

# **The Humane Society Of The United States And Affiliates**

Consolidated Financial Statements  
December 31, 2011

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## Independent Auditor's Report

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

We have audited the accompanying consolidated balance sheet of The Humane Society of the United States and Affiliates (the Society) as of December 31, 2011, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year's summarized comparative information has been derived from the Society's 2010 consolidated financial statements and in our report, dated July 21, 2011, we expressed an unqualified opinion on those consolidated financial statements.

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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2011 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, 2011, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*McGladrey LLP*

Gaithersburg, Maryland  
August 6, 2012

**The Humane Society Of The United States And Affiliates**

**Consolidated Balance Sheet  
December 31, 2011  
(With Comparative Totals For 2010)**

<b>Assets</b>	<b>2011</b>	<b>2010</b>
Cash And Cash Equivalents	\$ 25,212,413	\$ 23,757,952
Investments	159,203,742	155,633,042
Investments To Fund Deferred Compensation Liability	420,055	425,229
Accrued Interest Receivable	192,091	339,807
Prepaid Expenses And Other Assets	1,349,522	990,623
Contributions, Bequests, And Other Receivables, net	18,280,015	16,995,528
Redeemed Securities	6,246,897	12,829,601
Property And Equipment, net	20,970,197	20,296,130
<b>Total assets</b>	<b>\$ 231,874,932</b>	<b>\$ 231,267,912</b>
<b>Liabilities And Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 9,970,063	\$ 9,173,659
Annuities and unitrusts	7,921,747	7,431,483
Accrued severance obligation	1,521,141	1,555,632
Deferred compensation liability	420,055	425,229
Accrued postretirement benefit obligation	11,559,327	7,575,709
<b>Total liabilities</b>	<b>31,392,333</b>	<b>26,161,712</b>
Commitments And Contingencies (Notes 13, 16, And 17)		
<b>Net Assets</b>		
Unrestricted		
Board designated	79,411,305	78,997,482
Undesignated	50,477,238	55,982,153
	<b>129,888,543</b>	<b>134,979,635</b>
Temporarily restricted	35,900,334	36,365,535
Permanently restricted	34,693,722	33,761,030
<b>Total net assets</b>	<b>200,482,599</b>	<b>205,106,200</b>
<b>Total liabilities and net assets</b>	<b>\$ 231,874,932</b>	<b>\$ 231,267,912</b>

See Notes To Consolidated Financial Statements.

The Humane Society Of The United States And Affiliates

Consolidated Statement Of Activities And Changes In Net Assets  
 Year Ended December 31, 2011  
 (With Comparative Totals For 2010)

	2011			Total	2010 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and revenue:					
Contributions	\$ 101,057,052	\$ 19,723,176	\$ -	\$ 120,780,228	\$ 116,444,444
Bequests	20,592,202	8,045,592	13,672	28,651,466	26,874,303
Interest and dividends	3,543,288	745,519	916,980	5,205,787	4,048,620
Royalty income	4,625,004	140,826	-	4,765,830	4,868,519
Grants and trust contributions	2,116,204	1,709,564	2,040	3,827,808	4,703,559
Event income	1,794,980	167,090	-	1,962,070	2,452,449
Other income	1,596,531	301,998	-	1,898,529	664,316
Net assets released from restrictions	30,958,693	(30,958,693)	-	-	-
<b>Total support and revenue</b>	<b>166,283,954</b>	<b>(124,928)</b>	<b>932,692</b>	<b>167,091,718</b>	<b>160,056,210</b>
Expenses:					
Program services	128,399,104	-	-	128,399,104	124,319,223
Management and general	6,102,224	-	-	6,102,224	6,366,563
Fundraising	25,404,046	-	-	25,404,046	26,263,566
<b>Total expenses</b>	<b>159,905,374</b>	<b>-</b>	<b>-</b>	<b>159,905,374</b>	<b>156,949,352</b>
<b>Change in net assets from operations</b>	<b>6,378,580</b>	<b>(124,928)</b>	<b>932,692</b>	<b>7,186,344</b>	<b>3,106,858</b>
Realized and unrealized (loss) gain on investments, net	(6,630,041)	(340,273)	-	(6,970,314)	10,095,120
<b>Change in net assets before postretirement benefits adjustment</b>	<b>(251,461)</b>	<b>(465,201)</b>	<b>932,692</b>	<b>216,030</b>	<b>13,201,978</b>
Postretirement benefits adjustment	(4,839,631)	-	-	(4,839,631)	523,496
<b>Change in net assets</b>	<b>(5,091,092)</b>	<b>(465,201)</b>	<b>932,692</b>	<b>(4,623,601)</b>	<b>13,725,474</b>
Net assets:					
Beginning	134,979,635	36,365,535	33,761,030	205,106,200	191,380,726
Ending	\$ 129,888,543	\$ 35,900,334	\$ 34,693,722	\$ 200,482,599	\$ 205,106,200

See Notes To Consolidated Financial Statements.

