PRELIMINARY REPORT PREPARED AT THE REQUEST OF THE AUDIT COMMITTEE OF THE HUMANE SOCIETY OF THE UNITED STATES

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HARMON & WEISS

MEMORANDUM

To: Gail Harmon

From: Anne Spielberg

Re: Duties of Care and Loyalty of Humane Society Directors Officers

Facts

As the facts are set forth more fully elsewhere, I will only state them in general terms as relevant to the issues in this memorandum. It appears that several of the officers of the Humane Society of the United States ("HSUS") engaged in various sorts of misconduct involving illegal or improper use and/or mismanagement of funds belonging to HSUS. This conduct ranged from improper payments to the officers to questionable transactions between the officers and HSUS to false reporting of financial statements and various tax documents.

The directors of HSUS divide into two relevant subgroups, based on their respective knowledge about the illegal or inappropriate conduct. The first subgroup includes those directors who lacked any knowledge about the officers' misconduct prior to the series of incidents which led the Board of HSUS to appoint the separate investigatory committee. The second subgroup includes those directors who had actual knowledge of the questionable conduct as it was transpiring and who even approved of that conduct.

Issue

Is there any potential liability on the part of HSUS directors or officers for damages arising out of the officers' illegal or improper conduct?

Short Answer

Yes. The first subgroup of directors is most likely to be personally liable for damages to HSUS arising out of the officers' conduct if they fail to take appropriate action to ensure that similar misconduct does not occur in the future. The second subgroup of directors will similarly be liable, but may also be liable, along with the relevant officers, for damages arising out of the actual events which constitute the officers' misconduct.

Discussion

Directors of nonprofit organizations, like their corporate counterparts, bear a fiduciary relationship to the nonprofit corporation.[1] The existence of this fiduciary obligation means that directors owe the corporation complete loyalty, honesty, and good faith, must act in all things of trust wholly for the benefit of the corporation, and must not place their own self-interests or

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1 See, e.g., Pogostin v. Rice, 480 A.2d 619 (Del. 1984). See generally 3 Fletcher Cyclopedia of the Law of Private Corporations ("Fletcher") §§ 838, 844.1 (1986).

personal gain ahead of the corporation.[2] These obligations are discussed under the categories of the duty of care and the duty of loyalty. To a great extent these fiduciary duties are also applicable to officers without regard to whether the officers are directors. Indeed, often officers' duties are more extensive than those of directors because of the substantial portion of their time devoted to running the corporation and because they usually receive a salary commensurate with their service.[3] Where there is no specific state statute applicable to nonprofit organizations, the standards applicable to directors' and officers' duties of care and loyalty are generally governed by the relevant state standards for corporate directors and officers.[4]

<u>Duty of Care</u>

In Delaware the relevant law on duty of care is most usefully discussed as three discreet areas of potential liability. These areas are duty of care in substantive decision-making, duty of care in the process of decision-making, and duty of care in delegation and oversight functions.

1. Substantive Decision-Making

The business judgment rule applies to review of directors' substantive decision-making in Delaware. The rule applies to the

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2 <u>See</u> Fletcher § 838.

3 Fletcher § 991.

4 N.Y.U. Conference on Tax Planning for the Charitable Sector § 8.03[3] (1985).

making of a decision whether that decision is to act or not to act. It protects directors from personal liability in damages for honest mistakes of judgment if the directors acted in good faith, acted in the honest belief that their action was in the best interests of the corporation, were informed and acted with due care in the process of their decision-making, and the substantive decision can be attributed to a rational business purpose. There is a rebuttable presumption that directors have met all these elements of the rule.[5]

The element of good faith presupposes no personal financial interest or self-dealing and precludes directors from acting with reckless indifference to or with a deliberate disregard to the interests of the whole corporation. The element of honest belief requires that directors be genuinely and sincerely motivated by the best interests of the corporation rather than the selfish interests of the directors. The element concerning the process of decision-making will be discussed later. And the element of rationality requires that the decision is attributable to any rational corporate purpose and is arguably a valid exercise of discretion.[6]

The business judgment rule should protect those directors who were without knowledge of the illegality and misconduct of

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5 1 Balotti & Finkelstein, <u>Delaware Law of Corporations and Business Organizations</u> ("Delaware Corporations") § 4.6 (1986).

6 <u>Id</u>. and cases cited therein.

HSUS officers from person liability for the actual events constituting the officers' misconduct so long as the process of decision-making did not involve gross negligence, as discussed below. Most of the decisions involving misconduct were not even made by these directors. Any decisions or parts of decisions which did involve these directors are presumed to have been taken in good faith, in the best interests of the corporation, and for a rational corporation purpose.

As for the directors with knowledge of the misconduct, however, the business judgment rule may not necessarily protect them from individual liability. The first two elements of the rule are in doubt for these directors. They arguably acted at least with reckless indifference to the interests of the whole corporation and were not sincerely motivated by the best interests of the corporation rather than selfish interests of individual officers. Consequently, they would not be insulated from liability and might be jointly and severally liable for any damages to HSUS, tracable to their action.

2. Process of Decision-Making

One of the key elements of the business judgment rule is that directors act on "an informed basis". Under Delaware case law, the standard of care directors must exercise in the process of decision-making is one of gross negligence.[7] Directors are not expected to know everything about the business of the corpo-

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7 Aronson v. Lewis, 473 A.2d 805, 812 (Del. 1984); see also Delaware Corporations § 4.7.

ration or about a given transaction which management or staff are contemplating. They are expected, however, to have a reasonable amount of knowledge of the company's activities and to reach an adequate level of understanding of all the material facts necessary to make a judgment on a particular transaction. Additionally, section 141(e) of the Delaware Corporation Law protects directors where they rely "in good faith upon the books of account or reports made to the corporation by any of its officers, or by an independent public accountant, or by an appraiser selected with reasonable care . . . or . . . on other records of the corporation." However, directors are not protected in relying upon reports which patently lack substance or on individuals who are obviously uninformed on the essential provisions of a document they are presenting.[8]

In a recent case, the Delaware Supreme Court strictly held directors to their obligations to make their decisions on an informed basis. In Smith v. Van Gorkom, 488 A.2d 858 (Del. 1985), the court found gross negligence in the directors' process of evaluating a merger proposal and recommending the merger for shareholder approval. Liability was found even though there was no self-dealing. This case as well as subsequent corporate cases indicate that a board of directors must make its decisions in a thorough and deliberate manner, and act on the basis of all material information reasonably available. While the business

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8 Delaware Corporations § 4.7

judgment rule acts as a shield against individual director liability, one of the key predicates to that shield is that directors adequately inform themselves before making important decisions affecting the organization.[9]

As the uninformed directors never approved or had knowledge of the questionable transations with the officers of HSUS, their obligation to act on an informed basis was not implicated. If there were decisions made by these directors based on false financial statements or other corporate documents resulting in damages to HSUS, the gross negligence standard should protect these directors from liability for relying on information presented to them in making those decisions so long as they did not merely acquiesce in major decisions, but acted in some way to inform themselves about them.

With respect to the directors who were knowledgeable about officer misconduct, however, their conduct in approving various transactions, like those authorized by the Deferred Compensation Committee, can be characterized as constituting gross negligence. These directors cannot claim protection for any of their decisions based on reliance on reports prepared either by the officers or an outside individual such as an accountant. Reliance on such reports could not be claimed to be in good faith given these directors' knowledge of underlying details suggesting improprieties in compensation, financial statements, and other

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9 See id.

public documents. Applying the principles enunciated in Smith v. Van Gorkom, it is doubtful whether these directors made their decisions in a thorough and deliberate manner, acting on the basis of all material information reasonably available.

3. Delegation and Oversight Functions

Finally and most importantly with respect to the situation at HSUS, directors have a duty of care in their delegation and oversight functions. Once again, in Delaware, the standard of care is one of gross negligence. The board of directors is entitled to delegate extensive responsibility to committees and officers either expressly or by course of conduct. This decision to delegate is protected by the business judgment rule. The real obligation of directors arises where they have actual knowledge of facts suggesting a material problem in the company. In such cases, directors are duty-bound to initiate action so as to deal with the problem.[10] While directors are not liable for a failure to ferret out the lapses of officers unless directors have been warned or unless danger signs are obvious, if directors recklessly repose confidence in an obviously untrustworthy employee, refuse or neglect cavalierly to perform their duty as directors, or have ignored either willfully or through inattention obvious danger signs of employee wrongdoing, the law will impose liability on the directors.[11] For example, in Lutz v. Boas, 171

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10 See Delaware Corporations § 4.8.

11 See Graham v. Allis-Chalmers Manufacturing Co., 188 A.2d 125, 130 (Del. 1963); see also Delaware Corporations § 4.8.

A.2d 381 (Del. Ch. 1961), the court found directors of a mutual fund liable for abdicating their responsibilities and grossly negligent because even an average attention to duty would have revealed the improper conduct of the fund's advisors.[12]

Under this standard the directors who were without knowledge of the officers' improper conduct would not be personally liable for actions of the officers taken before these directors had any idea that improper conduct was in fact occurring. However, this line of cases clearly requires these directors to take action to deal adequately with the problems being uncovered at HSUS now that they are being made aware of these problems. If no action is taken to address the improper and illegal conduct, the directors can be held personally liable for any damages arising to the corporation as a result of further misconduct proximately caused by their inaction.

The knowledgeable directors, under this standard, may additionally be liable for damages from any of the previously occurring improper conduct, given their knowledge of and approval of the questionable transactions. The red flags were obvious for them, and their duty of care to the corporation required them to take steps to halt the improper conduct.

Duty of Loyalty

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12 See also Stern v. Lucy Webb Hayes Nation Training School, 381 F. Supp. 1003 (D.D.C. 1974)(director breached fiduciary duty where failed to use diligence in supervising the actions of those officers, employees, or outside experts to whom responsibility for making day-to-day financial decisions had been delegated).

A companion director and officer obligation to the duty of care is the duty of loyalty. The duty of loyalty bars a director or officer from using his position or information concerning the organization and its property in a manner which allows him or her to gain a pecuniary benefit. A director or officer must refrain from self-dealing.[13] In addition, the duty of loyalty may be violated when an individual director or officer pursues the interest of a third person.[14]

Section 144(a) of the Delaware statute governs interested director transactions. The statute provides that contracts or transactions between a corporation and one or more of its directors or officers shall not be void or voidable solely because the interested director or officer is present at or participates in the meeting of the board or committee which authorizes the contract or transaction if the material facts as to the relationship or interest are disclosed to the voting group and the group in good faith authorizes the action by affirmative vote of a majority of the disinterested directors or if the contract or transaction is fair to the corporation. The principles applicable to

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13 Delaware Corporations § 4.9; D. Kurtz and J. Small, Nonprofit Organizations 1986 Current Issues and Developments ("Nonprofit Organizations") at 274.

14 Societa Operaia Di Mutuo Soccorso Villalba v. Di Maria, 40 N.J. Super. 344, 122 A.2d 897, 899 (1956)(fiduciary duty of loyalty can be breached "just as significantly by seeking the advantage of a third person as by looking to . . . own private aggrandizement"); Brown v. Memorial National Home Foundation, 329 P.2d 118 (1958)(funds diverted to another charity).

loyalty issues, thus, require an analysis of the disinterestedness of the directors as well as the quality and quantity of the disclosure. When a fairness showing is required will depend on the precise facts and circumstances of each case.[15] In addition, the duty of loyalty prohibits an officer or director from appropriating an opportunity rightfully belonging to the corporation.[16] Moreover, in cases involving waste, illegality, ultra vires acts, or fraud, disinterested approval and/or fairness of the transaction may well be irrelevant, and the contract or transaction may simply be void or voidable and the individual directors or officers personally liable.[17]

If corporate waste or illegality or fraud is established with respect to some of the transactions at HSUS, those actions are simply void or voidable without any additional discussion and the knowledgeable officers and directors could be held personally liable. For example, a Maryland court decision indicates that directors or officers may be held liable for actionable fraud or breach of fiduciary duty in concealing material facts about cor-

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15 Delaware Corporations § 4.9

16 Id. at § 4.10.

17 See Delaware Corporations § 4.9. "That directors or other corporate officers are liable to the corporation for their misconduct, to a large extent, if not practically the same extent as agents for an individual, in cases of fraud, misappropriation of corporate property to their own use, culpable negligence, the doing of ultra vires acts, etc. is too well settled to admit of controversy." Fletchers § 990 at 677.

porate transactions, as well as in making false statements in corporate reports.[18]

If the questionable HSUS transactions involve various aspects of self-dealing short of illegality or fraud, Delaware law requires an analysis of the disinterestedness of the approving directors as well as the fairness of the transactions. While the Deferred Compensation Committee, composed of non-benefiting directors, allegedly authorized the various transactions, those directors may not have been disinterested because they were violating their duty of loyalty by acting in the interests of third persons. In addition, as set forth elsewhere, the Deferred Compensation Committ was never validly created, and, therefore, lacked the authority to take the relevant actions. A litigant might also validly raise questions about the quality and quantity of disclosure to the Committee by the officers as to their real interests in the transactions. The transactions could further be attacked on grounds of fairness to the corporation, given that many of the transactions are of minimal or questionable benefit to the corporation. In addition, there might be an argument as to some of the transactions that the officers usurped corporate opportunities because money that has gone to compensate them may well have otherwise simply been donated to HSUS, e.g., the personal loan made by a donor to Mr. Hoyt.

