

The Humane Society of the United States and Affiliates

Consolidated Financial Statements
December 31, 2014

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Independent Auditor's Report

To the Board of Directors
The Humane Society of the United States
Washington, D.C.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Humane Society of the United States and Affiliates (the Society) which comprise the consolidated balance sheet as of December 31, 2014, and the related consolidated statement of activities and changes in net assets, statement of functional expenses, and statement of cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Humane Society of the United States and Affiliates as of December 31, 2014, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Society's 2013 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 14, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

A handwritten signature in cursive script that reads "McGladrey LLP".

McLean, Virginia
June 3, 2015

The Humane Society of the United States and Affiliates

Consolidated Balance Sheet
December 31, 2014
(With Comparative Totals for 2013)

	2014	2013
Assets		
Cash and Cash Equivalents	\$ 16,711,209	\$ 21,311,912
Investments	204,496,919	201,443,505
Investments to Fund Deferred Compensation Liability	285,879	262,771
Accrued Interest Receivable	135,510	267,569
Prepaid Expenses and Other Assets	1,865,238	6,711,087
Contributions, Bequests and Other Receivables, Net	19,744,827	16,546,104
Property and Equipment, Net	29,033,067	25,937,575
	<u>272,272,649</u>	<u>272,480,523</u>
Total assets	\$ 272,272,649	\$ 272,480,523
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 14,835,935	\$ 23,871,402
Annuities and unitrusts	8,355,412	8,250,574
Accrued severance obligation	1,415,008	1,384,738
Deferred compensation liability	285,879	262,771
Accrued postretirement benefit obligation	13,826,171	6,832,915
	<u>38,718,405</u>	<u>40,602,400</u>
Total liabilities	38,718,405	40,602,400
Commitments and Contingencies (Notes 9, 11 and 12)		
Net Assets		
Unrestricted		
Board designated	85,970,185	84,224,339
Undesignated	64,439,186	73,440,990
	<u>150,409,371</u>	<u>157,665,329</u>
Temporarily restricted	40,744,735	35,623,410
Permanently restricted	42,400,138	38,589,384
	<u>233,554,244</u>	<u>231,878,123</u>
Total net assets	233,554,244	231,878,123
	<u>272,272,649</u>	<u>272,480,523</u>
Total liabilities and net assets	\$ 272,272,649	\$ 272,480,523

See Notes to Consolidated Financial Statements.

The Humane Society of the United States And Affiliates

Consolidated Statement of Activities and Changes in Net Assets

Year Ended December 31, 2014

(With Comparative Totals for 2013)

	2014			Total	2013 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and Revenue					
Contributions	\$ 102,856,041	\$ 23,934,187	\$ -	\$ 126,790,228	\$ 123,529,214
Bequests	26,478,801	4,790,432	18	31,269,251	33,235,655
Interest and dividends	1,372,025	719,166	460,736	2,551,927	2,997,767
Royalty income	829,018	35,077	-	864,095	928,153
Grants and trusts	6,000,473	10,487,351	3,350,000	19,837,824	4,724,393
Event income	1,816,382	288,001	-	2,104,383	2,013,823
Other income	2,447,331	206,501	-	2,653,832	2,471,288
Net assets released from restrictions	36,376,714	(36,376,714)	-	-	-
Total support and revenue	178,176,785	4,084,001	3,810,754	186,071,540	169,900,293
Expenses					
Program services	149,832,364	-	-	149,832,364	140,890,119
Management and general	5,816,699	-	-	5,816,699	5,635,577
Fundraising	27,422,769	-	-	27,422,769	24,960,396
Total expenses	183,071,832	-	-	183,071,832	171,486,092
Change in net assets from operations	(4,895,047)	4,084,001	3,810,754	2,999,708	(1,585,799)
Realized and Unrealized Gain on Investments, Net	4,389,147	1,037,324	-	5,426,471	15,376,041
	4,389,147	1,037,324	-	5,426,471	15,376,041
Change in net assets before retirement benefits adjustment	(505,900)	5,121,325	3,810,754	8,426,179	13,790,242
Pension Benefits Adjustment	(6,750,058)	-	-	(6,750,058)	2,764,398
Change in net assets	(7,255,958)	5,121,325	3,810,754	1,676,121	16,554,640
Net Assets					
Beginning	157,665,329	35,623,410	38,589,384	231,878,123	215,323,483
Ending	\$ 150,409,371	\$ 40,744,735	\$ 42,400,138	\$ 233,554,244	\$ 231,878,123

See Notes to Consolidated Financial Statements.

The Humane Society of the United States and Affiliates

Consolidated Statement of Functional Expenses

Year Ended December 31, 2014

(With Comparative Totals for 2013)