The Humane Society Of The United States And Affiliates

Consolidated Statement Of Functional Expenses  
Year Ended December 31, 2011  
(With Comparative Totals For 2010)

	2011								2010 Total
	Research And Education	Cruelty Prevention Programs	Direct Care And Service	Advocacy And Public Policy	Total Program Services	Management And General	Fundraising	Total	
Compensation	\$ 6,867,399	\$ 7,273,128	\$ 8,406,412	\$ 12,662,998	\$ 35,209,937	\$ 943,203	\$ 3,865,949	\$ 40,019,089	\$ 36,950,735
Education material, publications, and campaigns	3,419,355	1,909,399	5,704,005	20,882,149	31,914,908	23,835	3,516,085	35,454,828	34,403,450
Mailing costs	3,343,112	4,216,888	5,292,130	6,289,010	19,141,140	1,042,668	13,011,947	33,195,755	37,328,421
Consultant and contracted services	2,814,641	5,214,056	4,586,185	5,231,665	17,846,547	439,347	2,500,771	20,786,665	17,572,290
Professional fees	130,963	244,607	171,226	5,168,512	5,715,308	121,552	148,105	5,984,965	6,737,083
Travel, meals, and lodging	559,132	1,444,537	1,673,184	1,254,773	4,931,626	20,024	250,466	5,202,116	4,042,835
Bank, trustee, and lockbox fees	-	-	-	-	-	2,632,208	1,379,773	4,011,981	4,159,581
Supplies and field expenses	301,685	486,632	2,173,351	604,799	3,566,467	88,226	232,662	3,887,355	3,486,519
Contributions and grants	357,481	1,949,418	58,876	1,501,204	3,866,979	-	-	3,866,979	4,965,926
Occupancy and building expense	437,246	341,879	935,568	400,311	2,115,004	188,757	156,121	2,459,882	2,396,244
Depreciation and amortization	118,820	91,610	740,166	141,262	1,091,858	427,332	48,542	1,567,732	1,649,307
Postage and shipping	907,933	106,901	103,628	108,924	1,227,386	13,233	63,610	1,304,229	1,307,279
Telephone	121,817	161,680	199,691	346,845	830,033	36,612	85,355	952,000	940,980
Insurance and bonds	107,206	109,569	118,088	212,709	547,572	94,188	115,773	757,533	707,805
Real estate and other taxes	154,127	28,323	131,053	80,836	394,339	31,039	28,887	454,265	300,897
<b>Total</b>	<b>\$ 19,640,917</b>	<b>\$ 23,578,627</b>	<b>\$ 30,293,563</b>	<b>\$ 54,885,997</b>	<b>\$ 128,399,104</b>	<b>\$ 6,102,224</b>	<b>\$ 25,404,046</b>	<b>\$ 159,905,374</b>	<b>\$ 156,949,352</b>

See Notes To Consolidated Financial Statements.

**The Humane Society Of The United States And Affiliates**

**Consolidated Statement Of Cash Flows  
Year Ended December 31, 2011  
(With Comparative Totals For 2010)**

	2011	2010
Cash Flows From Operating Activities		
Change in net assets	\$ (4,623,601)	\$ 13,725,474
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions and interest received for endowment	(932,692)	(509,814)
Depreciation and amortization	1,567,732	1,649,307
Gain on sale of property and equipment	(112,147)	(104,812)
Net realized and unrealized loss (gain) on investments	6,970,314	(10,095,120)
Donated stock	(4,926,960)	(5,190,742)
Donated land	(50,000)	(53,000)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accrued interest receivable	147,716	366,722
Prepaid expenses and other assets	(358,899)	2,517,489
Contributions, bequests, and other receivables, net	(1,284,487)	685,528
Increase (decrease) in:		
Accounts payable and accrued expenses	796,404	565,287
Annuities and unitrusts	490,264	64,690
Accrued severance obligation	(34,491)	22,335
Accrued postretirement benefit obligation	3,983,618	(1,206,565)
<b>Net cash provided by operating activities</b>	<b>1,632,771</b>	<b>2,436,779</b>
Cash Flows From Investing Activities		
Proceeds from sale of investments	101,430,944	109,791,971
Purchase of investments	(100,462,294)	(113,500,713)
Proceeds from sale of property and equipment	172,396	196,435
Purchases of property and equipment	(2,252,048)	(2,868,048)
<b>Net cash used in investing activities</b>	<b>(1,111,002)</b>	<b>(6,380,355)</b>
Cash Flows From Financing Activities		
Contributions and interest received for endowment	932,692	509,814
<b>Net cash provided by financing activities</b>	<b>932,692</b>	<b>509,814</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,454,461</b>	<b>(3,433,762)</b>
Cash And Cash Equivalents:		
Beginning	23,757,952	27,191,714
Ending	\$ 25,212,413	\$ 23,757,952
Supplemental Schedule Of Noncash Investing And Financing Activities		
Donated stock	\$ 4,926,960	\$ 5,190,742
Donated land	\$ 50,000	\$ 53,000

See Notes To Consolidated Financial Statements.

