

**THE NATIONAL HUMANE EDUCATION
SOCIETY AND AFFILIATE**

Charles Town, West Virginia

FINANCIAL REPORT

JUNE 30, 2021

**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

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PEACE PLANTATION ANIMAL SANCTUARY, NEW YORK**

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Virginia B. Dungan
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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, 2021 and 2020, 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, 2021 and 2020 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
November 16, 2021

THE NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE

Consolidated Statements of Financial Position June 30, 2021 and 2020

Assets	2021	2020
Current Assets		
Cash	\$ 918,444	510,535
Accounts receivable	140,355	11,239
Estates and bequests receivable	405,268	434,737
Prepaid expenses	103,200	64,134
Inventory	3,176	3,789
Total current assets	<u>1,570,443</u>	<u>1,024,434</u>
Investments		
Cash - Brokerage	1,005,508	86,780
Publicly-traded securities	965,139	706,929
	<u>1,970,647</u>	<u>793,709</u>
Property and Equipment		
Land	161,514	161,514
Buildings and improvements	2,756,912	2,715,727
Furniture and equipment	475,274	496,474
Vehicles	113,353	108,628
Construction in progress	93,184	93,748
	<u>3,600,237</u>	<u>3,576,091</u>
Less accumulated depreciation	<u>1,914,302</u>	<u>1,835,358</u>
	<u>1,685,935</u>	<u>1,740,733</u>
Total assets	<u><u>\$ 5,227,025</u></u>	<u><u>\$ 3,558,876</u></u>

See Accompanying Notes to Consolidated Financial Statements

THE NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE

Consolidated Statements of Financial Position (Continued) June 30, 2021 and 2020

Liabilities and Net Assets	2021	2020
Current Liabilities		
Accounts payable	\$ 118,125	\$ 87,360
Accrued salaries	8,799	42,754
Compensated absences	26,303	34,288
Deferred revenue	1,336	1,853
Payroll liabilities	11,569	5,390
Revolving line of credit	-	100,000
SBA Paycheck Protection Program Loan	254,467	242,400
Current portion of long-term debt	59,480	53,334
Total current liabilities	<u>480,079</u>	<u>567,379</u>
 Long-Term Debt , less current maturities	 <u>964,170</u>	 <u>1,032,920</u>
 Total liabilities	 <u>1,444,249</u>	 <u>1,600,299</u>
 Net Assets		
Without donor restrictions	2,803,806	1,956,531
With donor restrictions	978,970	2,046
Total net assets	<u>3,782,776</u>	<u>1,958,577</u>
 Total liabilities and net assets	 <u><u>\$ 5,227,025</u></u>	 <u><u>\$ 3,558,876</u></u>

See Accompanying Notes to Consolidated Financial Statements

THE NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE

Consolidated Statements of Activities Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Change in net assets without donor restrictions		
Revenues and Net Gains (Losses):		
Contributions	\$ 1,392,405	\$ 1,470,782
Estates and bequests	1,143,042	1,074,169
Pass-through of contracted veterinary services	497,040	498,253
Service fees	63,329	65,982
Mailing list rental income	15,206	36,895
Net realized and unrealized gains (loss) on		
long-term investments	160,169	(64,694)
Foundations and trusts	123,137	64,696
Special events, net of expenses	41,140	33,583
Interest and dividends	17,560	23,274
Other	5,178	21,980
SBA Paycheck Protection Program Loan Forgiveness	242,400	-
Employee Retention Credits	103,858	-
Merchandise sales, net of cost of goods	769	1,174
Gain (loss) on sale of property and equipment	673	(1,915)
Total revenues and net gains (losses)	<u>3,805,906</u>	<u>3,224,179</u>
 Net assets released from restrictions		
Satisfaction of program restrictions	<u>1,377</u>	<u>100,748</u>
Total net assets released from restrictions	<u>1,377</u>	<u>100,748</u>
Total revenues and net gains (losses) without donor restrictions	<u>3,807,283</u>	<u>3,324,927</u>
 Expenses:		
Program services	2,492,026	2,699,138
Management and general	281,569	270,861
Fundraising/membership acquisition	186,415	196,406
Total expenses	<u>2,960,010</u>	<u>3,166,405</u>
Change in net assets without donor restrictions	<u>847,273</u>	<u>158,522</u>
 Changes in net assets with donor restrictions		
Contributions	978,303	1,000
Net assets released from restriction	<u>(1,377)</u>	<u>(100,748)</u>
Change in net assets with donor restrictions	<u>976,926</u>	<u>(99,748)</u>
 Change in net assets	1,824,199	58,774
 Net Assets at Beginning of Year	<u>1,958,577</u>	<u>1,899,803</u>
 Net Assets at End of Year	<u><u>\$ 3,782,776</u></u>	<u><u>\$ 1,958,577</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, 2021
(Comparative Totals for the Year Ended June 30, 2020)

