

**WASHINGTON HUMANE SOCIETY**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

**WASHINGTON HUMANE SOCIETY  
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CliftonLarsonAllen LLP  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Washington Humane Society  
Washington, DC

We have audited the accompanying financial statements of the Washington Humane Society, which comprise the statements of financial position as of September 30, 2014 and 2013, and the related 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.

### Auditors' 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 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 financial statements. The procedures selected depend on the auditors' 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 the Washington Humane Society as of September 30, 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.

A handwritten signature in cursive script that reads 'CliftonLarsonAllen LLP'.

**CliftonLarsonAllen LLP**

Arlington, Virginia  
June 11, 2015

**WASHINGTON HUMANE SOCIETY  
STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2014 AND 2013**

	2014	2013
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 238,689	\$ 256,696
Accounts Receivable:		
DCAC Contract	804,602	860,281
Pledges and Other	81,327	69,729
Allowance for Doubtful Accounts	(5,000)	(5,000)
Total Accounts Receivable	880,929	925,010
Prepaid Expenses and Supplies	58,155	67,259
Inventory	50,901	39,626
Other Assets	22,775	22,775
Total Current Assets	1,251,449	1,311,366
<b>INVESTMENTS</b>	3,578,018	3,051,321
<b>INVESTMENTS - PERPETUAL TRUST (EMORY TRUST)</b>	67,205	67,311
<b>PLEDGES RECEIVABLE, Net of Current Portion</b>	-	50,000
<b>FIXED ASSETS</b>		
Land and Building	444,437	444,437
Improvements	427,248	427,248
Furniture and Equipment	663,063	621,761
Vehicles	811,980	751,438
Total Fixed Assets	2,346,728	2,244,884
Less: Accumulated Depreciation	1,662,044	1,509,664
Net Fixed Assets	684,684	735,220
 Total Assets	 \$ 5,581,356	 \$ 5,215,218
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 498,998	\$ 419,596
Notes Payable	33,044	28,403
Capital Lease Obligation	18,101	8,743
Deposits	-	19,401
Line of Credit Obligation	250,000	250,000
Total Current Liabilities	800,143	726,143
<b>NOTES PAYABLE, Net of Current Portion</b>	88,925	75,317
<b>CAPITAL LEASE OBLIGATION, Net of Current Portion</b>	33,934	5,029
<b>DEFERRED RENT</b>	33,382	36,076
Total Liabilities	956,384	842,565
<b>NET ASSETS</b>		
Unrestricted	2,632,955	2,226,908
Temporarily Restricted	1,545,652	1,701,183
Permanently Restricted	446,365	444,562
Total Net Assets	4,624,972	4,372,653
 Total Liabilities and Net Assets	 \$ 5,581,356	 \$ 5,215,218

See accompanying Notes to Financial Statements.