## The Humane Society Of The United States And Affiliates

### Notes To Consolidated Financial Statements

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#### Note 1. Nature Of Activities And Significant Accounting Policies

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

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

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

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

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

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification). As required by the Non-Profit Entities Topic of the Codification, the Society is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and cash equivalents: Cash and cash equivalents include all short-term, highly liquid instruments purchased with an original maturity of three months or less. At December 31, 2011, cash and cash equivalents consisted of checking accounts and money market accounts.

Investments: Investments with readily determinable fair values are reflected at fair market value. To adjust the carrying value of the investment, unrealized gains and losses are reported in the consolidated statement of activities and changes in net assets as other changes in net assets.

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

The Society invests in a professionally managed portfolio that contains mutual funds, corporate bonds, government securities, hedge funds, and private equity funds. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the consolidated financial statements.



## The Humane Society Of The United States And Affiliates

### Notes To Consolidated Financial Statements

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#### Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Contributions and bequests receivable: Contributions and bequests receivable are carried at original amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a quarterly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using the historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The provision for doubtful accounts was \$652,800 at December 31, 2011.

Redeemed securities: The Society had redeemed securities totaling \$6,246,897 at December 31, 2011. These represent investments for which the Society has filed a redemption notice, but the cash has not been received by the Society as of December 31, 2011.

Property and equipment: Property and equipment with a cost of \$5,000 or more are capitalized. Donated property is recorded at fair value or donor's basis at the time of donation, if fair value cannot be reasonably estimated. Donated land conservation easements are recorded at \$1. Improvements to fixed assets that extend the useful lives of the assets are also capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Valuation of long-lived assets: The Society accounts for the valuation of long-lived assets by reviewing such assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. There were no impairments of long-lived assets during the year ended December 31, 2011.

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

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

## The Humane Society Of The United States And Affiliates

### Notes To Consolidated Financial Statements

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#### Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

In-kind contributions: The Society produces and distributes public service television, radio, and newspaper announcements that focus attention on Companion Animal and Wildlife issues. These public service announcements are distributed to radio stations and newspapers nationwide and run free of charge. The Society has contracted with an independent outside agency to track the date and time that each public service announcement runs, and the value of the announcements is based on the date, time, and market. For the year ended December 31, 2011, the Society recorded \$21,739,674 of contributed public service announcements.

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, 2011, the Society received \$5,110,974 in donated services and \$219,177 in donated equipment and supplies.

Use of estimates: In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Tax status: HSUS, FFA, HSI, HSU, HSVMA, SFWC, and WLT qualify under Section 501(c)(3) of the Internal Revenue Code (IRC) and are classified as organizations that are not private foundations. DDAL qualifies under Section 501(c)(4) of the IRC. Therefore, the Society is generally not subject to tax under present income tax laws; however, any unrelated business income may be subject to federal and state income taxes. The Society had no net unrelated business income for the year ended December 31, 2011.

Management evaluated the Society's tax positions and concluded that the Society has taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance. Generally, the Society is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2008.

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

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

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

## The Humane Society Of The United States And Affiliates

### Notes To Consolidated Financial Statements

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#### Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Prior year information: The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

Reclassifications: Certain items in the December 31, 2010, financial statements have been reclassified to comply with the current year presentation. These reclassifications had no effect on the previously reported change in net assets.

Subsequent events: The Society evaluated subsequent events through August 6, 2012, which is the date the consolidated financial statements were available to be issued.

#### Note 2. Fair Value Measurements

The Fair Value Measurement Topic of the Codification defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under this topic as assumptions market participants would use in pricing an asset or liability.

The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The types of investments in Level 1 include equity securities and mutual funds. As required by the Fair Value Measurement Topic, the Society does not adjust the quoted price for these investments, even in situations where the Society holds a large position and a sale could reasonably impact the quoted price.

