

**THE NATIONAL HUMANE EDUCATION  
SOCIETY AND AFFILIATE**

**Charles Town, West Virginia**

**FINANCIAL REPORT**

**JUNE 30, 2020**

**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

---

	<b>Page</b>
<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	10-18



## 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, 2020 and 2019, 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**

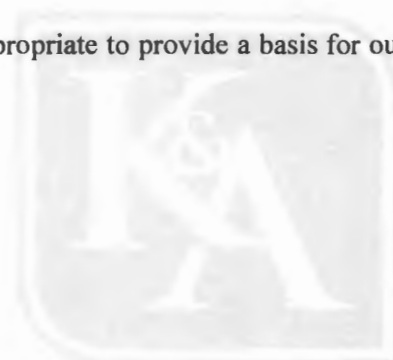
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and 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, 2020 and 2019, 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  
September 16, 2020

# THE NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE

## Consolidated Statements of Financial Position

June 30, 2020 and 2019

<b>Assets</b>	<b>2020</b>	<b>2019</b>
<b>Current Assets</b>		
Cash	\$ 510,535	\$ 207,034
Accounts receivable	11,239	13,427
Estates and bequests receivable	434,737	133,558
Prepaid expenses	64,134	78,504
Inventory	3,789	4,824
Total current assets	<u>1,024,434</u>	<u>437,347</u>
<b>Investments</b>		
Investments	<u>793,709</u>	<u>998,902</u>
<b>Property and Equipment</b>		
Land	161,514	161,514
Buildings and improvements	2,715,727	2,692,855
Furniture and equipment	496,474	556,093
Vehicles	108,628	108,628
Construction in progress	93,748	96,784
	<u>3,576,091</u>	<u>3,615,874</u>
Less accumulated depreciation	<u>1,835,358</u>	<u>1,796,035</u>
	<u>1,740,733</u>	<u>1,819,839</u>
Total assets	<u>\$ 3,558,876</u>	<u>\$ 3,256,088</u>

See Accompanying Notes to Consolidated Financial Statements

# THE NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE

## Consolidated Statements of Financial Position

(Continued)

June 30, 2020 and 2019

<b>Liabilities and Net Assets</b>	<b>2020</b>	<b>2019</b>
<b>Current Liabilities</b>		
Accounts payable	\$ 87,360	\$ 121,045
Accrued salaries	42,754	43,599
Compensated absences	34,288	30,859
Deferred revenue	1,853	7,546
Payroll liabilities	5,390	3,593
Revolving line of credit	100,000	-
SBA - Paycheck Protection Program	242,400	-
Current portion of long-term debt	53,334	1,149,643
Total current liabilities	<u>567,379</u>	<u>1,356,285</u>
<b>Long-Term Debt</b> , less current maturities	<u>1,032,920</u>	<u>-</u>
Total liabilities	<u>1,600,299</u>	<u>1,356,285</u>
<b>Net Assets</b>		
Without donor restrictions	1,956,531	1,798,009
With donor restrictions	2,046	101,794
Total net assets	<u>1,958,577</u>	<u>1,899,803</u>
Total liabilities and net assets	<u>\$ 3,558,876</u>	<u>\$ 3,256,088</u>

