) in deferred revenue	7,546	-
Increase (decrease) in accrued salaries	260	1,477
Increase (decrease) in other current liabilities	(5,636)	9,229
Net cash provided by operating activities	<u>(310,630)</u>	<u>463,112</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(54,055)	(53,743)
Proceeds from the sale of investments	145,540	214,281
Purchase of investments	(168,981)	(137,095)
Net cash provided by (used in) investing activities	<u>(77,496)</u>	<u>23,443</u>
<b>Cash Flows from Financing Activities</b>		
Principal payments on long term debt	(62,432)	(51,501)
Net cash (used in) financing activities	<u>(62,432)</u>	<u>(51,501)</u>
Net increase (decrease) in cash and cash equivalents	(450,558)	435,054
Cash and cash equivalents, beginning of year	657,592	222,538
Cash and cash equivalents, end of year	<u>\$ 207,034</u>	<u>\$ 657,592</u>

See Accompanying Notes to Consolidated Financial Statements

# THE NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE

## Consolidated Statements of Cash Flow Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash payments for interest	<u>\$ 46,609</u>	<u>\$ 52,533</u>
<b>Significant Noncash Financing and Investing Activities</b>		
Unrealized gain (loss) on investments	<u>\$ 66,117</u>	<u>\$ (18,298)</u>

See Accompanying 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 (1) Humane Education & Advocacy, (2) The Briggs Animal Adoption Center, (3) Spay Today, (4) Alliance Partnerships, and (5) Peace Plantation Animal Sanctuary, New York (PPAS), an Affiliate.

Please note, for decades, NHES provided the majority share of PPAS’ operating funds. In 2014, NHES underwent an organizational restructuring that resulted in the sale of the NHES property on which PPAS had been operating and all PPAS’ operations were consolidated into NHES’ facility, The Briggs Animal Adoption Center, that is located on the NHES campus. This consolidation was undertaken to minimize NHES’ operating costs. (PPAS continues to exist and coordinate with NHES to operate the cattery at The Briggs Animal Adoption Center, in Charles Town, West Virginia.)

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, PPAS, is exempt from federal income tax under NHES’ 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**

During the year ended June 30, 2019, NHES and its Affiliate adopted ASU No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. Main provisions of this guidance include presentation of two classes of net assets versus the previously required three. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

**THE NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE**  
**Notes to Consolidated Financial Statements**

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of June 30, 2019 follows:

	Amounts under the FASB No. 117 Model	Reclassifications	Amounts under ASU No. 2016- 14
Net Assets:			
Unrestricted	1,937,339	(1,937,339)	-
Temporarily restricted	238,311	(238,311)	-
Without donor restrictions	-	1,937,339	1,937,339
With donor restrictions	-	238,311	238,311
Total net assets	2,175,650	-	2,175,650

**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.

*Assets with Donor Restrictions* 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. They are also 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.

*Assets without Donor Restrictions* 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 Board of Directors of NHES 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.

**Accounts Receivable**

Accounts receivable are reported at their net realizable value. There was no allowance for doubtful accounts for the years ended June 30, 2019 and 2018.

**THE NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE**  
**Notes to Consolidated Financial Statements**

**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 hierarchical 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.

*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 materially 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 interests.

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.

**THE NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE**  
**Notes to Consolidated Financial Statements**

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.

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.

**Allocation of Joint Costs**

In 2019 and 2018, NHES incurred joint costs of \$1,223,353 and \$1,161,035, respectively for informational materials and activities that included fundraising appeals. Of these costs, \$207,157 was allocated in 2019 and \$233,940 in 2018 to fundraising expense; \$905,617 was allocated in 2019 and \$823,220 in 2018 to program services expense; and \$110,579 was allocated in 2019 and \$103,875 in 2018 to management and general expense.

**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, 2019 and 2018 were \$11,310 and \$9,728, respectively.



**THE NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE**  
**Notes to Consolidated Financial Statements**

**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 non-stock, nonprofit corporation of Peace Plantation Animal Sanctuary, New York, Inc. (PPAS), to carry out NHES' operation of an animal sanctuary, located in Walton, New York.

