



Ad3ptus

HUMANE SOCIETY OF NEW YORK
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

December 31, 2014

HUMANE SOCIETY OF NEW YORK

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Humane Society of New York
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Humane Society of New York (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Humane Society of New York as of December 31, 2014 and 2013, 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.

New York, New York
April 29, 2015

Offices:
New York City
Long Island
New Jersey

HUMANE SOCIETY OF NEW YORK
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2014 AND 2013

		ASSETS	
		<u>2014</u>	<u>2013</u>
ASSETS:			
Cash and Cash Equivalents		\$ 20,456,371	\$ 21,474,145
Clinic Accounts Receivable, Net of Allowance for Doubtful Accounts of \$313,805 and \$247,000, respectively		21,684	43,269
Medical and Supplies Inventories		260,880	212,764
Prepaid Expenses and Other		58,245	16,400
Investment Securities, at Fair Value		9,431,800	7,170,190
Property and Equipment, Net		<u>405,263</u>	<u>494,309</u>
TOTAL ASSETS		<u>\$ 30,634,243</u>	<u>\$ 29,411,077</u>
LIABILITIES AND NET ASSETS			
LIABILITIES:			
Accounts Payable and Accrued Expenses		\$ 165,632	\$ 250,862
Compensation and Benefits Payable		<u>27,679</u>	<u>18,260</u>
TOTAL LIABILITIES		193,311	269,122
NET ASSETS:			
Unrestricted		<u>30,440,932</u>	<u>29,141,955</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 30,634,243</u>	<u>\$ 29,411,077</u>

The accompanying notes are an integral part of these financial statements.

HUMANE SOCIETY OF NEW YORK
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Changes in Unrestricted Net Assets		
Support and Revenue:		
Clinic and Adoption Fees	\$ 3,711,216	\$ 3,455,173
Grants and Bequests	1,599,110	2,469,304
Contributions	1,015,271	873,941
Special Events	153,000	193,504
Investment Income	508,476	491,172
	<u>6,987,073</u>	<u>7,483,094</u>
Total Unrestricted Support and Revenue		
Expenses:		
Program Services:		
Animal Medical Care	3,470,927	3,275,290
Animal Shelter and Adoptions	1,319,395	1,229,926
Public Education	341,976	321,687
Supporting Services:		
Fundraising and Publicity	307,969	323,402
Management and General	247,829	193,480
	<u>5,688,096</u>	<u>5,343,785</u>
Total Expenses		
	<u>5,688,096</u>	<u>5,343,785</u>
Change in Net Assets	1,298,977	2,139,309
Net Assets - Beginning of Year	<u>29,141,955</u>	<u>27,002,646</u>
Net Assets - End of Year	<u>\$ 30,440,932</u>	<u>\$ 29,141,955</u>

The accompanying notes are an integral part of these financial statements.

HUMANE SOCIETY OF NEW YORK
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014						TOTAL
	PROGRAM SERVICES			SUPPORTING SERVICES			
	Animal Medical Care	Animal Shelter and Adoptions	Public Education	Fund Raising and Publicity	Management and General		
Salaries	\$ 1,622,115	\$ 871,256	\$ 240,346	\$ 150,217	\$ 120,173	\$ 3,004,107	
Employee Benefits and Payroll Taxes	225,069	120,871	33,344	20,840	16,672	416,796	
Total Salaries and Benefits	1,847,184	992,127	273,690	171,057	136,845	3,420,903	
Drugs, Medical Supplies and Services	1,280,944	112,838	-	-	-	1,393,782	
Consulting and Professional Fees	24,171	-	29,997	15,003	56,098	125,269	
Animal Food	14,644	39,026	-	-	-	53,670	
Provision for Doubtful Accounts	73,375	-	-	-	-	73,375	
Occupancy - Utilities and Storage	28,547	24,786	4,552	4,552	4,552	66,989	
Repairs and Maintenance	28,962	23,169	2,835	2,835	3,429	61,230	
Credit Card and Bank Charges	66,955	3,151	-	12,339	-	82,445	
Telephone	4,457	2,971	1,486	4,457	1,816	15,187	
Office Expenses	33,894	19,454	10,521	54,742	24,020	142,631	
Insurance	39,454	30,261	6,720	4,200	3,360	83,995	
Special Events	-	-	-	26,798	-	26,798	
Miscellaneous	7,944	20,622	1,977	1,788	7,511	39,842	
Total Expenses Before Depreciation	3,450,531	1,268,405	331,778	297,771	237,631	5,586,116	
Depreciation Expense	20,396	50,990	10,198	10,198	10,198	101,980	
TOTAL EXPENSES	\$ 3,470,927	\$ 1,319,395	\$ 341,976	\$ 307,969	\$ 247,829	\$ 5,688,096	