See Accompanying Notes to Consolidated Financial Statements

**THE NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE**

**Consolidated Statements of Activities**

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Change in net assets without donor restrictions</b>		
<b>Revenues and Net Gains (Losses):</b>		
Contributions	\$ 1,470,782	\$ 1,534,018
Estates and bequests	1,074,169	1,016,834
Pass-through of contracted veterinary services	498,253	503,084
Service fees	65,982	65,886
Mailing list rental income	36,895	48,607
Net realized and unrealized gains (loss) on long-term investments	(64,694)	65,060
Foundations and trusts	64,696	66,005
Special events, net of expenses	33,583	60,800
Interest and dividends	23,274	25,574
Other	21,980	3,898
Merchandise sales, net of cost of goods	1,174	1,170
Gain (loss) on sale of property and equipment	(1,915)	(307)
Total revenues and net gains (losses)	<u>3,224,179</u>	<u>3,390,629</u>
<b>Net assets released from restrictions</b>		
Satisfaction of program restrictions	100,748	144,247
Total net assets released from restrictions	<u>100,748</u>	<u>144,247</u>
Total revenues and net gains (losses) without donor restrictions	<u>3,324,927</u>	<u>3,534,876</u>
<b>Expenses:</b>		
Program services	2,699,138	3,065,967
Management and general	270,861	314,053
Fundraising/membership acquisition	196,406	294,186
Total expenses	<u>3,166,405</u>	<u>3,674,206</u>
Change in net assets without donor restrictions	<u>158,522</u>	<u>(139,330)</u>
<b>Changes in net assets with donor restrictions</b>		
Contributions	1,000	7,730
Net assets released from restriction	(100,748)	(144,247)
Change in net assets with donor restrictions	<u>(99,748)</u>	<u>(136,517)</u>
Change in net assets	58,774	(275,847)
<b>Net Assets at Beginning of Year</b>	<u>1,899,803</u>	<u>2,175,650</u>
<b>Net Assets at End of Year</b>	<u>\$ 1,958,577</u>	<u>\$ 1,899,803</u>

See Accompanying Notes to Consolidated Financial Statements



**THE NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE**

**Consolidated Statements of Functional Expenses**  
 Year Ended June 30, 2020  
 (Comparative Totals for the Year Ended June 30, 2019)

	Program Services						Management and General	Fundraising/ Membership Acquisition	2020 Total	2019 Total
	Humane Education	Alliance Partnerships	Briggs Animal Adoption	Peace Plantation	Member Services	Spay Today				
Salaries and wages	\$ 118,579	\$ -	\$ 652,641	\$ -	\$ 33,856	\$ 75,876	\$ 131,422	\$ 26,300	\$ 1,038,674	\$ 1,127,914
Employee benefits	23,708	-	57,785	-	6,502	2,572	21,690	2,914	115,171	119,161
Payroll taxes	9,002	-	53,574	-	2,645	6,189	10,045	2,062	83,517	91,537
	\$ 151,289	\$ -	\$ 764,000	\$ -	\$ 43,003	\$ 84,637	\$ 163,157	\$ 31,276	\$ 1,237,362	\$ 1,338,612
Accounting	-	-	-	-	-	-	21,340	-	21,340	21,080
Advertising	1	-	3,190	-	-	-	1,349	1,684	6,224	11,310
Alliance Partnerships	-	14,771	-	-	-	-	-	-	14,771	17,228
Animal food	-	-	34,716	-	-	-	-	-	34,716	37,356
Bank charges	-	-	7	-	-	6,949	573	10,211	17,740	23,930
Computer services	1,571	-	2,999	-	208	730	1,478	1,596	8,582	9,907
Depreciation	5,235	-	104,680	-	1,405	1,226	3,690	1,729	117,965	113,566
Direct mail processing (caging)	-	-	-	-	-	-	27,502	-	27,502	27,620
Dues and subscriptions	50	-	515	-	-	-	20	399	984	938
Eblasts	-	-	-	-	-	-	-	2,290	2,290	3,275
Education materials	1,369	-	-	-	-	-	-	-	1,369	2,989
Emergency animal care	-	-	823	-	-	-	-	-	823	4,873
Equipment rental and maintenance	-	-	6,009	-	-	-	-	-	6,009	7,123
Groundskeeping	-	-	2,628	-	-	-	-	-	2,628	3,207
Insurance	1,126	-	22,525	-	302	264	794	372	25,383	24,755
Interest	2,043	-	40,855	-	548	479	6,945	675	51,545	46,609
Internet connection	401	-	1,662	-	401	1,662	401	401	4,928	6,684
Legal	-	-	-	100	-	-	4,226	782	5,108	6,236
License and fees	-	-	616	25	-	-	305	2,337	3,283	3,612
Membership list	25,216	-	-	-	8,019	-	1,701	10,746	45,682	72,116
Miscellaneous	-	-	1,152	-	-	17	87	50	1,306	2,891
Office	306	-	5,920	-	-	16	909	1,317	8,468	9,678
Postage	199,517	-	100	-	74,293	7	13,621	45,291	332,829	430,117
Printing	580	-	301	-	-	-	45	194	1,120	3,484
(forwarded)	\$ 388,704	\$ 14,771	\$ 992,698	\$ 125	\$ 128,179	\$ 95,987	\$ 248,143	\$ 111,350	\$ 1,979,957	\$ 2,229,196

