The Humane Society of the United States and Affiliates

Consolidated Financial Statements and Supplemental Schedules
Year Ended December 31, 2018

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Independent Auditor's Report

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, which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statement of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 judgement, 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, 2018, and the change 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.

BDO USA, LLP

May 15, 2019

Consolidated Financial Statements

The Humane Society of the United States and Affiliates

Consolidated Statement of Financial Position

As of December 31, 2018

Assets	
Cash and cash equivalents	$ 17,178,782
Investments	210,595,052
Investments to fund deferred compensation liability	246,367
Accrued interest receivable	191,053
Prepaid expenses and other assets	2,644,446
Contributions, bequests and other receivables, net	22,120,968
Property and equipment, net	31,535,003
Total assets	$ 284,511,671
Liabilities and Net Assets	
Liabilities	
Accounts payable and accrued expenses	$ 19,093,437
Annuities and unitrusts	11,999,858
Accrued severance obligation	606,321
Deferred compensation liability	246,367
Total liabilities	31,945,983
Commitments and contingencies (Notes 14 and 15)	
Net Assets	
Without donor restrictions	
Board designated	75,592,757
Undesignated	85,977,929
	161,570,686
With donor restrictions	90,995,002
Total net assets	252,565,688
Total liabilities and net assets	$ 284,511,671

See accompanying notes to the consolidated financial statements.

The Humane Society of the United States and Affiliates

Consolidated Statement of Activities and Change in Net Assets

Year ended December 31, 2018	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions	$ 110,442,573	$ 30,447,820	$ 140,890,393
Bequests	25,525,383	3,529,241	29,054,624
Royalty income	464,266	40,508	504,774
Event income	2,200,675	230,592	2,431,267
Other income	3,274,883	565,963	3,840,846
Net assets released from restrictions	40,678,904	(40,678,904)	-
Total support and revenue	182,586,684	(5,864,780)	176,721,904
Expenses			
Program services	147,826,832	-	147,826,832
Management and general	10,533,196	-	10,533,196
Fundraising	36,331,237	-	36,331,237
Total expenses	194,691,265	-	194,691,265
Change in net assets from operations	(12,104,581)	(5,864,780)	(17,969,361)
Investment loss, net	(7,392,454)	(2,191,736)	(9,584,190)
Change in net assets before annuity, foreign currency and retirement benefits adjustment	(19,497,035)	(8,056,516)	(27,553,551)
Annuity liability change in valuation	(376,195)	(81,286)	(457,481)
Foreign currency loss	(394,173)	-	(394,173)
Pension-related changes other than other than net periodic benefit cost	349,423	-	349,423
Change in net assets	(19,917,980)	(8,137,802)	(28,055,782)
Net assets, Beginning of the year	181,488,666	99,132,804	280,621,470
Net assets, End of the year	$ 161,570,686	$ 90,995,002	$ 252,565,688

See accompanying notes to the consolidated financial statements.

The Humane Society of the United States and Affiliates

Consolidated Statement of Functional Expenses

Year ended December 31, 2018	Program Services: Direct Care	Program Services: Public Policy	Program Services: Corporate Policy	Program Services: Education	Program Services: Total Program	Management and General	Fundraising	Total
Expenses								
Salaries	$ 11,695,032	$ 10,128,378	$ 929,058	$ 11,826,909	$ 34,579,377	$ 3,921,789	$ 4,085,600	$ 42,586,766
Employee benefits	2,852,169	2,431,495	226,319	2,765,674	8,275,657	967,231	1,070,463	10,313,351
Total compensation	14,547,201	12,559,873	1,155,377	14,592,583	42,855,034	4,889,020	5,156,063	52,900,117
Education material, publications and campaigns	1,632,722	1,793,592	452,423	22,161,135	26,039,872	96,694	7,159,028	33,295,594
Mailing costs	6,114,714	5,148,231	439,793	5,976,294	17,679,032	-	13,471,310	31,150,342
Consultant and contracted services	11,207,623	4,385,523	705,775	9,657,931	25,956,852	2,718,125	4,856,744	33,531,721
Professional fees	1,246,955	3,665,157	75,880	1,208,963	6,196,955	574,045	741,970	7,512,970
Contributions and grants	4,692,117	2,748,292	45,019	2,190,850	9,676,278	-	-	9,676,278
Travel and events	2,855,075	1,295,869	212,289	1,814,246	6,177,479	60,736	414,270	6,652,485
Supplies and field expenses	4,648,644	522,294	37,873	1,530,642	6,739,453	598,686	1,487,399	8,825,538
Bank and trustee fees	-	-	-	-	-	314,764	2,396,197	2,710,961
Occupancy and building expense	1,770,260	584,503	7,263	785,910	3,147,936	629,216	240,553	4,017,705
Depreciation and amortization	932,046	57,793	-	48,942	1,038,781	422,773	-	1,461,554
Postage and shipping	127,442	47,455	8,330	795,935	979,162	18,089	115,351	1,112,602
Telephone	183,380	124,596	11,160	152,445	471,581	77,917	94,708	644,206
Insurance and bonds	387,103	172,532	15,641	227,807	803,083	125,234	164,454	1,092,771
Miscellaneous taxes	11,409	19,287	1,732	32,906	65,334	7,897	33,190	106,421
Total expenses	$ 50,356,691	$ 33,124,997	$ 3,168,555	$ 61,176,589	$ 147,826,832	$ 10,533,196	$ 36,331,237	$ 194,691,265

See accompanying notes to the consolidated financial statements.

The Humane Society of the United States and Affiliates

Consolidated Statement of Cash Flows

Year ended December 31, 2018	
Cash flows from operating activities:	
Change in net assets	$ (28,055,782)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Decrease in allowance for uncollectible contributions and bequests	(92,739)
Bad debt expense	943,139
Change in discount on multi-year contributions and bequests	8,915
Depreciation and amortization	1,461,554
Realized and unrealized loss on investments, net	12,193,513
Donated stock	(4,414,880)
Loss on disposal of property and equipment	1,809,863
Contributions restricted to perpetuity	(1,587,387)
Changes in assets and liabilities:	
(Increase) decrease in:	
Accrued interest receivable	(29,815)
Prepaid expenses and other assets	570,402
Investment to fund deferred compensation liability	129,498
Contributions, bequests, and other receivables, gross	(140,167)
Increase (decrease) in:	
Accounts payable and accrued expenses	(5,228,074)
Actuarial gain on annuities and unitrusts	687,774
Accrued severance obligation	(236,804)
Accrued postretirement benefit obligation	(478,921)
Net cash used in operating activities	**(22,459,911)**
Cash flows from investing activities:	
Net increase in cash and cash equivalents held in investments	(7,587,251)
Proceeds from sale of investments	41,290,929
Purchases of investments	(23,338,742)
Proceeds from sale of property and equipment	187,153
Purchases of property and equipment	(1,882,994)
Net cash provided by investing activities	**8,669,095**
Cash flows from financing activities:	
Investments subject to annuity agreements	236,927
Payments on annuity agreements	(1,447,038)
Contributions restricted to perpetuity	1,587,387
Net cash provided by financing activities	**377,276**
Net decrease in cash and cash equivalents	**(13,413,540)**
Cash and cash equivalents	
Beginning of year	30,592,322
End of year	$ 17,178,782

See accompanying notes to the consolidated financial statements.

1. The Organization and Summary of Significant Accounting Policies

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 (The HSUS)

The HSUS seeks to prevent and bring an end to animal cruelty in all of its forms, and to celebrate and strengthen the human-animal bond. The HSUS is the nation's most influential animal protection organization, with a distinct mission, helping animals through direct care, corporate reform, education, disaster response, emergency relief and rescue, fieldwork, investigations, litigation, research, scientific and technical analysis, media outreach, public advocacy, and legislative and policy initiatives. From its founding in 1954, the HSUS has complemented and enhanced the work of local and regional humane societies, promoting the protection of animals at the national (and global) level, tackling issues whose scope and magnitude exceed the capacity of local organizations, and working to expand the humane movement throughout the United States and abroad. The founders of the HSUS did not seek to replicate the activities of local groups but chose instead to be a national voice in the fight against cruelty and the celebration of the human-animal bond. Today, the HSUS confronts large-scale national and international problems, such as animal fighting, puppy mills, companion animal overpopulation, seal killing, commercial trade in wildlife and wildlife parts and products, trophy hunting, trapping and raising of animals for fur, suffering of horses via soring and other abuses, and inhumane slaughter and factory farming of animals raised for food.

