

**THE HUMANE SOCIETY OF THE UNITED STATES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2001**

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**THE HUMANE SOCIETY OF THE UNITED STATES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2001 AND 2000**

**CONTENTS**

	PAGE
Report of Independent Auditors	1
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities	3
Consolidated Statements of Functional Expenses	4
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	8
Additional Information	
Humane Society of the United States Wildlife Land Trust (Interrelated Organization Only)	
Schedules of Financial Position	17
Schedules of Activities	18

THOMAS  
HAVEY  
LLP

**REPORT OF INDEPENDENT AUDITORS**

To the Board of Directors of  
The Humane Society of the United States

We have audited the accompanying consolidated statements of financial position of The Humane Society of the United States and its interrelated organizations as of December 31, 2001 and 2000, and the related consolidated statements of activities, of functional expenses and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Society's management. 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 an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Society's management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Humane Society of the United States and its interrelated organizations as of December 31, 2001 and 2000, and the consolidated changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The additional information on pages 17 and 18, which is the responsibility of the Society's management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

*Thomas Havey LLP*

March 1, 2002

**THE HUMANE SOCIETY OF THE UNITED STATES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2001 AND 2000

	2001	2000
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 21,147,108	\$ 30,163,807
Miscellaneous receivables	275,879	54,797
Accrued interest receivable	407,989	680,629
Prepaid expenses	1,019,563	1,416,206
Deposits	29,742	28,433
Total current assets	22,880,281	32,343,872
<b>NONCURRENT ASSETS</b>		
Deferred compensation annuity contracts	503,725	644,287
Prepaid pension cost	335,313	-
Investments	72,636,255	76,472,579
Property and equipment, at cost less accumulated depreciation of \$6,749,630 and \$6,060,733, respectively	9,945,377	9,646,893
Total noncurrent assets	83,420,670	86,763,759
Total assets	\$106,300,951	\$119,107,631
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 3,281,664	\$ 4,457,265
Contributions payable	163,356	361,966
Other current liabilities	578,025	590,247
Total current liabilities	4,023,045	5,409,478
<b>NONCURRENT LIABILITIES</b>		
Annuities and unitrusts	4,297,184	3,527,246
Accrued pension and severance obligation	898,229	869,759
Deferred compensation liability	503,725	644,287
Total noncurrent liabilities	5,699,138	5,041,292
Total liabilities	9,722,183	10,450,770
<b>NET ASSETS</b>		
Unrestricted		
Board designated	45,681,813	54,702,670
Undesignated	24,609,828	28,278,330
Total unrestricted	70,291,641	82,981,000
Temporarily restricted	5,885,373	5,463,584
Permanently restricted	20,401,754	20,212,277
Total net assets	96,578,768	108,656,861
Total liabilities and net assets	\$106,300,951	\$119,107,631

See accompanying notes to consolidated financial statements.