Level 2 – Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; fair value is determined through the use of models or other valuation methodologies. Investments in this category generally include U.S. Government and agency obligations, corporate bonds, asset-backed fixed income securities, and other fixed income securities. In addition, this category also includes hedge funds and fund of funds for which the Society has the ability to redeem its investment with the investee at net asset value per share, or its equivalent, within three months of the measurement date. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3 – Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments in this category generally include equity positions in private equity funds and fund of funds, which have liquidity restrictions such that the Society would not be able to redeem its investment at net asset value per share, or its equivalent, at the measurement date.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Society's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

## The Humane Society Of The United States And Affiliates

### Notes To Consolidated Financial Statements

#### Note 2. Fair Value Measurements (Continued)

The table below presents the balances at December 31, 2011, of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy:

	Level 1	Level 2	Level 3	Total
<b>Hedge funds:</b>				
Equity long/short	\$ -	\$ 12,444,654	\$ 5,944,739	\$ 18,389,393
Global opportunities	-	9,730,446	-	9,730,446
Multi-strategy	-	8,593,352	-	8,593,352
	-	30,768,452	5,944,739	36,713,191
<b>Fund of funds:</b>				
Equity long/short	-	12,020,243	-	12,020,243
Global opportunities	-	-	11,120,498	11,120,498
	-	12,020,243	11,120,498	23,140,741
<b>Private equity funds:</b>				
Debt securities	-	-	14,124,999	14,124,999
Global opportunities	-	-	4,848,924	4,848,924
Other	-	-	4,329,384	4,329,384
	-	-	23,303,307	23,303,307
<b>Fixed income securities:</b>				
U.S. Government and agency obligations (AAA Rated)	-	12,083,180	-	12,083,180
Corporate bonds (AAA to A Rated)	-	9,309,787	-	9,309,787
Asset-backed fixed income securities (AAA Rated)	-	2,641,304	-	2,641,304
Other	-	1,891,838	-	1,891,838
Corporate bonds (BBB to B Rated)	-	1,560,063	-	1,560,063
	-	27,486,172	-	27,486,172
<b>Equity mutual funds:</b>				
Mid cap blend	10,220,759	-	-	10,220,759
Emerging markets	7,193,876	-	-	7,193,876
Global opportunities	6,231,498	-	-	6,231,498
Large cap blend	5,210,238	-	-	5,210,238
Other	1,608,980	-	-	1,608,980
Small cap blend	709,637	-	-	709,637
Commodities	464,623	-	-	464,623
Real estate	326,506	-	-	326,506
	31,966,117	-	-	31,966,117
<b>Fixed income mutual fund –</b>				
short-term bonds	16,197,281	-	-	16,197,281
Equity securities	383,501	-	-	383,501
Other investments	-	-	13,432	13,432
	\$ 48,546,899	\$ 70,274,867	\$ 40,381,976	\$ 159,203,742

## The Humane Society Of The United States And Affiliates

### Notes To Consolidated Financial Statements

#### Note 2. Fair Value Measurements (Continued)

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

	Balance January 1, 2011	Purchases	Sales	Realized And Unrealized Gains (Losses)	Balance December 31, 2011
Hedge funds:					
Equity long/short	\$ -	\$ 6,000,000	\$ -	\$ (55,261)	\$ 5,944,739
	-	6,000,000	-	(55,261)	5,944,739
Fund of funds:					
Global opportunities	8,424,115	2,300,000	-	396,383	11,120,498
	8,424,115	2,300,000	-	396,383	11,120,498
Private equity funds:					
Debt securities	13,071,835	602,422	(1,217,852)	1,668,594	14,124,999
Global opportunities	4,183,911	421,092	-	243,921	4,848,924
Other	2,969,381	1,750,000	(41,439)	(348,558)	4,329,384
	20,225,127	2,773,514	(1,259,291)	1,563,957	23,303,307
Other investments	153,012	-	(139,580)	-	13,432
	\$ 28,802,254	\$ 11,073,514	\$ (1,398,871)	\$ 1,905,079	\$ 40,381,976

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

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds – Equity long/short (a)	\$ 18,389,393	\$ -	Monthly, Quarterly, Bi-Annually	15 – 65 days
Hedge funds – Global opportunities (b)	9,730,446	-	Quarterly	30 days
Hedge funds – Multi-strategy (c)	8,593,352	-	Quarterly	45 days
Fund of funds – Equity long/short (d)	12,020,243	-	Quarterly	60 days
Fund of funds – Global opportunities (e)	11,120,498	-	Semi-Annually	60 days
Private equity funds (f)	23,303,307	7,241,207	None	Not Applicable
	<u>\$ 83,157,239</u>	<u>\$ 7,241,207</u>		

## The Humane Society Of The United States And Affiliates

### Notes To Consolidated Financial Statements

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#### Note 2. Fair Value Measurements (Continued)