See Accompanying Notes to Consolidated Financial Statements

**THE NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE**

**Consolidated Statements of Functional Expenses**  
(Continued)  
Year Ended June 30, 2020  
(Comparative Totals for the Year Ended June 30, 2019)

	<b>Program Services</b>						<b>Management and General</b>	<b>Fundraising/ Membership Acquisition</b>	<b>2020 Total</b>	<b>2019 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)	\$ 388,704	\$ 14,771	\$ 992,698	\$ 125	\$ 128,179	\$ 95,987	\$ 248,143	\$ 111,350	\$ 1,979,957	\$ 2,229,196
Production costs	267,071	-	-	-	94,154	-	16,789	56,451	434,465	541,731
Professional fundraising/ public education	37,568	-	-	-	20,504	-	3,096	6,047	67,215	159,676
Registration fees	-	-	-	-	-	-	-	12,520	12,520	12,672
Shelter maintenance	-	-	9,782	-	-	-	-	-	9,782	9,454
Shelter supplies	-	-	40,914	-	-	-	-	-	40,914	47,925
Spay Today - contracted veterinary services	-	-	-	-	-	481,702	-	-	481,702	494,201
Telephone	717	-	2,371	-	717	2,371	717	717	7,610	7,124
Trash removal	271	-	5,425	-	73	63	190	89	6,111	4,794
Travel	465	-	83	-	-	153	-	161	862	8,654
Uniforms	119	-	279	-	-	-	-	-	398	3,369
Utilities	1,752	-	35,665	-	470	410	1,234	579	40,110	46,545
Vehicle	592	-	17,514	-	-	25	-	38	18,169	21,857
Veterinary medical supplies and services	-	-	53,699	-	-	-	-	-	53,699	79,356
Website	230	-	1,632	-	229	1,654	692	8,454	12,891	7,652
	<u>\$ 697,489</u>	<u>\$ 14,771</u>	<u>\$ 1,160,062</u>	<u>\$ 125</u>	<u>\$ 244,326</u>	<u>\$ 582,365</u>	<u>\$ 270,861</u>	<u>\$ 196,406</u>	<u>\$ 3,166,405</u>	<u>\$ 3,674,206</u>

See Accompanying Notes to Consolidated Financial Statements

**THE NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE**

**Consolidated Statements of Cash Flows**

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities</b>		
Increase (Decrease) in net assets	\$ 58,774	\$ (275,847)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	117,965	113,566
(Gain) loss on investments, net unrealized gains on long-term investments	64,694	(65,060)
(Gain) loss on sale of property and equipment	1,915	307
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	2,188	(1,466)
(Increase) decrease in prepaid expenses	14,370	(58,690)
(Increase) decrease in estates and bequests receivable	(301,179)	(33,594)
(Increase) decrease in inventory	1,035	(1,370)
Increase (decrease) in accounts payable	(33,685)	8,161
Increase (decrease) in compensated absences	3,429	1,193
Increase (decrease) in deferred revenue	(5,693)	7,546
Increase (decrease) in accrued salaries	(845)	260
Increase (decrease) in other current liabilities	1,797	(5,636)
Net cash provided by operating activities	<u>(75,235)</u>	<u>(310,630)</u>
 <b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(40,774)	(54,055)
Proceeds from the sale of investments	112,028	145,540
Purchase of investments	28,471	(168,981)
Net cash provided by (used in) investing activities	<u>99,725</u>	<u>(77,496)</u>
 <b>Cash Flows from Financing Activities</b>		
Net borrowing (curtailments) from line of credit	100,000	-
Proceeds from SBA - Paycheck Protection Program	242,400	-
Principal payments on long term debt	(63,389)	(62,432)
Net cash (used in) financing activities	<u>279,011</u>	<u>(62,432)</u>
 Net increase (decrease) in cash and cash equivalents	303,501	(450,558)
 Cash and cash equivalents, beginning of year	207,034	657,592
Cash and cash equivalents, end of year	<u>\$ 510,535</u>	<u>\$ 207,034</u>