	2014								2013 Total
	Program Services				Total Program Services	Management and Fundraising		Total	
	Research and Education	Cruelty Prevention Programs	Direct Care and Service	Advocacy and Public Policy		Management and General	Fundraising		
Compensation	\$ 6,938,524	\$ 10,596,345	\$ 10,308,580	\$ 16,019,983	\$ 43,863,432	\$ 1,091,372	\$ 4,955,003	\$ 49,909,807	\$ 45,231,043
Education Material, Publications and Campaigns	2,760,486	2,198,199	7,378,009	24,293,114	36,629,808	24,951	3,474,490	40,129,249	33,868,032
Mailing Costs	2,717,163	5,282,858	4,706,269	6,302,466	19,008,756	954,224	12,958,752	32,921,732	31,044,368
Consultant and Contracted Services	2,881,963	7,086,662	4,329,810	4,678,588	18,977,023	507,840	3,245,430	22,730,293	21,903,069
Professional Fees and Settlements	341,853	601,831	492,996	4,173,067	5,609,747	318,661	439,057	6,367,465	12,554,523
Contributions and Grants	146,413	3,563,980	100,935	2,784,065	6,595,393	-	-	6,595,393	6,540,019
Travel, Meals and Lodging	534,052	1,564,692	1,907,291	1,465,523	5,471,558	22,142	323,953	5,817,653	4,948,000
Supplies and Field Expenses	479,589	3,745,291	2,304,711	638,247	7,167,838	119,275	187,823	7,474,936	4,495,951
Bank, Trustee, and Lockbox Fees	-	-	-	-	-	2,003,394	1,282,176	3,285,570	3,356,596
Occupancy and Building Expense	363,131	444,386	913,258	357,021	2,077,796	178,963	179,023	2,435,782	2,564,011
Depreciation and Amortization	53,776	93,561	908,423	94,592	1,150,352	412,701	68,642	1,631,695	1,615,529
Postage and Shipping	1,084,116	117,878	77,350	136,298	1,415,642	9,298	89,690	1,514,630	1,297,358
Telephone	77,636	187,160	220,360	305,681	790,837	31,185	59,102	881,124	902,964
Insurance and Bonds	119,575	200,849	251,054	255,704	827,182	104,490	126,179	1,057,851	874,010
Real Estate and Other Taxes	19,335	50,021	83,704	93,940	247,000	38,203	33,449	318,652	290,619
Total	\$ 18,517,612	\$ 35,733,713	\$ 33,982,750	\$ 61,598,289	\$ 149,832,364	\$ 5,816,699	\$ 27,422,769	\$ 183,071,832	\$ 171,486,092

See Notes to Consolidated Financial Statements.

The Humane Society of the United States and Affiliates

Consolidated Statement of Cash Flows

Year Ended December 31, 2014

(With Comparative Totals for 2013)

	2014	2013
Cash Flows From Operating Activities		
Change in net assets	\$ 1,676,121	\$ 16,554,640
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Contributions and interest received for endowment	(3,810,754)	(415,933)
Change in allowance for uncollectible contributions and bequests	75,327	(1,362)
Change in discount on multi-year contributions and bequests	21,208	12,536
Depreciation and amortization	1,631,695	1,615,529
(Gain) loss on sale of property and equipment	(1,017,287)	319,298
Net realized and unrealized gain on investments, net	(5,426,471)	(15,376,041)
Donated stock	(6,023,584)	(1,097,809)
Donated land held for conservation	(3,350,000)	(2,500,000)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accrued interest receivable	132,059	(41,847)
Prepaid expenses and other assets	4,845,849	(4,728,134)
Contributions, bequests, and other receivables	(3,295,258)	2,411,925
Increase (decrease) in:		
Accounts payable and accrued expenses	(9,035,467)	10,577,392
Annuities and unitrusts	104,838	(114,119)
Accrued severance obligation	30,270	(247,003)
Accrued postretirement benefit obligation	6,993,256	(3,278,443)
Net cash provided by (used in) operating activities	(16,448,198)	3,690,629
Cash Flows From Investing Activities		
Proceeds from sale of investments	72,639,229	108,337,555
Purchase of investments	(64,242,588)	(115,119,868)
Proceeds from sale of property	1,970,761	-
Purchases of property and equipment	(2,330,661)	(3,719,044)
Net cash provided by (used in) investing activities	8,036,741	(10,501,357)
Cash Flows From Financing Activities		
Contributions and interest received for endowment	3,810,754	415,933
Net cash provided by financing activities	3,810,754	415,933
Net decrease in cash and cash equivalents	(4,600,703)	(6,394,795)
Cash and Cash Equivalents		
Beginning	21,311,912	27,706,707
Ending	\$ 16,711,209	\$ 21,311,912
Supplemental Schedules of Noncash Investing and Financing Activities		
Donated stock	\$ 6,023,584	\$ 1,097,809
Donated land	\$ 3,350,000	\$ 2,500,000

See Notes to Consolidated Financial Statements.

The Humane Society of the United States and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The Humane Society of the United States and Affiliates (collectively, the Society) is a not-for-profit organization whose primary purpose is the worldwide advancement of humane treatment of animals through public education, awareness, and direct animal care programs. The accompanying consolidated financial statements include the activities of the following entities:

- The Humane Society of the United States (HSUS)
- Doris Day Animal League (DDAL)
- The Fund for Animals (FFA)
- Humane Society International, Inc. (HSI)
- Humane Society University (HSU)
- Humane Society Veterinarians Medical Association (HSVMA)
- South Florida Wildlife Center, Inc. (SFWC)
- Humane Society Wildlife Land Trust (WLT)

A summary of the Society's significant accounting policies follows:

Basis of accounting: The accompanying consolidated financial statements are prepared using the accrual basis of accounting, whereby support is recognized when received and expenses are recognized when incurred.

Principles of consolidation: All significant intercompany transactions have been eliminated in the consolidation.

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification). As required by the Non-Profit Entities Topic of the Codification, 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.