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18 Parish v. Maryland & Virginia Milk Producers Association, 250 Md 24, 242 A.2d 512 (1968).

Further, the duty of loyalty imposes on directors and officers a duty to reveal all facts material to corporate transactions to stockholders, members, or the corporation, i.e., the board of directors. The principle at work here is that officers and directors stand in a sufficiently confidential relationship to the corporation to impose this duty of disclosure upon them.[19] Applying that principle to this case, the knowledgeable officers and directors had a duty to disclose the transactions approved by the Deferred Compensation Committee to the Board of Directors because those transactions were material to the operation of HSUS.

The consequence of finding that any of these transactions violated a director's or officer's duty of loyalty is to make the transaction voidable. If the transaction is voidable, interested directors must compensate the corporation for their improperly earned benefits and restore the status quo.[20]

Miscellaneous Liability Issues

Directors may also be held liable for corporate acts when they voluntarily or intentionally participate in the commission of a tort.[21] Consequently, if the tort of fraud has been com-

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19 Parish v. Maryland & Virginia Milk Producers Association, 250 Md. 24, 242 a.2d 512, 539-40 (1968).

20 Delaware Corporations §4.9; Nonprofit Organizations at 274-78.

21 Nonprofit Organizations at 281.

mitted, it may be that the knowledgeable directors could be personally liable for such conduct.[22] In addition, participation in criminal activities may lead to personal liability for directors, even when acting in a corporate capacity.[23] Here, as well, the knowledgeable directors could be held personally liable for things such as income tax fraud.

Remedies

The general rule is that the measure of damages in an action for breach of fidicicary duty is any profit or amount which would have accrued to the organization if the director or officer had not breached his or her duty. The loss to the organization must have been proximately caused by the breach of duty. If the loss would have occurred even in the absence of the breach of duty, no recovery of damages is available.[24] Some jurisdictions like New York, however, do not require an actual injury to the corporation where there is a breach of duty, but simply hold the officer or director accountable for any gains they have realized from the improper transactions.[25] In the case of HSUS the measure of

22 In Delaware, uncompensated directors are immune from civil liability for negligence, Chapter 81, Tit 10 Del. Code § 8133, but fraud, an intentional tort, would not be covered by that statute.

23 Nonprofit Organizations at 282.

24 Fletcher § 838.

25 Id. § 992.

damages would presumably be the amount of excess compensation paid to the officers, the amount of any improper transactions paid out by the corporation, and any other monetary losses the organization suffered or will suffer because of the illegal or improper conduct. In addition, where officers and directors have abused their relationship with the corporation, a court's equitable powers will be set in motion. The remedy for a director's breach of duty which results in a benefit to the director at the expense of the corporation is disgorgement of profits.[26]

26 Fletcher § 1011; see also e.g., Ohio Drill & Tool Co. v. Johnson, 625 F.2d 738, 742 (6th Cir. 1980)(applying Ohio law).

HARMON & WEISS

TO: Gail Harmon

FROM: Andrea Ferster

RE: Potential Liability of HSUS and its Officers and Directors for Tax Penalties

Date: April 6, 1988

Issue #1

Whether HSUS and its officers and directors are potentially liable for federal income tax penalties arising out of (1) undervaluing the rental value of Mr. Hoyt's house for purposes of Form W-2, or for underreporting wages to the IRS on Form 941; and/or (2) the failure to report to IRS as compensation the 1987 payment of $85,000 to Paul Irwin

Facts

John Hoyt resided in a house with a fair market value of $310,000, owned by HSUS as of May, 1987. He paid no rent to HSUS for his personal use of the property. HSUS correctly recognized Mr. Hoyt's personal use of HSUS' property to be taxable compensation, and issued a Form W-2 to Mr. Hoyt. HSUS reported a monthly rental value of $600 per month. No effort was made to determine whether this was a fair market rental value for the property. In fact, this is a gross undervaluation of the rental value of the property. This undervaluation is either the result to gross negligence, or an attempt to aid Mr. Hoyt in underreporting compensation to the IRS.

Paul Irwin was paid $85,000 in October 1987 by HSUS. While Mr. Irwin has characterized this transaction as payment for an interest in recreational real estate on the coast of Maine, in fact, HSUS has not, to kate, received any such interest in the property. Therefore, the payment must be considered compensation to Mr. Irwin. However, however, no Form W-2 was issued to Mr. Irwin reflecting this additional compensation.

Analysis

HSUS was required to report to the IRS the payment to Paul Irwin and the rental value of Mr. Hoyt's home on two forms: the Form W-2, statement of compensation and tax withheld which employers are required to furnish to employees and to the IRS,[1] and the Form 941, quarterly tax return which employers are required to file with the IRS and make payments of withheld federal income tax and FICA tax.[2] Due to the undervaluation of the rental value of the property, the W-2 Form issued by HSUS reporting Mr. Hoyt's and Mr. Irwin's compensation, as well as the Forms 941, understated their taxable compensation, and underpaid employment taxes to the IRS.

Underpayments of withholding tax reported on Form 941 must be corrected. Failure to make an adjustment will subject the employer to interest on the underpayment, running from the due date of the return for the period in which the employer failed to withhold, to the date of payment.[3] An employer who fails to col-

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1 26 U.S.C. §§ 6041, 6051. This requirement applies to non-profit as well as for-profit employers. Treas. Reg. § 1.6041-1(b).

2 26 U.S.C. § 3501.

3 26 U.S.C. § 6205.

lect and pay over withholding taxes, or attempts to willfully evade or defeat the taxes, will be liable for a penalty equal to the total amount of the tax evaded.[4] This tax is imposed on the "responsible person," which can be a corporate officer, or a volunteer member of a charity's Board of Directors.[5] Moreover, any person who willfully fails to furnish a withholding statement, or who furnishes a false or fraudulent statement may be subject to a civil penalty of $50,[6] and criminal penalties of $1,000 and/or up to one year in jail.[7] These penalties are also imposed on the "responsible persons."[8]

In addition to the direct liability of HSUS and its officers and directors for their own actions in filing incorrect statements to the IRS, and underwithholding of income taxes and underpayment of employment taxes, it also faces potentially tax liability, both civil and criminal, arising out of Mr. Hoyt's and Mr. Irwin's underpayment of income taxes. Mr. Hoyt presumably only paid taxes on $600 per month, the amount reported on the Form W-2 as the value of the property, rather than the actual fair market value of the property, which would have resulted in a

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4 26 U.S.C. § 6671.

5 Rev. Rul. 84-83, 1984-2 C.B. 781.

6 26 U.S.C. § 6674.

7 26 U.S.C. § 7204.

8 Treas. Reg. § 31.6674-1.

higher taxable income. Assuming the Mr. Hoyt was well aware that the rental value of the property was much greater than $600 per month, Mr. Hoyt is potentially liable for penalties for fraudulent underpayment of income taxes.[9] The same goes for Mr. Irwin, assuming he paid no income taxes at all on the $85,000 payment. A person who aids or abets an individual in understating tax liability may be subject to a civil penalty of $1,000.[10] Moreover, a director or officer of a corporation who knows of a subordinate's participation in understating an individual's income and fails to act to prevent it could also be held liable for the penalty.[11]

If HSUS's actions aid and abet or conspire with Mr. Hoyt and Mr. Irwin in willfully evading taxes or willfully filing a false tax return,[12] the responsible HSUS officers may be prosecuted criminally as a principal, and face penalties of up to 10,000, or five years in prison, or both.[13]

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9 26 U.S.C. § 6653(b). <u>See</u> <u>Doric Apartment Co</u>, 32 B.T.A. 1187, Dec. 9048 [check cite], in which fraud penalties were imposed on a taxpayer for understating the value of property.

10 26 U.S.C. § § 6701.

11 26 U.S.C. § 6701(c)(1)(B).

12 Actions resulting in criminal felony and misdeamanor liability, respectively. 26 U.S.C. §§ 7201, 7207.

13 18 U.S.C. §§ 2, 371. An aider and abetter can be convicted even if the principal is acquitted of the offense in which the aider and abettor played a part. <u>United States v. Standefer</u>, 447 U.S. 10 (1980).

Issue #2

Whether HSUS or Paul Irwin is liable for tax penalties for underreporting Mr. Hoyt's compensation on its Form 990, by using NHEC, a corporation controlled by HSUS, as a conduit for paying additional compensation to Mr. Hoyt in order to avoid disclosing this compensation on HSUS' Form 990.

Facts

Set out elsewhere.

Analysis

The Internal Revenue Code specifically requires tax exempt organizations to report the compensation of managers and highly compensated employees on their annual information returns.[14] This requirement was added by the Tax Reform Act of 1969 in order "to facilitate meaningful enforcement of the limitations imposed by the bill, especially when combined with the publicity provisions and the sanctions for failure to file timely returns." H.Rept. No. 91-413, 1969 U.S. Code Cong. and Adm. News, at ____.

While no penalties are imposed for misstatements on the Form 990 -- only on the failure to file,[15] the specific statutory command that compensation be disclosed should be sufficient to demonstrate that this is a material omission from the Form 990 for purposes of determining whether there is a violation of the

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14 26 U.S.C. § 6033(b)(7).

15 26 U.S.C. § 6652(d).

perjury prohibition. The Internal Revenue Code imposes criminal penalties on any person who

> Willfully makes any and subscribes any return, statement, or other document, which contains or is verified by a written declaration that it is made under the penalties of perjury, which he does not believe to be true and correct as to every material matter,[16]

as well as on aiding and abetting any person in making such a false statement.[17] Persons found guilty under this provision "shall be fined not more that $100,000 ($500,000 in the case of a corporation), or imprisoned not more than 3 years, or both, together with the costs of prosecution."[18] The Form 990 contains such a perjury statement, and therefore any material omission from this form will expose the responsible person to these criminal penalties.

HSUS' liability for perjury depends first, on a finding that HSUS should have reported the compensation that was "run through" NHEC on HSUS' Form 990, even through the actual disbursement was made from NHEC, and second, a finding that the understatement of Mr. Hoyt's compensation on HSUS' Form 990 is material.

Although the regulations provide that each exempt organization must file a separate Form 990, even if it is affiliated with another organization,[19] this does not preclude the possibility

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16 26 U.S.C. § 7206(1).

17 26 U.S.C. § 7206(2).

18 26 U.S.C. § 7206.

19 Treas. Reg. § 6033-2(a).

that the NHEC compensation should have been reported on HSUS' Form 990. A court may disregard the corporate form in order to prevent the use of the corporate form to circumvent the effect of a tax statute, where the court finds that the corporate form is either a sham or an "alter ego" with respect to a particular transaction.[20] The general rule in tax cases is that, in order to disregard a corporate entity, (1) there must be such unity of interest and ownership that the separate personalities of the corporation and the individual shareholders no longer exist, and (2) if the acts are treated as those of the corporation alone, an inequitable result will follow.[21] Assuming that NHEC is determined to be an instrumentality or alter ego of HSUS under the factors set out in note 20 above, it is likely that a court would find that NHEC was used merely as a conduit to avoid reporting Mr. Hoyt's full compensation on HSUS' Form 990, and that disregarding NHEC would be necessary to prevent the ineq-

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20 Hoffman Motors Corporation v. United States, 473 F.2d 254, 256 (2nd Cir. 1973). In determining whether to pierce the corporate veil, some common determinating factors include undercapitalization, failure to observe formalities, siphoning of corporate funds by dominant stockholders, nonfunctioning of other officers or directors, absence of corporate records, use of the corporate entity in promoting injustice or fraud. Fletcher's Cyclopedia of Corporations, § 41.30, at 429. All of these factors appear to be present here. These principles have been applied to nonprofit organizations. Id., § 41.75 "Disregard of the Corporate Entity -- Nonprofit Corporations," at 174 (1983).

21 Fletcher's Cyclopedia of Corpoations, § 45.1 "Separate Corporate Entity Privilege in Taxation," at 546 (1983) (citing, inter alia, Western States Bankcard Assn. v. San Francisco, 62 Cal App. 137, 133 Cal Reptr. 36 ( ).)

uitable result of HSUS' evasion of the prohibition against private inurement. Therefore, HSUS should have reported the NHEC compensation on HSUS' Form 990.

The second question, for purposes of the perjury penalty, is whether the omission from HSUS Form 990 of Mr. Hoyt's full compensation is "material." The absence of tax liability for the omission do not necessarily render the omission immaterial.[22] Rather, a statement is "material" if it is capable of influencing actions of the Service in any matter within its jurisdiction.[23] It is well established that excessive, as opposed to reasonable, compensation paid by an exempt organization can result in inurement to the benefit of private individuals, and thus jeopardize an organization's tax exempt status.[24] In this case, HSUS' Forms 990 for 1985, 1986, and 1987 stated Mr. Hoyt's salary to be $90,000, $95,000, and $95,000, respectively, yet when the compensation he received from NHEC is included, his actual compensation for those tax years is $103,000, $109,000, and $109,000. Thus, the misstatement of employee compensation prevents the IRS from determining whether compensation is "reasonable" for purposes of the prohibition against private inurement, and would be considered material for purposes of the perjury penalty.