See Accompanying Notes to Consolidated Financial Statements

**THE NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE**

**Consolidated Statements of Cash Flow**

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash payments for interest	<u>\$ 51,545</u>	<u>\$ 46,609</u>
<b>Significant Noncash Financing and Investing Activities</b>		
Unrealized gain (loss) on investments	<u>\$ (64,318)</u>	<u>\$ 66,117</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.

**Classification of Net Assets**

Net assets are reduced by liabilities and are reported in the financial statements in two classes: assets without donor restrictions and assets with donor restrictions, based on the absence or existence of donor-imposed restrictions.

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

*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, 2020 and 2019.

**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

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

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 three 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.

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).

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

**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 2020 and 2019, NHES incurred joint costs of \$902,638 and \$1,223,353, respectively for informational materials and activities that included fundraising appeals. Of these costs, \$115,928 was allocated in 2020 and \$207,157 in 2019 to fundraising expense; \$724,819 was allocated in 2020 and \$905,617 in 2019 to program services expense; and \$61,891 was allocated in 2020 and \$110,579 in 2019 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, 2020 and 2019 were \$6,224 and \$11,310, 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 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, 2020 and 2019, respectively. PPAS



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

partially funded NHES operations with direct contributions which amounted to \$30,758 and \$0 for the fiscal years ended June 30, 2020 and 2019, 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, 2020 and 2019 is shown below:

	2020	2019
Checking accounts	\$ 507,576	\$ 204,089
Money market account	2,959	2,945
	\$ 510,535	\$ 207,034

**Note 3. 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, 2020, and 2019, estates and bequests receivable that were determinable and measurable were \$434,737 and \$133,558, respectively.

**Note 4. Investments**

Investments are recorded at fair value. The aggregate cost and market value of investments for the years ended June 30, 2020 and 2019 are as follows:

	2020			2019		
	Cost	Fair Market Value	Unrealized Gain (Loss)	Cost	Fair Market Value	Unrealized Gain
Cash/Money Accounts	\$ 86,780	\$ 86,780	\$ -	\$ 199,040	\$ 199,067	\$ 27
Corporate Stocks	311,976	455,162	143,186	301,433	508,430	206,997
Municipal Bonds	138,124	153,706	15,582	180,161	194,496	14,335
Mutual Funds	100,204	98,061	(2,143)	97,324	96,909	(415)
	\$ 637,084	\$ 793,709	\$ 156,625	\$ 777,958	\$ 998,902	\$ 220,944

**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, 2020 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	\$ 86,780	\$ 86,780	\$ -	\$ -
Corporate Stocks	455,162	455,162	-	-
Municipal Bonds	153,706	153,706	-	-
Mutual Funds	98,061	98,061	-	-
	<u>\$ 793,709</u>	<u>\$ 793,709</u>	<u>\$ -</u>	<u>\$ -</u>

There were no transfers of securities from Level 2 to Level 1 classification during the year ended June 30, 2020. Transfers between levels in the fair value hierarchy are recognized at the end of the reporting period.

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>

**Note 5. Concentration of Credit Risk**

The cash accounts of NHES are maintained in several banks. Cash on deposit in those banks exceeded the federally insured limits by \$6,933 at June 30, 2020 but did not exceed the federally insured limits at June 30, 2019. In addition, NHES maintained brokerage cash accounts in the amount of \$86,780 and \$199,067 at June 30, 2020 and 2019, respectively, which were not federally insured.