Cash and cash equivalents: Cash and cash equivalents include all short-term, highly liquid instruments purchased with an original maturity of three months or less. At December 31, 2014, cash and cash equivalents consisted of checking accounts and depository accounts.

Investments: Investments with readily determinable fair values are reflected at fair market value. To adjust the carrying value of investments, unrealized gains and losses are reported in the consolidated statement of activities and changes in net assets after change in net assets from operations.

Investments in hedge funds, fund of funds, partnerships, and private equity funds are valued at net asset value, which estimates fair value. The funds value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the funds, which may include private placements and other securities for which prices are not readily available, are determined by the management of the respective fund and may not reflect amounts that could be realized upon immediate sale nor amounts that could be ultimately realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The fair value of the Society's investments in hedge funds, fund of funds, partnerships, and private equity funds generally represents the amount the Society would expect to receive if it were to liquidate its investments in the funds, excluding any redemption charges that may apply.

The Humane Society of the United States and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Financial risk: The Society maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Society has not experienced any losses in such accounts. The Society believes it is not exposed to any significant financial risk on cash.

The Society invests in professionally managed portfolios that contain various securities which are exposed to various risks such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the consolidated financial statements.

Contributions and bequests receivable: Contributions and bequests receivable are carried at original amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a quarterly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using the historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The provision for doubtful accounts was \$373,255 at December 31, 2014.

Property and equipment: Property and equipment with a cost of \$5,000 or more are capitalized. Donated property is recorded at fair value at the time of donation. Improvements to property and equipment that extend the useful lives of the assets are also capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Valuation of long-lived assets: The Society reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. There were no impairments of long-lived assets during the year ended December 31, 2014.

Support and revenue: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions.

Bequests: Bequests are recognized as revenue when an individual's will has been admitted into probate and the estate executors have notified HSUS of the amounts and restrictions contained in the will. 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. This policy applies only to The Humane Society of the United States entity.

The Humane Society of the United States and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

In-kind contributions: The Society produces and distributes public service television, radio, and newspaper announcements that focus attention on Companion Animal and Wildlife issues. These public service announcements are distributed to radio stations and newspapers nationwide and run free of charge. The Society has contracted with an independent outside agency to track the date and time that each public service announcement runs, and the value of the announcements is based on the date, time, and market. For the year ended December 31, 2014, the Society recorded \$27,074,196 of contributed public service announcements and other advertising related expenses.

The Society also receives donations of in-kind services, as well as donations of equipment and supplies in the daily operations of its programs. For the year ended December 31, 2014, the Society received \$3,066,186 in donated services and \$3,444,141 in donated equipment and supplies.

Use of estimates: In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Tax status: HSUS, FFA, HSI, HSU, HSVMA, SFWC, and WLT qualify under Section 501(c)(3) of the Internal Revenue Code (IRC) and are classified as organizations that are not private foundations. DDAL qualifies under Section 501(c)(4) of the IRC. 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. The Society had no net unrelated business income for the year ended December 31, 2014.

Management evaluated the Society's tax positions and concluded that the Society has taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance. Generally, the Society is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2011.

Functional allocation of expenses: Program and supporting services have been presented on a functional basis in the consolidated statement of activities and changes in net assets and the consolidated statement of functional expenses. Certain overhead costs have been allocated among program services, management and general, and fundraising.

Fair value of financial instruments: The carrying amounts of cash and cash equivalents, contributions, bequests and other receivables, and accounts payable and accrued expenses approximate fair value because of the short maturity of these instruments. Investments are stated at fair value.

Prior year information: The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

Recent accounting pronouncements: In 2015, FASB amended the Fair Value Measurement Topic to include that investments measured using net asset value per share (or its equivalent) using the practical expedient should not be categorized in the fair value hierarchy. The amendments are effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years.

The Humane Society of the United States and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Humane Society University: In December 2013, the Society made the determination that it was no longer practical to continue to operate Humane Society University (HSU) due to increased regulations related to online learning opportunities, shortfalls in growth expectation and shortfalls in revenue. The Society has outlined a plan for individuals currently enrolled in classes at HSU to complete their degree programs. HSU is expected to remain open in a limited capacity through 2017. The expenses that were incurred in 2014 did not qualify to be recognized as discontinued operations under FASB ASU 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*.

Subsequent events: The Society evaluated subsequent events through June 3, 2015, which is the date the consolidated financial statements were available to be issued.

Note 2. Contributions, Bequests and Other Receivables

Contributions, bequests, and other receivables consist of the following at December 31, 2014:

Bequests	\$ 6,772,927
Contributions and other receivables	7,616,637
60th Anniversary campaign	1,454,675
Grants	4,317,371
	<u>20,161,610</u>
Less allowance for uncollectible contributions and bequests (2.76%)	(373,255)
Less discount on multi-year contributions and bequests (0.38%)	(43,528)
Total contributions, bequests, and other receivables, net	<u><u>\$ 19,744,827</u></u>

Contributions, bequests and other receivables are expected to be collected in:

Less than one year	\$ 16,684,740
One to five years	3,476,870
	<u><u>\$ 20,161,610</u></u>

The Humane Society of the United States and Affiliates

Notes to Consolidated Financial Statements

Note 3. Property and Equipment

Property and equipment and accumulated depreciation at December 31, 2014, and depreciation expense for the year ended December 31, 2014, consist of the following:

	Useful Life	Cost	Accumulated Depreciation	Net	Depreciation
Land	–	\$ 17,239,873	\$ -	\$ 17,239,873	\$ -
Buildings and improvements	10 to 40 years	21,042,289	10,429,832	10,612,457	1,145,307
Office furniture and equipment	5 years	3,641,230	2,809,965	831,265	338,843
Construction in progress	–	95,549	-	95,549	-
Automobiles	5 years	1,998,191	1,744,268	253,923	147,545
		<u>\$ 44,017,132</u>	<u>\$ 14,984,065</u>	<u>\$ 29,033,067</u>	<u>\$ 1,631,695</u>

In 2014, the Society entered into an agreement to sell its office building located in Washington D.C. The sale is expected to occur in 2015.