	Program Services						Management and General	Fundraising/ Membership Acquisition	2021 Total	2020 Total
	Humane Education	Alliance Partnerships	Briggs Animal Adoption	Peace Plantation	Member Services	Spay Today				
Salaries and wages	\$ 118,568		\$ 625,827		\$ 31,088	\$ 61,011	\$ 148,445	\$ 35,874	\$ 1,020,813	\$ 1,038,674
Employee benefits	22,910		48,398		6,189	1,168	23,243	3,429	105,337	115,171
Payroll taxes	9,203		52,090		2,396	5,322	11,074	3,052	83,137	83,517
	\$ 150,681	\$ -	\$ 726,315	\$ -	\$ 39,673	\$ 67,501	\$ 182,762	\$ 42,355	\$ 1,209,287	\$ 1,237,362
Accounting	-	-	-	-	-	-	21,200	-	21,200	21,340
Advertising	-	-	-	-	-	-	4,628	40	4,668	6,224
Alliance Partnerships	-	13,899	-	-	-	-	-	-	13,899	14,771
Animal food	-	-	29,784	-	-	-	-	-	29,784	34,716
Bank charges	-	-	2,661	-	-	7,256	370	10,411	20,698	17,740
Computer services	1,524	-	3,959	-	269	943	2,152	2,216	11,063	8,582
Continuing Education	-	-	1,500	-	-	-	-	59	1,559	-
Depreciation	5,085	-	101,687	-	1,365	1,191	3,584	1,679	114,591	117,965
Direct mail processing (caging)	-	-	-	-	-	-	26,088	-	26,088	27,502
Dues and subscriptions	283	-	306	-	-	-	20	499	1,108	984
Eblasts	-	-	-	-	-	-	-	2,860	2,860	2,290
Education materials	224	-	-	-	-	-	-	-	224	1,369
Emergency animal care	-	-	1,911	-	-	-	-	-	1,911	823
Equipment rental and maintenance	-	-	5,846	-	-	-	-	-	5,846	6,009
Groundskeeping	-	-	1,690	-	-	-	-	-	1,690	2,628
Insurance	1,145	-	22,887	-	307	268	807	378	25,792	25,383
Interest	1,909	-	38,169	-	512	447	2,170	630	43,837	51,545
Internet connection	401	-	1,662	-	401	1,662	401	401	4,928	4,928
Legal	-	-	-	100	-	-	2,352	-	2,452	5,108
License and fees	-	-	1,200	25	-	-	372	2,259	3,856	3,283
Marketing	-	-	-	-	-	-	-	158	158	-
Membership list	19,180	-	-	-	5,480	-	1,470	7,416	33,546	45,682
Miscellaneous	-	-	506	-	-	-	21	66	593	1,306
Office	19	-	5,659	-	-	-	1,072	976	7,726	8,468
Postage	163,790	-	167	-	59,378	15	11,685	34,945	269,980	332,829
Printing	129	-	269	-	-	-	183	-	581	1,120
(forwarded)	\$ 344,370	\$ 13,899	\$ 946,178	\$ 125	\$ 107,385	\$ 79,283	\$ 261,337	\$ 107,348	\$ 1,859,925	\$ 1,979,957