Doris Day Animal League (DDAL)

DDAL, founded in 1987 by the actress and animal advocate, Doris Day, is a nonprofit, national, citizen's lobbying organization working for the humane treatment of animals. Since its inception, DDAL, a 501(c)(4) entity, has been a leader on animal welfare legislation and public policy. DDAL works with the U.S. Congress, government agencies, state and local officials, and other policy stakeholders to secure the passage of new laws and the enforcement of existing laws that reduce or eliminate the suffering of animals.

The Fund for Animals (FFA)

FFA, since 2005, has been the entity responsible for most of the HSUS animal care facilities including, the Cleveland Amory Black Beauty Ranch (TX), the Duchess Sanctuary (OR), and the Fund for Animals Wildlife Center (CA). These facilities focus on rehabilitation and release, and other hands-on care and rescue of injured, orphaned, and abandoned animals, as well as promoting the humane treatment of all animals and the prevention of cruelty through education and advocacy. The Cleveland Amory Black Beauty Ranch in Murchison, Texas is a 1,437-acre sanctuary that cares for approximately 1,000 animals year round, representing 42 species, rescued from abuse or abandonment. The 1,120-acre Duchess Sanctuary in Oakland, Oregon cares for about 200 formerly abused, abandoned, and neglected horses. The Fund for Animals Wildlife Center in Ramona, California is a 13-acre facility that provides medical treatment, care, and rehabilitation of native wildlife, and releases them back into the wild.

Humane Society International, Inc. (HSI)

HSI, founded in 1991, educates audiences worldwide about compassion toward animals, carries out direct animal care, rescue, and disaster response; provides technical and scientific support to local partners; and seeks to increase the priority given to animal protection issues by policy-makers, industry, and civil society worldwide. HSI's core campaigns focus on the humane management of street animals via sterilization and vaccination in much of Asia, Latin America, and South America; the elimination of the dog meat trade in Asia; an end to the confinement of farm animals in battery cages and gestation crates in India, Brazil, Mexico, and elsewhere; a phase-out of animal testing for human and environmental hazard and risk assessment; a halt to the killing of seals for commercial purposes; the cessation of shark finning and shark fin soup consumption; and the restriction of mercy release programs that encourage the capture and subsequent release of wild animals. HSI works aggressively against the illicit global wildlife trade, advances efforts to stop commercial whaling (via the International Whaling Commission), and seeks to improve wildlife protection mechanisms in international trade negotiations. HSI also campaigns against the trapping and ranching of animals for fur garments, and promotes wildlife contraception as a humane way to manage wildlife populations (particularly elephants) without the stress of capture and translocation or culling. In addition, HSI responds to cases of companion animal suffering (e.g. rescuing dogs from the dog meat trade in Asia or from puppy mills in Canada) and to major disasters that affect animals by sending skilled responders and funding support when disasters occur. HSI encompasses the below related affiliates throughout the world:

- Humane Society International (UK)
- Humane Society International Latin America
- Humane Society International / Canada
- Friends of Humane Society International for the Protection and Conservation of Animals
- Humane Society International - India
- Humane Society International – Europe
- Humane Society International - Mexico
- Humane Society International – Africa
- Humane Society International - Korea

Humane Society Veterinary Medical Association Inc. (HSVMA)

The HSVMA, incorporated in 1982, promotes and provides veterinary leadership in animal advocacy, public education and direct care to aid animals in need. HSVMA's main program areas include communication, educational, legislative and regulatory efforts to promote animal welfare, continuing education events focusing on animal welfare issues, advocating for humane alternatives in veterinary education, and a direct care program, RAVS (Rural Area Veterinary Service), offers veterinary medical treatment for animals on Native American reservations in the United States and remote locations abroad. During 2018, RAVS was moved from the HSVMA management to FFA to enable HSVMA to focus on its core mission of advocacy and public education.

South Florida Wildlife Center, Inc. (SFWC)

SFWC, incorporated in 1969, helps animals in South Florida's tri-county region (Palm Beach, Broward, and Miami-Dade). Staff members rescue, rehabilitate, and release harmed or displaced native wildlife; treat and place domestic, exotic and farm animals in need; and teach the public about living alongside our wild neighbors. The largest wildlife trauma hospital and rehabilitation center in the nation, based on intake numbers, the SFWC daily performs field rescues of injured, orphaned, and imperiled animals. SFWC personnel restore mobility and function to injured wildlife, provide rehabilitative care in enriched, species-specific habitats, and release rehabilitated animals back into the wild.

Humane Society Wildlife Land Trust (HSWLT)

HSWLT, founded in 1993, celebrates and protects wild animals by creating and managing permanent sanctuaries; by preserving and enhancing natural habitat; and by confronting cruelty. HSWLT protects natural habitat in perpetuity and seeks to ensure that animals living on protected lands are not hunted or trapped. HSWLT maintains a portfolio of more than 112 permanent wildlife sanctuaries comprising over 19,000 acres and has been involved in the protection and conservation of habitat in nearly 40 states and nine countries, sanctuaries where recreational and commercial hunting and a variety of practices threatening to animals and their habitat will always be prohibited. HSWLT also works in collaboration with other non-governmental organizations throughout the United States and abroad to promote and advance the protection of habitat and wildlife. HSWLT has been involved in 30 such projects, involving two million acres in total.

Project Chimps (PC)

Founded in 2014, PC seeks to end the use of chimpanzees in invasive biomedical research, and provide lifetime sanctuary care to chimpanzees in need. As part of this mission, PC has retired 59 chimpanzees coming out of biomedical research to a sanctuary on 236 acres in Georgia. PC has an agreement with University of Louisiana-Lafayette New Iberia Research Center (NIRC) to move nearly all 200 NIRC chimpanzees to the sanctuary, bringing an end to chimpanzee research at that facility.

The significant accounting policies followed by the Society are described below.

Basis of accounting

The accompanying consolidated financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Principles of consolidation

The consolidated financial statements include the accounts of the Humane Society of the United States, Doris Day Animal League, the Fund for Animals, Humane Society International, Inc. and its related international affiliates, Humane Society Veterinary Medical Association, South Florida Wildlife Center, Inc., Humane Society Wildlife Land Trust, and Project Chimps. All significant inter-organizational balances and transactions have been eliminated in consolidation.

Basis of presentation

The Society follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification ("ASC") ASC 958-605 *Not-for-Profit Entities – Presentation of Financial Statements*. The Society is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Use of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting year. Actual results could differ from estimates under different assumptions and conditions.

Revenue recognition

Contribution revenue

Contributions, including unconditional promises to give, are recognized in the period received. Contributions received are considered to be available for use unless specifically restricted by the donor. Amounts received that are designated for a future period, or are restricted by the donor for specific purposes are reported as contributions with donor restrictions. These contributions also increase net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as contributions without donor restrictions.

Contributions are reported at fair value, which is net of estimated uncollectible amounts. The Society uses the allowance method to determine uncollectible, unconditional pledges receivable. The allowance is based on experience as well as management’s analysis of specific pledges made, including such factors as prior collection history, type of contribution, and nature of fundraising activity. Contributions, including multi-year pledges and split interest agreements, to be received after one year, are recorded at the present value of the estimated future cash flows. Subsequent changes in this discount resulting from the passage of time are accounted for as contributions in subsequent years. Revenue under charitable gift annuity arrangements is reduced by the estimated annuities to be paid by the Society over the beneficiary’s lifetime. Irrevocable split-interest agreements, including charitable remainder trusts, charitable lead trusts and perpetual trusts, are recorded as revenue when the trust agreements become irrevocable.

Conditional promises to give, including those received under multi-year grant agreements, are recognized as revenue when the conditions on which they depend have been substantially met.