**THE HUMANE SOCIETY OF THE UNITED STATES**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**

YEARS ENDED DECEMBER 31, 2001 AND 2000

	Year Ended December 31, 2001			Year Ended December 31, 2000				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE, OTHER ADDITIONS AND TRANSFERS</b>								
Dues and contributions	\$41,781,775	\$3,115,078	\$ -	\$44,896,853	\$38,222,689	\$4,166,445	\$ -	\$ 42,389,134
Grants and trust contributions	2,751,587	1,078,266	73,430	3,903,283	2,500,329	1,282,476	310,138	4,092,943
Bequests	5,654,767	902,784	115,000	6,672,551	10,448,329	355,839	5,065,239	15,869,407
Annuities and unitrusts	218,111	-	-	218,111	-	329,374	-	329,374
Change in valuation of annuities and unitrusts	-	(520,414)	-	(520,414)	-	(231,376)	-	(231,376)
Investment income	2,609,432	645,934	-	3,255,366	2,876,288	717,728	-	3,594,016
Rental income	666,594	-	-	666,594	631,768	-	-	631,768
Sales of literature and merchandise, net of catalog expenses of \$0 and \$46,126, respectively	410,288	-	-	410,288	447,819	-	-	447,819
Other income	2,003,579	222,513	-	2,226,092	1,785,330	2,755	-	1,788,085
Net assets released from restrictions	4,328,849	(4,328,849)	-	-	8,616,307	(8,616,307)	-	-
Total revenue, other additions and transfers	<u>60,424,982</u>	<u>1,115,312</u>	<u>188,430</u>	<u>61,728,724</u>	<u>65,528,859</u>	<u>(1,993,066)</u>	<u>5,375,377</u>	<u>68,911,170</u>
<b>EXPENSES AND OTHER DEDUCTIONS</b>								
Program services	38,187,340	-	-	38,187,340	34,535,574	-	-	34,535,574
Management and general	5,050,543	-	-	5,050,543	4,661,450	-	-	4,661,450
Membership development	1,242,884	-	-	1,242,884	844,500	-	-	844,500
Fund raising	19,139,732	-	-	19,139,732	16,865,282	-	-	16,865,282
Total expenses and other deductions	<u>63,620,499</u>	<u>-</u>	<u>-</u>	<u>63,620,499</u>	<u>56,906,806</u>	<u>-</u>	<u>-</u>	<u>56,906,806</u>
<b>CHANGE IN NET ASSETS BEFORE NET APPRECIATION (DEPRECIATION) IN FAIR VALUE OF INVESTMENTS</b>	<u>(3,195,517)</u>	<u>1,115,312</u>	<u>188,430</u>	<u>(1,891,775)</u>	<u>8,622,053</u>	<u>(1,993,066)</u>	<u>5,375,377</u>	<u>12,004,364</u>
<b>NET APPRECIATION (DEPRECIATION) IN FAIR VALUE OF INVESTMENTS</b>	<u>(9,493,842)</u>	<u>(693,523)</u>	<u>1,047</u>	<u>(10,186,318)</u>	<u>(4,092,219)</u>	<u>(362,206)</u>	<u>20,986</u>	<u>(4,433,439)</u>
<b>CHANGE IN NET ASSETS</b>	<u>(12,689,359)</u>	<u>421,789</u>	<u>189,477</u>	<u>(12,078,093)</u>	<u>4,529,834</u>	<u>(2,355,272)</u>	<u>5,396,363</u>	<u>7,570,925</u>
<b>NET ASSETS</b>								
Beginning of year	<u>82,981,000</u>	<u>5,463,584</u>	<u>20,212,277</u>	<u>108,656,861</u>	<u>78,451,166</u>	<u>7,818,856</u>	<u>14,815,914</u>	<u>101,085,936</u>
End of year	<u>\$70,291,641</u>	<u>\$5,885,373</u>	<u>\$20,401,754</u>	<u>\$96,578,768</u>	<u>\$82,981,000</u>	<u>\$5,463,584</u>	<u>\$20,212,277</u>	<u>\$108,656,861</u>

See accompanying notes to consolidated financial statements.

**THE HUMANE SOCIETY OF THE UNITED STATES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2001

	Public Education, Membership Information and Publications	Cruelty Investigations and Regional Offices	Wildlife, Animal Habitat and Sheltering	Youth and Higher Education	Legal Assistance, Litigation and Government Relations	Laboratory Bioethics Farm and Animals	Management and General	Membership Development	Fund Raising	Total
Salaries	\$ 1,949,804	\$2,310,109	\$2,911,133	\$ 965,734	\$ 971,610	\$ 823,464	\$1,441,492	\$ 59,252	\$ 745,367	\$12,177,965
Payroll taxes	147,641	166,435	196,433	73,188	82,675	69,845	111,589	3,885	51,864	903,555
Employee benefits	330,122	372,145	581,420	163,647	184,860	156,302	304,289	8,687	115,968	2,217,440
Total compensation	2,427,567	2,848,689	3,688,986	1,202,569	1,239,145	1,049,611	1,857,370	71,824	913,199	15,298,960
Consultant and contracted services	2,108,379	289,870	1,452,731	260,721	115,813	118,201	1,043,904	2,707	270,377	5,662,703
Professional fees	7,298	5,685	23,513	548	130,512	731	146,220	-	2,471	316,978
Office supplies and expenses	163,966	131,939	347,307	81,167	43,484	26,132	140,103	9,566	18,586	962,250
Telephone	88,378	104,711	60,238	40,059	30,111	16,102	51,131	5,595	13,681	410,006
Postage and shipping	458,941	254,054	93,806	336,675	6,000	6,627	68,175	26	34,593	1,258,897
Occupancy and building expense	155,804	150,150	128,475	33,495	29,871	33,942	155,318	4,516	19,011	710,582
Investment expenses and trustees' fees	7,058	-	25,352	17,705	-	20	945,216	-	-	995,351
Travel, meals and lodging	333,084	470,563	1,019,270	181,740	70,363	149,492	216,556	2,178	62,233	2,505,479
Insurance and bonds	48,388	46,356	29,543	-	18,542	18,542	37,082	-	-	198,453
Depreciation	193,821	94,041	132,805	52,237	38,197	26,261	233,247	14,166	18,408	803,183
Contributions and grants	179,709	100,640	1,033,303	9,350	152,500	145,122	3,000	-	-	1,623,624
Real estate and personal property taxes	7,658	1,007	28,132	369	9,034	1,042	57,174	-	922	105,338
Education material, publications and campaigns	2,417,004	250,478	880,883	633,256	78,600	84,363	96,047	499	187,808	4,628,938
Mailing costs	9,406,997	-	1,560	950	-	-	-	1,131,807	17,598,443	28,139,757
Total	\$18,004,052	\$4,748,183	\$8,945,904	\$2,850,841	\$1,962,172	\$1,676,188	\$5,050,543	\$1,242,884	\$19,139,732	\$63,620,499

See accompanying notes to consolidated financial statements.