The accompanying notes are an integral part of this financial statement.

HUMANE SOCIETY OF NEW YORK
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013						TOTAL
	PROGRAM SERVICES			SUPPORTING SERVICES			
	Animal Medical Care	Animal Shelter and Adoptions	Public Education	Fund Raising and Publicity	Management and General		
Salaries	\$ 1,513,658	\$ 812,890	\$ 224,245	\$ 140,153	\$ 112,123	\$ 2,803,069	
Employee Benefits and Payroll Taxes	199,555	107,168	29,564	18,477	14,782	369,546	
Total Salaries and Benefits	1,713,213	920,058	253,809	158,630	126,905	3,172,615	
Drugs, Medical Supplies and Services	1,227,289	104,179	-	-	-	1,331,468	
Consulting and Professional Fees	15,998	-	29,997	25,406	25,925	97,326	
Animal Food	18,690	42,614	-	-	-	61,304	
Provision for Doubtful Accounts	73,940	-	-	-	-	73,940	
Occupancy - Utilities and Storage	27,121	24,273	4,334	4,334	4,333	64,395	
Repairs and Maintenance	34,065	20,802	2,602	2,588	3,438	63,495	
Credit Card and Bank Charges	61,562	2,897	-	10,788	-	75,247	
Telephone	4,842	3,208	1,604	4,812	1,795	16,261	
Office Expenses	35,087	15,937	9,539	58,308	16,018	134,889	
Insurance	38,196	27,145	6,091	3,807	3,046	78,285	
Special Events	-	-	-	40,103	-	40,103	
Miscellaneous	5,171	18,522	3,653	4,568	1,962	33,876	
Total Expenses Before Depreciation	3,255,174	1,179,635	311,629	313,344	183,422	5,243,204	
Depreciation Expense	20,116	50,291	10,058	10,058	10,058	100,581	
TOTAL EXPENSES	\$ 3,275,290	\$ 1,229,926	\$ 321,687	\$ 323,402	\$ 193,480	\$ 5,343,785	

The accompanying notes are an integral part of this financial statement.

HUMANE SOCIETY OF NEW YORK
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 1,298,977	\$ 2,139,309
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Net Realized and Unrealized Gains on Investment Securities	(329,577)	(377,638)
Value of Donated Securities	(76,410)	(36,236)
Depreciation Expense	101,980	100,581
(Increase) Decrease in Operating Assets:		
Receivables	21,585	(10,685)
Medical and Supplies Inventories	(48,116)	(31,029)
Prepaid Expenses and Other	(41,845)	4,270
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	(85,230)	81,073
Compensation and Benefits Payable	9,419	(236,236)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>850,783</u>	<u>1,633,409</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sales and Maturities of Investment Securities	1,315,909	1,020,559
Investment Purchases	(3,171,532)	(3,499,620)
Capital Improvements	(12,934)	(185,465)
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,868,557)</u>	<u>(2,664,526)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(1,017,774)	(1,031,117)
CASH AND CASH EQUIVALENTS - beginning of year	<u>21,474,145</u>	<u>22,505,262</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 20,456,371</u>	<u>\$ 21,474,145</u>

The accompanying notes are an integral part of these financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF OPERATIONS AND ACTIVITIES

The Humane Society of New York (the Society) is organized as a non-profit corporation under the laws of the State of New York. The organization was formed to foster the humane care of animals. In carrying out this basic purpose, the Society has established facilities for a fully staffed clinic to furnish medical care to animals, as well as an animal shelter. The facilities are also used for an adoption program to place the animals with qualified new owners and to educate the public on the proper care and humane treatment of animals. The Society is supported primarily through donor contributions, grants, bequests and clinic fees and is exempt from taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and accordingly, is not subject to Federal or state income taxes. The Society does not have any unrelated business income and accordingly, does not have any uncertain tax positions.