**WASHINGTON HUMANE SOCIETY  
STATEMENTS OF ACTIVITIES  
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
<b>REVENUE</b>								
Contributions and Grants	\$ 2,056,352	\$ 555,834	\$ 1,909	\$ 2,614,095	\$ 2,072,094	\$ 1,477,638	\$ 15,110	\$ 3,564,842
Contract Revenue	3,298,407	-	-	3,298,407	3,125,461	-	-	3,125,461
Special Events, Net of Expense	946,927	-	-	946,927	737,853	-	-	737,853
Investment Income	415,579	53,513	(106)	468,986	326,416	63,554	1,349	391,319
Clinic and Shelter Fees	767,278	-	-	767,278	704,482	-	-	704,482
Other Income	18,023	-	-	18,023	27,252	-	-	27,252
Net Assets Released from Restrictions	764,878	(764,878)	-	-	428,485	(428,485)	-	-
Total Revenue	8,267,444	(155,531)	1,803	8,113,716	7,422,043	1,112,707	16,459	8,551,209
<b>EXPENSES</b>								
Program Services:								
Humane Law Enforcement	595,593	-	-	595,593	608,760	-	-	608,760
Animal Care	900,083	-	-	900,083	821,670	-	-	821,670
Humane Education	218,813	-	-	218,813	94,139	-	-	94,139
Outreach and Community Relations	354,968	-	-	354,968	338,893	-	-	338,893
Spay/Neuter Clinic	1,006,027	-	-	1,006,027	968,803	-	-	968,803
DCAC Contract	3,613,910	-	-	3,613,910	3,463,384	-	-	3,463,384
Total Program Services	6,689,394	-	-	6,689,394	6,295,649	-	-	6,295,649
Supporting Services:								
General and Administrative	556,018	-	-	556,018	419,812	-	-	419,812
Fundraising and Development	615,985	-	-	615,985	848,310	-	-	848,310
Total Expenses	7,861,397	-	-	7,861,397	7,563,771	-	-	7,563,771
<b>CHANGE IN NET ASSETS</b>	406,047	(155,531)	1,803	252,319	(141,728)	1,112,707	16,459	987,438
Net Assets - Beginning of Year	2,226,908	1,701,183	444,562	4,372,653	2,368,636	588,476	428,103	3,385,215
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,632,955</u>	<u>\$ 1,545,652</u>	<u>\$ 446,365</u>	<u>\$ 4,624,972</u>	<u>\$ 2,226,908</u>	<u>\$ 1,701,183</u>	<u>\$ 444,562</u>	<u>\$ 4,372,653</u>

See accompanying Notes to Financial Statements.

**WASHINGTON HUMANE SOCIETY  
STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets from Operations	\$ 252,319	\$ 987,438
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Loss on Disposal of Fixed Assets	11,592	-
Depreciation	181,907	158,007
Donated Securities Received	(147,848)	(53,445)
Realized Gain on Sale of Investments	(157,043)	(16,939)
Unrealized Gain on Investments	(217,647)	(298,972)
Permanently Restricted Investments - Emory Trust	106	(1,349)
Permanently Restricted Contributions	(1,909)	(15,110)
Change in Assets and Liabilities:		
Accounts Receivable	94,081	(320,593)
Prepaid Expenses and Other Assets	9,104	(39,636)
Inventory	(11,275)	(39,626)
Accounts Payable and Accrued Expenses	79,402	49,099
Deposits	(19,401)	(41)
Deferred Rent	(2,694)	(6,418)
Net Cash Provided by Operating Activities	70,694	402,415
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Fixed Assets	(142,963)	(202,720)
Purchases of Investments	(665,908)	(817,039)
Proceeds from Sales of Investments	661,749	490,059
Net Cash Used in Investing Activities	(147,122)	(529,700)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Line of Credit Drawdowns	-	475,000
Line of Credit Payments	-	(225,000)
Increase in Note Payable	56,424	102,112
Increase in Capital Lease Obligation	56,421	-
Payments on Note Payable	(38,175)	(26,282)
Payments on Capital Lease Obligation	(18,158)	(14,732)
Permanently Restricted Contributions	1,909	15,110
Net Cash Provided by Financing Activities	58,421	326,208
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(18,007)	198,923
Cash and Cash Equivalents - Beginning of Year	256,696	57,773
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 238,689	\$ 256,696
<b>SUPPLEMENTAL CASH FLOW DISCLOSURES</b>		
Cash Payments for Interest	\$ 1,700	\$ 852
Vehicle Acquired through Notes Payable	\$ 59,269	\$ 102,112
Equipment Acquired through Capital Lease Obligation	\$ 56,421	\$ -

See accompanying Notes to Financial Statements.

**WASHINGTON HUMANE SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Washington Humane Society (WHS) is a not-for-profit organization founded in 1870 to provide and promote animal welfare in the District of Columbia. Since 1980, WHS has also operated the District's Animal Control program under a contract with the City. As the largest animal protection agency in the District, WHS shelters stray, mistreated, and abandoned animals, reunites people with lost companion animals, places animals in responsible homes, rescues sick and injured domestic and wild animals, offers affordable spay and neuter procedures as well as weekly low-cost vaccination clinics for cats and dogs, and transports wild animals to licensed rehabilitators.