**THE HUMANE SOCIETY OF THE UNITED STATES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2000

	Public Education, Membership Information and Publications	Cruelty Investigations and Regional Offices	Wildlife, Animal Habitat and Sheltering	Youth and Higher Education	Legal Assistance, Litigation and Government Relations	Laboratory Bioethics and Farm Animals	Management and General	Membership Development	Fund Raising	Total
Salaries	\$ 1,764,864	\$ 1,990,654	\$ 2,348,844	\$ 874,573	\$ 988,692	\$ 835,424	\$ 1,333,935	\$ 46,744	\$ 620,432	\$ 10,804,162
Payroll taxes	131,182	147,881	174,534	65,029	73,459	62,058	99,149	3,452	46,082	802,826
Employee benefits	279,138	314,671	433,481	138,373	156,310	132,052	275,138	7,346	98,058	1,834,567
Total compensation	2,175,184	2,453,206	2,956,859	1,077,975	1,218,461	1,029,534	1,708,222	57,542	764,572	13,441,555
Consultant and contracted services	1,927,581	191,192	1,110,421	310,931	200,102	182,002	1,020,191	4,005	388,829	5,335,254
Professional fees	8,395	1,917	49,845	64	149,261	10,061	110,413	3	334	330,293
Office supplies and expenses	163,482	137,869	142,306	81,949	38,795	26,774	153,883	10,804	33,408	789,270
Telephone	75,639	94,091	51,503	39,341	22,532	13,450	35,813	4,211	13,635	350,215
Postage and shipping	317,551	251,680	82,410	329,302	27,415	4,284	56,527	52	44,019	1,113,240
Occupancy and building expense	147,698	127,484	89,144	26,675	32,169	25,897	173,553	3,124	21,060	646,804
Investment expenses and trustees' fees	5,879	-	37,464	-	-	-	831,973	-	-	875,316
Travel, meals and lodging	345,612	481,168	764,316	309,270	85,473	156,039	192,253	2,348	61,993	2,398,472
Insurance and bonds	39,327	38,064	16,207	33	15,233	15,227	27,784	2	83	151,960
Depreciation	186,282	88,761	130,677	45,525	38,348	25,215	217,599	14,427	18,636	765,470
Contributions and grants	446,716	98,048	1,134,062	8,200	170,025	101,219	18,804	-	250	1,977,324
Real estate and personal property taxes	8,832	1,883	22,312	757	10,481	866	68,397	20	1,751	115,299
Education material, publications and campaigns	2,807,336	271,146	988,830	650,989	53,694	97,258	45,514	520	89,657	5,004,944
Mailing costs	7,366,972	-	47,643	2,490	1,244	18,020	524	747,442	15,427,055	23,611,390
Total	\$ 16,022,486	\$ 4,236,509	\$ 7,623,999	\$ 2,883,501	\$ 2,063,233	\$ 1,705,846	\$ 4,661,450	\$ 844,500	\$ 16,865,282	\$ 56,906,806

See accompanying notes to consolidated financial statements.

**THE HUMANE SOCIETY OF THE UNITED STATES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Dues and contributions	\$ 43,699,384	\$ 42,024,140
Grants and trust contributions	3,903,283	4,744,321
Bequests	6,557,551	10,804,168
Investment income	3,528,006	3,276,032
Rental income	666,594	631,768
Sales of literature and other income	2,656,548	2,282,030
Salaries, payroll taxes and benefits	(15,270,490)	(13,510,360)
Service providers, vendors and others	<u>(48,072,822)</u>	<u>(41,148,055)</u>
Net cash provided by (used for) operating activities	<u>(2,331,946)</u>	<u>9,104,044</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Principal payments received on notes receivable	-	1,587
Purchase of investments	(73,925,143)	(49,690,581)
Proceeds from sale of investments	68,038,824	40,092,715
Purchase of property and equipment	(580,722)	(477,424)
Proceeds from sale of property and equipment	<u>2,601</u>	<u>73,686</u>
Net cash used for investing activities	<u>(6,464,440)</u>	<u>(10,000,017)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Permanently restricted bequests	<u>115,000</u>	<u>5,065,239</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(8,681,386)	4,169,266
<b>CASH BALANCE</b>		
Beginning of year	<u>30,163,807</u>	<u>25,994,541</u>
End of year	<u>\$ 21,482,421</u>	<u>\$ 30,163,807</u>

During 2001 and 2000 the Society received \$1,007,389 and \$374,246, respectively, of donated investments and property and equipment.