See Accompanying Notes to Consolidated Financial Statements

THE NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE

Consolidated Statements of Functional Expenses

(Continued)

Year Ended June 30, 2021

(Comparative Totals for the Year Ended June 30, 2020)

	Program Services						Management and General	Fundraising/ Membership Acquisition	2021 Total	2020 Total
	Humane Education	Alliance Partnerships	Briggs Animal Adoption	Peace Plantation	Member Services	Spay Today				
(forwarded)	\$ 344,370	\$ 13,899	\$ 946,178	\$ 125	\$ 107,385	\$ 79,283	\$ 261,337	\$ 107,348	\$ 1,859,925	\$ 1,979,957
Production costs	245,737	-	-	-	83,678	-	15,907	48,228	393,550	434,465
Professional fundraising/ public education	17,347	-	-	-	7,884	-	1,476	3,293	30,000	67,215
Registration fees	-	-	-	-	-	-	-	12,525	12,525	12,520
Shelter maintenance	-	-	17,850	-	-	-	-	-	17,850	9,782
Shelter supplies	-	-	35,167	-	-	-	-	-	35,167	40,914
Spay Today - contracted veterinary services	-	-	-	-	-	462,803	-	-	462,803	481,702
Telephone	784	-	2,490	-	784	2,490	784	784	8,116	7,610
Trash removal	316	-	6,315	-	85	74	222	104	7,116	6,111
Travel	-	-	99	-	-	-	-	99	198	862
Uniforms	-	-	342	-	-	-	-	-	342	398
Utilities	1,577	-	32,134	-	423	370	1,111	522	36,137	40,110
Vehicle	120	-	13,590	-	-	-	-	-	13,710	18,169
Veterinary medical supplies and services	-	-	66,089	-	-	-	-	-	66,089	53,699
Website	69	-	1,156	-	69	944	732	13,512	16,482	12,891
	<u>\$ 610,320</u>	<u>\$ 13,899</u>	<u>\$ 1,121,410</u>	<u>\$ 125</u>	<u>\$ 200,308</u>	<u>\$ 545,964</u>	<u>\$ 281,569</u>	<u>\$ 186,415</u>	<u>\$ 2,960,010</u>	<u>\$ 3,166,405</u>

See Accompanying Notes to Consolidated Financial Statements

THE NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE

Consolidated Statements of Cash Flows

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Increase (Decrease) in net assets	\$ 1,824,199	\$ 58,774
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	114,591	117,965
(Gain) loss on investments, net unrealized gains on long-term investments	(160,169)	64,694
(Gain) loss on sale of property and equipment	(673)	1,915
SBA Paycheck Protection Program Loan Forgiveness	(242,400)	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(129,116)	2,188
(Increase) decrease in prepaid expenses	(39,066)	14,370
(Increase) decrease in estates and bequests receivable	29,469	(301,179)
(Increase) decrease in inventory	613	1,035
Increase (decrease) in accounts payable	30,765	(33,685)
Increase (decrease) in compensated absences	(7,985)	3,429
Increase (decrease) in deferred revenue	(517)	(5,693)
Increase (decrease) in accrued salaries	(33,954)	(845)
Increase (decrease) in other current liabilities	6,179	1,797
Net cash provided by operating activities	<u>1,391,936</u>	<u>(75,235)</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(63,900)	(40,774)
Proceeds from insurance	4,780	-
Proceeds from the sale of investments	300,134	112,028
Purchase of investments	(1,316,903)	28,471
Net cash provided by (used in) investing activities	<u>(1,075,890)</u>	<u>99,725</u>
Cash Flows from Financing Activities		
Net borrowing (curtailments) from line of credit	(100,000)	100,000
Proceeds from SBA - Paycheck Protection Program	254,467	242,400
Principal payments on long term debt	(62,604)	(63,389)
Net cash (used in) financing activities	<u>91,863</u>	<u>279,011</u>
Net increase (decrease) in cash and cash equivalents	407,909	303,501
Cash and cash equivalents, beginning of year	510,535	207,034
Cash and cash equivalents, end of year	<u>\$ 918,444</u>	<u>\$ 510,535</u>