Bequest revenue

The Society is the beneficiary under various wills. Legacy and bequest income is recognized when the Society has an irrevocable right to the gift and the proceeds are readily measurable.

Individual bequests without donor restriction 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.

In-kind contributions

Contributed services and in-kind contributions are recognized if they create or enhance non-financial assets or require specialized skills and would need to be purchased if not provided by donation.

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 (PSAs) are distributed to radio stations and newspapers nationwide and are presented free of charge. The Society has contracted with an independent outside agency to track the date and time that each PSA is presented. The estimated value of the PSA and related placement is based on the date, time, and market of the placement. For the year ended December 31, 2018, the Society recorded $18,128,439 of contributed PSAs and other advertising related expenses. These amounts are recorded in contributions revenue and program expenses in the consolidated financial statements.

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, 2018, the Society received $5,830,391 in donated services and $2,821,327 in donated equipment and supplies. These amounts are recorded in contributions revenue and program expenses in the consolidated financial statements.

Event income

Registration and exhibit fees are recognized upon completion of the related event.

Other revenue

Other revenues are recognized when earned.

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, 2018, cash and cash equivalents consisted of checking accounts and depository accounts.

Investments

The Society generally reports investments at fair value. Investment return reported in the statement of activities and changes in net assets is net of all external and direct internal investment management expenses. Interest and dividend income is accounted for on the accrual basis. Gains and losses on investments, including changes in market value, are reported in the consolidated statement of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulation.

Investments in equity securities with readily determinable fair values as well as investments in mutual and exchange-traded funds are reported at quoted market prices. Investments in debt securities are reported at estimated fair value based on quoted interest rates for securities of similar terms and risks.

Investments in hedge funds, funds of funds, equity funds and private equity funds are reported at fair values as estimated by their respective investment managers, unless the investments report at net asset value, in which case net asset value is used as the basis for determining fair value. In all instances, the estimated fair values for these types of investments reflect the Society's interest in the fair values of the underlying investments.

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 and discounts for any long-term receivables. 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 $1,333,794 at December 31, 2018. Total bad debts written off was $943,139 for the year ended December 31, 2018.

Conditional promises to give are reported when the conditions on which they depend are substantially met and the conditional promise becomes unconditional.

Property and equipment

Property and equipment with a cost of $5,000 or more are capitalized. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment is retired, or otherwise disposed of, the cost and accumulated depreciation and amortization is removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. 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. Useful lives range from (i) 10 to 40 years for building and improvements, and (ii) up to 5 years for automobiles, and office furniture and equipment. Depreciation is not calculated on land and construction-in-progress.

Charitable gift annuities

Annuity obligations arising from split-interest gifts are recognized as charitable gift annuities in the accompanying consolidated statements of financial position. The initial liabilities resulting from these gifts are measured at fair value using the present value of the future payments to be made to beneficiaries. These liabilities are subsequently remeasured at the present value of future payments to beneficiaries based on changes in life expectancy and other actuarial assumptions. The Society holds the underlying annuity assets in a separate investment account.

Net assets

Net assets are classified into the two categories: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions – undesignated

Undesignated net assets without donor restrictions are those net assets that are not subject to donor-imposed stipulations or board designations.

Net assets without donor restrictions - board-designated

The Society's board of directors has set aside a portion of net assets without donor restrictions as board-designated fund assets, and has implemented an investment policy that includes an annual discretionary transfer of amounts to undesignated net assets to support operations.

Net assets with donor restrictions

Net assets with donor restrictions generally result from net contributions and other inflows of assets whose use by the Society is limited by donor-imposed stipulations that either expire by passage of time or are fulfilled and the restriction removed by actions of the Society pursuant to those stipulations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statements of activities and changes in net assets as net assets released from restrictions. Donor contributions with restrictions that will be fulfilled in the same fiscal year that contributions are received are reported in the accompanying consolidated statements of activities and change in net assets as contributions without donor restrictions.

The Society also has net assets with donor restrictions that generally result from contributions and other inflows of assets whose use by the Society is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by the Society. Generally, the donors of these assets permit the Society to use the income earned on related investments for general or specific purposes.

Tax status

The HSUS, FFA, HSI, HSVMA, SFWC, HSWLT, and PC 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.

For the year ended December 31, 2018, the Society earned $298,442 of unrelated business income from magazine and website advertising.

Humane Society International (UK) is a company limited by guarantee, registered in England and Wales, as a registered charity. The organization was incorporated on December 5, 2002 and was registered as a charity on August 11, 2003.

Humane Society International Latin America is an association, registered in San Jose, Costa Rica. The organization was incorporated on February 2, 2004.

Humane Society International / Canada was incorporated on September 14, 2005 under the Canada Corporations Act as a corporation without share capital. The organization is continued under the

Canada Not-for-Profit Act and is exempt from income tax in Canada as a not-for-profit organization under Section 149(1)(L) of the Income Tax Act (Canada).

Friends of Humane Society International for the Protection and Conservation of Animals was incorporated on October 6, 2005 under the Canada Corporations Act as a corporation without share capital. The organization is continued under the Canada Not-for-Profit Act and is exempt from income tax in Canada as a registered charitable organization under the Income Tax Act (Canada).

Humane Society International - India was incorporated on October 23, 2012 under Section 25 of the Companies Act (India), 1956 (No. 1 of 1956) and the company is a private limited entity.

Humane Society International - Europe is a non-profit association without lucrative purpose governed by the Act of June 27, 1921 (Belgium) incorporated in Belgium on May 16, 2014.

Humane Society International - Mexico is a Civil Association incorporated in Mexico on July 30, 2015.

Humane Society International - Africa is a Trust organized in South Africa on June 13, 2016.

Humane Society International - Korea is a foundation (non-profit organization) established under the laws of the Republic of Korea on August 29, 2018.

In accordance with FASB ASC 740 *Income Taxes*, the Society recognizes tax liabilities for uncertain tax positions when it is more likely than not that a tax position will not be sustained upon examination and settlement with various taxing authorities. Liabilities for uncertain tax positions are measured based upon the largest amount of benefit that is greater than 50% likely of being realized upon settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. With a few exceptions, the Society is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years ended December 31, 2015 and prior. Management has evaluated the Society's tax positions and has 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.

Donated securities

Donated securities are reported at their fair value as of the date of donation. Sales are reflected on a trade-date basis.

Operations

Operating revenues and expenses include all transactions that increase or decrease net assets except those associated with net investment return, asset transactions and other pension-related changes.

Valuation of long-lived assets

The Society reviews the valuation of its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived assets is measured by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If such assets are considered 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. No indicators of impairment were identified as of December 31, 2018.

Functional allocation of expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the consolidated statement of activities and consolidated statement of functional expenses. Costs that can be specifically identified with a final cost objective are charged directly to that activity. Certain categories of expenses that are attributable to one or more program or supporting functions of the organization are allocated. The method of allocation is listed below by allocation name. Management and general costs include the Office of the President, Office of General Counsel, Information Technology and other general costs such as insurance.

The table below provide details around each functional expense allocation of the Society:

Allocation Name	Method/Basis of Calculation
Building costs	Headcount
Depreciation	Asset ownership by department
Contributions and grant expense	Individual assessment of each award
Bank and lockbox fees	Direct allocation
Management and general costs	Salary per functional expense divided by total salaries

Fair value of financial instruments

The carrying amounts of cash and cash equivalents, annuities and unitrusts, accrued severance obligation, deferred compensation liability and accounts payable and accrued expenses approximate fair value because of the short maturity of these instruments. Investments are generally reported at fair value.

Concentrations of credit risk

The Society's assets that are exposed to credit risk consist primarily of cash and cash equivalents; investments; and contributions, bequests and other receivables. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Society has historically not experienced losses related to these balances. Amounts on deposit in excess of federally insured limits approximate $13 million at December 31, 2018. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect the investment balances and the amounts reported in the consolidated statement of financial position. The Society's contributions, bequests and other receivables balance consists primarily of amounts due from individuals and corporations. Historically, the Society has not experienced significant losses related to the bequests and contributions receivable balances and, therefore, believes that the credit risk related to them is minimal.