B. BASIS OF ACCOUNTING

The Society's accounts are maintained and its financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles.

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly certain costs have been allocated among the programs and supporting services as detailed on the Statements of Functional Expenses.

C. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. CONTRIBUTIONS AND PROMISES TO GIVE

Contributions and bequests are recognized when received or when a donor makes an unconditional promise to give to the Society. Donor-restricted contributions, if any, are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, restricted net assets are reclassified to unrestricted net assets. As of December 31, 2014 and 2013, all of the Society's net assets are unrestricted.

E. INVESTMENTS

Investments in debt and equity securities are reported at their fair values in the statement of financial position. Fair value is determined using the account value on the last business day of the year utilizing statements received from the Society's brokerage firms. All valuations are based on level 1 standards (see Note 9). Realized and unrealized gains and losses are included in the change in net assets.

F. INVENTORIES

Drugs and medical supplies are valued using a method that approximates the lower of cost or market.

G. PROPERTY AND EQUIPMENT, NET

The Society follows the practice of capitalizing the cost of land, building and improvements and equipment. The fair market value of donated property and equipment is similarly capitalized. Maintenance and repair costs are expensed as incurred. Depreciation is calculated over the useful lives of the assets using the straight-line method as follows:

	<u>Years</u>
Building	40
Building Improvements	20
Equipment and Furniture	7 - 15
Automobile	5

H. FUNCTIONAL ALLOCATION OF EXPENSES

Expenses incurred to carry our program activities are allocated to the applicable programs utilizing specifically developed estimates for each vendor. Certain other indirect expenses have been allocated, when deemed practical, among program and supporting services.

I. DONATED MATERIALS

The Society receives donated products from various parties such as towels, sheets, etc. for the ultimate use by animals under its care. Since the Society is acting as an intermediary for the donors, such amounts are not included in contribution revenue in the accompanying financial statements.

J. CONTRIBUTED SERVICES

The value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. However many individuals volunteer their time and perform a variety of tasks that assist the Society in many ways, but these services do not meet the criteria for recognition as contributed services.

K. CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, the Society considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

L. RECLASSIFICATIONS

Certain reclassifications have been made to the 2013 financial statements in order to conform to the current year presentation.

M. SUBSEQUENT EVENTS

For the year ended December 31, 2014, the Society has evaluated subsequent events for potential recognition or disclosure through April 29, 2015, the date the financial statements were available for issuance.

NOTE 2. OPERATIONAL DISRUPTIONS

During 2014, the Society experienced significant operational disruption as a result of a pipe burst in an adjacent building that flooded their new elevator shaft and the Society's basement. The same thing happened twice early in 2014 and was a result of the building next door being empty and the pipes were not drained. Although insurance covered a material portion of the cost, the Society's business operations suffered as a result.

HUMANE SOCIETY OF NEW YORK
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2014

During December 2013, the Society's annual fund raising efforts were significantly disrupted through lack of telephone and internet services over a two week period. In addition, during the summer of 2013, the Society had extensive renovations done on the only elevator in its five floor facility that affected its ability to provide full services in its clinic.

NOTE 3. CLINIC ACCOUNTS RECEIVABLE

An analysis of clinic accounts receivable as of December 31 and for the year then ended is as follows:

	<u>2014</u>	<u>2013</u>
Gross accounts receivable from the Society's billing system commencing in 2007 for which partial payments have been received from clients	\$ 335,489	\$ 290,269
Less -		
Allowance for doubtful accounts - beginning of year	247,000	187,000
Provision for doubtful accounts charged to expense arising primarily from the Society's partial funding of client accounts	73,375	73,940
Other allowance adjustments	<u>(6,570)</u>	<u>(13,940)</u>
Allowance for doubtful accounts - end of year	<u>313,805</u>	<u>247,000</u>
Clinic Accounts Receivable, net, recognized in the accompanying financial statements	<u>\$ 21,684</u>	<u>\$ 43,269</u>

In addition, the Society provides significant animal care to numerous other clients who do not have the ability to make any payments on their accounts. The Society never refuses to provide care in these situations and no invoice is generated by its billing system. Management estimates that billings for these services would have been approximately \$3,033,000 and \$2,641,000 for the years ended December 31, 2014 and 2013, respectively, if these clients had the ability to make any payments for such services.