- (a) This category includes investments in hedge funds that invest both long and short in various domestic and international common stocks. Management of the various funds have the ability to shift from value to growth strategies, from small to large capitalization stocks, and from a net short position to a net long position. The fair value of the investments in this category has been estimated using the net asset value per share of the investments. One fund within this category, with a value of \$5.9 million, is available for redemption bi-annually with 60 days written notice to the fund manager. Another fund within this category, with a value of \$4.4 million, is available for redemption quarterly with 65 days written notice to the fund manager. The remaining funds within this category are available for redemption monthly with 15 – 30 days written notice to the fund managers.
- (b) This category includes an investment in a hedge fund that holds the majority of the funds' investments in non-U.S. common stocks, debt instruments, and diversified currencies. The fair value of the investment in this category has been estimated using the net asset value per share of the investment. The fund is available for redemption quarterly with 30 days written notice to the fund manager.
- (c) This category includes an investment in a hedge fund that pursues multiple strategies to diversify risk and reduce volatility. The fair value of the investment in this category has been estimated using the net asset value per share of the investment. The fund is available for redemption quarterly with 45 days written notice to the fund manager.
- (d) This category includes a fund of funds that invests both long and short in hedge funds in various domestic and international common stocks. The fair value of the investments in this category has been estimated using the net asset value per share of the investments. The fund is available for redemption quarterly with 60 days prior written notice.
- (e) This category includes an investment in a fund of funds that holds the majority of the funds' investments in non-U.S. common stocks, debt instruments, and diversified currencies. The fair value of the investment in this category has been estimated using the net asset value per share of the investment. The fund is available for redemption semi-annually with 60 days prior written notice.
- (f) This category includes several private equity funds. These investments can never be redeemed with the funds. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the funds. As of December 31, 2011, it was probable that the investments in this category would be liquidated at an amount different from the net asset value of the Society's ownership interest in partners' capital. Therefore, the fair value of the investments in this category has been estimated using recent observable transaction information received from potential buyers of the investments. It is estimated that the underlying assets of the funds will be liquidated over five to eight years.

**The Humane Society Of The United States And Affiliates**

**Notes To Consolidated Financial Statements**

**Note 3. Contributions, Bequests, And Other Receivables**

Contributions, bequests, and other receivables consist of the following at December 31, 2011:

Bequests	\$ 12,072,072
Contributions and other receivables	6,331,404
Capital campaign	455,252
Grants	101,032
	<u>18,959,760</u>
Less allowance for uncollectible contributions and bequests (5%)	(652,800)
Less discount on multi-year contributions and bequests (2.75%)	(26,945)
Total contributions, bequests, and other receivables, net	<u>\$ 18,280,015</u>

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

Less than one year	\$ 17,150,986
One to five years	1,808,774
	<u>\$ 18,959,760</u>

**Note 4. Property And Equipment**

Property and equipment and accumulated depreciation at December 31, 2011, and depreciation expense for the year ended December 31, 2011, consist of the following:

	Useful Life	Cost	Accumulated Depreciation	Net	Depreciation
Land	–	\$ 10,622,060	\$ -	\$ 10,622,060	\$ -
Buildings and improvements	10 to 40 years	18,122,135	8,816,006	9,306,129	936,761
Office furniture and equipment	5 years	2,764,539	2,165,619	598,920	427,025
Automobiles	5 years	1,981,092	1,538,004	443,088	203,946
		<u>\$ 33,489,826</u>	<u>\$ 12,519,629</u>	<u>\$ 20,970,197</u>	<u>\$ 1,567,732</u>

**Note 5. Accounts Payable And Accrued Expenses**

Accounts payable and accrued expenses consist of the following at December 31, 2011:

**The Humane Society Of The United States And Affiliates**

**Notes To Consolidated Financial Statements**

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Accounts payable	\$ 6,363,166
Accrued vacation	1,713,048
Accrued wages	693,096
Other accrued expenses	<u>1,200,753</u>
	<u><u>\$ 9,970,063</u></u>



## The Humane Society Of The United States And Affiliates

### Notes To Consolidated Financial Statements

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#### **Note 6. Annuities And Unitrusts**

The annuities and unitrusts liability represents the actuarially determined liability for future annuity payments due under charitable gift annuities and charitable remainder unitrusts.

Under the charitable gift annuities, donors make contributions to the Society, for which they receive an annuity from the Society. Contributions revenue is recognized as the excess of the fair value of assets received over the net present value of the future annuity payments due. The liability was actuarially determined using the Annuity Table of Mortality 90CM and assumed interest rates of 1.6% 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, 2011, the Society had investments of \$13,258,310 reserved for paying annuities. The amount required to be reserved as calculated by the actuary was \$7,165,738.