The Society records foreign currency translation in accordance with FASB ASC 830 *Foreign Currency Matters*. The financial statements and transactions of various international subsidiaries are generally maintained in the respective local currencies. For the consolidated financial statements, foreign entities' assets and liabilities are translated at exchange rates in effect as of the date of the consolidated statement of financial position. Revenue and expenses are translated at the exchange rates in effect at the end of the reporting period, which approximates translation at the average exchange rate during each period. Translation adjustments, which result from the process of translating the consolidated financial statements into U.S. dollars, are accumulated in net assets without donor restrictions. Gains and losses from foreign currency transactions are included in the consolidated statements of activities as changes in net assets in the period in which they are realized.

Recently adopted authoritative guidance

In August 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities.* ASU 2016-14 amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities and change in net assets, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements except for the additional disclosures and changes to the financial statement presentation. The Society has adopted ASU 2016-14 and has adjusted the presentation of these consolidated financial statements accordingly. There was no effect on the change in net assets reported at December 31, 2017.

Recent accounting pronouncements not yet adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* This update supersedes previously issued guidance on revenue recognition and will apply to virtually all industries. The core principle ASU 2014-09 is built on the contract between a vendor and a customer for the provision of goods and services. It attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue recognition based on the consideration to which the vendor is entitled. To accomplish this objective, ASU 2014-09 requires five basic steps: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies the performance obligation. ASU 2014-09 will be effective for nonpublic entities for annual reporting periods beginning after December 15, 2018. The Society is evaluating the effect that adoption of ASU 2014-09 will have on the Society's consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall* (Subtopic 825-10). ASU 2016-01 requires an entity to: (i) measure equity investments at fair value through net income, with certain exceptions; (ii) present in other comprehensive income ("OCI") the changes in instrument-specific credit risk for financial liabilities measured using the fair value option; (iii) present financial assets and financial liabilities by measurement category and form of financial asset; (iv) calculate the fair value of financial instruments for disclosure purposes based on an exit price and; (v) assess a valuation allowance on deferred tax assets related to unrealized losses of available for sale ("AFS") debt securities in combination with other deferred tax assets. ASU 2016-01 provides an election to subsequently measure certain nonmarketable equity investments at cost less any impairment and adjusted for certain observable price changes. ASU 2016-01 also requires a qualitative impairment assessment of such equity investments and amends certain fair value disclosure requirements. ASU 2016-01 will be effective for nonpublic entities for annual reporting periods beginning after December 15, 2018. Early adoption is only permitted for the provision related to instrument-specific credit risk and the fair value disclosure exemption provided to nonpublic entities. The Society is evaluating the effect that adoption of ASU 2016-01 will have on the Society's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842*). ASU 2016-02 requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. For leases with a lease term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a right-of-use asset or lease liability. A lessee making this accounting policy election would recognize lease expense over the term of the lease, generally in a straight-line pattern. ASU 2016-02 is effective for financial statements issued for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. In transition, a lessee and a lessor will recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients. These practical expedients relate to identifying and classifying leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. The Society is evaluating the effect that adoption of ASU 2016-02 will have on the Society's consolidated financial statements.

In March 2017, FASB issued ASU 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. ASU 2017-07 applies to any employer that sponsors a defined benefit pension plan, other postretirement benefit plan, or other types of benefits accounted for under Topic 715. The amendments in ASU 2017-07 require that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost, as defined in Topic 715, are required to be presented in the consolidated statement of activities separately from the service cost component and outside a subtotal of income from operations, if one is presented. If a separate line item or items are used to present the other components of net benefit cost, that line item or items must be appropriately described. If a separate line item or items are not used, the line item or items used in the consolidated statement of activities to present the other components of net benefit cost must be disclosed. The amendments in ASU 2017-07 also allow only the service cost component to be eligible for capitalization when applicable. ASU 2017-07 is effective for the Society's year ending December 31, 2019. Early adoption is permitted. The Society is currently evaluating the effect the adoption of ASU 2017-07 will have on the Society's consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958)*, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* ASU 2018-08 was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. ASU 2018-08 provides guidance to assist in the determination of whether a transaction is a contribution or an exchange transaction. If the transaction is deemed to be a contribution the guidance provides factors to consider with regard to whether the contribution is conditional or unconditional. For contributions received, if determined to be an unconditional contribution, the determination will then need to be made as to whether the contribution is restricted. ASU 2018-08 will assist in the determination of the nature of the transaction which will then govern the revenue and expense recognition methodology and timing of the transaction. ASU 2018-08 is effective for transactions in which the entity serves as the resource recipient to annual periods beginning after December 15, 2018. ASU 2018-08 is effective for transactions in which the entity serves as the resource provider to annual periods beginning after December 15, 2019. The Society is currently evaluating the impact of ASU 2018-08 on the Society's consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 modifies certain disclosure requirements in Topic 820, *Fair Value Measurement*. ASU 2018-13 is effective for the Society's consolidated financial statements for fiscal years beginning after December 15, 2019. The Society is currently evaluating the impact of ASU 2018-13 on the Society's consolidated financial statements.

2. Liquidity and Availability of Resources

The following table represents the Society's financial assets available to meet cash needs for general expenditures within one year following December 31, 2018.

Total assets, December 31, 2018		$ 284,511,671
Less: Non-financial assets		
Prepaid expenses and other assets	$ (2,644,446)	
Net property and equipment	(31,535,003)	(34,179,449)
Financial assets, December 31, 2018		250,332,222
Adjustments for amounts not available for general expenditures		
Mission-related investments	(1,479,996)	
Investments to fund deferred compensation liability	(246,367)	
Investments to fund liability for charitable annuities and remainder unitrusts	(11,999,858)	
Investments to fund severance and retirement obligations	(606,321)	
Net assets with donor restrictions	(90,995,002)	
Receivables not collectible within one year	(6,093,837)	
Board designated net assets	(75,592,757)	
Financial assets not available for general expenditures within one year		(187,014,138)
Financial assets available for general expenditures within one year		$ 63,318,084

As part of the Society's liquidity management policy, its financial assets are structured to be available as its general expenditures, liabilities, and other obligations are due. Cash in excess of daily requirements are invested in a portfolio of investments designed to maximize earnings with acceptable risk to the investment principal.

To help manage unanticipated liquidity needs, the Society designated a portion of its net assets without donor restriction as a reserve to be invested long-term. Although the Society does not intend to spend from this reserve, the designation is voluntary and may be reversed by the governing board at any time to meet immediate cash requirements. Other items not available for general expenditures within one year include mission-related investments not readily liquidated, deferred compensation and severance obligations set aside by Board action, investments to fund annuities and unitrusts as well as endowments and net assets with donor-imposed restrictions extending beyond one year, and receivables not collectible within one year.

To further supplement liquidity, the Society also has a $20 million line-of-credit with the Bank of New York Mellon, which it can draw upon if conditions dictate.

3. Investments

Investments consist of the following at December 31, 2018:

Investments measured at fair value (Note 4)	$ 187,507,042
Charitable annuities (Note 4 and Note 8)	20,927,301
Charitable remainder unitrusts (Note 4 and Note 8)	680,713
Total investments measured at fair value	209,115,056
Mission-related investments	1,479,996
Total investments	$ 210,595,052

Mission-related investments are the Society's direct investments in various entities whose purpose aligns with the Society's mission. The Society records these investments using the equity method, reviewing the investment annually for impairment. No indicators of impairment were identified as of December 31, 2018.

4. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability between market participants in an orderly transaction on the measurement date. The market in which the reporting entity would sell the asset or transfer the liability with the greatest volume and level of activity for the asset or liability is known as the principal market. When no principal market exists, the most advantageous market is used. This is the market in which the reporting entity would sell the asset or transfer the liability with the price that maximizes the amount that would be received or minimizes the amount that would be paid. Fair value is based on assumptions market participants would make in pricing the asset or liability. Generally, fair value is based on observable quoted market prices or derived from observable market data when such market prices or data are available. When such prices or inputs are not available, the reporting entity should use valuation models.