Note 4. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following at December 31, 2014:

Accounts payable	\$ 7,628,373
Accrued vacation	2,254,459
Accrued wages	1,179,177
Other accrued expenses	3,773,926
	<u>\$ 14,835,935</u>

Note 5. Annuities and Unitrusts

The annuities and unitrusts liability represents the future annuity payments due under charitable gift annuities and charitable remainder unitrusts determined by an actuary.

Under the charitable gift annuities, donors make contributions to the Society, for which they receive an annuity from the Society. Contributions revenue is recognized as the excess of the fair value of assets received over the net present value of the future annuity payments due. The liability was determined by an actuary using the Annuity Table of Mortality 90CM and assumed interest rates of 1.0% to 10.2%. A portion of the monies received from these split-interest agreements is required by law to be reserved for making the annuity payments. At December 31, 2014, the amount required to be reserved as calculated by the actuary was \$7,661,392.

Under charitable remainder unitrusts, donors make contributions to trusts which provide an income stream to the donor until a stipulated event, at which time the remaining account balance conveys to the Society. 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 (a) the trust principal multiplied by a stated interest rate or (b) the actual earnings of the trust. The future liability was calculated using assumed interest rates of 5.0% to 11.6%. At December 31, 2014, the amount of assets held in charitable unitrusts, which is restricted for the payment of related annuities, was \$694,020. The net assets of the trusts of \$704,101 are included in temporarily restricted net assets in the accompanying consolidated balance sheet.

The Humane Society of the United States and Affiliates

Notes to Consolidated Financial Statements

Note 6. Severance Plan (Employment Longevity Retirement Enhancement Benefit)

The Society established The Humane Society of the United States Severance Pay Plan on September 13, 1997, to grant severance benefits to eligible employees. These benefits and related expenses are paid from the general assets of the Society. Only employees hired in full-time or part-time positions before January 1, 1998, who have completed a minimum of 15 years of continuous full-time employment with HSUS, are eligible to become participants in this plan. Upon termination of employment (for reasons other than gross misconduct), a participant receives a lump sum equal to 2% of the average of his or her annual base salary for the three calendar years before cessation of employment, multiplied by the number of years of continuous full-time employment accrued by the employee, subject to a maximum benefit of two years base salary. The benefit obligation as of December 31, 2014, was calculated by an actuary, based on a census provided by the Society, using an assumed discount rate of 3.36% and an assumed compensation increase of 3.25%. The amount of the liability for future severance was \$1,415,008.

Note 7. Deferred Compensation Plan

In 1983, the Society established The Humane Society of the United States Deferred Compensation Plan for certain executive employees. The Society and the participants may elect to defer a portion of the compensation that the participants would otherwise be entitled to receive in cash, and those deferrals are invested in various mutual funds. The mutual funds 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 mutual funds is added to the deferred compensation liability. The amounts deferred by participants during the year ended December 31, 2014, which were included in the amounts reported in the accompanying consolidated financial statements as salaries, totaled \$17,500.

The deferred compensation plan assets and the related liability totaled \$285,879 at December 31, 2014.

Note 8. Retirement Plans

Pension: The Humane Society of the United States Pension Plan (the 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. Effective December 31, 2007, any employees hired on or after January 1, 2008, are not eligible to participate in the Plan.

The Humane Society of the United States and Affiliates

Notes to Consolidated Financial Statements

Note 8. Retirement Plans (Continued)

The following table summarizes the pension benefit obligation, the fair value of Plan assets, and the funded status of the Plan at December 31, 2014:

Change in pension benefit obligation	
Benefit obligation, beginning of fiscal year	\$ 38,409,737
Service cost	1,085,184
Interest cost	1,660,229
Participant contributions	205,314
Benefit payments	(3,016,520)
Settlements	(444,531)
Administrative expenses	(11,398)
Actuarial loss	8,060,493
Benefit obligation, end of fiscal year	\$ 45,948,508
Change in Plan assets	
Fair value of Plan assets, beginning of fiscal year	\$ 31,576,822
Employer contributions	2,400,000
Participant contributions	205,314
Benefit payments	(444,531)
Administrative expenses	(11,398)
Actual return on Plan assets	1,412,650
Settlements	(3,016,520)
Fair value of Plan assets, end of fiscal year	\$ 32,122,337
Funded status, end of fiscal year	\$ (13,826,171)

The amount of net periodic benefit cost recognized as expense in 2014 was \$2,643,198.

The Plan had an accumulated benefit obligation of \$40,362,851 as of December 31, 2014. The accumulated benefit obligation is identical to the pension benefit obligation, with the exception that the accumulated benefit obligation does not consider the effects of future compensation levels.