Under the charitable remainder unitrusts, donors make contributions to the Society that remain in trust until a stipulated event, at which time, the remaining trust balance conveys to the Society for unrestricted use. The gifts are valued at their fair market value at the time of the gift. In consideration of the gifts, donors receive an annuity from the trust based on the lesser of (a) the trust principal multiplied by a stated interest rate or (b) the actual earnings of the trust. The future liability was calculated using assumed interest rates of 5.0% to 11.6%. At December 31, 2011, the amount of assets held in charitable unitrusts, which is restricted for the payment of related annuities, was \$756,009. The net assets of the trusts of \$778,060 were included in temporarily restricted net assets in the accompanying consolidated balance sheet.

#### **Note 7. Severance Plan (Employment Longevity Retirement Enhancement Benefit)**

The Society established the Humane Society of the United States Severance Pay Plan on September 13, 1997, to grant severance benefits to eligible employees. These benefits and related expenses are paid from the general assets of the Society. Only employees hired in full- or part-time positions before January 1, 1998, who have completed a minimum of 15 years of continuous full-time employment with HSUS, are eligible to become participants in this plan. Upon termination of employment (for reasons other than gross misconduct), a participant receives a lump sum equal to 2% of the average of his or her annual base salary for the three calendar years before cessation of employment, multiplied by the number of years of continuous full-time employment accrued by the employee, subject to a maximum benefit of two years base salary. The benefit obligation as of December 31, 2011, was calculated by an actuary, based on a census provided by the Society, using an assumed discount rate of 4% and an assumed compensation increase of 4.0%. The amount of the liability for future severance was \$1,521,141.

#### **Note 8. Deferred Compensation Plan**

In 1983, the Society established the Humane Society of the United States Deferred Compensation Plan for certain executive employees. The Society and the participants may elect to defer a portion of the compensation that the participants would otherwise be entitled to receive in cash, and those deferrals are invested in various mutual funds. The mutual funds are owned by the Society, subject to the claims of its general creditors. The obligation of the Society under this plan is purely contractual and is not secured. All income earned by the mutual funds is added to the deferred compensation liability. The amounts deferred by participants, which were included in the amounts reported in the accompanying consolidated financial statements as salaries, totaled \$5,000 for 2011.

The deferred compensation plan assets and the related liability totaled \$420,055 at December 31, 2011.

## The Humane Society Of The United States And Affiliates

### Notes To Consolidated Financial Statements

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#### Note 8. Deferred Compensation Plan (Continued)

Fair value, as defined in the Fair Value Measurement Topic of the Codification, is described in Note 2 to the consolidated financial statements. In determining the appropriate levels for the deferred compensation plan, the Society performs a detailed analysis of the assets and liabilities that are subject to the fair value disclosures of the Codification.

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

Mutual funds are classified as Level 1 instruments, as they are quoted market prices in active markets for identified assets. The Society's deferred compensation liability is based on the fair value of the deferred compensation plan assets, and is therefore, a Level 2 instrument.

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

The following table sets forth, by level within the fair value hierarchy, the deferred compensation plan's assets and liabilities at fair value as of December 31, 2011:

	Level 1	Level 2	Level 3	Total
<hr/>				
Assets:				
Mutual funds	\$ 420,055	\$ -	\$ -	\$ 420,055
<hr/>				
Liabilities:				
Deferred compensation liability	\$ -	\$ 420,055	\$ -	\$ 420,055
<hr/>				

#### Note 9. Postretirement Benefits

The Humane Society of the United States Pension Plan (the Plan) is a qualified participating defined benefit plan that provides regular employees of the Society benefits equal to 2% of earnings for each year of credited service, up to a maximum of 25 years. Participants accrue benefits over the years of their employment, although normal pension benefits are not payable until age 65. Participants choosing earlier payment receive substantially reduced benefits. Effective December 31, 2007, any employees hired on or after January 1, 2008, are not eligible to participate in the Plan.

## The Humane Society Of The United States And Affiliates

### Notes To Consolidated Financial Statements

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#### Note 9. Postretirement Benefits (Continued)

The following table summarizes the accumulated postretirement benefit obligations, the fair value of Plan assets, and the funded status of the Plan at December 31, 2011:

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Change in benefit obligation:	
Postretirement benefit obligation, beginning of fiscal year	\$ 30,039,955
Service cost	1,361,607
Interest cost	1,505,533
Participant contributions	228,937
Benefit payments	(1,508,416)
Administrative expenses	(11,886)
Actuarial loss	3,326,983
Postretirement benefit obligation, end of fiscal year	<u>\$ 34,942,713</u>
Change in Plan assets:	
Fair value of Plan assets, beginning of fiscal year	\$ 22,464,246
Employer contributions	3,000,000
Participant contributions	228,937
Benefit payments	(1,508,416)
Administrative expenses	(11,886)
Actual return on Plan assets	(789,495)
Fair value of Plan assets, end of fiscal year	<u>\$ 23,383,386</u>
Funded status, end of fiscal year	<u>\$ (11,559,327)</u>

The Plan had an accumulated benefit obligation of \$30,587,005 as of December 31, 2011. The accumulated benefit obligation is identical to the postretirement benefit obligation, with the exception that the accumulated benefit obligation does not consider the effects of future compensation levels.