The Society reports certain investments using the net asset value per share as determined by investment managers under the so-called "practical expedient". The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met.

ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value and maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring the use of observable inputs when available. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under ASC 820 are described as follows:

- **Level 1** - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access.

- **Level 2** - Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
  - If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- **Level 3** - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Assets held in the Society's defined benefit plan are also subject to the fair value measurement requirements and are separately disclosed (Note 11). Therefore, they are not included in the level summaries or tables presented below.

Fair value on a recurring basis - assets

The table below presents of assets measured at fair value on a recurring basis by level within the hierarchy:

	As of December 31, 2018				
	Assets Measured at Net Asset	Fair Value Hierarchy Level			
Description	Value*	Level 1	Level 2	Level 3	Total
Hedge funds					
Equity long/short	$ -	$ -	$ -	$ 32,182,339	$ 32,182,339
Fund of funds					
Equity long/short	5,751,747	-	-	-	5,751,747
Equity funds					
International long/short	5,947,672	-	-	-	5,947,672
Domestic	14,048,129	-	-	-	14,048,129
Other	15,533,038	-	-	-	15,533,038
Private equity funds					
Energy and real estate	-	-	-	5,011,628	5,011,628
Global opportunities	8,636,175	-	-	5,610,780	14,246,955
Other	6,107,609	-	-	16,595,129	22,702,738
Fixed income securities					
U.S. government and agency obligations (AAA rated)	-	-	3,362,720	-	3,362,720
Asset-backed fixed income securities (AAA rated)	-	-	75,888	-	75,888
Corporate bonds (AAA to A rated)	-	-	59,851	-	59,851
Other (BBB rated)	-	-	18	-	18
Equity mutual funds					
Commodities	-	228,282	-	-	228,282
Large cap blend	-	5,361,654	-	-	5,361,654
Emerging markets	-	829,296	-	-	829,296
Global opportunities	-	5,092	-	-	5,092
Mutual fund futures	-	-	894,661	-	894,661
International	-	13,328,224	-	-	13,328,224
Balanced	-	18,481	-	-	18,481
Small cap blend	-	638,143	-	-	638,143
Real estate	-	281,062	-	-	281,062
Other	-	3,156,477	-	-	3,156,477
Fixed income	-	5,457,609	-	-	5,457,609
Exchange traded	-	19,855,987	-	-	19,855,987
Equity securities	-	2,654,054	-	-	2,654,054
Cash and cash equivalents	-	37,483,311	-	-	37,483,311
Total fair value investments	$ 56,024,370	$ 89,297,672	$ 4,393,138	$ 59,399,876	$ 209,115,056

* Certain investments that are measured at fair value using net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying consolidated statements of financial position.

In accordance with the guidance for fair value measurements, the Society maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Fair value is based on actively quoted market prices, if available. In the absence of actively quoted market prices, price information from external sources, including broker quotes and industry publications is used. If pricing information from external sources is not available, or if observable pricing is not indicative of fair value, judgment is required to develop the estimates of fair value. In those cases, the Society estimates prices based on available historical and near-term future price information that reflects its market assumptions.

For contracts with unique characteristics, the Society estimates fair value using a discounted cash flow approach deemed appropriate in the circumstances and applied consistently from period to period.

Changes in fair value levels

To assess the appropriate classification of investments within the fair value hierarchy, the availability of market data is monitored. Changes in economic conditions or valuation techniques may require the transfer of investments from one fair value level to another. The Society's management evaluates the significance of transfers between levels based upon the nature of the investment. For the year ended December 31, 2018, there were no significant transfers in or out of Level 3.

Level 3 gains and losses

For assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3), a reconciliation is required 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:

	Hedge Funds	Private Equity Funds	Total
Balance at January 1, 2018	$ 37,339,180	$ 29,279,935	$ 66,619,115
Purchases	930,000	1,652,090	2,582,090
Sales	(4,039,249)	(3,737,988)	(7,777,237)
Realized gains	1,079,873	165,679	1,245,552
Unrealized losses	(3,127,465)	(142,179)	(3,269,644)
Balance at December 31, 2018	$ 32,182,339	$ 27,217,537	$ 59,399,876

The major categories of the Society's investments that are valued at net asset value or its equivalent or are measured using Level 3 inputs, including general information related to each category, are as follows at December 31, 2018:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds - Equity long/short (a)	$ 32,182,339	$ 2,070,000	Monthly, Quarterly, Annually	30-60 days
Fund of funds - Equity long/short (b)	5,751,747	-	Quarterly, Monthly	30 days
Private equity funds (c)	41,961,321	7,403,717	Quarterly, Semi-Annually	30-90 days
Equity funds (d)	35,528,839	-	Monthly, Semi-Annually	60 days
	$ 115,424,246	$ 9,473,717		

(a) This category includes investments in hedge funds that invest both long and short in various domestic and international common stocks. Management of the hedge funds have the ability to shift from value to growth strategies, from small to large capitalization, 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, or the Society's ownership interest in partners' capital. The redemption policies of each alternative investment vary within the terms stated as to the conditions set forth within the offering memorandum of the respective alternative investment.

(b) This category includes investment funds that invest both long and short in various domestic and international common stocks. The fair value of the investments in this category have been estimated using the net asset value per share of the investments. The redemption policies of each alternative investment vary within the terms stated as to the conditions set forth within the offering memorandum of the respective alternative investment.

(c) These are investment in private equity funds that invest in various instruments that hold the majority of the funds' investments in common stocks, debt instruments and diversified currencies. The fair value of the investments in this category has been estimated using the net asset value per share of the investments, or the Society's ownership interest in partners' capital. The redemption policies of each alternative investment vary within the terms stated as to the conditions set forth within the offering memorandum of the respective alternative investment.

(d) 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. The redemption policies of each alternative investment vary within the terms stated as to the conditions set forth within the offering memorandum of the respective alternative investment.

Quantitative information as of December 31, 2018 with respect to assets measured and carried at fair value on a recurring basis with the use of significant unobservable inputs (Level 3) follows:

Description	Fair Value	Principal Valuation Technique	Unobservable Inputs	Weighted Average
Hedge funds	$ 32,182,339	Market Approach	Values assigned to underlying funds/assets less liabilities	N/A
Private equity funds	$ 27,217,537	Market Approach	Values assigned to underlying funds/assets less liabilities	N/A

Valuation process for Level 3 investments

In estimating fair value of the investments in Level 3, management may use third-party pricing sources or appraisers. In substantiating the reasonableness of the pricing data provided by third parties, management evaluates a variety of factors including review of methods and assumptions used by external sources, recently executed transactions, existing contracts, economic conditions, industry and market developments, and overall credit ratings.

Fair value on a nonrecurring basis

The fair value of the Society's cash and cash equivalents, accounts receivable, prepaid and other assets, accounts payable, notes payable accrued expenses approximate their carrying amounts due to the short maturity of these instruments.

The fair value of the Society's contributions receivables and annuity and split-interest liability is estimated using a discounted cash flow analysis based on the current U.S. Treasury rate for the applicable term.

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

The following table presents the carrying values and the fair values of other significant financial assets and liabilities that qualify as financial instruments, determined in accordance with the authoritative guidance for fair value disclosures of financial instruments at December 31, 2018:

	Level in Fair Value Hierarchy	Carrying Amount	Fair Value
Contributions, bequests and other receivables, net	2	$ 22,120,968	$ 24,153,188
Annuities and unitrusts	2	11,999,858	12,662,190

5. Contributions, Bequests and Other Receivables

Contributions, bequests, and other receivables consist of the following at December 31, 2018:

Bequests	$ 6,106,606
Contributions and other receivables	10,567,399
60th Anniversary campaign	6,838,709
Grants	640,474
	24,153,188
Less: allowance for uncollectible contributions, bequests and anniversary campaign (5.1%, 6.4% and 10.6% respectively)	(1,333,794)
Less: discount on multi-year contributions and bequests (0.38%)	(698,426)
Total contributions, bequests and other receivables, net	$ 22,120,968

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

Less than one year	$ 16,027,131
One to five years	6,093,837
	$ 22,120,968

As of December 31, 2018, the Society has outstanding conditional promises receivable from foundations amounting to $1,627,325. The promises are conditioned upon the opening of new satellite offices or new programs and subject to approval of the contributing foundations.