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22 <u>United States v. Taylor</u>, 574 F.2d 232 (5th Cir.), <u>cert denied</u> 439 U.S. 893 ( ).

23 <u>United States v. Goldman</u>, 439 F.Supp. 337 (D.N.Y.).

24 <u>Harding Hospital, Inc. v. United States</u>, 505 F.2d 1068 (6th Cir. 1974).

Accordingly, HSUS, and/or the individual who signed HSUS' Form 990, may be liable for up to $500,000 in penalties, and/or imprisonment, and any person who aided or abetted in this false Form 990 will face the same liabilities.

ANNUAL REVENUES AND PRESIDENTS' SALARIES OF U.S. CHARITIES*

Organization	Annual Revenue**	Executive Salaries	Benefits
United Way	$2,400	$230,000 ('86)	$95,553
Red Cross	$973	$165,119 ('87)	
Salvation Army	$865	$ 15,314 ('88)***	
UNICEF	$463	$139,000 ('87)	
Goodwill Industries	$447	$103,421 ('87)	$9,600
CARE	$397	$ 90,000 ('86)	
American Cancer Society	$308	$162,172.92 ('85)	
Planned Parenthood of America	$274	$116,436 ('86)	$2,170
Easter Seals	$212	$115,492 ('86)	
Boys Clubs of America	$187	$ 79,102 ('86)	$61,780
Humane Society of the U.S.	$ 13	$ 95,000 ('87)	$70,537

*Sources: Fortune, 11/9/87, p. 146 and The Nonprofit Times, February, 1988, pp. 1, 13.

**Annual revenues in millions of dollars.

***Also receives housing, a car and grants for taxes and some other expenses.

HUMANE SOCIETY OF THE UNITED STATES
PRESIDENT'S SALARY AND BENEFITS
FIVE YEARS

	1988	1987	1986	1985	1984	1983
HSUS Compensation		$95,000	$95,000	$90,000	$85,000	$85,000
Travel Allowance		4,000	$5,000	5,000	4,000	4,000
Insurance[1]		9,109	8,434	5,109	5,109	5,109
NHEC[2]	14,000	14,000	14,000	13,000	0	0
Deferred Comp.[3]		5,000	5,000	5,000	5,000	0
	36,000[4]	24,000[4]				
		7,000[5]	7,000[5]	7,000[5]	7,000[5]	7,000[5]
					9,000[6]	9,000[6]
			? cash surrender value of life insurance policy transferred from HSUS			
		7,428[7]	5,000[7]			
TOTALS		165,537	138,434	125,109	115,109	110,109

[1]<u>Insurance</u>

	1987	1986	1985	1984	1983
Manhatten Life	4,000	333	0	0	0
Mass. Casualty Disab.	913	913	913	913	913
Conn. Mutual Life	4,196	4,196	4,196	4,196	4,196
Aetna Life Ins.	0	2,992	0	0	0
	9,109	8,434	5,109	5,109	5,109

[2]<u>NHEC</u>

	1987	1986	1985	1984	1983
Auto/Travel	9,000	9,000	9,000	0	0
Add'l Comp.	5,000	5,000	4,000	0	0
	14,000	14,000	13,000	0	0

[3]<u>Deferred Comp.</u>

	1987	1986	1985	1984	1983
Aetna Plan	5,000	5,000	5,000	0	0

[4]Fair market rental value of house now owned by HSUS and occupied rent-free by Mr. Hoyt.

[5]Value of interest free loan of $110,000 (actually understated); note was owned by HSUS in 1987; while the loan was originally made by Mrs. Evans, it presumably was based on his employment relationship with HSUS.

[6]Figure used in later years to compensate for lack of HSUS provided automobile, so presumably the value of that automobile.

[7]Checks identified by auditors Deloitte, Haskins and Sells and not previously reported. Payments of $9,285 (1986), $13,927 (1987) and $13,873.50 (1988) are assumed to be bonuses already included in compensation.

HOYT'S DEAKINS RANGE PROPERTY

On March 13, 1970, Mr. Hoyt and his wife bought the property know as Deakins Range for use as a residence. The purchase price for the property was $120,000. To finance this purchase, Mr. Hoyt borrowed $60,000 from the Clara Jeffrey Trust, a private trust of which Coleman Burke, Chairman of the Board of HSUS, was one of the two trustees. The interest rate on the $60,000 Jeffrey Trust loan was 5%. In addition, Mr. Hoyt assumed two mortgages at this time for $36,000 a piece or a total of $72,000.[1]

On August 30, 1974, Mr. Hoyt sold one of the plots comprising Deakins range for $20,000. On June 11, 1976, Mr. Hoyt received an additional loan from the Jeffrey Trust for $20,000 at the same 5% interest rate as the previous loan. In March 1977, Mr. Hoyt secured a loan of $50,000 from American Security Bank. In 1980, Mr. Hoyt borrowed an additional $30,000 from the Jeffrey Trust, secured by some real estate in Ohio.

In November 1981, Mr. Hoyt received a loan from HSUS donor, Irene Evans, of $110,000 at a 10% semiannual rate of interest for the first year and at 0% interest for subsequent years. This loan from Ms. Evans was used to pay off the Jeffrey Trust loans. In May 1987, HSUS purchased Deakins Range from the Hoyts for $310,000. This money was used in part to pay off the $110,000 loan from Ms. Evans, who had given the right to collect on that loan to HSUS, and the $50,000 mortgage from the American Security Bank. At some point in time, the two 1970 mortgages totalling $72,000 were also paid off.

The attached chart summarizes these transactions and establishes that Mr. Hoyt has made a profit of $220,000 on the purchase and sale of his house.

1 Although we have no records documenting these mortgages, Mr. Hoyt informed us about them.

MR. HOYT'S DEAKINS RANGE PROPERTY

Transaction	Cost of property	Loans to Mr. Hoyt	Mr. Hoyt's income from sale of property	Mr. Hoyt's net disposable income from property on respective dates[a]
1970 purchase of property	-120,000			
1970 Jeffrey Trust Loan (5% interest)		+60,000[b]		
1970 Mortgages (2 at $36,000 each)		+72,000[d]		+12,000
1974 Sale of Extra Plot			+20,000	+32,000
1976 Jeffrey Trust Loan (5% interest)		+20,000[b]		+52,000
1977 American Securities Bank Mortgage		+50,000[c]		+102,000
1980 Jeffrey Trust Loan Secured by Real Estate in Ohio		+30,000[b]		+132,000
1981 Loan from Irene Evans (10% semiannual interest 1st year; 0% subsequent years)		(110,000[b,c])		+132,000
1987 HSUS purchase of property			(310,000[c,d]) +90,000	+222,000

[a]This column reflects the net disposible income available to Mr. Hoyt in each relevant year and was calculated by adding the figures in the other columns cumulative to that date.

continued from previous page

[b]The $110,000 loan from Irene Evans was used to pay off the loans from the Jeffrey Trust. Mr. Hoyt, therefore, realized no income gain from this transaction.

[c]The $310,000 purchase price from HSUS was used to pay off the Irene Evans loan of $110,000 and the American Securities Bank loan of $50,000. Therefore, $160,000 of that transaction did not constitute new income to Mr. Hoyt.

[d]At some point, Mr. Hoyt paid off the 1970 mortgages. Because the Committee was not provided any information as to when or how this occurred, we have simply subtracted an additional $60,000 from the HSUS purchase price to reflect conservatively some prior payment on the principal of the mortgages, and so as not to double count any income to Mr. Hoyt.

VALUATION OF DEAKINS RANGE PROPERTY

The dollar value for Mr. Hoyt's personal use of Deakins Range was set by Bill Voorhees, the HSUS accountant at $600 per month. This valuation figure was provided to the IRS and Mr. Hoyt by HSUS on either a form W-2 or a form 1099 as compensation to Mr. Hoyt.

An experienced local realtor, provided with the Long and Foster description of Deakins Range, estimated the rental value of the property to be between $2,500 and $3,000 per month, noting that a smaller property on a smaller lot had recently rented for $2,200 per month.

TRAVEL EXPENSES OF MRS. HOYT FOR 1985-1987
PAID FOR BY THE HUMANE SOCIETY OF THE UNITED STATES

Airfare	Hotel*	Meals	Car Rental	Mileage
$6383.67	$3574.45	$768.27	$243.11	$487.86

Gas, Tolls & Parking	Cash	Books & Shipping	Gifts	Tips
$43.29	$325	$167	$118	$36.18

TOTAL $12,146.83
\- 6,000.00 (half of WSPA reimbursement to HSUS for Far East Trip taken in 1987)

$ 6,146.83

*All expenses except airfare were derived by taking half of the amount listed under each category on John Hoyt's travel expense reports.

HARMON & WEISS

HUMANE SOCIETY OF THE UNITED STATES
TREASURER'S SALARY AND BENEFITS
FIVE YEARS

	1988	1987	1986	1985	1984	1983
HSUS Compensation	$80,000	$80,000	$78,000	$74,000	$67,000	$67,000
Insurance[1]	5,922	5,922	9,925	4,611	4,070	5,417.44
NHEC	10,000	10,000	9,000	9,000	0	0
NAAHE	5,000	5,000	0	0	0	0
Deferred Comp.[2]	7,000	7,000	7,000	7,000	5,000	0
		85,000[3]				
					9,000[4]	9,000[4]
			? cash surrender value of life insurance policy transferred from HSUS			
		5,490.577[5]				
TOTALS	107,922	198,412	103,925	94,611	76,070	72,417

[1]Figure does not include medical insurance payments

[2]Aetna Plan

[3]Payment by HSUS in connection with Maine recreational real estate for which HSUS received no legal interest in the real estate and for which there was no documentation supporting the "reimbursement."

[4]Figure used in later years to compensate for lack of HSUS provided automobile, so presumably the value of that automobile.

[5]Checks identified by auditors Deloitte, Haskins and Sells and not previously reported. Payments of $9,285 (1986), $13,927 (1987) and $13,873.50 (1988) are assumed to be bonuses already included in compensation.

Brightwater Property

In October of 1987, HSUS paid Paul Irwin $85,000 to "reimburse" him for his investment in recreational property in Maine. This was approved by the Deferred Compensation Committee which apparently did not realize that this transaction was far beyond the scope of its authority; the purchase was never reported to the Board in the normal course of affairs.

While the transaction itself raises serious problems of private benefit and a waste of the HSUS' assets, the implementation of the transaction presents further concerns.

1. Although Mr. Irwin has been paid $85,000 as a "reimbursement" as of March 8, 1988, he had not actually paid out more than $57,000 in connection with this property because the Butlers took back a $40,000 purchase money mortgage.

2. Mr. Hoyt, who signed the checks to Mr. Irwin, apparently never requested evidence to support the claimed reimbursement and never required that the partnership agreement be signed to protect the rights of HSUS.

3. Although the minutes of the Deferred Compensation Committee and Mr. Irwin's September 3 memo suggest that the renovations had been completed and paid for previously, they apparently were not started until June of 1987 and more than 60 percent were paid for after August, 1987.

4. Even though the money has been paid, the partnership agreement has not been signed, so HSUS would have difficulty asserting its intended legal rights in connection with the property.

5. After the partnership agreement is signed, Mr. Irwin can call for apparently unlimited additional capital contributions from HSUS.

6. Since the price of the leasehold is 1.6 x valuation assessed by the town, it could appreciate faster than inflation (contrary to Mr. Irwin's statement on p. 3 of his September 3, 1987, memo) and result in additional funds for Mr. Irwin. After all his payments have been reimbursed, HSUS would receive the bulk of the profit, if any.

VALUATION OF BRIGHTWATER PROPERTY

Technically, HSUS has no ownership interest in the Brightwater property. However, since it may have some legal rights in the future, we attempted to place a value on Mr. Irwin's rent-free use of the property.

An experienced local realtor, provided with the size, location and number of feet of water front on the property, the insurance valuation of the house and the cost of subsequent renovations, estimated the rental value of the property to be $500 per month in the winter months and $500 per week in the summer.

DEFERRED COMPENSATION COMMITTEE

The Deferred Compensation Committee was created on September 9, 1983, by the Executive Committee of HSUS. The Executive Committee moved that the Board create this committee, but according to the minutes of the Board meeting held subsequent to this Executive Committee meeting, Board approval was not sought. While the minutes of this Executive Committee meeting were provided to the Board, there is no record that this was more than a pro forma matter, the creation of the Deferred Compensation Committee receiving no attention or discussion by the Board. The minutes of that Executive Committee meeting were indeed approved, but this term means that people agreed that the minutes were an accurate report of the committee meeting not that the Board ratified and approved the actions of the Executive Committee.

The Bylaws of the HSUS provide in Article VII that the Board has the power to create committees and that the Executive Committee cannot assume powers reserved to the Board. Committees of the Board of Directors of a nonprofit corporation are considered to be creatures of the Board, and to obtain their power from the Board through its delegation to them. In reviewing the propriety of the actions of the Deferred Compensation Committee it is therefore of great significance that the minutes of the Board meetings nowhere disclose that its decisions on behalf of the Board were ever disclosed to the Board.