See accompanying notes to consolidated financial statements.



THE HUMANE SOCIETY OF THE UNITED STATES

CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED

YEARS ENDED DECEMBER 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET		
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Change in net assets	\$(12,078,093)	\$7,570,925
Non-cash charges (credits) not affecting cash flows		
Depreciation	803,183	765,470
Net depreciation in fair value of investments	10,186,318	4,433,439
Loss on disposition of property and equipment	20,168	57,514
Non-cash contributions	(1,007,389)	(374,246)
Permanently restricted bequests	(115,000)	(5,065,239)
Changes in accruals of operating assets and liabilities		
Decrease (increase) in miscellaneous receivables	(221,082)	9,252
Decrease (increase) in accrued interest receivable	272,640	(317,984)
Decrease in prepaid expenses	396,643	62,210
Increase in prepaid pension costs	(335,313)	-
Decrease (increase) in deposits	(1,309)	99,699
Increase (decrease) in accounts payable	(1,175,601)	1,462,883
Decrease in contributions payable	(198,610)	(92,375)
Increase (decrease) in other current liabilities	(12,222)	7,921
Increase in annuities and unitrusts	769,938	553,380
Increase (decrease) in accrued pension and severance obligation	<u>28,470</u>	<u>(68,805)</u>
Net cash provided by (used for) operating activities	<u>\$ (2,667,259)</u>	<u>\$9,104,044</u>

See accompanying notes to consolidated financial statements.

# THE HUMANE SOCIETY OF THE UNITED STATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

### NOTE 1. NATURE OF ORGANIZATION

The Humane Society of the United States (the Society) is a not-for-profit organization whose primary purpose is the world-wide advancement of humane treatment of animals through public education and awareness programs.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation** - The accompanying consolidated financial statements include the assets, liabilities, net assets and activities of the Society's financially interrelated organizations that are controlled by the management of the Society. The interrelated organizations are Humane Society International, Humane Society International Australian Office, Inc., Humane Society International of Latin America, National Association for Humane and Environmental Education, Center for The Respect of Life and Environment, EarthVoice, World Wide Network, Inc., Association Humanataria De Costa Rica, National Humane Education Center, Meadow Creek, Inc. and Humane Society of the United States Wildlife Land Trust. All balances and transactions among the organizations included in the consolidated financial statements have been eliminated.

**Method of Accounting** - The consolidated financial statements have been prepared on the accrual basis of accounting.

**Net Assets** - In accordance with generally accepted accounting principles, the Society is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Classification of net assets into classes is based on existence or absence of donor-imposed restrictions. Additional information concerning these three classes of net assets are presented in Notes 3, 4 and 5.

**Depreciation** - Depreciation of property and equipment is computed on the straight-line method at rates calculated to prorate the cost of the assets over their estimated useful lives.

**Investments** - Investments in securities that have readily determinable fair values are recorded at fair value. All other investments which do not have a readily determinable fair value are estimated to have a fair value which usually approximates the original cost of the investments.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Allocation of Joint Costs** - All joint costs of informational materials or activities that include a fund-raising appeal are allocated between fund raising and the appropriate program or membership development function.

**Cash and Cash Equivalents** - For the purposes of the consolidated statement of cash flows, cash is considered as amounts available for immediate withdrawal from bank accounts and highly-liquid cash investments such as money market accounts. The Society regards certificates of deposit, regardless of their maturity dates, as short-term investments rather than cash equivalents.

**Bequests** - Individual unrestricted bequests in excess of \$25,000 are recognized as revenue in the undesignated net assets at the rate of 20% and in the board designated investment fund net assets at the rate of 80% in the year of receipt. The 80% reported as revenue in the board designated net assets is transferred to the undesignated net assets equally over the following four years. The effect of this policy is to apportion individual bequests to the undesignated net assets over a five year period.

**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 certain reported amounts and disclosures. Actual results could differ from those estimates.

**Property and Equipment** - The Society records the acquisition of property and equipment at cost. Donated personal property is recorded at fair value, or donor's basis at the time of donation if fair value can not be reasonably estimated. Donated land conservation easements are recorded at \$1. Improvements to fixed assets which extend the useful lives of the assets are capitalized and depreciated over the assets' remaining useful lives.