6. Property and Equipment

Property and equipment consists of the following at December 31, 2018:

Land	$ 17,908,119
Buildings and improvements	20,290,684
Tenant leasehold improvements	2,257,921
Office furniture and equipment	3,332,932
Automobiles	2,740,224
Construction-in-progress	1,276,398
	47,806,278
Less: accumulated depreciation and amortization	(16,271,275)
	$ 31,535,003

Depreciation and amortization expense totaled $1,461,554 for the year ended December 31, 2018.

7. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following at December 31, 2018:

Accounts payable and other accrued expenses	$ 11,477,927
Accrued vacation	2,389,998
Accrued wages	1,623,934
Deferred rent	1,746,670
Deferred tenant improvement incentives	1,854,908
	$ 19,093,437

8. 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.

For 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. For the year ended December 31, 2018, the Society has reported $1,355,171 of contributions revenue from annuities. As of December 31, 2018, the amount of assets held in charitable annuities, which is restricted for the payment of related annuities, is $20,927,301.

The liability was determined by an actuary using the Annuity Table of Mortality IAR-2015 and assumed interest rates of 1.2% 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, 2018, the actuarial calculated liability was $11,391,067, resulting in a decrease in the liability of $480,985 for the year ended December 31, 2018.

For charitable remainder unitrusts, donors make contributions to trusts that 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 in amount of $608,791 was calculated using assumed interest rates of 5.0% to 11.6%, resulting in a decrease in the liability of $41,353 for the year ended December 31, 2018. The amount of assets held in charitable unitrusts, which is restricted for the payment of related annuities, is $680,725 as of December 31, 2018. The net assets of the trusts of $520,438 are included in net assets with donor restrictions in the accompanying statement of financial position.

9. Severance Plan (Employment Longevity Retirement Enhancement Benefit)

The Society established the Humane Society of the United States Severance Pay Plan (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 the HSUS, are eligible to become participants in the Severance Pay 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 of the Severance Pay Plan as of December 31, 2018, was calculated by an actuary, based on a census provided by the Society, using an assumed discount rate of 3.86%. There was no assumed compensation increase. The amount of the liability related to the Severance Pay Plan was $606,321 as of December 31, 2018.

10. Deferred Compensation Plan

In 1983, the Society established The Humane Society of the United States Deferred Compensation Plan (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 Society owns the mutual funds, subject to the claims of its general creditors. The obligation of the Society under the Deferred Compensation Plan is purely contractual and is not secured. All income earned by the mutual funds is added to the deferred compensation liability. There were no amounts deferred by participants of the Deferred Compensation Plan during the year ended December 31, 2018. The Deferred Compensation Plan assets and the related liability totaled $246,367 at December 31, 2018.

11. Retirement Plans

Pension

The Society previously provided pension benefits through the Humane Society of the United States Pension Plan (the Plan), a qualified participating defined benefit pension plan subject to the requirements of the Employee Retirement Income Security Act of 1974 (ERISA) as amended. Employees hired on or after January 1, 2008, were not eligible to participate in the Plan and, effective December 31, 2015, the Plan was fully frozen, with no additional benefits accruing after that date.

On June 14, 2017, the Board of Directors of the Society resolved to terminate the Plan effective September 1, 2017. The Society fully funded the Plan on July 17, 2017 and distributions to participants began on November 1, 2017. All participant distributions were completed by December 31, 2018 and therefore the accumulated benefit obligation totaled $0 as of December 31, 2018. The Board of Directors of the Society also determined that the likelihood is remote that the Plan will return from liquidation. It is anticipated that the liquidation of the Plan will be completed by December 2020, or when the underlying assets of the Plan are fully liquidated.

The following table summarizes the pension benefit obligation, the fair value of Pension Plan assets, and the funded status of the Pension Plan at December 31, 2018:

Change in pension benefit obligation	
Benefit obligation, beginning of year	$ 12,974,608
Benefit payments	(11,743,971)
Actuarial gain	(1,230,637)
Benefit obligation, end of year	$ -

Change in the Plan assets

Fair value of the Plan assets, beginning of year	$	12,625,185
Benefit payments		(237,198)
Actual return on the Plan assets		414,677
Settlements		(11,506,773)
Fair value of the Plan assets, end of year	$	1,295,891

Net periodic pension cost (settlement loss) for the year ended December 31, 2018 was $2,764,743. Amounts increasing net assets at December 31, 2018, not yet reported as net periodic benefit cost are $1,295,891.

Weighted-average discount rate for benefit obligations was 2.55% as of December 31, 2018. No other assumptions were used by the actuary in determining the Plan benefit obligations.

As of December 31, 2018, the Plan assets consists of investments in the amount of $1,295,891 to be returned to the Society as a refund of excess contributions made into the Plan. This amount is included in the prepaid expenses and other assets in the accompanying consolidated statement of financial position.

Fair value on a recurring basis – the Plan assets

The table below presents the balances of the Plan assets measured at fair value on a recurring basis by level within the hierarchy:

	As of December 31, 2018				
	Assets Measured At Net Asset	Fair Value Hierarchy Level			
Description	Value*	Level 1	Level 2	Level 3	Total
Equity funds					
International	$ 765,388	$ -	$ -	$ -	$ 765,388
Global opportunities	42,001	-	-	-	42,001
Cash and cash equivalents	-	488,502	-	-	488,502
Total fair value investments	$ 807,389	$ 488,502	$ -	$ -	$ 1,295,891

* Certain investments that are measured at fair value using net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy.

Changes in fair value levels

To assess the appropriate classification of investments within the fair value hierarchy, the availability of market data is monitored. Changes in economic conditions or valuation techniques may require the transfer of investments from one fair value level to another. The Society's management evaluates the significance of transfers between levels based upon the nature of the investment. For the year ended December 31, 2018, there were no significant transfers in or out of Level 3.

Level 3 gains and losses for the Plan

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:

	Level 3 Assets Hedge Funds
Balance at January 1, 2018	$ 427,753
Sales	(415,653)
Realized losses	(300,315)
Unrealized gains	288,215
Balance at December 31, 2018	$ -

The major categories of the Society's pension investments that are valued at net asset value or its equivalent, including general information related to each category, are as follows at December 31, 2018:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity funds				
International (a)	$ 765,388	$ -	Annually	60-120 days
Global opportunities (b)	42,001	-	Annually	60-120 days
	$ 807,389	$ -		

(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 investment, or the Society's ownership interest in partners' capital.

(b) 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, or the Society's ownership interest in partners' capital.

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 are eligible to participate in the 401(k) Plan on an automatic enrollment basis. 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 $2,382,244 to the 401(k) Plan during the year ended December 31, 2018.

12. Line-of-Credit

The HSUS 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 (3.17% as of December 31, 2018). The line of credit is secured by certain investments of The HSUS and is subject to certain covenants, as defined in the agreement. There was no outstanding balance on the line-of-credit at December 31, 2018 and no advances were drawn during 2018. The line-of-credit can be terminated upon demand. The Society was in compliance with all related covenants at December 31, 2018.

13. Medical and Prescription Insurance Plans

Under the medical and prescription partially self-funded insurance plan for current employees, The Society is responsible for claims up to $125,000 (specific) per participant annually. In addition to the $125,000 specific, the Society has added a layer of coverage whereby individual claims are not reimbursed until another $100,000 is paid on any combination of individual claims exceeding the $125,000 specific, with no lifetime maximum. The Society has accrued for the expected cost of unpaid, reported claims and claims incurred but not reported. The accrual is based on historical claims experience and the number of employees. Aggregate claims for the $125,000 specific and $100,000 additional layer of coverage (combined) are currently capped at $4,861,504 annually.

As of December 31, 2018, the accrual for the unpaid claims, net of insurance recoveries, totaled $429,280 that was included in accounts payable and accrued expenses on the consolidated statement of financial position.