In addition to not having been created properly, the Deferred Compensation Committee has acted in excess of the power which it purported to have. Its powers are to establish and administer deferred compensation plans and "from time to time be constituted a compensation committee to consult with and advise the President regarding staff compensation." The bylaws in Article VIII, section 5 state that the President's salary "shall be determined by the Board." Therefore, in authorizing a $9,000 travel allowance (compensation) for John Hoyt (1/2/85), deciding to purchase his house "in lieu of other compensation" (4/22/87) and deciding to reimburse Paul Irwin for the property in Maine (8/25/87) this committee was acting in excess of any authority which it purported to have and in violation of the Bylaws.

It may be argued that the Board has acquiesced in or even ratified these actions by its failure to object. However, since the Board was not regularly informed about the Deferred Compensation Committee's actions, it is unreasonable to argue that it should have objected. With regard to setting the President's salary, the primary obligation to set the agenda for Board meeting and to bring items to the Board for approval lies with the senior officers of the corporation and its Chairman; this obligation was clearly not fulfilled. The remaining Board members also share some responsibility for not asking questions, but the response given to Susan Pepperdine and Mrs. Browning (12/12/87 minutes say Mrs. Browning had asked for information about the President's salary and benefits at previous meetings but had not received an answer) can be taken as evidence that the attitude of some Board members was to render such questions futile.

MEMORANDUM

To: Gail Harmon

From: Anne Spielberg

Date: April 4, 1988

Re: Humane Society Deferred Compensation Committee

Facts

On September 9, 1983, the Executive Committee of the Humane Society of the United States ("HSUS") adopted a resolution that the Board of Directors of HSUS authorize the establishment of a Deferred Compensation Plan to be administered by a Deferred Compensation Committee comprised of directors, Coleman Burke, K. William Wiseman, and Jack Lydman. The resolution also stated that the Compensation Committee could consult with and advise the President regarding staff compensation as the need arose.

There is no indication, however, that the Board of Directors in fact ever created such a committee. The minutes of the Executive Committee were provided to and approved by the Board, but no where is there any indication that the Board itself passed a resolution creating the Deferred Compensation Committee at this time or at any other time.

Nonetheless, the Deferred Compensation Committee met and acted. Among other acts, it authorized a $9,000 travel allowance for John Hoyt on 1/2/85, it purchased John Hoyt's house in lieu of other compensation on 4/22/87, and it authorized reimbursement to Paul Irwin for a property in Maine on 8/25/87. The Committee never reported to the Board of Directors.

Issues

1. Was the Deferred Compensation Committee validly created?

2. Did the Deferred Compensation Committee act within its authority?

Short Answers

1. No. The Deferred Compensation Committee was never validly created by the Board of Directors nor by the Executive Committee.

2. No. The Deferred Compensation Committee exceeded the specific authority granted to it in the resolution of the Executive Committee and the authority it could exercise under the Bylaws of HSUS.

Discussion

Under section 141(c) of the Delaware General Corporation Law, 8 Del. C. § 141(c),

> [t]he board of directors may, by resolution passed by a majority of the whole board, designate 1 or more committees, each committee to consist of 1 or more of the directors of the corporation. . . . Any such committee, to the extent provided in the resolution of the board of directors, or in the bylaws of the corporation, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation [except as specifically limited in the statute[1]].

The Bylaws of HSUS provide that:

> The Board of Directors may have an Executive Committee composed of 9 or more of their number. The Executive Committee shall have and may exercise all of the powers of the Board of Directors when the Board is not in session, except

1 These limitations are not relevant to the issues here.

> the power to elect and remove officers and such powers, if any, as the Board may specifically reserve to itself or as may be specifically assigned to any other committee or any officer of the Society.

Article VII, Section 1. The Bylaws further provide that the Board of Directors may provide for such other committees as it shall deem desirable, Article VII, Section 2, and that the salary of the President of HSUS shall be determined by the Board of Directors, Article VIII, Section 5. The President of HSUS is enpowered to determine the salaries of other staff members within the limits of a budget approved by the Board of Directors. Article VIII, Section 5.

The statute and these Bylaw provisions govern the validity of the Deferred Compensation Committee and any actions it took.

<u>Validity of the Creation of the Deferred Compensation Committee</u>

Under both the language of the statute and the language of the bylaws, it would seem questionable whether the Executive Committe, rather than the Board of Directors itself, could create an additional committee, such as the Deferred Compensation Committee. Both specifically refer to the Board of Directors as having the power to designate committees. The statute speaks in terms of the creation of committees passed by a resolution of the <u>whole board</u>. Since the statute also, permits the Executive Committee to have <u>all</u> of the powers of the Board of Directors except as therein enumerated, the Executive Committee of HSUS could theoretically have been enpowered to create additional committees to assist in the management and affairs of the corporation.[2] The HSUS Bylaws, however, do reserve to the Board powers the Board has specifically reserved to itself and one of those is the power to create additional committees, as set forth in Article VII, Section 2.

Further, the resolution of the Executive Committee recommending the creation of the Deferred Compensation Committee contemplated that the Board of Directors create the Deferred Compensation Committee. The Executive Committee resolution did not actually create the Committee, but only advised the Board to create such a Committee. Because the Board of Directors never passed a resolution by majority vote creating the Deferred Compensation Committee, the Committee never validly was delegated the Board's authority to act with respect to the Deferred Compensation Plan. Its acts were therefore invalid.

Authority of the Deferred Compensation Committee

In addition, even if the Deferred Compensation Committee was somehow validly created, many of its acts exceeded the authority granted it in the September 1983 resolution. The statute provides that committees have power to the extent provided in the resolution of the board of directors. The executive committee resolution only gave the Deferred Compensation Committee authority to administer the Deferred Compensation Plan and to

2 See Zapata Corporation v. Maldonado, 430 A.2d 779 (Del. 1981)(board of directors may delegate all of its authority to a committee, including the authority to move for dismissal or summary judgment of a suit).

advise the President regarding staff compensation. The acts identified in the facts section go well beyond that authorization and involve actual authorization of compensation for Mr. Hoyt and Mr. Irwin.

Further, the Bylaws specifically reserve to the Board the authority to set the President's, Mr. Hoyt's, salary. Article VIII, Section 5. The Bylaws reserve to the President the authority to set other staff compensation, such as that of Mr. Irwin. Article VIII, Section 5.[3] Consequently, any compensation awarded by the Deferred Compensation Committee to Mr. Hoyt and Mr. Irwin are invalid once again.

3 Although Mr. Hoyt has the ability as President to set staff compensation under the Bylaws, the Bylaws state that the President's authority to determine compensation must be within the limits of a budget approved by the Board of Directors. The additional compensation Mr. Irwin received, e.g., the Maine property, would seem to be outside the budget and outside the approval of the Board who had no knowledge of the transaction.

NHEC

Mr. Hoyt and Mr. Irwin have received a total of $94,000 in additional salary from NHEC, a shell corporation.

Although the Audit Committe was told that "all transactions were approved," there is little evidence of approval. The Board of Directors of NHEC never met during these years and obviously never approved the payments. A memorandum dated January 2, 1985 from Coleman Burke approves travel allowances for Hoyt and Irwin payable from NHEC. Note that this document did not authorize the other payments of additional compensation to Hoyt and Irwin from NHEC. Regardless, under the HSUS's By-laws it is the Board of Directors, not the chairman, which is empowered to set the President's salary. Furthermore, Mr. Burke was not an officer of NHEC and so had no authority to authorize it to spend any money.

In what may be an effort to hide the payments from the Board, the public and the government, the officers of HSUS (and its outside accounting firm) have allowed these transactions to be mischaracterized on the financial statements and tax returns. If these mistakes were innocent, their existence indicates a significant lack of care on the part of the accountants and Mr. Irwin. A fifteen minute review by the HSUS Treasurer should have identified the errors.

The payments to NHEC were made from the annuity account at the Mellon Bank. This account was created to pay funds to HSUS donors who have contributed funds to this annuity trust. Paul Irwin drew funds out of the annuity trust to fund the salary payments which were run through NHEC. These payments were hidden from everyone by the mechanism of characterizing them on the financial statements and the 990 tax returns as "payments to beneficiaries," while, in fact, they should have been entered on an adjacent line "contributions to other organizations."

Under the trust document establishing the annuity trust, only members of the Investment Committe have authority to request distributions from the trust. I have repeatedly asked for, but not received, any documentation which would have led the trust to believe that Mr. Irwin had authority to request funds.

Finally, in order to open a bank account to receive the annuity trust money and pay it out to Mr. Hoyt and Mr. Irwin, the officers filed a false document certifying that the Board of NHEC had authorized the opening of the account.

Alice Morgan Wright--Edith Goode Fund

The Alice Morgan Wright-Edith Goode Fund is a charitable trust of which HSUS is trustee. With assets of $1,300,000 and income of over $100,000 per year, it is a major asset of the HSUS and represents a significant opportunity for funding organizations devoted to animal welfare.

Under Article Eighteenth of the last will and testament of Alice Morgan Wright, the Board of Directors of the HSUS is to have absolute discretion and authority in selecting beneficiaries of the charitable trust fund established under her will. The full Board of Directors, however, has never approved the selection of charitable grantees. While it has been informed, after the fact, of the charitable distributions has never exercised its legal role in this process.

A Board member, Donald Dawson, is said to have represented the Board as an individual trustee, but there is no record that he was selected by the Board to carry out this function, that they delegated this power to him, or gave him any direction or instruction in this regard. When he left the Board in mid-1984, no Board member was involved in this process until recently when Mr. Wiseman represented the Board.

Credibility Problems

1. Did Deferred Compensation Committee meet on March 3, 1987 and authorize certain actions?

   A. Attached memo from Mr. Hoyt states it did.

   B. Attached letters from Mr. Lydman and Mr. Wiseman (when read in conjunction with the materials to which they specifically refer) clearly state that there was no meeting on March 3.

2. Since "this corporation" (NAHEE) had no funds on 12/31/86 (see 990 attached) any attempt to authorize the use of its funds would be ineffective.

3. In a letter dated December 1, 1987, Mr. Hoyt wrote to Mr. Wiseman that Miss Frankenburg has given HSUS $330,000 over the last five years and she provided the funds for Mrs. Hoyt's travel. However, documents provided by HSUS indicate that in the 5 years 1983-1987, Miss Frankenburg gave $265,000 and that at least during 1985 and 1986, none of this was allocated to Mrs. Hoyt's travel which was paid for out of the general fund.

4. In an effort to obtain complete and accurate information, counsel for Committee prepared detailed questionnaires for the HSUS officers. Mr. Hoyt and Mr. Irwin both failed to provide complete and accurate information in the following respects:

With regard to the question concerning serving as an executor or trustee for HSUS donors, Mr. Hoyt stated, "none to my knowledge." A review of files at the general counsel's office, however, indicates that he is named as the trustee of a charitable trust to be created under the will of Irene Evans and that he is also the trustee of a 1983 revocable trust established by Mrs. Evans. Further inquiries were limited by the request of the Committee that I not contact any HSUS donors.

In answer to the same question, Mr. Irwin replied in an interview conducted on February 4, that he was executor for about half a dozen HSUS donors and held power of attorney for two to three of them. On the questionnaire, however, he limited his response to the relationships with the Butlers and Dr. Luszki, relationships with which the Committees was already familiar because of the memorandum he wrote on the Maine property. In a subsequent letter, he attempted to limit his response to cases in which he has "formal evidence" of such appointment. When in response to a Committee question, Mr. Madden stated he believed that Mr. Irwin was the executor for Viola Weber, Mr. Irwin implied that this was the first he knew of it but Mr. Madden said he learned of this from Mr. Irwin.

Another set of questions solicited information about payments by HSUS to family members of officers. Although HSUS staff members remember the childere of both Mr. Hoyt and Mr. Irwin working for HSUS, in both cases the question was answered in the negative. While corroborating documentation has been requested, the most which is likely to be available by the April Board of Directors meeting is the confirmation that indeed these relatives did work for HSUS.

5. In a discussion of the actual date on which the $100,000 note from Mrs. Evans was received by the HSUS, Mr. Irwin testified that he backdated a receipt for the note by more than three months.

6. In a discussion of the failure to report gifts of tangible personal property on the tax returns, financial statements and internal records of the HSUS, Mr. Irwin indicated that he decided to value at 0 a coin collection estimated to be worth more than $100,000.

7. In addition to failing to report gifts of real and personal property on internal records, tax returns, or financial statements, Mr. Irwin, at least twice, certified in writing to the auditors that "all... assets of the Organization of which we are aware are included in the financial statements."

8. Directors have inquired about whether the purchase of Mr. Hoyt's house was reflected in any of the financial statements provided to the Board at its October, 1987, meeting. The value of the house was indeed included within the assets, but it was misidentified as "Evans property."

9. Since early January the Committee has been seeking accurate, complete records of all disbursement of $5,000 or more for the year 1986 through the present. On March 17, Mr. Irwin provided the Committee with a final list of the disbursements stating, "I certify, to the best of my knowledge, this list is complete." When the accountant from Delloite, Haskins and Sells investigated the matter he reported a substantial number of checks which had not been identified for the year 1986 and eight new checks to a Mr. Hoyt and Irwin totalling more than $75,000.

On the basis of these experiences, it is impossible for the Committee to rely on the accuracy of information provided by Mr. Irwin, and it is not clear whether it can rely on the accuracy of the information provided by Mr. Hoyt.