**Contributions Payable** - Pledges to give contributions are recorded as expense when the Society makes the pledge.

**NOTE 3. UNRESTRICTED NET ASSETS**

Unrestricted net assets are available to finance the general operations of the Society. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Society, the environment in which it operates, and the purpose specified in its articles of incorporation. Voluntary resolutions by the Society's Directors to designate a portion of its unrestricted net assets for specified purposes do not result in restricted funds. Since designations are voluntary and may be reversed by the governing board at any time, designated net assets are included under the caption "unrestricted net assets".

**NOTE 3. UNRESTRICTED NET ASSETS (CONTINUED)**

Unrestricted net assets are held by the following funds:

	<u>December 31,</u>	
	<u>2001</u>	<u>2000</u>
Board designated:		
Investment fund	\$ 44,967,214	\$ 54,013,780
Endowment fund	254,458	252,681
Special purpose funds	<u>460,141</u>	<u>436,209</u>
Total board designated	45,681,813	54,702,670
Unrestricted, undesignated	<u>24,609,828</u>	<u>28,278,330</u>
 Total	 <u>\$ 70,291,641</u>	 <u>\$ 82,981,000</u>

**NOTE 4. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets result from gifts of cash and other assets with donor imposed restrictions as to (a) support of particular operating activities, (b) investment for a specified term, (c) use in a specified future period, or (d) acquisition of long-lived assets.

Temporarily restricted net assets are available for the following purposes:

	<u>December 31,</u>	
	<u>2001</u>	<u>2000</u>
Annuities and unitrusts	\$ 1,016,583	\$ 1,261,384
Education and training programs	2,918,289	2,379,733
Provide scholarships	60,622	59,552
Support of other humane organizations	835,247	860,332
For the betterment of song birds	235,744	159,773
Wildlife Land Trust	<u>818,888</u>	<u>742,810</u>
 Total	 <u>\$ 5,885,373</u>	 <u>\$ 5,463,584</u>

**NOTE 5. PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets result from gifts of cash and other assets with the stipulation that they (a) be used for a specified purpose, be preserved, and not be sold, or (b) that they be invested in perpetuity to provide a permanent source of income. The latter result from gifts and bequests that create permanent endowment funds.

**NOTE 5. PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)**

Permanently restricted assets (endowment funds) are restricted to investment in perpetuity, the income from which is to be used for the following purposes:

	<u>December 31,</u>	
	<u>2001</u>	<u>2000</u>
Income producing assets; income is expendable to support the following:		
To defray building operating expenses	\$ 407,331	\$ 406,285
To award scholarships to Connecticut secondary school students	2,479	2,479
To use for the best interest of the organization	14,042,959	14,042,958
To support other humane organizations	1,509,387	1,509,387
20% of income to be used to support the Norma Terris Humane Education and Nature Center and 80% of income to be used for general purposes of the organization	2,375,639	2,375,639
For the State of New Hampshire wildlife	115,000	-
For the betterment of song birds	<u>802,464</u>	<u>802,464</u>
	19,255,259	19,139,212
Non-income producing assets:		
Land and easements held to preserve natural habitats for wildlife	<u>1,146,495</u>	<u>1,073,065</u>
Total	<u>\$ 20,401,754</u>	<u>\$ 20,212,277</u>

Income from permanently restricted assets are reported on the accompanying Consolidated Statements of Activities as unrestricted funds or as temporarily restricted funds and then as net assets released from restriction as used for their designated purpose or reported as permanently restricted funds based upon restrictions set by donors.

**NOTE 6. NET ASSETS RELEASED FROM RESTRICTIONS**

During 2001 and 2000 assets were released from donor restrictions by the Society incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2001</u>	<u>2000</u>
Purpose for which restrictions were accomplished:		
Donor specified program expenses of the organization	\$ 3,709,281	\$ 5,261,689
Annuities and unitrusts	-	2,864,677
Gifts to other humane organizations	345,332	388,512
Restricted fund investment expenses	<u>64,336</u>	<u>101,429</u>
Total	<u>\$ 4,118,949</u>	<u>\$ 8,616,307</u>

**NOTE 7. TAX STATUS**

The Society qualifies under Section 501(c)(3) of the Internal Revenue Code and is classified as an organization which is not a private foundation. Therefore, the Society is generally not subject to tax under present income tax laws; however, any unrelated business income may be subject to Federal and state income taxes.