Amounts reducing net assets at December 31, 2014, not yet reported as net periodic benefit cost (expense), are \$13,826,171. The Society expects to amortize \$1,467,987 of the net loss into net periodic benefit cost in 2015.

The following assumptions were used by the actuary in determining the Society's pension benefit obligation as of December 31, 2014:

Weighted-average discount rate	3.82%
Weighted-average rate of compensation increase	3.25%

The basis for the expected long-term rate of return on Plan assets for the year is based on a five-year rolling average of actual investment returns realized, further adjusted for anticipated future rates of return.

The Humane Society of the United States and Affiliates

Notes to Consolidated Financial Statements

Note 8. Retirement Plans (Continued)

Expected cash flow information for the years after the current fiscal year is as follows:

Expected employer contributions	\$ 2,400,000
Year 1 expected benefit payments	3,477,007
Year 2 expected benefit payments	3,628,365
Year 3 expected benefit payments	3,098,410
Year 4 expected benefit payments	2,801,208
Year 5 expected benefit payments	2,751,693
Years 6 – 10 expected benefit payments	14,138,672

See Note 18 for information on the fair value of the Plan assets.

Defined contribution: The Society adopted The Humane Society of the United States 401(k) Savings Plan (the 401(k) Plan), a defined contribution retirement plan qualified under Sections 401(k) and 402(a) of the IRC, as amended, effective January 1, 2008. Employees hired on or after January 1, 2008, are eligible to participate in the 401(k) Plan on an automatic enrollment basis. Employees hired prior to January 1, 2008, who have not attained age 50 by December 31, 2007, can elect to waive coverage in The Humane Society of the United States Pension Plan on an irrevocable basis and will then be eligible to participate in the 401(k) Plan.

Eligible participants are automatically enrolled to contribute 3% of pay their first year. This amount is automatically increased by 1% until a 6% salary deferral is achieved. Participants may elect to contribute higher amounts, up to 80% of pay, subject to annual dollar limitations.

The Society will make a matching contribution each pay period. The Society makes matching contributions at a rate of 100% of the first 1% of the participant's salary deferred into the 401(k) Plan and 50% of the next 5% of the participant's salary deferral.

The Society will make an annual fixed contribution for all eligible participants employed on the last day of the 401(k) Plan year, based on years of service, up to 6% of compensation. The Society contributed \$1,716,830 to the 401(k) Plan during the year ended December 31, 2014.

Note 9. Line of Credit

The Society has a \$20 million line of credit with Bank of New York Mellon. The line of credit accrues interest at the LIBOR Market Index Rate for one-month U.S. dollars plus 65 basis points. The line of credit is secured by certain investments of the Society and is subject to certain covenants, as defined in the agreement. There was no outstanding balance at December 31, 2014, and no advances or payments were made during 2014.

The Humane Society of the United States and Affiliates

Notes to Consolidated Financial Statements

Note 10. Medical and Prescription Insurance Plans

Under the medical and prescription partially self-funded insurance plan for current employees, the Organization is responsible for claims up to \$125,000 per participant annually and aggregate claims up to \$4,237,670 annually. The Organization is insured for claims in excess of \$100,000 per participant up to \$1,000,000 lifetime maximum. The Organization has accrued for the expected cost of unpaid, reported claims and claims incurred but not yet reported. The accrual is based on historical claims experience and the number of employees. As of December 30, 2014, the accrual for the unpaid claims, net of insurance recoveries, totaled \$525,000, which was included in accounts payable and accrued expenses on the balance sheet.

Note 11. Commitments

The Society leases certain office space and equipment under long-term non-cancelable operating leases. The leases provide for payment of increases in operating expenses, sales and use taxes, and insurance. Rental expense for the year ended December 31, 2014, was \$799,810. As of December 31, 2014, the future minimum lease commitments under non-cancelable operating leases are the following:

Year Ending December 31,

2015	\$ 418,773
2016	357,893
2017	202,103
2018	176,578
2019	152,670
Thereafter	74,314
	<u>\$ 1,382,331</u>

Note 12. Contingencies

The Society is a party in certain 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 13. 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 purposes 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 with unrestricted net assets.

Unrestricted net assets are held by the following funds at December 31, 2014:

Board designated	
Investment fund	\$ 84,891,916
Endowment fund	281,893
Black Beauty Ranch	796,376
Total board designated	<u>85,970,185</u>
Undesignated	64,439,186
Total unrestricted net assets	<u><u>\$ 150,409,371</u></u>

The Humane Society of the United States and Affiliates

Notes to Consolidated Financial Statements

Note 14. Temporarily Restricted Net Assets

Temporarily restricted net assets result from gifts of cash and other assets with donor-imposed restrictions 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.