In addition, the Board of Directors must evaluate whether it can rely on these officers in the future.

Information Requested from HSUS

Date requested	Date due	Requested from	Information requested	Followup	Response
			lodging, and misc. expenses while on these trips; include trips for which tickets may have been paid for by airline promotion (frequent flyer) programs or by Mrs. Hoyt or other sources if HSUS paid any other costs of		

Information Requested from HSUS

Date requested	Date due	Requested from	Information requested	Followup	Response

DRAFT - to be updated before sending to Board

Information Requested from HSUS

Date requested	Date due	Requested from	Information requested	Followup	Response
Early 1988		Thomas Havey and Company	All transactions in & out of each of the "Board designated" accounts, plus any information re Board designated restrictions, limitations, or guidanceas to the utilization of funds; copies of checks evidencing disbursements from 1983 to date, with authorized memos which were part of the file before the checks were drawn.		inadequate re-sponse 3/2
early 1/88		Thomas Havey and Company	Copies of all financial records, including the checks evidencing deposits & disbursements, of NHEC to date		inadequate re-sponse as of 3/3
early 1/88		Thomas Havey and Company	Information re any reimbursement to Mr. Irwin for advances in connection with the Bridgewater property in Maine; copies of all records in the file upon which the reimbursement to Mr. Irwin was based.		[illegible]
2/9/88		W. Voorhees	Checks to elected officers and Board over $5000. All trips of Mrs. Hoyt in last 5 yrs. All non-operating expenses over $5000. 990s for Center for Respect for Life and the Environment. Expenses/receipts; % return; average gift on direct mail income; When reserve fund for bequests was created; EBP Trust.		[illegible]
2/11/88		J.Hoyt, P. Irwin, M. Madden, W. Voorhees	Documents, information concerning payment of compensation to Mr. Hoyt and Mr.Irwin; information re NHEC & NAHEE or other corporations which may have made similar payments		
2/23/88		W. Voorhees	Information on 1/88 payments Descriptions of current deposit a[illegible]rawal records and of purposes of for which the funds were authoriz[illegible]sed.		

Information Requested from HSUS

Date requested	Date due	Requested from	Information requested	Followup	Response
2/24/88	3/1/88	S. Trevino, P. Irwin	Names of signatories on accounts; identifying numbers of all accounts of HSUS and its related or subsidiary organizations, or persons acting on its behalf, existing now or at anytime during the past ten years, including name of bank, type of account, branch location;	received 3/1/88	
			Copies of pages for last 8 years from Columbia First Savings Account #[redacted]467 indicating activity since 1/1/88 (received 3/1/88);	received 3/1/88	
			Date account was established and if established after 1976, copies of corporate resolutions and signature cards filed with the bank;		requested again 3/1/88
			Description of Mellon Bank Account #[redacted]246 re size, purpose, signatories, why it's in Pittsburgh, any other relevant information;	requested again 3/1/88	
			Explanation of system under which HSUS authorizes payments from this account.	requested again 3/1/88	
			Mellon Bank policy on written confirmation of withdrawal requests	requested again 3/1/88	
2/25/88	3/5/88	P. Irwin	Bank account [redacted]246: list of withdrawals or payments for '85, '86,'87;		
			documentation authorizing & categorizing withdrawal.		
			For withdrawals made by phone authorization, level at which written confirmation is required.		
2/25/88	3/5/88	J. Hoyt, P. Irwin	Where Maine property is located (town, county, etc.);		
			Copies of acquisition papers including contracts, appraisals, deeds, etc. related to the Irwin purchase of the property;		
			Copies of correspondence concerning property and its attempted purchase;		
			Copies of any court documents, including information on the suit, name of attorneys representing Mr. Irwin and previous property owner;		
			Copies of all correspondence relating to the litigation;		
			Copies of back up material presented to HSUS in connection with establishing the amount of reimbursement of Mr. Irwin's personal financial investment;		
			Copies of any agreement entered into with HSUS under which Mr. Irwin is to act as its partner or agent for this property.		
1988	2/26/88		Names of Mellon Fund annuitants		

Information Requested from HSUS

Date requested	Date due	Requested from	Information requested	Followup	Response
			Names of recipients of Pooled Inc. Fund Bank account #s, income, and principal		
3/2/88	3/8/88	P. Irwin, S. Trevino	Why was no amount disclosed for "accounting fees?" Number should have been $45,000; explain why it was more than twice as large as the average of the previous three years; $60,990 is listed as an expense captioned "taxes other." List and describe the taxes paid. Explain entry of $72,458 on projected 1987 and proposed 1988 budgets for other taxes. Identify the taxes and explain the reason for the increase. Explain difference between payments to annuitants on the same schedule, listed as $103,714, and 1986 financial statements listing as $99,553. Provide a complete and consistent listing of amounts received by or paid to John Hoyt and Paul Irwin over the last 5 years (1983-1987) in the following categories: compensation, expense account, other allowance, travel allowance, pension plan contribution, life insurance, health insurance, deferred compensation, other What payments were included as "contributions to employee benefit plan" on Schedule 4 of the Form 990? With regard to health insurance for Messrs Hoyt and Irwin, explain whether HSUS pays for individual benefits or family benefits; for high or low option coverage; for any special services or benefits. Provide the amounts paid on behalf of each (and their families if paid) for the past five years and compare it to the average and median amount paid for those employees who are not officers Explain HSUS transfer to Messrs. Hoyt and Irwin the ownership of certain life insurance policies. Describe the policies giving the name of the company, policy number, beneficiaries, annual premiums, face amounts and cash surrender values. Explain what is meant by transfer of ownership and how (if at all) the value of the transfer was reported for tax purposes. If HSUS continues to hold other insurance policies on the lives of Messrs Hoyt and Irwin, give the same information requested above for each policy. Identify the components of the $73,114 listed for insurance in Schedule 3. For each, give the same of the insurance company, the account number, the owner of the policy, and a description of its purposes (e.g. life, auto, etc.) the limits of the policy, the face amounts of the policy and the cash surrender value. Explain system used to account for donations of personal property donated to HSUS; List items of tangible personal property donated to HSUS in the last 10 years, date they were given, value at time of donation, and disposition made		

Information Requested from HSUS

Date requested	Date due	Requested from	Information requested	Followup	Response
			of them if any.		
			List each piece of real estate given to HSUS in the last 10 years, the date given, its value at the date of gift, its disposition, if any.		
			List date and amount of gifts made by Regina Frankenberg to HSUS since 1983.		
			Explain where $5000 paid to Mr. Irwin out of NAAHE came from, who approved it and when (within context of zero fund balance of NAAHE fund at end of 1986).		
			Provide W2s and 1099s issued to John Hoyt and Paul Irwin by HSUS and its associated organizations for 1987.		
			Explain reason for the omission of a $100,000 note received from Mrs. Evans on 12/31/86, not recorded in asset category of Financial Statements and Independent Audit Reports for 1986.		
			Provide any amendments to the Deed of Trust dated 4/9/62 between HSUS and the Mellon Bank.		
			Provide any instructions which may have led the Mellon Bank to believe that Paul Irwin or other employees of HSUS were authorized to direct distribution of income and principal.		
			Provide a copy of the Irene C. Evans Trust U.T.D. 8/17/78, amended 9/18/78.		
			All records, letters, memos, etc. re gifts by Mrs. Evans to HSUS in the past 8 yrs., especially gifts of tangible property and of a promissory note.		
3/15/88		R. Kindler	All records, letters, memos etc. re gifts to HSUS by Miss Regina Frankenburg in the past 8 yrs.		
			Information on the HSUS Investment Committee, including its authority and composition, based on minutes of Bd. of Directors and Executive Committee meetings and any other relevant materials.		
			Available information identifying recent gifts of tangible personal property.		
3/15/88	3/21/88	J. Lydman	Explain on what basis the Deferred Compensation Committee concluded that it was empowered by the Board to act on its behalf re compensation and benefits for HSUS staff.		
3/15/88	3/21/88	P. Irwin	Whether Mr. Irwin is or was co-executor of Viola Weber's estate or has held any other position with fiduciary responsibilities for her or her assets.		partial answer 3/17/88

Information Requested from HSUS

Date requested	Date due	Requested from	Information requested	Followup	Response
			Provide evidence of the appointment by the HSUS Board of Joe Ramsey to the Deferred Compensation Committee.	asked Wise-man	
			Provide the list of HSUS safe deposit boxes prepared by Mr. Trevino and a reasonably current inventory of the contents of the boxes and who has access to each.		list 3/17, no in-ventory
			Request from the Mellon Bank all records of oral and written communication concerning who has authority under Art. 3 of the Annuity Trust to direct distributions of income and principal and to approve investments. Provide a copy of the letter of request.	request 3/17	
			Provide a list of the members of the Investment Committee and the dates that they were elected by the HSUS Board.	asked again 3/22	
			Provide answers to questions posed in letters of 3/2/88 and 3/4/88.		
3/22/88		W. Voorhees	Provide total of Mrs. Hoyt's travel expenses for 1985, 1986, & 1987 and whether reimbursement was received for international travel.		
			Provide information on Bates fund transfer to Mellon Bank.		
			Provide information on 1985 note receivable in Mellon Annuity Account.		

1986 Federal Form 990 for HSUS

Paul Irwin, Treasurer of HSUS signed the Federal 990 (tax) information return stating under penalties of perjury that to the best of his knowledge, it is true, correct and complete p. 5.

Thomas Havey & Co. is listed as preparer but did not sign the return as preparer, p. 5.

The United States Code provides for civil penalties for tax return preparers in certain circumstances and provide for civil and criminal penalties for signing and filing false tax returns.

The HSUS 1986 Federal Form 990 contains numerous errors, the principal ones of which are described below.

Loan to John Hoyt

HSUS' 1986 return incorrectly states that during 1986 there was no direct or indirect lending of money or extension of credit between the organization and principal officer, p.6. Paul Irwin signed a dated receipt dated December 31, 1986 for a donation to HSUS of Mrs. Evans' loan to John Hoyt.

On Balance sheets p. 4. the $100,000 loan is not included.

Even if the note was actually received until April 1987, the five months between that date and the filing of the tax return provided ample opportunity for making "year end" adjustments to include the note.

NHEC

On schedule 2 listing "grants to other organizations" the payment from HSUS to NHEC is not shown, p. 11-12.

The payment to NHEC is in fact listed in payments to annuitants on Schedule 3, p. 13.

Paul Irwin was well aware of the NHEC payment since he received substantial benefit from NHEC and was the individual who requested the payments from the HSUS annuity account to NHEC.

W.S.P.A.

Schedule 2 listing gifts to other organizations failed to disclose an additional $30,000 in gifts to W.S.P.A. In 1986, $41,000 was given by HSUS to W.S.P.A.

1985 Federal Form 990 for HSUS

Page 2 of the 990 contains a chart which is designed to allocate organizational costs by function; costs are allocated among program services, management and general, and fundraising. This chart is an important document. Primarily it is a part of the federal tax return which the organization is obligated to file in a truthful manner. In addition, it serves as the basis of filings in all of the states where the organization operates, as the basis of the filing with the many state agencies which seek to regulate charitable solicitation (See Tab X for special discussion of problems with NY filing) and as the basis for filings with private watch-dog agencies such as National Charities Information Bureau. While most organizations which seek to report as low a number as ethically possible under Column (D) fundraising, HSUS ignored IRS regulations and generally accepted accounting principles seeking to minimize its reported fundraising costs.

John Hoyt and Paul Irwin spend their time on several different types of activities, program, management and fundraising, but they do not maintain time sheets or any other system to allocate their activities to these different categories. Line 25 provides $37,000, less than 10% of the officers' salaries, is attributable to fundraising. When I interviewed Mr. Hoyt he stated that none of his time is charged to fundraising; he said it is split evenly between education and administration. Were you not under the impression that Mr. Hoyt and Mr. Irwin spent a substantial amount of their time fundraising?

Attached are three different accounting guides (See Tabs X1C) which state clearly that it is necessary for nonprofit organizations to have a professional system for allocating salary expenses among different program areas.

Mr. Irwin was not able to describe the basis on which this schedule was prepared although he signs this return declaring under penalties of perjury that the return is true, correct and complete.

Again as discussed with regard to the 1986 990 form, the transfer from the annuity fund to NHEC is not disclosed while it should be specifically listed on schedule 2. It is characterized as in 1986 as a payment to annuitants.

New York State Charities Form

New York State requires that charities which solicit funds from its residents register with and report annually to its department of state.

The attached form filed by HSUS and signed by Mr. Irwin and Mr. Hoyt under penalties of perjury is incorrect in several major respects. The simple "yes" and "no" questions on p. 3 are answered incorrectly: see question 3 "do you send unordered merchandise or stamps?" and question 3 "does your organization allocate the costs of multi-purpose activities between program services and fundraising?"

The figures on the financial summary, page 1 are incorrect as well in part for the reasons discussed at Tab XI in connection with the 1985 Federal Form 990.

