

HUMANE SOCIETY OF NEW YORK
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
December 31, 2015

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, 2015 and 2014, 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, 2015 and 2014, 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.

/s/ Adeptus Partners, LLC

New York, New York
April 20, 2016

HUMANE SOCIETY OF NEW YORK
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

	ASSETS	
	<u>2015</u>	<u>2014</u>
ASSETS:		
Cash and Cash Equivalents	\$ 20,698,073	\$ 20,456,371
Clinic Accounts Receivable, Net of Allowance for Doubtful Accounts of \$349,124 and \$313,805, respectively	25,143	21,684
Other Receivable	26,521	-
Medical and Supplies Inventories	334,789	260,880
Prepaid Expenses and Other	14,260	58,245
Investment Securities, at Fair Value	9,936,685	9,431,800
Property and Equipment, Net	<u>395,897</u>	<u>405,263</u>
TOTAL ASSETS	<u>\$ 31,431,368</u>	<u>\$ 30,634,243</u>
	LIABILITIES AND NET ASSETS	
LIABILITIES:		
Accounts Payable and Accrued Expenses	\$ 337,178	\$ 165,632
Compensation and Benefits Payable	<u>60,619</u>	<u>27,679</u>
TOTAL LIABILITIES	397,797	193,311
NET ASSETS:		
Unrestricted	<u>31,033,571</u>	<u>30,440,932</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 31,431,368</u>	<u>\$ 30,634,243</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Changes in Unrestricted Net Assets		
Support and Revenue:		
Clinic and Adoption Fees	\$ 3,658,952	\$ 3,711,216
Grants and Bequests	1,476,296	1,599,110
Contributions	1,056,280	1,015,271
Special Events	46,293	153,000
Net Investment Income(Loss)	<u>(47,359)</u>	<u>508,476</u>
Total Support and Revenue	<u>6,190,462</u>	<u>6,987,073</u>
Expenses:		
Program Services:		
Animal Medical Care	3,407,861	3,470,927
Animal Shelter and Adoptions	1,267,689	1,319,395
Public Education	330,919	341,976
Supporting Services:		
Fundraising and Publicity	322,344	307,969
Management and General	<u>269,010</u>	<u>247,829</u>
Total Expenses	<u>5,597,823</u>	<u>5,688,096</u>
Change in Net Assets	592,639	1,298,977
Net Assets - Beginning of Year	<u>30,440,932</u>	<u>29,141,955</u>
Net Assets - End of Year	<u>\$ 31,033,571</u>	<u>\$ 30,440,932</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, 2015

	2015					
	PROGRAM SERVICES			SUPPORTING SERVICES		TOTAL
	Animal Medical Care	Animal Shelter and Adoptions	Public Education	Fund Raising and Publicity	Management and General	
Salaries	\$ 1,546,465	\$ 830,509	\$ 229,106	\$ 143,191	\$ 114,553	\$ 2,863,824
Employee Benefits and Payroll Taxes	219,807	118,044	32,564	20,353	16,282	407,050
Total Salaries and Benefits	1,766,272	948,553	261,670	163,544	130,835	3,270,874
Drugs, Medical Supplies and Services	1,345,533	110,462	-	-	-	1,455,995
Consulting and Professional Fees	12,597	-	29,997	15,003	84,971	142,568
Animal Food	15,513	40,513	-	-	-	56,026
Provision for Doubtful Accounts	36,537	-	-	-	-	36,537
Occupancy - Utilities and Storage	27,693	24,805	4,589	4,589	4,589	66,265
Repairs and Maintenance	32,885	22,566	2,721	2,750	6,219	67,141
Credit Card and Bank Charges	66,347	3,122	-	12,352	-	81,821
Telephone	4,603	3,068	1,534	4,603	1,804	15,612
Office Expenses	36,888	19,779	12,967	76,735	18,217	164,586
Insurance	40,525	29,853	6,783	4,240	3,392	84,793
Special Events	-	-	-	26,122	-	26,122
Miscellaneous	4,710	20,575	1,779	3,527	10,104	40,695
Total Expenses Before Depreciation	3,390,103	1,223,296	322,040	313,465	260,131	5,509,035
Depreciation Expense	17,758	44,393	8,879	8,879	8,879	88,788
TOTAL EXPENSES	\$ 3,407,861	\$ 1,267,689	\$ 330,919	\$ 322,344	\$ 269,010	\$ 5,597,823