See Accompanying Notes to Consolidated Financial Statements

THE NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE

Consolidated Statements of Cash Flow Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Supplemental Disclosures of Cash Flow Information		
Cash payments for interest	<u>\$ 43,837</u>	<u>\$ 51,545</u>
Significant Noncash Financing and Investing Activities		
Unrealized gain (loss) on investments	<u>\$ 122,639</u>	<u>\$ (64,318)</u>
Forgiveness of SBA Paycheck Protection Program Loan	<u>\$ 242,400</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

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.

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, 2021 and 2020.

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:

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

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 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.

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

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 2021 and 2020, NHES incurred joint costs of \$749,690 and \$902,638, respectively for informational materials and activities that included fundraising appeals. Of these costs, \$92,448 was allocated in 2021 and \$115,928 in 2020 to fundraising expense; \$601,337 was allocated in 2021 and \$724,819 in 2020 to program services expense; and \$55,904 was allocated in 2021 and \$61,891 in 2020 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, 2021 and 2020 were \$4,668 and \$6,224, 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, 2021 and 2020, respectively. PPAS partially funded NHES operations with direct contributions which amounted to \$0 and \$30,758 for the fiscal years ended June 30, 2021 and 2020, 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, 2021 and 2020 is shown below:

	<u>2021</u>	<u>2020</u>
Checking accounts	\$ 915,474	\$ 507,576
Money market account	2,970	2,959
	<u>\$ 918,444</u>	<u>\$ 510,535</u>

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, 2021, and 2020, estates and bequests receivable that were determinable and measurable were \$405,268 and \$434,737, respectively.

THE NATIONAL HUMANE EDUCATION SOCIETY AND AFFILIATE
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Note 4. Investments

Investments are recorded at fair value. The aggregate cost and market value of investments for the years ended June 30, 2021 and 2020 are as follows:

	2021			2020		
	Cost	Fair Market Value	Unrealized Gain (Loss)	Cost	Fair Market Value	Unrealized Gain
Cash/Money Accounts	\$1,005,508	\$1,005,508	\$ -	\$ 86,780	\$ 86,780	\$ -
Corporate Stocks	254,356	515,241	260,885	311,976	455,162	143,186
Municipal Bonds	141,611	157,153	15,543	138,124	153,706	15,582
Mutual Funds	289,907	292,744	2,837	100,204	98,061	(2,143)
	<u>\$ 1,691,382</u>	<u>\$ 1,970,647</u>	<u>\$ 279,265</u>	<u>\$ 637,084</u>	<u>\$ 793,709</u>	<u>\$ 156,625</u>

The classification of investments by level within the valuation hierarchy as of June 30, 2021 is as follows:

	Total	Quoted Prices (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 1,005,508	\$ 1,005,508	\$ -	\$ -
Corporate Stocks	515,241	515,241	-	-
Municipal Bonds	157,153	157,153	-	-
Mutual Funds	292,744	292,744	-	-
	<u>\$ 1,970,647</u>	<u>\$ 1,970,647</u>	<u>\$ -</u>	<u>\$ -</u>

There were no transfers of securities from Level 2 to Level 1 classification during the year ended June 30, 2021. Transfers between levels in the fair value hierarchy are recognized at the end of the reporting period.

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The classification of investments by level within the valuation hierarchy as of June 30, 2020 is as follows:

	Total	Quoted Prices (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
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.

Note 5. 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, 2021 but exceeded the federally insured limits by \$6,933 at June 30, 2020. In addition, NHES maintained brokerage cash accounts in the amount of \$1,005,508 and \$86,870 at June 30, 2021 and 2020, respectively, which were not federally insured.