MEMORANDUM

To: Gail Harmon

From: Anne Spielberg

Date: April 4, 1988

Re: Humane Society of the United States: False or Incorrect Statements on New York State Charities Form

Facts

Under New York State law, all charities[1] which solicit funds from New York residents must register with the state secretary of state. Chapter 18, Article 7-A, Consolidated Laws of New York §§ 171--172-a. In addition, charities, like HSUS, with total revenues above a certain amount must file a written annual financial report on forms provided by the secretary. § 172-b.

The Annual Financial Report filed by HSUS with the New York Department of State for the year ended December 31, 1986, contained certain false or incorrect information. Questions numbers 2 and 3 on page 3 of the form are incorrect. Question 2 incorrectly answers "no" to the question "[d]oes your organization send 'Unordered Merchandise,' 'Seals,' or 'Stamps' in its solicitation of contributions?" Question 3 incorrectly answers "no" to the question "[d]oes your organization allocate costs of multipurpose activities between program services and fundraising (e.g. Direct mail, Telethon, etc.)?" In addition, the figures on the financial summary section appearing on page 1 of the form are wrong.

1 There are certain exceptions to the registration and reporting requirements, but all are inapplicable here.

The Annual Financial Report was signed by Mr. Hoyt and Mr. Irwin under penalties of perjury that it was true, correct and complete to the best of their knowledge and belief.

Issue

What are the possible consequences for the officers submitting the New York Charities Form and for HSUS in filing a false or incorrect form?

Short Answer

If HSUS has made a material false statement in the annual written financial report it filed under the New York statute governing the registering and reporting of charitable solicitations, HSUS could be subject to administrative or civil penalties and/or lose its ability to solicit or collect funds or property in New York State. In addition, Mr. Hoyt and Mr. Irwin could be subject to criminal prosecution for a form of perjury known as making a punishable false statement.

Discussion

The New York State law on solicitation and collection of funds for charitable purposes, 18 McKinney's Consolidated Laws of New York Ann. §§ 171-a--177, sets forth its own penalties for violations of the act's provisions. Pursuant to section 172-d1 of the act, 18 McKinney's Consolidated Laws of New York Ann. § 172-d1 (Supp. 1988), no person[2] shall:

2 A person, as defined in the act, includes both an individual and a corporation. § 171-a3.

> <u>Make any material statement which is untrue in an</u> application for registration, registration statement, a claim of exemption, or <u>written annual report</u>; or fail to disclose a material fact in an application for registration, registration statement, claim of exemption, or written annual report (emphasis added).

Upon a finding by the secretary that any person has committed or is committing a violation of this provision of the act, the secretary may:

> (a) revoke, suspend or deny a registration of a charitable organization . . . or issue an order directing a charitable organization . . . to cease and desist specified fund-raising activities; and
> (b) assess a civil penalty against the violator of not more than one thousand dollars for each act or omissision constituting a violation and an additional penalty of not more than one humndred dollars for each day during which such violation continues. . . .

18 McKinney's Consolidated Laws of NY Ann. § 177 2. (Supp. 1988).

In addition, pursuant to section 175 of this act,

> the attorney general may bring an action or special proceeding in the supreme court . . . against a charitable organization and any other persons acting for it or in its behalf <u>to enjoin such organization and persons from continuing the solicitation or collection of funds</u> or property or engaging therein or doing any acts in furtherance thereof, and to cancel any registration statement previously filed with the secretary and for <u>an order awarding restitution and damages and costs; and removing any director or other person responsible for the violation of this article; dissolving a corporation</u> and other relief which the court may deem proper, whenever the attorney general shall have reason to believe that the charitable organization:
> . . . .
> (d) has made a material false statement in an application, registration or statement required to be filed pursuant to this article. . . .

Thus, if the incorrect statements made on the Annual Financial Report are material, HSUS could lose its ability to solicit and collect funds in the state of New York and be forced to pay monetary penalties as well. Because the yes or no questions appearing on page 3 ask for specific information about certain activities deemed to be important by the state of New York and request more extensive information for yes answers so as to allow scrutiny by the secretary of state, Mr. Hoyt's and Mr. Irwin's false answers could well be judged material, thus subjecting HSUS to the above-stated penalties.

In addition, the act specifically states that the remedies available to the attorney general stated therein are in addition to any other action authorized by the law for the state attorney general to take. Thus, Mr. Hoyt and Mr. Irwin may be subject to additional criminal penalties. For example, Section 210.45 of the New York penal law, 39 McKinney's Conslidated Laws of NY Ann. § 210.45, subjects an individual to conviction for the class A misdemeanor[3] of making a punishable false statement when he "knowingly makes a false statement, which he does not believe to be true, in a written instrument bearing a legally authorized form notice to the effect that false statements made therein are punishable." Mr. Hoyt and Mr. Irwin signed the Annual Financial Report under penalties of perjury, which establishes the necessary element that the written instrument have a notice that false statements made are punishable. In addition, the element of knowingly making a false statement should not be that difficult to establish. While mistakes can be made in the completion and filing of forms, the two yes or no questions appearing on page 3

3 A class A misdemeanor is punishable for a fixed sentence of imprisonment not to exceed one year. 39 McKinney's Consolidated Laws of NY Ann. § 70.15.

of the form are straightforward and require no technical expertise to complete. A basic review of the document, as the certification requires, should have made Mr. Hoyt and Mr. Irwin alter these answers unless they deliberately sought to complete the form falsely.[4]

4 Other conceivable criminal penalties which are possible though less likely include: offering a false instrument for filing in the second degree--knowingly offering or presenting a written instrument containing a false statement or false information to a public office or public servant with the knowledge or belief that it will be filed with, registered or recorded in or otherwise become a part of the records of such public office or servant, 39 McKinney's Consolidated Laws of NY Ann. § 175.30--classified as a class A misdemeanor and; offering a false instrument for filing in the first degree--the same elements as second degree, plus an intent to defraud the state or any political subdivision thereof, 39 McKinney's Consolidated Laws of NY Ann. § 175.35--classified as a class E felony (a term of imprisonment not to exceed four years, 39 McKinney's Consolidated Laws of NY Ann. § 70.00 2(e)).

MINUTES

HSUS AUDIT COMMITTEE

April 4, 1988

10:45 a.m.

Present: John Mettler III, Robert B. Sorock, Susan Pepperdine, Gail Harmon

There was discussion of the letter from Bill Wiseman and the requests it contained to allow Joe Ramsey to attend Thursday's meeting in his place and to have Paul Irwin attend in John Hoyt's place.

It was decided that Mr. Wiseman should not send a representative since he was able to attend himself.

Ms. Pepperdine noted that Mr. Wiseman wrote it would have been a conflict of interest for Mr. Hoyt to attend the earlier meetings. She said the conflict still existed. Mr. Mettler said the more people at the meeting, the harder it would be to get the committee's work done.

After further discussion, it was decided that Mr. Irwin would not be asked to attend the April 6 meeting. Mr. Mettler said he would write Mr. Wiseman about the committee's decisions. Mr. Sorock said he would try to reach Mr. Ramsey through his office.

Ms. Harmon said she hadn't talked to the outside auditors since returning from vacation. She had received a handwritten list concerning non-monetary gifts. She had not yet talked to Dixie Morgan.

Ms. Morgan said if she received a report from the auditors, she would provide it to the committee members Wednesday night.

Mr. Sorock asked if the committee would have all the information needed to make its report. Ms. Harmon said we may have to say some information was not available.

Mr. Mettler asked if the report should be delayed. Ms. Harmon said that would depend on the auditor's findings. One option would be to say it was an "interim" report.

The meeting was adjourned at 11:05 a.m.

Respectfully submitted,

Susan Pepperdine

Susan Pepperdine

SP:cp

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SP:cp

TABLE OF CONTENTS

HARMON & WEISS

HOYT COMPENSATION = HOUSE

If Hoyt bought the property for $110,000 (Bartyl's number)
and borrowed -60,000 from Jeffery Trust
mortage on file
Then he put in at most 50,000

From this we need to subtract -20,000 sale of extra plots
and -20,000 new loan from Jeffery

At this point the Hoyt's have a house for an investment of $10,000

Then they borrow an additional +50,000 from American Security, so thanks to the generosity of the Jeffrey Trust, and a favorable real estate market, they have recouped all principal payments on their house, and have an extra

$40,000 disposable income.
then they borrowed +30,000 more in 1980[1]
so they have $70,000 extra disposable income.

Then in 1981, they pay off Jeffrey Trust and borrow $110,000 from Irene Evans to pay off Jeffery Trust.
Then in 1987, they get another 150,000 (310,000-110,000-50,000)

So, John Hoyt has gotten much more than a parsonage allowance: he has received cash in the order

$ 70,000	
+150,000	
$220,000	profit.

This is an extraordinary windfall.

In addition for much of this time, he has lived with almost no home interest payments since from 1982 through 1987: he paid no interest to Mrs. Evans and he paid only 5% to Jeffery Trust.

Since Mr. Hoyt didn't really pay anything for the house, the $160,000 gravy from BSUS should be considered compensation.

As you probably remember, Bill Voorhees stated that the dollar value set for Mr. Hoyt's personal use of the house was set at $600 per month. As he indicated and as the attached memo cor-

1 I learned of this $30,000 borrowing only on 03/09/88. Mr. Madden describes it as part of the financing of the house but it is not secured by the house, but by real estate in Ohio. This transaction warrants further scrutiny.

roborates, no effort was made to inquire as to the actual fair market value of the house; instead the process was to come up with as low a number as possible. To assess the accuracy of this figure, we provided a local realtor with the Long and Foster sheet describing the house; on the basis of her expertise and the specific facts of the house, she estimated the rental value to be between $2,500 and $3,000 per month, noting that a smaller property on a smaller lot had recently rented for $2200 per month.

Voorhees stated in our January meeting that although the dollar figure for the value of the house was probably low, it was not a problem for the HSUS, only a matter between Mr. Hoyt and the IRS. In fact, however, this valuation is provided to the IRS and Mr. Hoyt by the HSUS on either a form W-2 or 1099. Mr. Hoyt then is entitled to rely on the information from his employer. If the value is grossly understated, as it appears, then the HSUS has filed inaccurate documents with the IRS and aided him in underreporting his income.

LAW OFFICES
SILVERSTEIN AND MULLENS
INTER OFFICE MESSAGE

TO: BRT
COPIES TO: File
FROM: MEN

SUBJECT: Bowman: Hoyt: Deakins Range Property
DATE: November 16, 1987

HISTORY OF HOYT'S OWNERSHIP OF DEAKINS RANGE

There follows an outline summary of transactions regarding the "Deakins Range" property in Montgomery County, Maryland, owned by John and Gertrude Hoyt. Substantiating documents are attached.

* released	March 13, 1970	Hoyts purchased (as T/E): $60,010 Property: Plots 19, 20, 21, part of 22 in Deakins Range	Nee, Transferor Mtgee, Tstm. Tr of Clara Jeffrey
	August 30, 1974	Hoyts trnsf'd Plots 19,20: $20,000	Ted Lingo Pr'ty Transferee
* released	June 11, 1976	Hoyts granted D/T: $20,000 (then unrecorded) Property: lots 21, pt. of 22 Mtge. subordinated to Am.Sec. Bank per 3/11/77 Agreement	Mtgee, Tstm. Tr Clara Jeffrey
* released	December 8, 1976	Hoyts extended bal. of 1970 mtge (See above) Subordinated to Am.Sec.Bank per 3/11/77 Agrmt.	
?	March 11, 1977	Hoyts granted D/T, refncing: $50,000 Property: lots 21, pt. of 22 First Priority, per Subordination Agreement, 3/11/77	Mtgee, Am.Sec. Bank
?	November 2, 1981	Hoyts granted D/T: $100,000 6-yr. balloon note, to pay Irene C. Evans	Mtgees, Samuel Gillman, Michael Patchan
	May , 1987	Hoyts transf'd: $310,000 Property: lots 21, pt. of 22	Tr'ee, Am. Hum. Society

men/0743/memo.001/property

MEMORANDUM

TO: GORHAM WEBB

FROM: MURDAUGH STUART MADDEN

DATE: SEPTEMBER 10, 1981

Here is the sequence of the existing financing on John Hoyt's house, to aid in the refinancing arrangements.

3/13/70	Original Acquisition	
3/13/70	First Mortgage (Trustees Madden & Muir) (Due in five years)	$60,000.00
6/11/76	Second Mortgage (Trustees Madden-Prescott) (due 11 June 81)	20,000.00
12/8/76	The above $60,000 note and mortgage extended to 11 June 81 to date.	
3/11/77	Refinancing loan placed subject to subordination of above mortgages. (Trustee for University National Bank)	50,000.00
3/11/77	Subordination Agreement	
6/18/80	Promissory Note (Secured by First Mortgage on property in Newark, Ohio)	30,000.00

I am enclosing copies of all of the aforementioned Mortgages and Promissory Notes, along with recorded extension agreement and subordination agreement.

The Humane Society of the United States
2100 L Street. N.W.
Washington. D.C. 20037
(202) 452-1100

List 5
#16

R E C E I P T

On this 31st day of December, 1986, THE HUMANE SOCIETY OF THE UNITED STATES gratefully acknowledges the receipt, donation, and assignment of a promissory note held by Mrs. Irene C. Evans, and the rights to income and payments therefrom, said note being made by John A. Hoyt and Gertrude M. Hoyt, on November 2, 1981, in the principal amount of One Hundred Thousand ($100,000) Dollars, payable to Irene Evans, and due on July 1, 1987, bearing interest at Ten (10%) Percent, payable semiannually -- said note being amended by memorandum dated January 7, 1986, reducing the interest rate to Zero (0%) Percent, retroactive to November 1, 1982.