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, 2014

	2014					
	PROGRAM SERVICES			SUPPORTING SERVICES		TOTAL
	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
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 592,639	\$ 1,298,977
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Net Realized and Unrealized Losses (Gains) on Investment Securities	265,312	(329,577)
Value of Donated Securities	(132,242)	(76,410)
Depreciation Expense	88,788	101,980
(Increase) Decrease in Operating Assets:		
Clinic Accounts Receivables	(3,459)	21,585
Other Receivable	(26,521)	-
Medical and Supplies Inventories	(73,909)	(48,116)
Prepaid Expenses and Other	43,985	(41,845)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	171,546	(85,230)
Compensation and Benefits Payable	32,940	9,419
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>959,079</u>	<u>850,783</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sales of Investment Securities	1,319,414	1,315,909
Investment Purchases	(1,957,369)	(3,171,532)
Capital Improvements	(79,422)	(12,934)
NET CASH USED IN INVESTING ACTIVITIES	<u>(717,377)</u>	<u>(1,868,557)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	241,702	(1,017,774)
CASH AND CASH EQUIVALENTS - beginning of year	<u>20,456,371</u>	<u>21,474,145</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 20,698,073</u>	<u>\$ 20,456,371</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 clinic fees, donor contributions, grants and bequests 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, 2015 and 2014, 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 standard (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 the Society's 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.

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 2014 financial statements in order to conform to the current year presentation.

M. SUBSEQUENT EVENTS

For the year ended December 31, 2015, the Society has evaluated subsequent events for potential recognition or disclosure through April 20, 2016, 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 issue 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, 2015

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>2015</u>	<u>2014</u>
Gross accounts receivable from the Society's billing system commencing in 2007 for which partial payments have been received from clients	\$ 374,267	\$ 335,489
Less -		
Allowance for doubtful accounts - beginning of year	313,805	247,000
Provision for doubtful accounts charged to expense arising primarily from the Society's partial funding of client accounts	35,319	73,375
Other allowance adjustments	-	(6,570)
Allowance for doubtful accounts - end of year	<u>349,124</u>	<u>313,805</u>
Clinic Accounts Receivable, net, recognized in the accompanying financial statements	<u>\$ 25,143</u>	<u>\$ 21,684</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 \$3,597,000 and \$3,033,000 for the years ended December 31, 2015 and 2014, 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>2015</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Fixed Income Securities	\$ 2,089,180	\$ 2,011,276	\$ (77,904)
Equity Securities and Mutual Funds	7,256,222	7,601,776	345,554
Money Market Funds	323,633	323,633	-
Total	<u>\$ 9,669,035</u>	<u>\$ 9,936,685</u>	<u>\$ 267,650</u>

HUMANE SOCIETY OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

	2014		
	Cost	Fair Value	Unrealized Gain
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	1,022,593	1,022,593	-
Total	\$ 8,726,884	\$ 9,431,800	\$ 704,916

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

	2015	2014
Interest and Dividends	\$ 280,152	\$ 220,855
Realized Gains	158,383	113,732
Unrealized Gains (Losses)	(423,695)	215,845
Investment Fees	(62,199)	(41,956)
Total	\$ (47,359)	\$ 508,476

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:

	2015	2014
Land	\$ 29,000	\$ 29,000
Building	774,485	774,485
Building Improvements	740,126	740,126
Equipment and Furniture	784,987	705,565
Automobile	26,248	26,248
Total	2,354,846	2,275,424
Less: Accumulated Depreciation	1,958,949	1,870,161
Net	\$ 395,897	\$ 405,263

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 \$46,293 and \$153,000 for the years ended December 31, 2015 and 2014, respectively, which is reflected in the accompanying statement of activities.

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 \$20,300,000 and \$20,700,000 at December 31, 2015 and 2014, 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.