**Basis of Accounting**

WHS prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when the obligations are incurred.

**Income Tax Status**

WHS is exempt from the payment of Federal and District of Columbia income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code. WHS is required to pay Federal and state taxes on net income generated from unrelated business activities. There was no unrelated business income for the years ended September 30, 2014 and 2013.

The Organization adopted the income tax standard for uncertain tax positions on October 1, 2009. The Organization evaluated its tax positions and determined that its positions are more-likely-than-not to be sustained on examination. The Organization's tax returns are subject to review and examination by Federal, state, and local authorities. The tax returns for the fiscal years ended 2011 through 2013 are open to examination by Federal, state, and local authorities.

**Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

**Cash and Cash Equivalents**

For financial statement purposes, WHS considers all money market accounts and highly liquid investments with a maturity of three months or less from date of purchase, not included in the investment accounts, to be cash equivalents.

**Accounts Receivable**

Accounts receivable are recorded at their net realizable value. Accounts 90 days past due are analyzed for collectibility and when all collection efforts have been exhausted, the account is written off against bad debt expense. Management has established an allowance for doubtful accounts to cover estimated uncollectible amounts at year-end.

**WASHINGTON HUMANE SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Inventory**

Inventory consists of pharmaceuticals and other supplies for resale and is stated at the lower of cost or market using the first-in, first-out method.

**Fixed Assets**

Fixed assets purchased are stated at cost. Donated fixed assets are recorded at the estimated fair market value on the date of donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets which range from 3 to 25 years. All purchases greater than or equal to \$1,000 are capitalized.

**Fair Values**

***Fair Value Hierarchy***

WHS has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Financial assets and liabilities recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

***Level 1***

Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that WHS has the ability to access.

***Level 2***

Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include among others, quoted prices for similar assets or liabilities in active markets or non-active markets.

***Level 3***

Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.



**WASHINGTON HUMANE SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributed Services**

WHS recognizes pro bono legal and courier services as contribution revenue, professional services, and postage and delivery expense in the period received. No amounts have been recorded in the financial statements to reflect contributed services performed by WHS volunteers. These hours do not meet the requirements for reporting under accounting standards. Contributions of services shall be recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Services requiring specialized skills are provided by accountants, architects, carpenters, doctors, electricians, lawyers, nurses, plumbers, teachers and other professionals and craftsmen. Contribution services and promises to give services that do not meet the above criteria shall not be recognized. Contributed services in the amounts of \$224,921 and \$470,716 were recorded for the years ended September 30, 2014 and 2013, respectively, and are included in contributions and grants revenue and program services expense on the statements of activities.

**Revenue Recognition**

Contributions and grants are recognized as revenue when received or when the donor makes a promise to give to WHS that is, in substance, unconditional. Contributions and grants that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets. When a temporary restriction expires or is otherwise fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets. Restrictions that are met in the same reporting period are reflected as unrestricted support in the accompanying statements of activities. Contract revenue is recognized based on an agreed upon daily rate and reimbursed expenses as incurred. Clinic and shelter fees are recognized when services are provided.

**Net Assets**

Net assets are reported as unrestricted, temporarily restricted or permanently restricted based upon donor stipulations. Net assets consist of the following:

Unrestricted:

*General unrestricted* - Funds available for general operations of WHS.

Temporarily Restricted:

*Building fund* - Established in 1988 to provide funds for a new facility.

*Others* - Consists of various funds restricted, either through the passage of time or purpose, by donors.

Permanently Restricted:

Represents bequests from donors to be held in perpetuity. The annual investment income from these funds is used for the care of animals.