**NOTE 8. DEFERRED COMPENSATION PLAN**

In 1983, the Society established the HSUS Deferred Compensation Plan for certain executive employees. The Society and the participants may elect to defer a portion of the compensation which the participants would otherwise be entitled to receive in cash; those deferrals are invested in annuity contracts offered by an insurance company. The annuity contracts are owned by the Society, subject to the claims of its general creditors. The obligation of the Society under this plan is purely contractual and is not secured. All income earned by the annuity contracts is added to the deferred compensation liability. The amounts deferred by participants during 2001 and 2000, which are included in the amounts reported in the accompanying financial statements as salaries, totaled \$19,877 each year.

The annuity contract assets and the related liability at December 31, 2001 and 2000 totaled \$503,725 and \$644,287, respectively.

**NOTE 9. INVESTMENTS**

The following summary presents the cost or value at date of gift and market value, as determined by quoted market price, for each investment category at December 31, 2001 and 2000. Investments which do not have a readily available quoted market price are estimated to have a market value which generally approximates the original cost of the investment.

	<u>December 31, 2001</u>		<u>December 31, 2000</u>	
	<u>Cost or Value at Date of Gift</u>	<u>Market Value</u>	<u>Cost or Value at Date of Gift</u>	<u>Market Value</u>
At quoted market prices:				
U.S. corporate stocks	\$ 28,224,827	\$ 32,035,822	\$ 27,563,700	\$ 39,397,235
Foreign corporate stocks	3,077,671	2,825,273	3,122,792	3,449,797
Government obligations	25,137,100	25,125,526	22,009,685	22,496,340
U.S. corporate bonds	5,570,867	5,651,935	2,777,904	2,770,723
Foreign corporate bonds	406,672	425,920	254,444	263,752
Mutual funds	8,102,025	6,392,637	8,102,025	7,899,634
Certificates of deposit	-	-	25,000	25,000
	<u>70,519,162</u>	<u>72,457,113</u>	<u>63,855,550</u>	<u>76,302,481</u>
At estimated market value:				
Real property	165,620	165,620	156,576	156,576
Personal property	13,522	13,522	13,522	13,522
	<u>179,142</u>	<u>179,142</u>	<u>170,098</u>	<u>170,098</u>
	<u>\$ 70,698,304</u>	<u>\$ 72,636,255</u>	<u>\$ 64,025,648</u>	<u>\$ 76,472,579</u>

**NOTE 10. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

	<u>Useful Life</u>	<u>December 31,</u>	
		<u>2001</u>	<u>2000</u>
Land		\$ 5,011,290	\$ 4,649,635
Buildings and improvements	10 to 40 years	7,420,726	7,154,330
Office furniture and equipment	5 years	4,174,705	3,870,096
Automobiles	3 years	<u>88,286</u>	<u>33,565</u>
		16,695,007	15,707,626
Less accumulated depreciation		<u>(6,749,630)</u>	<u>(6,060,733)</u>
Net property and equipment		<u>\$ 9,945,377</u>	<u>\$ 9,646,893</u>

**NOTE 11. CONTRIBUTIONS PAYABLE**

The Humane Society of the United States and Humane Society International (HSUS/HSI) have entered into an agreement with the National Parks Board of South Africa (NPB) which provides for a five year program, which can be renewed by mutual consent, of financial and programmatic support to develop and implement a new paradigm for human stewardship and management of elephants and other wildlife. The HSUS/HSI has committed to provide the NPB with an amount of \$1,000,000 over five years beginning in January 1997. Should the money provided by the HSUS/HSI not be used strictly in accordance with the terms and conditions agreed to for such use by the HSUS/HSI and the NPB, then the HSUS/HSI shall be entitled to withdraw the grant including any balance of the \$1,000,000 which still may be due. During the year 2000, HSUS/HSI agreed to grant NPB an additional \$200,000 in 2001. This is an additional amount above the \$200,000 already granted to NPB for the year 2001. The current liability was reduced by \$38,034 for expenses already paid during the year 2000. The \$361,966 due for 2001 was reported on the accompanying Consolidated Statement of Financial Position as a current liability at December 31, 2000. At December 31, 2001, the balance remaining was \$163,356.

**NOTE 12. ANNUITIES AND UNITRUSTS**

The annuities and unitrusts liability represents the actuarially determined future liability incurred under charitable gift annuities and charitable remainder unitrusts.

Under the charitable gift annuities, donors make contributions to the Society, for which they receive an annuity from the Society. The gifts are valued at their fair market value at the time of the gift. The future liability was actuarially calculated using the Annuity Table of Mortality 83-a

**NOTE 12. ANNUITIES AND UNITRUSTS (CONTINUED)**

and an assumed interest rate of 6%. A portion of the monies received from annuities is required by law to be reserved for the purpose of paying the annuities. The amount reserved must be at least equal to the actuarially determined liability. At December 31, 2001 and 2000 the Society has investments of \$10,867,423 and \$10,791,758, respectively, reserved for paying annuities. The amount required to be reserved as calculated by the actuary are \$3,793,156 and \$3,316,256, respectively.