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

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Weighted-average discount rate	4.37%
Weighted-average rate of compensation increase	3.50%
Expected long-term rate of return on Plan assets	6.75%

## The Humane Society Of The United States And Affiliates

### Notes To Consolidated Financial Statements

#### Note 9. Postretirement Benefits (Continued)

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

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

Expected employer contributions	\$ 3,000,000
Year 1 expected benefit payments	\$ 7,696,172
Year 2 expected benefit payments	\$ 3,035,636
Year 3 expected benefit payments	\$ 2,906,767
Year 4 expected benefit payments	\$ 4,180,375
Year 5 expected benefit payments	\$ 4,400,404
Years 6 – 10 expected benefit payments	\$ 12,987,158

Fair value, as defined in the Fair Value Measurement Topic of the Codification, is described in Note 2 to the consolidated financial statements. In determining the appropriate levels for the Plan, the Society performs a detailed analysis of the assets and liabilities that are subject to the fair value disclosures of the Codification. At each reporting period, all assets and liabilities of the Plan for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets held by the Plan at December 31, 2011.

Following is a description of the valuation methodology used for assets held by the Plan measured at fair value:

Mutual funds and cash management funds are valued at quoted market prices.

The following table sets forth, by level within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2011:

	Level 1	Level 2	Level 3	Total
Equity mutual funds:				
Foreign large cap blend	\$ 3,796,439	\$ -	\$ -	\$ 3,796,439
Large cap value	2,389,751	-	-	2,389,751
Mid cap blend	2,258,079	-	-	2,258,079
Emerging markets	2,787,935	-	-	2,787,935
	<u>11,232,204</u>	<u>-</u>	<u>-</u>	<u>11,232,204</u>
Fixed income mutual funds:				
Intermediate-term bond	2,995,984	-	-	2,995,984
Bank loan	1,558,007	-	-	1,558,007
Short-term bond	1,431,435	-	-	1,431,435
World bond	1,267,088	-	-	1,267,088
Other	3,038,573	-	-	3,038,573
	<u>10,291,087</u>	<u>-</u>	<u>-</u>	<u>10,291,087</u>
Mutual fund – commodities	1,779,442	-	-	1,779,442
	<u>\$ 23,302,733</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,302,733</u>

The Plan's assets also consisted of \$80,653 in cash and cash equivalents at December 31, 2011.

## The Humane Society Of The United States And Affiliates

### Notes To Consolidated Financial Statements

#### Note 10. Unrestricted Net Assets

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

Unrestricted net assets are held by the following funds at December 31, 2011:

Board designated:	
Investment fund	\$ 72,227,795
Endowment fund	238,805
Special purpose funds	550,251
Black Beauty Ranch	6,394,454
Total board designated	<u>79,411,305</u>
Undesignated	50,477,238
Total unrestricted net assets	<u><u>\$ 129,888,543</u></u>

#### Note 11. Temporarily Restricted Net Assets

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

Temporarily restricted net assets are available for the following purposes at December 31, 2011:

	Balance December 31, 2010	Additions	Releases From Restriction	Balance December 31, 2011
Unitrusts	\$ 506,131	\$ 445,830	\$ -	\$ 951,961
Animal welfare programs	16,705,082	8,768,355	10,629,988	14,843,449
Scholarships	60,468	-	60	60,408
Support of other humane organizations	513,559	-	69,040	444,519
Wildlife Land Trust	2,008,417	7,411,098	6,782,882	2,636,633
Endangered Species	2,266,654	16,171	-	2,282,825
Doris Day Animal League	2,801,691	3,934,362	2,655,284	4,080,769
Fund for Animals	7,576,597	8,580,023	6,954,532	9,202,088
South Florida Wildlife Center	3,926,936	982,995	3,609,528	1,300,403
Humane Society Veterinarians Medical Association	-	354,658	257,379	97,279
	<u>\$ 36,365,535</u>	<u>\$ 30,493,492</u>	<u>\$ 30,958,693</u>	<u>\$ 35,900,334</u>

## The Humane Society Of The United States And Affiliates

### Notes To Consolidated Financial Statements

#### Note 11. Temporarily Restricted Net Assets (Continued)

During 2011, assets were released from donor restrictions by the Society incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors, as follows:

Purpose for which restrictions were accomplished:	
Donor-specified program expenses of the organization	\$ 28,227,071
Gifts to other humane organizations	2,565,866
Restricted fund investment expenses	165,756
	<u>\$ 30,958,693</u>

#### Note 12. Endowments

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

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

Investment and spending policies: The Society has adopted investment and spending policies for permanently restricted cash contributions that attempt to provide a predictable stream of funding to programs while maintaining purchasing power. All earnings from these funds are reflected as temporarily restricted net assets, until appropriated for program expenditures.