Changes in temporarily restricted net assets by restriction purpose during 2014 were as follows:

	Balance December 31, 2013	Additions	Adjustments/ Releases From Restriction	Balance December 31, 2014
Unitrusts	\$ 1,071,740	\$ -	\$ 11,555	\$ 1,060,185
Animal welfare programs	11,769,356	15,168,112	10,197,579	16,739,889
Scholarships	14,378	1,310	3,158	12,530
Support of other humane organizations	626,708	68,582	59,119	636,171
Endangered Species	2,282,825	147,980	-	2,430,805
Doris Day Animal League	4,460,310	4,862,797	3,377,514	5,945,593
Fund for Animals	8,336,930	7,902,846	9,013,418	7,226,358
Humane Society International	1,807,379	2,088,706	1,882,038	2,014,047
Humane Society University	25,312	-	25,312	-
South Florida Wildlife Center	306,902	3,719,083	3,855,657	170,328
Wildlife Land Trust	4,921,570	7,538,623	7,951,364	4,508,829
	<u>\$ 35,623,410</u>	<u>\$ 41,498,039</u>	<u>\$ 36,376,714</u>	<u>\$ 40,744,735</u>

During 2014, assets were released from donor restrictions by the Society incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors, as follows:

Purpose for which restrictions were accomplished

Donor-specified program expenses of the organization	\$ 32,101,994
Gifts to other humane organizations	4,175,688
Restricted fund investment expenses	99,032
	<u>\$ 36,376,714</u>

Note 15. Endowments

The Codification defines an endowment as an established fund of cash, securities, or other assets to provide income for the maintenance of a not-for-profit organization. Management has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of original donor-restricted contributions as of the date of the gift, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as permanently restricted net assets (a) the original value of permanently restricted contributions and (b) the discounted value of future permanently restricted contributions, net of allowance for uncollectible pledges. The remaining portion of donor-restricted contributions is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Humane Society of the United States and Affiliates

Notes to Consolidated Financial Statements

Note 15. Endowments (Continued)

In accordance with UPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted contributions:

- The purposes of the endowment fund
- The duration and preservation of the fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other available financial resources
- Investment policies

Investment and spending policies: The Society has adopted investment and spending policies for permanently restricted cash contributions that attempt to provide a predictable stream of funding to programs while maintaining purchasing power. All earnings from these funds are reflected as temporarily restricted net assets, until appropriated for program expenditures. On an annual basis, an adjustment is made to add to the permanently restricted endowment amount. This adjustment is based on the consumer price index.

The Society's endowment funds consist of the following as of December 31, 2014:

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 627,535	\$ 42,400,138	\$ 43,027,673
Board designated endowment funds	281,893	-	-	281,893
	<u>\$ 281,893</u>	<u>\$ 627,535</u>	<u>\$ 42,400,138</u>	<u>\$ 43,309,566</u>

The endowment fund activity consists of the following for the year ended December 31, 2014:

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 274,892	\$ 619,587	\$ 38,589,386	\$ 39,483,865
Investment return:				
Interest and dividends	2,179	257,096	-	259,275
Realized and unrealized gains on investments	5,409	626,707	-	632,116
Amounts appropriated for expenditure	(587)	(878,558)	-	(879,145)
Transfer to maintain earning power of corpus	-	(297)	460,734	460,437
Contributions	-	3,000	3,350,018	3,353,018
Endowment net assets, end of year	<u>\$ 281,893</u>	<u>\$ 627,535</u>	<u>\$ 42,400,138</u>	<u>\$ 43,309,566</u>

The Humane Society of the United States and Affiliates

Notes to Consolidated Financial Statements

Note 15. Endowments (Continued)

Permanently Restricted Net Assets – Fund Categories at December 31, 2014

Income-producing assets; income is expendable to support the following:

To defray operating expenses	\$ 3,473,865
To award scholarships to Connecticut secondary school students	18,603
To be used for the best interests of the organization	21,600,100
To support other humane organizations	1,502,039
20% of income to be used to support the Norma Terris Human Education and Nature Center, and 80% of income to be used for general purposes	5,827,391
To be used for the state of New Hampshire wildlife	170,631
To be used for the betterment of song birds	1,246,599
	<hr/>
	33,839,228

Non-income producing assets:

Land and easements held to preserve natural habitats for wildlife	8,560,910
Total permanently restricted net assets	<hr/> \$ 42,400,138 <hr/>

Income earned on investments in the permanently restricted net assets class is reported in the accompanying consolidated statement of activities and changes in net assets as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the nature of donor-imposed restrictions on such earnings. For all endowment funds with negative unrestricted net assets, all earnings are reflected as unrestricted net assets, until the net assets are replenished. At such time, such earnings from these funds will thereafter be reflected as temporarily restricted net assets.

Note 16. Allocation of Joint Costs

The Society has allocated the joint costs of providing educational materials and activities that include a fundraising appeal. Since only those activities that include both programmatic and fundraising components are included in this allocation, the amounts below do not include all of the expenses presented in the consolidated statement of functional expenses.

For the year ended December 31, 2014, the allocation of the joint costs is summarized as follows:

Programs	\$ 23,178,001
Fundraising	16,369,480
Membership development	1,223,118
	<hr/>
	\$ 40,770,599 <hr/>

The Humane Society of the United States and Affiliates

Notes to Consolidated Financial Statements

Note 17. Fair Value Measurements

The Fair Value Measurement Topic of the Codification defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and sets out a 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). Inputs are broadly defined under this topic as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The types of investments included in Level 1 include listed equities and mutual funds.
- Level 2 Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly. Fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate loans, less liquid, restricted equity securities and certain corporate bonds, government obligations and over-the-counter derivatives. A significant adjustment to Level 2 input could result in a reclassification to a Level 3 measurement.
- Level 3 Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation as described below.