**WASHINGTON HUMANE SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Allocation of Expenses**

WHS allocates salaries, benefits and indirect expenses to the various programs and supporting activities based upon estimated time worked on each activity.

**Uniform Prudent Management of Institutional Funds Act**

During 2009, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) became effective which provides guidance on the classification of endowment fund net assets for states that have enacted versions of the Uniform Prudent Management of Institutional Funds Act, and enhances disclosures for endowment funds. Under UPMIFA all unappropriated endowment fund assets are considered restricted, except for the unrestricted board designated endowment.

**Reclassifications**

Prior period financial statements amounts have been reclassified to conform to current year presentation.

**Subsequent Events**

In preparing these financial statements, WHS has evaluated events and transactions for potential recognition or disclosure through June 11, 2015, the date the financial statements were available for issue.

**NOTE 2 PLEDGES RECEIVABLE**

Pledges receivable are recorded at the gross amount of the pledge, and are discounted to present value. Management believes all pledge receivables are fully collectible and are due as follows at September 30, 2014 and 2013:

	2014	2013
Due in Less than One Year	\$ 81,327	\$ 69,729
Due in One to Five Years	-	50,000
Total	\$ 81,327	\$ 119,729

**WASHINGTON HUMANE SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

**NOTE 3 INVESTMENTS**

Unrestricted investments are recorded at fair market value and consist of the following at September 30:

	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Investment Cash	\$ 442,378	\$ 442,378	\$ 369,209	\$ 369,209
Equity Securities	1,812,283	2,638,890	1,685,893	2,409,701
Corporate Bonds	309,476	420,594	243,322	241,535
Fixed Income U.S. Treasuries	<u>68,579</u>	<u>76,156</u>	<u>25,242</u>	<u>30,876</u>
Total	<u>\$ 2,632,716</u>	<u>\$ 3,578,018</u>	<u>\$ 2,323,666</u>	<u>\$ 3,051,321</u>

WHS invests in a variety of investments. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of financial position.

Investment income is comprised of the following for the years ended September 30:

	<u>2014</u>	<u>2013</u>
Interest and Dividends	\$ 94,402	\$ 74,059
Realized Gain on Investments	<u>157,043</u>	<u>16,939</u>
	251,445	90,998
Unrealized Gain on Investments	<u>217,647</u>	<u>298,972</u>
	469,092	389,970
Investment (Loss) Gain - Perpetual Trust	<u>(106)</u>	<u>1,349</u>
Total	<u>\$ 468,986</u>	<u>\$ 391,319</u>

**WASHINGTON HUMANE SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

**NOTE 3 INVESTMENTS (CONTINUED)**

The following table presents the fair value hierarchy for those assets measured at fair value under accounting standards on a recurring basis as of September 30, 2014.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity Securities	\$ 2,638,890	\$ -	\$ -	\$ 2,638,890
Fixed Income U.S. Treasuries	76,156	-	-	76,156
Corporate Bonds	-	420,594	-	420,594
Emory Trust	-	-	67,205	67,205
	<u>\$ 2,715,046</u>	<u>\$ 420,594</u>	<u>\$ 67,205</u>	<u>\$ 3,202,845</u>

The following table presents the fair value hierarchy for those assets measured at fair value under accounting standards on a recurring basis as of September 30, 2013.

**2013**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity Securities	\$ 2,409,701	\$ -	\$ -	\$ 2,409,701
Fixed Income U.S. Treasuries	30,876	-	-	30,876
Corporate Bonds	-	241,535	-	241,535
Emory Trust	-	-	67,311	67,311
	<u>\$ 2,440,577</u>	<u>\$ 241,535</u>	<u>\$ 67,311</u>	<u>\$ 2,749,423</u>

Investment cash is not included in the above tables.

The following table provides a summary of changes in fair value of the Level 3 financial assets and liabilities for the years ended September 30, 2014 and 2013.