For decades, NHES provided the majority share of PPAS' operating funds. In 2014, NHES underwent an organizational restructuring that resulted in the sale of the NHES property on which PPAS had been operating and all PPAS' operations were consolidated into NHES' facility, The Briggs Animal Adoption Center, located on the NHES campus in Charles Town, West Virginia. NHES funded PPAS operation with direct contributions, which amounted to \$0 for the fiscal years ended June 30, 2019 and 2018, respectively. PPAS partially funded NHES operations with direct contributions which amounted to \$0 and \$24,000 for the fiscal years ended June 30, 2019 and 2018, respectively

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

**Note 2. Cash and Cash Equivalents**

The composition of the cash and cash equivalents balances as of June 30, 2019 and 2018 is shown below:

	<u>2019</u>	<u>2018</u>
Checking accounts	\$ 204,089	\$ 654,662
Money market account	2,945	2,930
	<u>\$ 207,034</u>	<u>\$ 657,592</u>

**THE NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE**  
**Notes to Consolidated Financial Statements**

**Note 3. Long Term Debt**

**Notes Payable**

The details of long-term debt as of June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</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 \$1,568,712. NHES plans to secure a new long-term note before the balloon payment on April 17, 2020.	\$ 1,149,643	\$ 1,212,075
	<u>1,149,643</u>	<u>1,212,075</u>
Less current portions	<u>1,149,643</u>	<u>51,501</u>
	<u>\$ -</u>	<u>\$ 1,160,574</u>

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

2020	\$ 1,149,643
2021	-
2022	-
2023	-
2024	-
Thereafter	-
	<u>\$ 1,149,643</u>

**Note 4. 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, 2019 and 2018 was \$0, respectively.

**Note 5. Functional Allocation of Expenses**

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

**THE NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE**  
**Notes to Consolidated Financial Statements**

**Note 6. Investments**

Investments are recorded at fair value. The aggregate cost and market value of investments for the years ended June 30, 2019 and 2018 are as follows:

	<b>2019</b>			<b>2018</b>		
	<b>Cost</b>	<b>Fair Market Value</b>	<b>Unrealized Gain (Loss)</b>	<b>Cost</b>	<b>Fair Market Value</b>	<b>Unrealized Gain</b>
Cash/Money Accounts	\$ 199,040	\$ 199,067	\$ 27	\$ 154,153	\$ 154,059	\$ (94)
Corporate Stocks	301,433	508,430	206,997	330,394	477,593	147,199
Municipal Bonds	180,161	194,496	14,335	176,391	187,232	10,841
Mutual Funds	97,324	96,909	(415)	94,264	91,146	(3,118)
	<u>\$ 777,958</u>	<u>\$ 998,902</u>	<u>\$ 220,944</u>	<u>\$ 755,202</u>	<u>\$ 910,030</u>	<u>\$ 154,828</u>

The classification of investments by level within the valuation hierarchy as of June 30, 2019 is as follows:

	<b>Total</b>	<b>Quoted Prices (Level 1)</b>	<b>Significant Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Cash	\$ 199,067	\$ 199,067	\$ -	\$ -
Corporate Stocks	508,430	508,430	-	-
Municipal Bonds	194,496	194,496	-	-
Mutual Funds	96,909	96,909	-	-
	<u>\$ 998,902</u>	<u>\$ 998,902</u>	<u>\$ -</u>	<u>\$ -</u>

There were no transfers of securities from Level 2 to Level 1 classification during the year ended June 30, 2019. Transfers between levels in the fair value hierarchy are recognized at the end of the reporting period.