THE HUMANE SOCIETY OF
THE UNITED STATES

By: [signature]
Paul G. Irwin
Executive Vice President &
Chief Operating Officer

MEMORANDUM

Regarding a Promissory Note, dated November 2, 1981, principal sum $100,000.00, it has come to the attention of the following parties, Irene C. Evans, payee, and John and Gertrude Hoyt, promisor, that they would like to now put into writing a verbal agreement that was made on November 1, 1982, that effective November 1, 1982, the interest rate on the $100,000.00 note is to be at a rate of 0% per annum, and not 10% per annum.

The above referenced note was assigned on November 20, 1981 to the Irene C. Evens Trust U/T/D August 17, 1978, amended September 18, 1978 and it is the intent of both the assignor and assignee to have the interest on the note be 0% per annum until paid.

This alteration of the interest, which is to be 0% effective November 1, 1982, is ratified and consented to by all the parties to the note, and reduced to writing by this memorandum in order to record the true intent of the parties and to avoid any confusion or ambiguity in the future.

John A. Hoyt

Gertrude M. Hoyt

Irene C. Evans

16 C

FORM NO. 1003

The First-Realty Title Insurance Corporation

SECURED BY DEED OF TRUST

TO Samuel R. Gillman and Michael J. Patchan TRUSTEES:

ON Lot 21 and Part of Lot 22, Deakins Range, Montgomery County, Maryland

$100,000.00

Washington, D. C., November 12, 1981

FOR VALUE RECEIVED being all due and payable Six (6) years after date or upon sale of property whichever occurs first, we, jointly and severally *promise* *to pay to the order of* Irene C. Evans *the principal sum of* One Hundred Thousand and no/100 *Dollars,* *with interest at the rate of* Ten (10%) *per centum per annum until paid,* payable semi-annual, first payment of interest due Six (6) months from date hereof*; interest to bear interest after maturity, if not then paid, at the rate aforesaid.*

John A. Hoyt
John A. Hoyt

Gertrude M. Hoyt
Gertrude M. Hoyt

No. 1 of 1

RETAIN THIS NOTE AFTER PAYMENT UNTIL RELEASE IS OBTAINED

16 C

$ ______________

DUE ______________

AT ______________

This is to certify that this is the promissory note described in a certain deed of trust of even date herewith, to the trustees named in the margin hereof, and noted in a certain title insurance policy issued by

DISTRICT - REALTY TITLE INSURANCE CORPORATION

By: [signature]

ASSIGNMENT

November 20, 1981

Pay to the order of Irene C. Evans, Trustee, U/T/D 8-17-78, as amended 9-18-78, and as may be amended.

Irene C. Evans

Irene C. Evans

Witness: [signature]

Acknowledged received: Irene C. Evans TR

Witness: [signature]

Irene C. Evans, Trustee, U/T/D 8-17-78, amended 9-18-78

PAYMENTS

DATE		$

160

State of District of Columbia

County of ____________________

I, Ellen C. Truong, a Notary Public in and for the State and County aforesaid mentioned, do hereby certify that Gertrude M. Hoyt, party to the Promissory Note dated November 2, 1981, personally appeared before me in said State and County, the said Gertrude M. Hoyt being personally well known to me (or satisfactorily proven) as the person who executed and ratified the above memorandum, and acknowledged the same to be done freely and voluntarily.

Given under my hand and seal this 8th day of January, 1986.

My Commission Expires:

My Commission Expires October 31, 1990

Ellen C. Truong
Notary Public

16 E

MEMO TO FILE

To: Sam Trevino

From: Paul Irwin

Subject: Meeting with Wm. Voorhees, Thos. Havey & Co.
CPA's, August 26, 1987

Re: Rental Value of Seneca Rd. Property

Bill Voorhees informed me that we would need to establish a dollar value for Mr. Hoyt's personal use of the Seneca Road property owned by the HSUS.

I reminded Bill that any income of this nature would be taxable to Mr. Hoyt. In addition I made the point that the Seneca Road property had represented a deductible situation for Mr. Hoyt prior to the HSUS purchase. Because of these tax impications, I suggested that the dollar amount be set at $600 per month. For the record, Bill thought this would be the absolute mininum amount which Mr. Hoyt could legitimately defend with the I.R.S. in the event of an audit of his personal return.

The Society will issue Mr. Hoyt a 1099 for his personal use of the Seneca Road property at $600 per month.

Brightwater Property

In October of 1987, HSUS paid Paul Irwin $85,000 to reimburse him for his investment for property in Maine. This was approved by the Deferred Compensation Committee which apparently did not realize that this transaction was far beyond the scope of its authority.

Although the payment was to be a reimbursement, as of March 7, 1988, no documentation has been provided to HSUS or this Committee indicating that Mr. Irwin indeed paid out $85,000 in connection with this property. In addition, he has not answered the questions in my letter of February 25.

On March 8, 1988 I received the attached material. Please note:

1. Although Mr. Irwin has been paid $85,000 as a "reimbursement," he has not actually paid out more than $57,000 in connection with this property because the Butlers took back a $40,000 purchase money mortgage.

2. Even though the money has been paid, the partnership agreement has not been signed.

3. After the partnership agreement is signed, Mr. Irwin can call for apparently unlimited additional capital contributions from HSUS.

4. Since the price of the leasehold is 1.6 x valuation assessed by the town, it could appreciate faster than inflation (contrary to Mr. Irwin's statement on p. 3 of his September 3, 1987 memo) and result in additional funds for Mr. Irwin. After all his payments have been reimbursed, HSUS would receive the bulk of the profit, if any.

The Humane Society of the United States

Deferred Compensation Committee

August 25, 1987

Washington, D.C.

The meeting of the Deferred Compensation Committee was called to order at approximately 4:00 p.m. by the vice-chairman K. William Wiseman. Other committee members present were Jack Lydman, secretary. John A. Hoyt and Paul G. Irwin were also in attendance.

Mr. Irwin reviewed in great detail the circumstances and complexities relating to a property in Maine being donated to The HSUS by Mr. and Mrs. [redacted]. Because of a special restriction preventing an organization from becoming the owner of record, Mr. Irwin, choosing not to jeopardize significant other benefits being realized by The HSUS from Mr. and Mrs. [redacted] and Mr. [redacted] sister Dr. [redacted], proceeded to become the owner of this property in deference to Mr. [redacted] insistence.

Since Mr. Irwin does not have a personal interest in the ownership of this particular property, it was the consensus of the committee that The HSUS should reimburse Mr. Irwin his personal financial investment in this property in the amount of $85 - $90,000 and that he continue to be the owner of record and serve as agent for The HSUS.

Mr. Irwin was instructed to seek counsel for effecting the above and review the same with the Society's auditors and to prepare a memorandum detailing the history surrounding this property which shall be made a part of these minutes.

It was noted that Mr. Irwin had reviewed this matter in great detail with committee chairman Coleman Burke who has indicated his support of The HSUS accepting the financial responsibility for the expenditures made by Mr. Irwin in purchasing this property and remodeling the small cabin located thereon.

Respectfully submitted,

Jack F. Lydman

Jack. W. Lydman
Secretary

Note: Names Have Been Removed To Preserve Privacy. They Have Been Disclosed To Committee And Mr Mettler. PGI

MEMORANDUM FOR FILE

FROM: Paul G. Irwin

DATE: September 3, 1987

RE: [redacted]/[redacted] Relationship with The Humane Society of the United States

In 1983, Mr. Hoyt and I were contacted by the Reverend [redacted] (present age 80) of [redacted], [redacted], regarding estate planning for himself and his sister, Dr. [redacted] (present age 82). Up to that point the HSUS has had some involvement with Mr. [redacted] because of his involvement with the [redacted] County Humane Society. Mr. [redacted] was a member of the HSUS at that time and had made small financial contributions in support of our efforts over the years. Dr. [redacted] was not known to us at that time and had not been a supporter of our work.

Mr. [redacted] informed us that his sister had an eighty-five acre tract of land in Seabrook, Maryland, and asked us if we might have an interest in establishing a national headquarters facility in Prince George's County area. We did not indicate interest in the establishment of such a facility in that geographical area. However, we did inform Mr. [redacted] that we would be more than pleased to discuss the situation with Dr. [redacted] because there were ways in which she could give a tract of land to the HSUS and receive a benefit through a planned gift. I then proceeded to have extensive conversations with Dr. [redacted] regarding the possibility and did succeed in setting up an irrevocable unitrust involving land. That land has now been liquidated for $800,000 and is funding a unitrust for the benefit of HSUS and for Dr. [redacted] and her beneficiaries.

Over the course of a long period of time, I was able to win Dr. [redacted] confidence to the extent that she has made me executor of her will. Further, she has provided a revocable trust of $350,000 held by the HSUS. Furthermore, the HSUS is a significant beneficary in her will. Also, she has executed documents in her resident state of [redacted] providing me with a general power of attorney regarding her affairs.

While these negotiations were in progress, and beginning in 1983, Mr. [redacted] stated that he was interested in providing his property in [redacted] for utilization by HSUS. He envisioned an environmental training center being established in the [redacted] setting. Through very careful negotiations, and certainly tenuous at times, we have succeeded in convincing Mr. [redacted] to will his property in [redacted] to the HSUS with the provision that it may be sold and the proceeds used for general operational expenditures. However, he is asking in his will that we consider the utilization of that property for an environmental education program if it is feasible. Mr. [redacted] has also suggested that the HSUS will be a general beneficiary of his estate beyond the [redacted] holding.

At the beginning part of this whole process Mr. [redacted] introduced the idea to Mr. John Hoyt and myself that he would like to donate his summer property in the vicinity of Bath, Maine to the HSUS. He has been the owner of a ninety-nine year lease of that property since 1931. It is a part of a 125-acre tract of land which was purchased by a number of divinity students. Mr. [redacted] leased portion of the property amounts to approximately eleven acres and has 750 feet of ocean frontage. There is a general statement in the lease agreement that the individual leases would pass from generation to generation and at each point of passing a new 99-year lease would be established. Consequently, the leases were designed to remain in the possession of the various leasors in perpetuity. Mr. [redacted] approached the association of leasors, known as Brightwater, Inc., with the proposition, that since he did not have children, he wished to donate his property to the HSUS. The Brightwater group unanimously disagreed. Mr. [redacted] then approached John Hoyt and myself and encouraged us as individuals to buy the Brightwater property for $50,000. In return he would make an annuity gift to the HSUS in the amount of $50,000. He in fact completed this gift in 1986. The Hoyt and Irwin families visited the site in the summer of 1984. The Hoyt's were totally convinced that they had nc interest in utilizing the property. The Irwin family was not vigorously interested either although we have had a desire to have a place in Maine again. I sought to utilize the situation to suggest to [redacted] that it did not seem possible nor feasible that the Hoyt and Irwin families could share equity participation in the Brightwater situation. Mr. [redacted] was unable to accept the notion that we would not want to be involved in this haven. Consequently, he vigorously pressed me to pursue the possibility of gaining the leasehold. At this point, it became evident, and subsequently far more evident, that [redacted] had an irrational mental attachment to the Brightwater scene. Because we were dealing in a situation that stood to benefit the HSUS with approximately $2,000,000, I was not willing to jeopardize a complex series of gifts over the minor situation that the Brightwater represented.

Mr. [redacted] again approached the Brightwater group and proposed the Irwin family as successor to his leasehold. The fact of the matter is the Brightwater group did not want interlopers but rather wanted to have the leasehold passed down "inside the family." This reluctance on the part of Brightwater only served to intensify Mr. [redacted] strong intention that he would have his way. He retained legal counsel and proceeded with action against Brightwater to force the Irwin qualification. In point of fact Brightwater did not have legal standing to refuse the Irwin family membership. After an acrimonious twenty months, the Brightwater group finally agreed to accept the Irwins but, I may add, with extreme reluctance. To say the least, the Irwin family found itself in an unpleasant environment.

To help you better understand Mr. [redacted] frame of mind in this entire process, he proposed that he would adopt me. I, then becoming an adopted son, would be automatically qualified for the continuing of the lease. The only way I was able to turn Mr. [redacted] from this idea was to inform him that my father, who was living at the time, would be unable to accept such an act and, therefore, I would have to refuse such a proposition. Mr. [redacted] then proposed that he would adopt one of my children and pass him the leasehold. That issue was also skirted. I finally had to insist that the only way the process could come to fruition would be through our acceptance on our own merits by the Brightwater group.

Our leasehold in Brightwater carries no possibility for financial appreciation. A person can only sell his property for the money expended plus an inflation factor. Obviously, therefore, I did not involve myself in the situation with the notion of any financial gain.

The problems at Brightwater have been legion. When the leasehold was transferred to us, the cabin was marginally habitable. It had no foundation under it, it was sagging dangerously, and provided none of the physical comforts that most of us would desire. We proceeded to have the cabin remodeled with an adequate foundation placed under it. Brightwater has succeeded in creating enormous hassles with the town authorities, has sought to thwart building permits and has generally tried to make this into a situation as uncomfortable as possible. I suppose a normal person would have walked away from the situation a long time ago. However, I was and remain convinced that my involvement in the Brightwater situation is an important factor in a significant asset possibility for the HSUS.