Beginning Balance as of October 1, 2012	\$ 65,962
Investment Gain	1,349
Balances as of September 30, 2013	<u>67,311</u>
Investment Loss	(106)
Balances as of September 30, 2014	<u>\$ 67,205</u>

**WASHINGTON HUMANE SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

**NOTE 4 ANIMAL CONTROL CONTRACT**

Since 1980 the WHS has provided animal control services under a contract with the District of Columbia (the District) to operate the District Animal Control (DCAC) facility. The most recent contract, effective August 1, 2012, covers a 36-month period with an optional extension for two years. The contract includes a fixed price daily rate and cost reimbursable components for each year of the contract.

The District contract accounted for 38% and 34% of WHS's total revenue for the years ended September 30, 2014 and 2013, respectively.

**NOTE 5 CHARITABLE TRUSTS**

WHS was named as one of two beneficiaries in a perpetual trust (Emory Trust) held by a third party that was created in 1934. The Organization's share of the trust's fair value (\$67,205 and \$67,311 as of September 30, 2014 and 2013, respectively) has been recorded as permanently restricted investments on the statements of financial position.

**NOTE 6 RESTRICTED NET ASSETS**

WHS records donor-restricted contributions as temporarily restricted net assets. WHS releases these temporarily restricted net assets as it incurs direct expenses related to the restrictions. Temporarily restricted net assets consisted of the following as of September 30:

	<u>2014</u>	<u>2013</u>
Building Fund	\$ 247,533	\$ 247,532
Feline Friends Fund	29,316	25,186
Medical Equipment Fund	23,286	10,955
CatNiPP Spay/Neuter	790,659	899,002
Spay/Neuter Mobile Fund	245,290	245,421
Sophie Fund	29,987	14,276
Capital Campaign	30,180	35,758
Behavior and Learning Center	-	6,426
Canine Companion	25,360	21,000
Cat Program	336	-
D.C. Animal Control	-	8,000
Dogs at Risk	2,734	25,468
Fugitive Fund	15,572	15,572
Humane Law Enforcement - Safe Haven	2,316	1,765
Stanton Grant	102,322	144,034
Vehicle Fund	761	788
	<u>\$ 1,545,652</u>	<u>\$ 1,701,183</u>

The net assets released from restrictions as of June 30 consist of the following:

	<u>2014</u>	<u>2013</u>
Time and Purpose Restriction	<u>\$ 764,878</u>	<u>\$ 428,485</u>

**WASHINGTON HUMANE SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

**NOTE 6 RESTRICTED NET ASSETS (CONTINUED)**

Permanently restricted consists of fund bequests from separate donors. The assets are to be held in perpetuity and the net earnings used for general operations.

**NOTE 7 LINE OF CREDIT**

WHS has available a \$250,000 revolving line of credit with a financial institution. Interest payments are due monthly and calculated as 1% over the prime rate. The interest rate at September 30, 2014 is 4.75%. The final principal and interest payment on the revolving line of credit is due on demand. The outstanding balance at September 30, 2014 and September 30, 2013 was \$250,000. This note is collateralized by the inventory, chattel paper, accounts receivable, equipment and general intangibles of the Organization.

**NOTE 8 NOTES PAYABLE**

In September 2008, WHS purchased a vehicle with dealer financing at zero percent interest for the total cost of \$24,172, including a \$750 down payment. The terms of the loan included sixty monthly payments of \$390 and a maturity date of October 2013. The balance of the loan at September 30, 2014 and 2013 was \$0 and \$390, respectively.

In 2012, WHS purchased a vehicle with dealer financing at 0.9% interest for the total cost of \$31,607, including an \$890 down payment. The terms of the loan included thirty-six monthly payments of \$878, with a maturity date of December 2014. The balance of the loan at September 30, 2014 and 2013 was \$2,629 and \$12,278, respectively.