14. 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.

In March 2016, the Society entered into a 15-year operating lease agreement for the office in Washington, D.C. The lease agreement commenced on July 1, 2016 and will expire on June 30, 2031. The lease agreement provides for monthly lease payments subject to annual rent escalations. Rental expense for the year ended December 31, 2018 was $2,101,325.

Future minimum lease commitments under non-cancelable operating leases are the following:

Years Ended December 31,	
2019	$ 1,513,192
2020	1,324,199
2021	1,311,395
2022	1,333,229
2023	1,338,487
Thereafter	10,915,640
	$ 17,736,142

15. Contingencies

The Society is a defendant in various lawsuits wherein amounts are claimed. In the opinion of the Society's legal counsel and management, these suits are without substantial merit and are not expected to result in judgments, which, in the aggregate, would have a material adverse effect on the Society's consolidated financial statements.

PC entered into an agreement with the University of Louisiana-Lafayette New Iberia Research Center (NIRC) in December 2015. The agreement allows PC five years to remove all the chimpanzees from NIRC. If PC fails to remove the chimpanzees, PC is required to pay NIRC a fixed amount per day for each chimpanzee remaining at the lab. PC has begun discussions with NIRC to renegotiate the agreement and continues to plan for the removal of the remaining chimpanzees. In the opinion of the Society's legal counsel and management, the potential liability related to this agreement is not estimable or probable.

16. Net Assets Without Donor Restrictions

Net assets without donor restrictions are available to finance the general operations of the Society. The only limits on the use of net assets without donor restrictions 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 net assets without donor restrictions 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 net assets without donor restrictions.

In 1977 and again in 1983, The Board of Directors of the Society established two donor funds using contributions without donor restrictions of approximately $1,000,000 from two major donors to establish investment fund operating reserves. The Board resolved that the corpus of the funds would be maintained indefinitely except that the Board may at its discretion utilize the corpus for major or exceptional programs consistent with the intent and purpose of the fund. Income from the funds may be used for programs and administration of humane education. To date the Board has determined not to use the funds and they most likely would be drawn upon in the event of financial distress or an immediate liquidity need.

In 1977, the Board established the Bequest Reserve Fund, a quasi-endowment fund comprising bequests without donor restrictions, to equalize income from bequests. The entire amount of each bequest totaling $25,000 or greater is placed in this account. Twenty percent of the total annual bequests for each calendar year is credited to the total annual bequest revenue in the year of receipt and sequentially over the next four succeeding years. The Bequest Reserve Fund is held in long-term income-producing investments.

Net assets without donor restrictions are held by the following funds at December 31, 2018:

Board designated	
Investment fund	$ 74,398,670
Endowment fund (Note 18)	311,749
Special purpose funds	882,338
Total board designated	75,592,757
Undesignated	85,977,929
Total unrestricted net assets	$ 161,570,686

17. Net Assets with Donor Restrictions

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

Changes in net assets with donor restrictions for the year ended December 31, 2018 were as follows:

	Balance at December 31, 2017	Additions (Reductions)*	Released From Restriction	Balance at December 31, 2018
Subject to expenditure for a specified purpose:				
Unitrusts	$ 520,438	$ (214,956)	$ 47,947	$ 257,535
Education, training and disaster relief	29,446,752	9,769,118	14,955,065	24,260,805
Scholarships	22,081	(2,278)	62	19,741
Liberia chimp maintenance	6,418,319	(326,171)	439,629	5,652,519
Wildlife Land Trust	6,160,010	1,232,110	2,921,050	4,471,070
Endangered species	2,431,040	-	-	2,431,040
Doris Day Animal League	4,787,140	2,049,078	3,068,278	3,767,940
Fund for Animals	2,769,914	7,414,061	8,933,271	1,250,704
South Florida Wildlife Center	295,881	3,706,281	132,004	3,870,158
Humane Society Veterinary Medical Association	38,058	-	-	38,058
Project Chimps	1,304,876	338,462	38,922	1,604,416
Humane Society International	10,013,771	7,428,123	8,538,709	8,903,185
Subject to the passage of time:				
Support other humane organizations	1,798,330	(69,300)	503,331	1,225,699
Fund for Animals	50,162	1,402,672	129,208	1,323,626
Humane Society Veterinary Medical Association	796,933	-	796,933	-
Endowments (Note 18):				
Donor-restricted endowment funds	32,279,099	(186,098)	174,495	31,918,506
Total net assets with donor restrictions	$ 99,132,804	$ 32,541,102	$ 40,678,904	$ 90,995,002

* Additions (reductions) include change in market value of underlying investments where applicable.

During 2018, 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:

Donor-specified program expenses of the organization	$ 39,042,702
Time and purpose restricted program expenses of the organization	1,429,472
Restricted fund investment expenses	206,730
	$ 40,678,904

18. 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 contributions with donor restrictions as of the date of the gift, absent explicit donor stipulations to the contrary. As a result of this interpretation of the State of Delaware Act, the Society classifies as net assets with donor restrictions (a) the original value of contributions with donor restrictions, (b) the discounted value of future contributions with donor restrictions, net of allowance for uncollectible pledges, and (c) the remaining portion of contributions with donor restrictions. They are classified are such until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

- 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 cash contributions with donor restrictions that attempt to provide a predictable stream of funding to programs while maintaining purchasing power. All earnings from these funds are reflected as net assets with donor restrictions, until appropriated for program expenditures.

The Society's endowment funds consist of the following as of December 31, 2018:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Donor restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 32,597,187	$ 32,597,187
Accumulated investment losses	-	(678,681)	(678,681)
Board designated endowment funds	311,479	-	311,479
	$ 311,479	$ 31,918,506	$ 32,229,985

The endowment fund net asset activity consists of the following for the year ended December 31, 2018:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets, beginning of the year	$ 1,281,988	$ 32,279,099	$ 33,561,087
Investment loss, net	(192,496)	(1,773,485)	(1,965,981)
Amounts appropriated for expenditure and other transfers	(778,013)	(174,495)	(952,508)
Contributions	-	1,587,387	1,587,387
Endowment net assets, end of year	$ 311,479	$ 31,918,506	$ 32,229,985

Donor-restricted endowment net assets-fund categories resulting from donor restrictions at December 31, 2018:

Income producing assets; income is expendable to support the following:	
To defray operating expenses	$ 2,813,273
To award scholarships to Connecticut secondary school students	38,203
To be used for the best interests of the organization	12,522,116
To support other humane organizations	2,127,975
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	2,852,078
To be used for the State of New Hampshire wildlife	124,177
To be used for the betterment of song birds	1,116,300
	21,594,122
Non-income producing assets:	
Land and easements held to preserve natural habitats for wildlife	10,324,384
Total donor-restricted endowment net assets	$ 31,918,506

Income earned on investments in endowment is reported in the accompanying consolidated statement of activities and change in net assets as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the nature of donor-imposed restrictions on such earnings.

The Society considers an endowment fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Society has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Society to retain as a fund of perpetual duration. Deficiencies of this nature exist in endowment funds with donor restrictions, which together have an original gift value of $17,123,065, a current fair value of $14,989,354, and a deficiency of $2,133,711 as of December 31, 2018.

19. Allocation of Joint Costs

For many years, the Society has relied on direct mail, email, telephone, Face to Face and other means of solicitation to recruit, expand and maintain its membership. Direct marketing and other donor channels allow the Society to share specific details about recent accomplishments and to provide information about current campaigns and priorities to its supporters. The HSUS also uses postal mail and other channels to educate and call to action the public to advance its mission and lifesaving work for animals.

The Society complies with FASB requirements by allocating a portion of its direct mail, email, phone and other communication costs to program services and to fundraising. Such costs are allocated to each major program, including:

1) Education and Engagement – The Society reaches tens of millions of people through its website and social media platforms, award-winning videos and magazines, training and educational conferences for animal advocates, national media coverage and more.

2) Public Policy and Enforcement – The Society seeks to strengthen legal protections for animals at the local, state and national levels. We defend our victories in court and train thousands of law enforcement officers to investigate and prosecute animal cruelty.