NOTE 4. INVESTMENT SECURITIES

Investment securities as of December 31 consisted of the following:

	<u>2014</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Fixed Income Securities	\$ 2,133,305	\$ 2,153,288	\$ 19,983
Equity Securities and Mutual Funds	5,570,986	6,255,919	684,933
Money Market Funds	<u>1,022,593</u>	<u>1,022,593</u>	<u>-</u>
Total	<u>\$ 8,726,884</u>	<u>\$ 9,431,800</u>	<u>\$ 704,916</u>

HUMANE SOCIETY OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

	2013		
	Cost	Fair Value	Unrealized Appreciation
Fixed Income Securities	\$ 1,595,869	\$ 1,651,897	\$ 56,028
Equity Securities and Mutual Funds	3,074,877	3,418,806	343,929
Money Market Funds	2,099,487	2,099,487	-
Total	<u>\$ 6,770,233</u>	<u>\$ 7,170,190</u>	<u>\$ 399,957</u>

An analysis of investment return, including cash equivalents, for the years ended December 31, is as follows:

	2014	2013
Interest and Dividends	\$ 220,855	\$ 125,721
Realized Gains	113,732	45,113
Unrealized Gains (Losses)	215,845	332,525
Investment Fees	(41,956)	(12,187)
Total	<u>\$ 508,476</u>	<u>\$ 491,172</u>

NOTE 5. PROPERTY AND EQUIPMENT

The Society uses its building as its Animal Shelter and Hospital, as well as its Administrative Headquarters. The costs of operating and maintaining this building are reflected in current operations.

A summary of Property and Equipment at December 31, is as follows:

	2014	2013
Land	\$ 29,000	\$ 29,000
Building	774,485	774,485
Building Improvements	740,126	740,126
Equipment and Furniture	705,565	692,631
Automobile	26,248	26,248
Total	<u>2,275,424</u>	<u>2,262,490</u>
Less: Accumulated Depreciation	<u>1,870,161</u>	<u>1,768,181</u>
Net	<u>\$ 405,263</u>	<u>\$ 494,309</u>

NOTE 6. SPECIAL EVENTS

The Society sponsors fund-raising efforts at public events in New York City. Additional support was realized from the sale of animal related books, cards, T-shirts and other supplies. Special Event activities resulted in net income of \$153,000 and \$193,504 for the years ended December 31, 2014 and 2013, respectively.

NOTE 7. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Society to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions which exceed the Federal depository insurance coverage limits. Cash and cash equivalents exceeding such limits approximated \$20,700,000 and \$22,800,000 at December 31, 2014 and 2013, respectively, including money market funds included within investment portfolio accounts.

Concentration of credit risk associated with the two Society's investment portfolios is considered low due to the credit quality of the two financial institutions holding these investments.

NOTE 8. CONTINGENCIES

The Society from time to time may become involved in legal claims arising in the ordinary course of their activities. In the opinion of management, the outcome of any legal proceedings is covered by the Society's insurance policies, subject to normal deductibles, and accordingly, would not have a material effect on its financial position or changes in net assets.

NOTE 9. FAIR VALUE MEASUREMENTS

The Society follows Fair Value Measurements, which applies to all assets and liabilities that are being measured and reported on a fair value basis. Fair Value Measurements requires disclosure that establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosure about fair value measurements. This measurement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Fair Value Measurements requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Society performs an annual analysis of the assets and liabilities that are subject to Fair Value Measurements.

All investment securities have been valued using level 1 standards indicated above. The carrying amounts of cash and cash equivalents, receivables, inventories, accounts payable and accrued expenses approximate fair value due to the short-term nature of these assets and liabilities.