In 2013, WHS purchased three vehicles with dealer financing at interest rates ranging from 3.34% to 5%. The total cost of these vehicles is \$102,112, including \$6,500 of down payments. The terms of the three loans included sixty monthly payments totaling \$1,702, with maturity dates in March 2018. The balance of the loans at September 30, 2014 and 2013 was \$66,445 and \$91,052, respectively.

In 2014, WHS purchased two vehicles with dealer financing at interest rates ranging from 4.88% to 5.59%. The total cost of these vehicles is \$59,269, including \$2,274 of down payments. The terms of the two loans included sixty monthly payments totaling \$1,072, with maturity dates in March and July 2019. The balance of the loans at September 30, 2014 was \$52,895.

Future payments are as follows:

<u>Year Ending September 30,</u>		
2015	\$	33,044
2016		29,825
2017		31,160
2018		21,845
2019		6,095
Total	<u>\$</u>	<u>121,969</u>

**WASHINGTON HUMANE SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014 AND 2013**

**NOTE 9 CAPITAL LEASE OBLIGATION**

WHS entered into a lease for four new copiers, which are classified as a capital lease. The fair market value of the copiers (\$56,421) is included in property and equipment and is being depreciated over a term of three years which represents the shorter of the lease term or estimated useful life. Accumulated depreciation and depreciation expense are \$4,702 for 2014.

Future minimum lease payments for the years ending September 30 are as follows:

<u>Year Ending September 30,</u>	
2015	\$ 20,292
2016	20,292
2017	<u>15,219</u>
	55,803
Less imputed interest	<u>(3,768)</u>
Total	<u>\$ 52,035</u>

**NOTE 10 OPERATING LEASES**

Effective August 2007, WHS entered into a non-cancelable 120-month lease agreement for office space at 1001-1003 L Street, SE, Washington, DC. Effective August 2008, WHS entered into a 60-month office lease agreement, with the option to terminate after the third year with one year's notice, for office space at 4590 MacArthur Boulevard, Washington, DC. As of August 2013, the lease is on a month-to-month basis.

Office rent expense for the years ended September 30, 2014 and 2013 totaled \$164,932 and \$161,389, respectively. Future minimum rental payments under the lease are as follows:

<u>Year Ending September 30,</u>	
2015	\$ 125,282
2016	129,041
2017	<u>121,533</u>
Total	<u>\$ 375,856</u>

**NOTE 11 RETIREMENT PLAN**

Effective January 1, 2006, WHS established a defined contribution 401(k) pension plan covering substantially all employees. Effective March 2009, an employee becomes eligible to participate in the pension plan after three months of service, and WHS matches up to 1% of the employee's deferrals. Benefits related to employer contributions begin vesting after the first year of service and become fully vested at five years. Pension expense for the years ended September 30, 2014 and 2013 was \$25,053 and \$13,088, respectively.

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**NOTE 12 ENDOWMENT**

WHS has a donor-restricted endowment fund established for the purposes of providing income to support specific donor-restricted activities. As required by GAAP, net assets of the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of directors of WHS has interpreted the State's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, WHS classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by WHS in a manner consistent with the standard of prudence prescribed by UPMIFA. WHS considered all amounts earned on the endowment fund to be appropriated for current use.

WHS's endowment investment policy is focused on preservation of capital and amounts are invested in equities, U.S. and corporate bonds, and mutual funds, annuity contracts, and cash.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, October 1, 2012	\$ -	\$ -	\$ 362,141	\$ 362,141
Contributions	-	-	15,110	15,110
Investment return	-	63,554	-	63,554
Appropriations	-	(63,554)	-	(63,554)
Endowment net assets, September 30, 2013	-	-	377,251	377,251
Contributions	-	-	1,909	1,909
Investment return	-	53,513	-	53,513
Appropriations	-	(53,513)	-	(53,513)
Endowment net assets, September 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 379,160</u>	<u>\$ 379,160</u>

**NOTE 13 SUBSEQUENT EVENT**

On March 27, 2015, WHS purchased undeveloped land in the District of Columbia for \$5,000,000.