The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risk associated with investing in those investments. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Society's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The Humane Society of the United States and Affiliates

Notes to Consolidated Financial Statements

Note 17. Fair Value Measurements (Continued)

Investments fair value: The table below presents the balances at December 31, 2014, of assets measured at fair value on a recurring basis by level within the hierarchy:

	Level 1	Level 2	Level 3	Total
Hedge funds				
Equity long/short	\$ -	\$ 29,306,458	\$ 16,747,038	\$ 46,053,496
	-	29,306,458	16,747,038	46,053,496
Fund of funds				
Equity long/short	-	4,872,927	-	4,872,927
Global opportunities	-	7,197,364	7,660,628	14,857,992
	-	12,070,291	7,660,628	19,730,919
Equity funds				
International	-	5,671,080	5,733,187	11,404,267
Domestic	-	12,225,515	-	12,225,515
	-	17,896,595	5,733,187	23,629,782
Private equity funds				
Debt securities	-	-	8,152,204	8,152,204
Global opportunities	-	5,617,153	10,555,159	16,172,312
Other	-	-	9,845,710	9,845,710
	-	5,617,153	28,553,073	34,170,226
Fixed income securities				
U.S. Government and agency obligations (AAA Rated)	-	5,460,635	-	5,460,635
Corporate bonds (AAA to A Rated)	-	902,249	-	902,249
Corporate bonds (BBB to B Rated)	-	903,417	-	903,417
Asset-backed fixed income securities (AAA Rated)	-	111,115	-	111,115
General obligation and other (AAA and BBB rated)	109,250	275,254	-	384,504
	109,250	7,652,670	-	7,761,920
Equity mutual funds				
Commodities	533,393	-	-	533,393
Mid cap blend	10,913,171	-	-	10,913,171
Large cap blend	7,352,490	-	-	7,352,490
Emerging markets	6,731,319	-	-	6,731,319
Global opportunities	6,077,055	-	-	6,077,055
Small cap blend	1,121,376	-	-	1,121,376
Real estate	2,288,247	-	-	2,288,247
Other	10,096,594	-	-	10,096,594
	45,113,645	-	-	45,113,645
Fixed income mutual fund – short-term bonds	2,839,280	-	-	2,839,280
Equity securities	10,649,629	-	-	10,649,629
Exchange traded funds (ETF)	13,218,022	-	-	13,218,022
Other investments	-	-	1,330,000	1,330,000
	\$ 71,929,826	\$ 72,543,167	\$ 60,023,926	\$ 204,496,919

The Humane Society of the United States and Affiliates

Notes to Consolidated Financial Statements

Note 17. Fair Value Measurements (Continued)

The following section describes the valuation techniques used by the Society:

Investments in securities traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation. Fair value of exchange-traded contracts is based upon exchange settlement prices. The hedge funds and equity funds can be liquidated daily. These financial instruments are classified as Level 1 in the fair value hierarchy.

Investment in corporate bonds and government obligations are stated at the last reported sales price on the day of valuation. These financial instruments are classified as Level 2 in the fair value hierarchy.

Level 3 investments are not readily marketable. The Society's investment in investments in limited partnerships where the general partner or managers have imposed lock-in-periods or suspended or postponed redemptions, which are classified as Level 3.

For assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3), the Topic requires reconciliation of the beginning and ending balances, separately, for each major category of assets and liabilities, except for derivative assets and liabilities, which may be presented net. The table below represents the reconciliation of the Society's assets measured at fair value on a recurring basis using significant unobservable inputs:

	Balance January 1, 2013	Purchases	Sales	Management Fees	Realized and Unrealized Gains (Losses)	Transfer Between Levels 2 and 3	Balance December 31, 2014
Hedge funds							
Equity long/short	\$ 8,126,824	\$ 169,787	\$ (169,726)	\$ (122,689)	\$ 465,487	\$ 8,277,355	\$ 16,747,038
Fund of funds							
Global opportunities	7,914,486	-	-	(147,202)	(106,656)	-	7,660,628
Equity funds							
International	-	-	-	(190,758)	801,592	5,122,353	5,733,187
Private equity funds							
Debt securities	6,557,399	3,029,720	(2,075,326)	(244,127)	884,538	-	8,152,204
Global opportunities	11,832,474	4,000,000	(1,148,089)	(63,843)	(855,498)	(3,209,885)	10,555,159
Other	9,176,328	2,224,151	(1,980,245)	-	425,476	-	9,845,710
	27,566,201	9,253,871	(5,203,660)	(307,970)	454,516	(3,209,885)	28,553,073
Other investments	1,100,000	230,000			-		1,330,000
	\$ 44,707,511	\$ 9,653,658	\$ (5,373,386)	\$ (768,619)	\$ 1,614,939	\$ 10,189,823	\$ 60,023,926

The Humane Society of the United States and Affiliates

Notes to Consolidated Financial Statements

Note 17. Fair Value Measurements (Continued)

The Society invests in certain entities for which the fair value measurement is assessed using net asset value per share or its equivalent. Information pertaining to these investments is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds – Equity long/short (a)	\$ 46,053,496	\$ -	Monthly, Quarterly and Bi-Annually	15 – 90 days
Fund of funds – Equity long/short (b)	4,872,927	-	Quarterly	60 days
Fund of funds – Global opportunities (c)	14,857,992	-	Semi-Annually	60 - 65 days
Private equity funds (d)	34,170,226	6,427,495	None	Not Applicable
Equity funds – International long/short (e)	5,733,187	-	Annual	60 days
	<u>\$ 105,687,828</u>	<u>\$ 6,427,495</u>		