**THE NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE**  
**Notes to Consolidated Financial Statements**

The classification of investments by level within the valuation hierarchy as of June 30, 2018 is as follows:

	<b>Total</b>	<b>Quoted Prices (Level 1)</b>	<b>Significant Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Cash	\$ 154,059	\$ 154,059	\$ -	\$ -
Corporate Stocks	477,593	477,593	-	-
Municipal Bonds	187,232	187,232	-	-
Mutual Funds	91,146	91,146	-	-
	<u>\$ 910,030</u>	<u>\$ 910,030</u>	<u>\$ -</u>	<u>\$ -</u>

**Note 7. Concentration of Credit Risk**

The cash accounts of NHES are maintained in several banks. Cash on deposit in those banks did not exceed the federally insured limits at June 30, 2019 but exceeded the federally insured limits by \$156,534 at June 30, 2018. In addition, NHES maintained brokerage cash accounts in the amount of \$199,067 and \$154,059 at June 30, 2019 and 2018, respectively, which were not federally insured.

**Note 8. Estates and Bequests Receivable**

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 the proceeds were measurable. As of June 30, 2019, and 2018, estates and bequests receivable that were determinable and measurable were \$133,558 and \$99,964, respectively.

**Note 9. Property and Equipment**

A summary of property and equipment is as follows:

	<b>Life (Years)</b>	<b>Original Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Investment</b>
Land		\$ 161,514	\$ -	\$ 161,514
Building and improvements	5-40	2,692,855	1,279,937	1,412,918
Furniture and equipment	3-10	556,093	460,129	95,964
Vehicles	3-5	108,628	55,969	52,659
Construction in progress	5-40	96,784	-	96,784
		<u>\$ 3,615,874</u>	<u>\$ 1,796,035</u>	<u>\$ 1,819,839</u>

Depreciation expense for the years ended June 30, 2019 and 2018 amounted to \$113,566 and \$109,802, respectively.

**THE NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE**  
**Notes to Consolidated Financial Statements**

**Note 10. Assets with Donor Restrictions**

Assets with donor restrictions consist of the following:

	<u>2019</u>	<u>2018</u>
Climbing structures/cat toys (Peace Plantation)	912	913
Pet cemetery	668	668
Spay and neutering	425	487
Adoption admin fee - Havana	175	-
HVAC Replacement	555	-
Cattery	92,059	236,243
FY20 Matching Gift	7,000	-
	<u>\$ 101,794</u>	<u>\$ 238,311</u>

**Note 11. Net Assets Released from Restriction**

Net assets during the years ended June 30, 2019 and 2018 were released from donor restrictions by incurring expenses satisfying restricted purposes or by occurrence of other events specified by donors.

	<u>2019</u>	<u>2018</u>
Cattery	144,185	-
Spay and neutering	62	3,980
Teaching kindness project	-	12,000
	<u>\$ 144,247</u>	<u>\$ 15,980</u>

**Note 12. Lease Agreements**

NHES has one residential lease agreements. The lease is a month-to-month residential lease between NHES, located in Charles Town, WV, and an employee. The current lease was entered into on June 25, 2019. The lease payment is \$300 per month, payable in advance. Rent revenue was \$3,600 and \$3,600 for the years ended June 30, 2019 and 2018, respectively.

**THE NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE**  
**Notes to Consolidated Financial Statements**

**Note 13.      Availability of Funds**

The below reflects NHES and Affiliates financial assets as of June 30, 2019, reduced by the amounts that are not available for general use due to donor-imposed restrictions within one year of the statement of financial position date.

Financial assets, at year-end	\$    1,899,803
Less those unavailable for general expenditures within one year, due to: Donor-imposed restrictions:	
Subject to appropriation and satisfaction of donor restrictions	(101,794)
Long-term debt maturing within one year (NHES plans to refinance)	<u>(1,149,643)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$       648,366</u></u>

**Note 14.      Subsequent Events**

Subsequent events have been evaluated through August 21, 2019, the financial statement issuance date.

The board plans to seek out a long-term loan to cover the balloon payment due for the current mortgage on or before April 17, 2020. If they cannot agree on terms with the current lender, they will seek out other lenders for this loan.