Note 6. Property and Equipment

A summary of property and equipment is as follows:

	Life (Years)	Original Cost	Accumulated Depreciation	Net Investment
Land		\$ 161,514	\$ -	\$ 161,514
Building and improvements	5-40	2,756,912	1,429,479	1,327,433
Furniture and equipment	3-10	475,274	405,316	69,958
Vehicles	3-5	113,353	79,507	33,846
Construction in progress	5-40	93,184	-	93,184
		<u>\$ 3,600,237</u>	<u>\$ 1,914,302</u>	<u>\$ 1,685,935</u>

Depreciation expense for the years ended June 30, 2021 and 2020 amounted to \$114,591 and \$117,964, respectively.

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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, 2021 and 2020 was \$0 and \$100,000, respectively.

The first round Small Business Administration (SBA) loan for the Paycheck Protection Program, part of the CARES Act, that was received on April 20, 2020 for the amount of \$242,400 was forgiven on June 15, 2021.

A second round SBA loan was received on February 8, 2021. This loan may be forgiven if used for qualified expenses. If it is not forgiven, the interest rate is 1% with a 60-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, 2021 was \$254,467.

Note 8. Long Term Debt

Notes Payable

The details of long-term debt as of June 30, 2021 are as follows:

	<u>2021</u>
Real estate mortgage note payable. \$7,887 per month, including interest at 3.50% until March 17, 2035, collateralized by land and improvements with a carrying value of \$1,483,227.	\$ 1,023,650
	<u>1,023,650</u>
Less current portions	59,480
	<u>\$ 964,170</u>

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

2022	\$ 59,480
2023	63,786
2024	66,055
2025	68,404
2026	70,837
Thereafter	695,088
	<u>\$ 1,023,650</u>

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Note 9. Assets with Donor Restrictions

Assets with donor restrictions consist of the following:

	<u>2021</u>	<u>2020</u>
Covered Food Delivery Area	5,120	-
Pet cemetery	668	668
Spay and neutering - Tails of Hope	682	377
Training class for canine trainer	-	1,000
Phase II Walking Path	10,000	-
Vet Room Ultrasound	11,000	-
FY22 Memorial Hike Match	1,500	-
Spay and Neuter Endowment Fund	700,000	-
Capital Building Projects	250,000	-
	<u>\$ 978,970</u>	<u>\$ 2,045</u>

In the year ended June 30, 2021 a \$700,000 Spay and Neuter Endowment Fund was established for homeless cats and dogs and to assist with financial shortfalls for companion animal owners who understand the need to have their companion animal(s) spayed or neutered but lack the financial resources to pay the normative fees charged by local veterinarians. Each year, NHES will be entitled to use the greater of (1) 75% of the annual earned income, or (2) \$35,000 to help spay or neuter cats and dogs.

Note 10. Net Assets Released from Restriction

Net assets during the years ended June 30, 2021 and 2020 were released from donor restrictions by incurring expenses satisfying restricted purposes or by occurrence of other events specified by donors.

	<u>2021</u>	<u>2020</u>
Cattery	-	92,059
Spay and neutering	377	47
Matching gift challenge	-	7,000
Adoption admin fee - Havana	-	175
HVAC Replacement	-	555
Climbing structures	-	912
Training class for canine trainer	1,000	-
	<u>\$ 1,377</u>	<u>\$ 100,748</u>

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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 \$3,600 and \$2,470 for the years ended June 30, 2021 and 2020 respectively.

Note 13. Availability of Funds

The below reflects NHES and Affiliates financial assets as of June 30, 2021, 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	\$ 3,315,478
Less those unavailable for general expenditures within one year, due to: Donor-imposed restrictions:	
Subject to appropriation and satisfaction of donor restrictions	(978,970)
Financial assets available to meet cash needs for general expenditures and short-term debt within one year	<u>\$ 2,336,508</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. Evaluation of Subsequent Events

Subsequent events have been evaluated through November 16, 2021, the financial statement issuance date.