3) Direct Care and Service – The Society and its affiliates provide hands-on care for more than 100,000 animals every year, including horses, companion animals and wildlife. We respond to major cruelty cases, save animals from the dog meat trade, take in wild exotics confiscated from irresponsible persons, provide relief to animals during disaster, rescue animals from animal fighting rings, arrange veterinary care and spay/neuter for pets in underserved communities and much more.

4) Corporate Policy – The Society works with the world's biggest food companies, cosmetics manufacturers, fashion brands, and other industry leaders to improve the treatment of animals in their sectors.

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. This allocation is based upon the percentage of material in each mailing or television advertising related to the particular services as determined by content analysis. Total costs for mailing pieces and television advertising spots that requested financial support and served other program or management functions were allocated as follows for the year ended December 31, 2018:

Programs	$ 38,559,169
Fundraising	32,095,947
	$ 70,655,116

20. Subsequent Events

The Society evaluated subsequent events from the date of the consolidated statement of financial position through May 15, 2019, the date at which the Society's consolidated financial statements were issued. No other material subsequent events were identified for either recognition or disclosure.

Supplemental Schedules

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Independent Auditor's Report on the Supplemental Schedules

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

Our audit of the consolidated financial statements of The Humane Society of the United States and Affiliates included in the preceding section of this report were conducted for the purpose of forming an opinion on those consolidated statements as a whole. The supplemental schedules presented in the following section of this report are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management, was derived from, and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BDO USA, LLP

May 15, 2019

The Humane Society of the United States and Affiliates

Consolidating Schedule of Financial Position

As of December 31, 2018	HSUS	DDAL	FFA	HSI	HSVMA	PC	SFWC	HSWLT	Eliminations	Consolidated
Assets										
Cash and cash equivalents	$ 12,916,255	$ 48,971	$ 300,378	$ 3,654,985	$ 52,766	$ 46,209	$ 78,234	$ 80,984	$ -	$ 17,178,782
Investments	207,425,087	568,494	-	599,472	-	-	-	3,200,943	(1,198,944)	210,595,052
Investments to fund deferred compensation liability	246,367	-	-	-	-	-	-	-	-	246,367
Accrued interest receivable	188,497	372	-	-	-	-	-	2,184	-	191,053
Prepaid expenses and other assets	4,530,013	2,812,273	(5,098,601)	57,748	-	(387,066)	636	729,443	-	2,644,446
Contributions, bequests and other receivables, net	13,768,424	393,547	1,466,801	2,745,158	3,165	552,776	2,759,365	1,703,128	(1,271,396)	22,120,968
Property and equipment, net	8,944,207	-	7,527,645	70,759	-	5,547,872	311,806	9,132,714	-	31,535,003
Total assets	$ 248,018,850	$ 3,823,657	$ 4,196,223	$ 7,128,122	$ 55,931	$ 5,759,791	$ 3,150,041	$ 14,849,396	$ (2,470,340)	$ 284,511,671
Liabilities and Net Assets										
Liabilities										
Accounts payable and accrued expenses	$ 16,254,505	$ 55,717	$ 350,497	$ 2,106,390	$ 36,020	$ 37,512	$ 198,854	$ 53,942	$ -	$ 19,093,437
Notes payable	-	-	1,271,396	-	-	-	-	-	(1,271,396)	-
Annuities and unitrusts	11,999,858	-	-	-	-	-	-	-	-	11,999,858
Accrued severance obligation	606,321	-	-	-	-	-	-	-	-	606,321
Deferred compensation liability	246,367	-	-	-	-	-	-	-	-	246,367
Total liabilities	29,107,051	55,717	1,621,893	2,106,390	36,020	37,512	198,854	53,942	(1,271,396)	31,945,983
Net Assets (Deficit)										
Without donor restrictions										
Board designated	75,592,757	-	-	-	-	-	-	-	-	75,592,757
Undesignated	87,877,581	-	-	(5,080,397)	(18,147)	4,117,863	(918,971)	-	-	85,977,929
	163,470,338	-	-	(5,080,397)	(18,147)	4,117,863	(918,971)	-	-	161,570,686
With donor restrictions	55,441,461	3,767,940	2,574,330	10,102,129	38,058	1,604,416	3,870,158	14,795,454	(1,198,944)	90,995,002
Total net assets	218,911,799	3,767,940	2,574,330	5,021,732	19,911	5,722,279	2,951,187	14,795,454	(1,198,944)	252,565,688
Total liabilities and net assets	$ 248,018,850	$ 3,823,657	$ 4,196,223	$ 7,128,122	$ 55,931	$ 5,759,791	$ 3,150,041	$ 14,849,396	$ (2,470,340)	$ 284,511,671

*Eliminated in consolidation

See independent auditor's report on supplemental schedules.

The Humane Society of the United States and Affiliates

Consolidating Schedule of Activities and Change in Net Assets

Year ended December 31, 2018	HSUS	DDAL	FFA	HSI	HSVMA	PC	SFWC	HSWLT	Eliminations	Consolidated
Support and revenue										
Contributions	$ 108,902,820	$ 1,592,501	$ 5,050,510	$ 16,066,545	$ 515,172	$ 2,079,288	$ 4,595,342	$ 2,088,215	$ -	$ 140,890,393
Bequests	24,319,344	207,381	2,759,121	956,290	26,500	-	388,933	397,055	-	29,054,624
Royalty income	490,773	-	-	14,001	-	-	-	-	-	504,774
Event income	2,342,940	-	30,469	8,906	-	33,861	15,091	-	-	2,431,267
Other income	2,877,980	28,019	23,181	24,831	-	194,821	372,071	319,943	-	3,840,846
Program support	168,833	250,000	951,891	4,804,563	1,313,337	1,008,979	932,643	-	(9,430,246)	-
Total support and revenue	139,102,690	2,077,901	8,815,172	21,875,136	1,855,009	3,316,949	6,304,080	2,805,213	(9,430,246)	176,721,904
Expenses										
Program services	119,780,673	2,533,086	7,783,569	17,711,905	1,741,450	1,999,976	3,097,328	2,609,091	(9,430,246)	147,826,832
Management and general	8,075,066	14,690	592,702	1,043,617	183,331	3,911	487,105	132,774	-	10,533,196
Fundraising	31,788,831	519,212	686,208	3,095,544	14,534	13,522	41,664	171,722	-	36,331,237
Total expenses	159,644,570	3,066,988	9,062,479	21,851,066	1,939,315	2,017,409	3,626,097	2,913,587	(9,430,246)	194,691,265
Change in net assets from operations	(20,541,880)	(989,087)	(247,307)	24,070	(84,306)	1,299,540	2,677,983	(108,374)	-	(17,969,361)
Investment (loss) income, net	(9,434,979)	(30,113)	1,561	10,946	22	-	112	(131,739)	-	(9,584,190)
Change in net assets before annuity, foreign currency, and retirement benefits adjustment	(29,976,859)	(1,019,200)	(245,746)	35,016	(84,284)	1,299,540	2,678,095	(240,113)	-	(27,553,551)
Annuity liability change in valuation	(590,814)	-	-	-	-	-	-	133,333	-	(457,481)
Foreign currency (loss) gain	(8,782)	-	-	210,147	-	-	-	-	(595,538)	(394,173)
Pension-related changes other than other than net periodic benefit cost	349,423	-	-	-	-	-	-	-	-	349,423
Change in net assets	(30,227,032)	(1,019,200)	(245,746)	245,163	(84,284)	1,299,540	2,678,095	(106,780)	(595,538)	(28,055,782)
Net assets, January 1, 2018	249,138,831	4,787,140	2,820,076	4,776,569	104,195	4,422,739	273,092	14,902,234	(603,406)	280,621,470
Net assets, December 31, 2018	$ 218,911,799	$ 3,767,940	$ 2,574,330	$ 5,021,732	$ 19,911	$ 5,722,279	$ 2,951,187	$ 14,795,454	$ (1,198,944)	$ 252,565,688

See independent auditor's report on supplemental schedules.