Under the charitable remainder unitrusts, donors make contributions to the Society, which remain in trust until a stipulated event, at which time, the remaining trust balance conveys to the Society for unrestricted use. The gifts are valued at their fair market value at the time of the gift. In consideration of the gifts, donors receive an annuity from the trust based on the lesser of 1) the trust principal times a stated interest rate; or 2) the actual earnings of the trust. The future liability was calculated using assumed interest rates of 6% to 7 1/2%. At December 31, 2001 and 2000 the amounts of assets held in charitable remainder unitrusts, which are restricted for the payment of related annuities, are \$1,520,611 and \$1,472,374, respectively. The actuarially calculated liability at December 31, 2001 and 2000 are \$504,028 and \$210,990, respectively. The net assets of the trusts of \$1,016,583 and \$1,261,384, respectively, are included in the temporarily restricted net assets in the accompanying Consolidated Statements of Financial Position.

**NOTE 13. PENSION PLAN FOR EMPLOYEES**

The Humane Society of the United States Retirement Income Plan is a qualified participating defined benefit plan that provides regular employees of the Society benefits equal to 2% of earnings for each year of credited service up to a maximum of 25 years. Participants accrue benefits over the years of their employment, although normal pension benefits are not payable until age 65. Participants choosing earlier payment receive substantially reduced benefits.

The Society also has a Supplemental Executive Retirement Plan (SERP) that is a non-qualified defined benefit plan under which the Society will pay supplemental pension benefits to its President in addition to amounts received under the qualified retirement income plan.

The following table summarizes the projected benefit obligations, the fair value of assets and the funded status of the plans at December 31, 2001 and 2000.

	<u>2001</u>	<u>2000</u>
Projected benefit obligation	\$(10,310,613)	\$(8,877,874)
Fair value of assets	<u>8,087,538</u>	<u>7,299,530</u>
Funded status at December 31	<u>\$ (2,223,075)</u>	<u>\$(1,578,344)</u>



**NOTE 13. PENSION PLAN FOR EMPLOYEES (CONTINUED)**

The amount of contributions and benefits from the plans are as follows:

	<u>2001</u>	<u>2000</u>
Employer contributions to the plans	\$1,282,740	\$ 971,991
Participant contributions to the plans	180,068	168,080
Benefit payments from the plans	16,704	16,704

The amounts recognized as accrued (prepaid) benefit costs in the accompanying Consolidated Statements of Financial Position at December 31, 2001 and 2000 were \$(335,313) and \$99,457, respectively.

The net periodic benefit cost for the plans for the years 2001 and 2000 were \$847,970 and \$867,974, respectively.

The following assumptions were used by the actuary in determining the Society's benefit obligation:

	<u>2001</u>	<u>2000</u>
a. Weighted average discount rate	7.50%	7.75%
b. Weighted average rate of compensation increase	5.50%	5.75%
c. Expected long-term rate of return on plan assets	7.75%	7.75%

**NOTE 14. FUTURE MINIMUM LEASE RECEIPTS**

The Society, as lessor, leases space to other parties under various agreements. Future minimum rental receipts due under noncancellable leases with terms of one year or more are as follows:

	<u>Amount</u>
Year Ending December 31, 2002	\$ 709,443
2003	604,260
2004	<u>588,488</u>
	<u>\$ 1,902,191</u>

**NOTE 15. ALLOCATION OF JOINT COSTS**

The Society has allocated the joint costs of providing educational materials and activities that include a fund-raising appeal. For the years ended December 31, 2001 and 2000, the allocation of the joint costs is summarized as follows:

	<u>2001</u>	<u>2000</u>
Membership development	\$ 1,131,846	\$ 747,442
Programs	9,259,743	7,288,844
Fund raising	<u>11,688,744</u>	<u>9,400,599</u>
Total joint costs	<u>\$ 22,080,333</u>	<u>\$17,436,885</u>

**NOTE 16. UNINSURED CASH BALANCE**

The Society maintains its cash accounts primarily with a bank located in the Washington, D.C. area, which at times may exceed the \$100,000 insured by the FDIC. Additionally, the Society maintains money market accounts, overnight sweep accounts and other cash equivalents which are held at investment institutions. These amounts are not federally insured. The Society has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. At December 31, 2001 the Society had approximately \$450,000 subject to FDIC limits.