- (a) This category includes investments in hedge funds that invest both long and short in various domestic and international common stocks. Management of the various funds have the ability to shift from value to growth strategies, from small to large capitalization stocks, and from a net short position to a net long position. The fair value of the investments in this category has been estimated using the net asset value per share of the investments.
- (b) This category includes a fund of funds that invests both long and short in hedge funds in various domestic and international common stocks. The fair value of the investments in this category has been estimated using the net asset value per share of the investments.
- (c) This category includes an investment in a fund of funds that holds the majority of the funds' investments in non-U.S. common stocks, debt instruments, and diversified currencies. The fair value of the investment in this category has been estimated using the net asset value per share of the investment.
- (d) This category includes several private equity funds. These investments can never be redeemed with the funds. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the funds. As of December 31, 2014, it was probable that the investments in this category would be liquidated at an amount different from the net asset value of the Society's ownership interest in partners' capital. Therefore, the fair value of the investments in this category has been estimated using recent observable transaction information received from potential buyers of the investments. It is estimated that the underlying assets of the funds will be liquidated over five to eight years.
- (e) This category includes investments in international equities invested to seek both long and short term growth. The fair value of the investments in this category has been estimated using net asset value per share of the investment. A total of \$5,733,187 is available for redemption quarterly with 60 days written notices. The remainder of amount (R shares) is available for redemption on the third year anniversary with 60 days prior written notice given.

The Humane Society of the United States and Affiliates

Notes to Consolidated Financial Statements

Note 17. Fair Value Measurements (Continued)

Deferred compensation: Fair value, as defined in the Fair Value Measurement Topic of the Codification, is described above. In determining the appropriate levels for the deferred compensation plan, the Society performs a detailed analysis of the assets and liabilities that are subject to the fair value disclosures of the Codification.

The following table sets forth, by level within the fair value hierarchy, the deferred compensation plan's assets and liabilities at fair value as of December 31, 2014:

	Level 1	Level 2	Level 3	Total
Assets				
Mutual funds	\$ 285,879	\$ -	\$ -	\$ 285,879
Liabilities				
Deferred compensation liability	\$ -	\$ 285,879	\$ -	\$ 285,879

Following is a description of the valuation methodology used for assets and liabilities held by the deferred compensation plan measured at fair value:

Mutual funds are classified as Level 1 instruments, as they are quoted market prices in active markets for identified assets.

The Society's deferred compensation liability is based on the fair value of the deferred compensation plan assets, and is therefore, a Level 2 instrument.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Society believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Pension: Fair value, as defined in the Fair Value Measurement Topic of the Codification, is described above. In determining the appropriate levels for its defined benefit retirement plan (See Note 8), the Society performs a detailed analysis of the assets and liabilities that are subject to the fair value disclosures of the Codification. At each reporting period, all assets and liabilities of the Plan for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The Humane Society of the United States and Affiliates

Notes to Consolidated Financial Statements

Note 17. Fair Value Measurements (Continued)

The following table sets forth, by level within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2014:

	Level 1	Level 2	Level 3	Total
Equity mutual funds				
Foreign large cap blend	\$ 975,469	\$ -	\$ -	\$ 975,469
Moderate allocation	1,712,945	-	-	1,712,945
Diversified emerging markets	1,951,454	-	-	1,951,454
Foreign large blend	1,949,900	-	-	1,949,900
Large blend	1,612,745	-	-	1,612,745
Other	860,328	-	-	860,328
	<u>9,062,841</u>	<u>-</u>	<u>-</u>	<u>9,062,841</u>
ETF				
Large growth	1,603,284	-	-	1,603,284
Large blend	4,213,776	-	-	4,213,776
	<u>5,817,060</u>	<u>-</u>	<u>-</u>	<u>5,817,060</u>
Equity funds				
International	-	697,609	4,315,139	5,012,748
Domestic	-	1,552,032	-	1,552,032
	<u>-</u>	<u>2,249,641</u>	<u>4,315,139</u>	<u>6,564,780</u>
Hedge funds – equity long/short	-	4,428,830	2,609,806	7,038,636
Fund of funds – global opportunities	-	2,016,251	-	2,016,251
Private equity funds – global opportunities	-	-	887,493	887,493
	<u>\$ 14,879,901</u>	<u>\$ 8,694,722</u>	<u>\$ 7,812,438</u>	<u>\$ 31,387,061</u>

The Plan's assets also consisted of \$711,926 in cash and cash equivalents at December 31, 2014, which are not subject to the provisions of fair value since they are held at cost. The Plan assets are invested in the same equity funds, hedge funds, fund of funds, and private equity funds as the Society.

The following section describes the valuation techniques used by the Society:

Investments in equity, fixed income mutual funds and exchange traded funds are traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation. Fair value of exchange-traded contracts is based upon exchange settlement prices. These financial instruments are classified as Level 1 in the fair value hierarchy.

Investments in some partnerships, hedge funds, and international equities have a determinable market value but they are not actively traded for identical and are classified as Level 2 investments.

The Society's investment in investments in limited partnerships where the general partner or managers have imposed lock-in-periods or suspended or postponed redemptions, are classified as Level 3 as they are not readily marketable. Investments in hedge funds for which the value is not readily determinable and the holdings are not actively traded for identical assets are also classified as Level 3.