The Society's endowment funds consist of the following as of December 31, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (6,655,106)	\$ 440,109	\$ 34,693,722	\$ 28,478,725
Board designated endowment funds	238,805	-	-	238,805
	<u>\$ (6,416,301)</u>	<u>\$ 440,109</u>	<u>\$ 34,693,722</u>	<u>\$ 28,717,530</u>

## The Humane Society Of The United States And Affiliates

### Notes To Consolidated Financial Statements

#### Note 12. Endowments (Continued)

Donor-restricted endowment fund activity consists of the following for the year ended December 31, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ (4,396,176)	\$ 553,235	\$ 33,761,030	\$ 29,918,089
Investment return:				
Interest and dividends	756,637	59,578	-	816,215
Realized and unrealized loss on investments	(1,164,384)	(78,946)	-	(1,243,330)
Amounts appropriated for expenditure	(934,743)	(93,218)	-	(1,027,961)
Transfer to maintain earning power of corpus	(916,440)	(540)	916,980	-
Contributions	-	-	15,712	15,712
Endowment net assets, end of year	<u>\$ (6,655,106)</u>	<u>\$ 440,109</u>	<u>\$ 34,693,722</u>	<u>\$ 28,478,725</u>

#### Board Designated Endowment Fund Activity

Endowment net assets, beginning of year	\$ 243,003
Investment return:	
Interest and dividends	6,691
Realized and unrealized loss	(8,864)
Amounts appropriated for expenditure	(2,025)
Endowment net assets, end of year	<u>\$ 238,805</u>

#### Permanently Restricted Net Assets – Fund Categories At December 31, 2011

Income-producing assets; income is expendable to support the following:	
To defray operating expenses	\$ 3,175,489
To award scholarships to Connecticut secondary school students	17,678
To be used for the best interests of the organization	20,523,743
To support other humane organizations	1,502,039
20% of income to be used to support the Norma Terris Human Education and Nature Center, and 80% of income to be used for general purposes	5,537,006
To be used for the state of New Hampshire wildlife	162,128
To be used for the betterment of song birds	1,184,479
	<u>32,102,562</u>
Non-income producing assets:	
Land and easements held to preserve natural habitats for wildlife	2,591,160
Total permanently restricted net assets	<u>\$ 34,693,722</u>

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

## The Humane Society Of The United States And Affiliates

### Notes To Consolidated Financial Statements

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#### Note 13. Commitments

The Society leases certain office space and equipment under long-term non-cancelable operating leases. The leases provide for payment of increases in operating expenses, sales and use taxes, and insurance. Rental expense for the year ended December 31, 2011, was \$766,462.

As of December 31, 2011, the future minimum lease commitments under non-cancelable operating leases are as follows:

Years Ending December 31,

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2012	\$	442,649
2013		274,949
2014		182,385
	\$	<u>899,983</u>

#### Note 14. Allocation Of Joint Costs

The Society has allocated the joint costs of providing educational materials and activities that include a fundraising appeal. Since only those activities that include both programmatic and fundraising components are included in this allocation, the amounts below do not include all of the expenses presented in the consolidated statement of functional expenses. For the year ended December 31, 2011, the allocation of the joint costs is summarized as follows:

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Programs	\$	27,826,107
Fundraising		18,160,417
Membership development		1,092,315
	\$	<u>47,078,839</u>



## The Humane Society Of The United States And Affiliates

### Notes To Consolidated Financial Statements

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#### **Note 15. Retirement Plan**

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

Eligible participants are automatically enrolled to contribute 3% of pay their first year, increasing 1% per year until 6% salary deferrals after four years. Participants may elect to contribute higher amounts, up to 80% of pay, subject to annual dollar limitations.

The Society will make a matching contribution on a payroll basis. 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 \$766,223 to the 401(k) Plan during the year ended December 31, 2011.

#### **Note 16. Contingencies**

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

#### **Note 17. Line Of Credit**

The Society has a \$20 million unsecured line of credit with Wells Fargo Bank. The purpose of the line of credit is to provide ready reserves for short-term operating cash needs. The line of credit accrues interest at the LIBOR Market Index Rate for one-month U.S. dollars plus 100 basis points. There was no balance outstanding on the line of credit at December 31, 2011.

On February 28, 2012, the line of credit with Wells Fargo Bank expired, and the Society entered into a new \$20 million line of credit agreement with Bank of New York Mellon in May 2012. The line of credit accrues interest at the LIBOR Market Index Rate for one-month U.S. dollars plus 65 basis points. The line of credit is secured by certain investments of the Society.