**NOTE 17. CONTINGENCIES**

The Society is a party to a number of lawsuits. Liability, if any, associated with these matters is not presently determinable. In the opinion of management, resolution of these matters should not have a material effect on the Society's financial position.

**NOTE 18. SEVERANCE PLAN**

The Society established the Humane Society of the United States Severance Pay Plan on September 13, 1997 to provide severance pay to eligible employees. These benefits and related expense are paid from the general assets of the Society. Only employees hired before January 1, 1998 who have completed a minimum of fifteen years of continuous full time employment are eligible to become a participant. Upon termination of employment a participant receives a lump sum equal to 2 percent of the average of their base annual salary for the three calendar years before cessation of their employment, multiplied by the number of years of continuous full-time employment.

The actuarial present value of the projected benefit obligations under the Plan as of December 31, 2001 and 2000 of \$898,229 and \$770,302, respectively, are reported as a liability in "accrued pension and severance obligation" on the Consolidated Statements of Financial Position.

**ADDITIONAL INFORMATION**

HUMANE SOCIETY OF THE UNITED STATES WILDLIFE LAND TRUST

SCHEDULES OF FINANCIAL POSITION

DECEMBER 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
ASSETS		
ASSETS		
Cash and cash equivalents	\$1,788,078	\$1,210,768
Property, easements and equipment	1,177,753	1,098,006
Prepaid expenses	177,690	311,984
Receivable from The Humane Society of the United States	-	203,887
Accrued interest receivable	<u>2,172</u>	<u>13,478</u>
Total assets	<u>\$3,145,693</u>	<u>\$2,838,123</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 15,048	\$1,022,248
Advance from The Humane Society of the United States	<u>1,165,261</u>	<u>-</u>
Total liabilities	<u>1,180,309</u>	<u>1,022,248</u>
NET ASSETS		
Unrestricted	673,889	672,810
Temporarily restricted	145,000	70,000
Permanently restricted	<u>1,146,495</u>	<u>1,073,065</u>
Total net assets	<u>1,965,384</u>	<u>1,815,875</u>
Total liabilities and unrestricted net assets	<u>\$3,145,693</u>	<u>\$2,838,123</u>

HUMANE SOCIETY OF THE UNITED STATES WILDLIFE LAND TRUST

SCHEDULES OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001			2000				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE</b>								
Contributions								
Cash	\$3,113,684	\$ 75,000	-	\$3,188,684	\$4,123,600	\$ 70,000	-	\$4,193,600
Land and easements	-	-	73,430	73,430	-	-	310,138	310,138
Loss on sale of land	-	-	-	-	(43,839)	-	-	(43,839)
Other income	209,900	-	-	209,900	159,493	-	-	159,493
Investment income	69,981	-	-	69,981	132,258	-	-	132,258
Total revenue	<u>3,393,565</u>	<u>75,000</u>	<u>73,430</u>	<u>3,541,995</u>	<u>4,371,512</u>	<u>70,000</u>	<u>310,138</u>	<u>4,751,650</u>
<b>EXPENSES</b>								
Salaries, payroll taxes and benefits	297,892	-	-	297,892	293,027	-	-	293,027
Professional fees	88,982	-	-	88,982	116,961	-	-	116,961
Travel, meals and lodging	102,709	-	-	102,709	60,462	-	-	60,462
Direct mail expense	2,491,752	-	-	2,491,752	3,891,824	-	-	3,891,824
Advertising	45,972	-	-	45,972	45,006	-	-	45,006
Office supplies and other	141,851	-	-	141,851	112,751	-	-	112,751
Management overhead allocation from The Humane Society of the United States	223,328	-	-	223,328	89,487	-	-	89,487
Total expenses	<u>3,392,486</u>	<u>-</u>	<u>-</u>	<u>3,392,486</u>	<u>4,609,518</u>	<u>-</u>	<u>-</u>	<u>4,609,518</u>
<b>CHANGE IN NET ASSETS</b>								
	1,079	75,000	73,430	149,509	(238,006)	70,000	310,138	142,132
<b>NET ASSETS</b>								
Beginning of year	<u>672,810</u>	<u>70,000</u>	<u>1,073,065</u>	<u>1,815,875</u>	<u>910,816</u>	<u>-</u>	<u>762,927</u>	<u>1,673,743</u>
End of year	<u>\$ 673,889</u>	<u>\$ 145,000</u>	<u>\$ 1,146,495</u>	<u>\$ 1,965,384</u>	<u>\$ 672,810</u>	<u>\$ 70,000</u>	<u>\$ 1,073,065</u>	<u>\$ 1,815,875</u>