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

**Note 6. Property and Equipment**

A summary of property and equipment is as follows:

	<u>Life (Years)</u>	<u>Original Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Investment</u>
Land		\$ 161,514	\$ -	\$ 161,514
Building and improvements	5-40	2,715,727	1,352,844	1,362,883
Furniture and equipment	3-10	496,474	414,855	81,619
Vehicles	3-5	108,628	67,659	40,969
Construction in progress	5-40	93,748	-	93,748
		<u>\$ 3,576,091</u>	<u>\$ 1,835,358</u>	<u>\$ 1,740,733</u>

Depreciation expense for the years ended June 30, 2020 and 2019 amounted to \$117,964 and \$113,566, respectively.

**Note 7. Short Term Debt**

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, 2020 was \$100,000 and 2019 was \$0, respectively.

A small business administration loan for the Paycheck Protection Program, that was part of the 2020 CARES Act was received on April 20, 2020. This loan may be forgiven if used for qualified expenses. If it is not forgiven, the interest rate is 1% with a 24-month repayment. As of the date of these financial statements forgiveness has not been determined. Management expects the entire loan will be forgiven. The outstanding balance at June 30, 2020 was \$242,400.

**Note 8. Long Term Debt**

**Notes Payable**

The details of long-term debt as of June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</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
Real estate mortgage note payable. \$8,382 per month, including interest at 4.45% until March 17, 2035, collateralized by land and improvements with a carrying value of \$1,518,678.	1,086,254	1,149,643
	<u>1,086,254</u>	<u>1,149,643</u>
Less current portions	53,334	1,149,643

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

\$ 1,032,920      \$ -

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

2021	\$	53,334
2022		55,757
2023		58,289
2024		60,937
2025		63,704
Thereafter		794,233
		<u>\$ 1,086,254</u>

**Note 9. Assets with Donor Restrictions**

Assets with donor restrictions consist of the following:

	<u>2020</u>	<u>2019</u>
Climbing structures/cat toys (Peace Plantation)	-	912
Pet cemetery	668	668
Spay and neutering	377	425
Adoption admin fee - Havana	-	175
HVAC Replacement	-	555
Cattery	-	92,059
FY20 Matching Gift	-	7,000
Training class for canine trainer	1,000	-
	<u>\$ 2,045</u>	<u>\$ 101,794</u>

**Note 10. Net Assets Released from Restriction**

Net assets during the years ended June 30, 2020 and 2019 were released from donor restrictions by incurring expenses satisfying restricted purposes or by occurrence of other events specified by donors.

	<u>2020</u>	<u>2019</u>
Cattery	92,059	144,185
Spay and neutering	47	62
Matching gift challenge	7,000	-
Adoption admin fee - Havana	175	
HVAC Replacement	555	
Climbing structures	912	-
	<u>\$ 100,748</u>	<u>\$ 144,247</u>

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

**Note 11. 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.

**Note 12. Lease Agreements**

NHES has one residential lease agreement. 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 October 1, 2019. The lease payment is \$300 per month, payable in advance. Rent revenue was \$2,470 and \$3,600 for the years ended June 30, 2020 and 2019 respectively.

**Note 13. Availability of Funds**

The below reflects NHES and Affiliates financial assets as of June 30, 2020, 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	\$ 1,958,577
Less those unavailable for general expenditures within one year, due to: Donor-imposed restrictions:	
Subject to appropriation and satisfaction of donor restrictions	(2,046)
Long-term debt maturing within one year	<u>(53,334)</u>
Financial assets available to meet cash needs for general expenditures and short-term debt within one year	<u><u>\$ 1,903,197</u></u>

**Note 14. COVID-19**

Management is currently unsure of the future effects that the COVID-19 pandemic will have on the Organization's finances and operations.

**Note 15. Subsequent Events**

Subsequent events have been evaluated through September 16, 2020, the financial statement issuance date.