I want to clearly state that John Hoyt never instructed me to involve myself in this proposition. He certainly understood my sentiments in the venture and knew of the risks involved if I had let it alone.

Mr. Hoyt discussed the whole situation with a committee of the Board of Directors of the HSUS who are responsible for acting upon such situations. The committee said that they would be amenable to seek a means whereby I could become the agent for the HSUS in Brightwater and that the property through an agency agreement could become the property of the HSUS and would be held as an asset until the death of Mr. [redacted]. The matter was tabled for further discussion until the entire committee could meet and agree upon a course of direction.

The Humane Society of the United States

Deferred Compensation Committee

August 25, 1987

Washington, D.C.

The meeting of the Deferred Compensation Committee was called to order at approximately 4:00 p.m. by the vice-chairman K. William Wiseman. Other committee members present were Jack Lydman, secretary. John A. Hoyt and Paul G. Irwin were also in attendance.

Mr. Irwin reviewed in great detail the circumstances and complexities relating to a property in Maine being donated to The HSUS by Mr. and Mrs. [redacted]. Because of a special restriction preventing an organization from becoming the owner of record, Mr. Irwin, choosing not to jeopardize significant other benefits being realized by The HSUS from Mr. and Mrs. [redacted] and Mr. [redacted] sister Dr. [redacted], proceeded to become the owner of this property in deference to Mr. [redacted] insistence.

Since Mr. Irwin does not have a personal interest in the ownership of this particular property, it was the consensus of the committee that The HSUS should reimburse Mr. Irwin his personal financial investment in this property in the amount of $85 - $90,000 and that he continue to be the owner of record and serve as agent for The HSUS.

Mr. Irwin was instructed to seek counsel for effecting the above and review the same with the Society's auditors and to prepare a memorandum detailing the history surrounding this property which shall be made a part of these minutes.

It was noted that Mr. Irwin had reviewed this matter in great detail with committee chairman Coleman Burke who has indicated his support of The HSUS accepting the financial responsibility for the expenditures made by Mr. Irwin in purchasing this property and remodeling the small cabin located thereon.

Respectfully submitted,

Jack W. Lydman

Jack. W. Lydman
Secretary

The Humane Society of the United States
2100 L Street, NW
Washington, DC 20037
(202) 452-1100

March 8, 1988

Gail McGreevy Harmon, Esq.
Harmon & Weiss
2001 S Street, NW - Suite 430
Washington, DC 20009-1125

Dear Ms. Harmon:

In response to your request for information regarding the Brightwater transaction, I am providing the following information.

As you may know, the building on the leased land is being reconstructed. It is anticipated that work will be completed within the next six weeks. There is no completed paper work in this situation because the final amount will not be known until construction completion. I bore all the costs of this project until the $85,000 payment was received from the Society. I also reimbursed George Butler for expenses during November of 1986. Regarding the loan from Mr. Butler for $40,000, I have not paid this indebtedness pending Board review of the transaction.

The property is located in the State of Maine, County of Sagadahoc, Town of Phippsburg. The property, which is known as Brightwater, is recorded in county records as Plan Book 3, page 39. Within Brightwater, our property is referred to as "Leasehold #11."

I am enclosing copies of papers which relate to the transaction.

There was no court action regarding the transfer of the property from the Butlers to the Irwins. Mr. Butler engaged an attorney who threatened action. The only evidence I have is represented in the letter of October 31, 1985 which is enclosed.

Regarding the expenditures at Brightwater, they are as follows:

	$42,000.00	purchase price (mortgage agreement)
	48,144.80	construction (see enclosure)
	2,546,93	taxes and fees (see enclosure)
	3,200.00	interest (see enclosure)
Total	355.11	utilities (see enclosure)
to Date	$96,246.84	

Although the Brightwater transaction is not completed, the enclosed documentation provides the framework for a final agreement. Good faith has been the basis of our relationship in this transaction.

Sincerely,

Paul G. Irwin
Executive Vice President
and Treasurer

PGI:jps
Enclosures

Maine House - Brightwater Club, Bath, Maine

Construction costs		Taxes & Fees	Services	Interest
6/2/87	$5000.00	11/11/86 G. Butler $500.00 Brightwater expenses (town taxes included)	1987 electricity pd. Central Me. Power	6/10/87 $1600.00 interest to Butlers
6/25	4000.00	11/12 Brightwater Club $694.80 club taxes/assessment	$13.00	12/11/87 $1600.00 interest to Butlers
7/1	3000.00		7.90	
7/28	3000.00	4/7/87 Aetna Casualty $137.00 homeowners insurance	34.16	
8/25	3000.00		20.04	
10/6	3000.00		24.69	
11/2	11000.00	10/9 $30.00 Eaton, Peabody building permits	44.86	
11/1	2144.80		24.83	
11/28	3000.00		(1988)	
12/26	3300.00	11/1/87 $243.80 Town of Phippsburg - taxes	77.07	
sub total	$40444.80		108.56	
1988		11/16 $788.33 Brightwater Club, Inc. club and town taxes		
1/19	$1700.00			
1/27	2000.00	1/11/88 Aetna Casualty $153.00 homeowners policy		
2/13	2000.00			
3/1	2000.00			
current tot	$48144.80	$2546.93	$355.11	$3200.00

total: $54,246.84

? 2,000,00 pd to Butlers upon purchase

MORTGAGE AGREEMENT

This agreement made this 15th day of December, 1986 between the sellers, J. George Butler and his wife June H. Butler residing in Halifax, Vermont, and the buyers Paul G. Irwin and his wife Jean H. Irwin, residing in Gaithersburg, Maryland, transfers all property, buildings and rights situated in Phippsburg, Maine, and known as the Butler tract in the Brightwater Association from the sellers to the buyers.

The buyers agree to pay the sellers the sum of $42,000. The buyers as of this date give the sellers a down payment in the amount of $2,000. The sellers are providing a mortgage to the buyers in the amount of $40,000 at a rate of interest of 8 percent per annum payable semiannually on June 15 and December 15.

Further conditions of the mortgage

1) The mortgage is due and fully payable on December 15, 1996.

2) The seller grants the buyer the right to make principal payments in increments of $1,000 on the annual or semi-annual anniversary.

3) The buyers agree that the interest rate will be changed June 15 - 1990 on ~~December 15,~~ 1990 to 10 percent.

4) The buyers agree that in the event of the death of Paul G. Irwin the mortgage will become due and fully payable from the probated estate of Paul G. Irwin.

5) The sellers agree that should the deaths of George and June Butler occur during the time this mortgage is in force any remaining interest and principal payments will be forgiven.

MORTGAGE AGREEMENT
Page 2

6) If the buyers do not strictly conform to the details of this mortgage, it shall become due and fully payable on the date of such nonconformance. It is understood that a 30-day grace period shall apply.

Signed sellers:

J. George Butler

June H. Butler

June H. Butler

buyers:

Paul G. Irwin

Paul G. Irwin

Jean H. Irwin

Jean H. Irwin

BRIGHTWATER PARTNERSHIP AGREEMENT

This Partnership Agreement dated November , 1987 between Paul G. Irwin ("Irwin") and The Humane Society of the United States, acting through its President (the "Society"),

WITNESSETH

THAT WHEREAS, Irwin currently owns a leasehold interest in certain real estate located in Bath, Maine, which interest is reflected in an Indenture dated ____________, __________ in which Brightwater Cooperative Club leases to Irwin plots of ground known as Nos. 19, 20 and 43 on a certain map of ground known as Brightwater and recorded in Plan Book 3, page 39 of the Recorder's Office of the County of Sagadahoc, State of Maine (the "Leasehold Interest"), and

WHEREAS, the Society desires to enter into a partnership with Irwin and to have the newly-formed partnership purchase the Leasehold Interest from Irwin, and

WHEREAS, Irwin desires to enter into a partnership with the Society and to sell the Leasehold Interest to the partnership, NOW, THEREFORE, in consideration of the premises and other consideration, the adequacy and receipt of which is hereby acknowledged, the parties do hereby consent and agree as follows:

1. Formation. The parties hereby form a general partnership under the laws of the District of Columbia.

2. Name. The partnership shall be conducted under the name of the Brightwater Partnership (hereinafter referred to as the "Partnership").

3. Purpose. The purpose of the Partnership is to acquire, hold and eventually dispose of the Leasehold Interest.

4. Term. The term of the Partnership shall be from the date first above written until December 31, 2012; provided, however, that the Partnership shall be dissolved prior to such date upon (a) the disposition by the Partnership of the Leasehold Interest, or (b) the desire of both general partners to dissolve the Partnership manifested as set forth in paragraph 23 hereof, or (c) the death, retirement, resignation, bankruptcy, expulsion or insanity of any General Partner, subject, however, to the provisions of paragraph 22 below.

5. Address. The principal and only address of the Partnership shall be Brightwater Partnership, c/o Paul G. Irwin, General Partner, 2100 L Street, N.W., Washington, D.C. 20037.

6. General Partners. The general partners shall be the following persons and entities:

Paul G. Irwin.

The Humane Society of the United States, acting by and through its President.

Each general partner shall have one vote in Partnership matters. In the event the general partners cannot agree on a course of action, the matter shall be decided by vote proportional to the percentage interest of the partners as set forth in paragraph 9 below.

7. Capital Contributions. The partners shall initially contribute to the capital of the Partnership as follows:

Paul G. Irwin	$ 4,500
The Secretary ?	$85,500

8. Additional Capital Contributions. Additional contributions to the capital of the Partnership shall be made within 30 days of a written call by Paul G. Irwin, General Partner, whenever the Partnership shall have insufficient funds to meet current obligations as they become due and payable. Whenever a call is made for additional funds, all general partners shall contribute funds in proportion to their respective interests as set forth below in paragraph 9. 95%.

9. Partner's Percentage of Profits, Losses and Cash Proceeds. The terms "net taxable income before depreciation," "net taxable losses before depreciation," "capital gains" and "capital losses" as used in this Agreement shall mean, and refer to, such terms as used for Federal income tax purposes. The net

taxable income before depreciation, net taxable loss before depreciation, depreciation, capital gains and capital losses shall be divided among the Partners in the following percentages:

Paul G. Irwin	5%
The Society	95%

10. Distribution. Subject to maintaining the Partnership in a sound financial and cash position, which without limitation of the generality of the foregoing shall include the provision for losses affecting the cash position of the Partnership and paying or making provision for the payment of obligations of the Partnership and obligations secured by, or by lien on property of the Partnership, maintaining adequate working capital and establishing a reserve or reserves reasonably required for the proper operation of the Partnership's business, there shall be distributed to the General Partners, at the end of each calendar year, according to the percentages set forth above in paragraph 9, so much of the Partnership's cash funds as is not required in the conduct of its operation.

11. Salaries, Draws and Interest on Capital Contributions. None of the Partners shall receive any salary or draws for services rendered on behalf of the Partnership, nor shall any Partner receive interest on his or her contributions of capital to the Partnership.

12. Use of the Maine Property. The property which is the subject of the Leasehold Interest shall be used only by

Paul G. Irwin or persons designated by him. In exchange for this right of exclusive use, Irwin shall be responsible for payment of all utilities, maintenance and upkeep on said property and normal assessments by the Lessor. All other expenses, including taxes, insurance, capital or special assessments, etc. shall be paid by the Partnership.

13. Relations With Owner. Paul G. Irwin shall be the exclusive agent of the Partnership in all matters dealing with Brightwater Cooperative Club, the owner of the Leasehold Interest or any of its agents or designees. All Partnership business with said owner shall be handled by Irwin.

14. Consideration for the Leasehold Interest. The Society and Irwin agree that the price which the Partnership shall pay to Irwin for the Leasehold Interest is $86,800, payable upon execution of this Agreement. Any sums previously advanced to Irwin by the Society in connection with the Leasehold Interest shall be credited toward payment of said purchase price.

$85,000 paid October 1987

15. Disposition of the Leasehold Interest. The Partnership will hold and maintain the Leasehold Interest, including improvements thereon, at least until the death of J. George Butler. Within one year after Mr. Butler's death, the Partnership shall sell the Leasehold Interest, distribute the proceeds as set forth herein and dissolve the Partnership.

16. Management, Duties and Restrictions. (a) The General Partners shall devote such time to the Partnership as

shall be reasonably required for its welfare and success. The General Partner, Paul G. Irwin, shall have the authority in behalf of the Partnership, to purchase, or contract to purchase the Leasehold Interest or any other partnership property, or to sell, exchange or transfer the Leasehold Interest or any other partnership property, or to borrow, lend money, or make, deliver or accept any commercial paper, or execute any mortgage, security interest, bond, lease or other document pertaining to the Leasehold Interest or any other partnership property.

(b) A Partner shall have the right to return of his or her capital contribution upon the termination of the Partnership, as provided herein; however, no part of the capital contribution of any Partner shall be withdrawn unless all liabilities of the Partnership have been paid. No Partner shall have the right to demand or receive property other than cash in return for his capital contributions. No Partner shall have priority over any other Partner either as to contribution to capital or as to compensation by way of income.

(c) The General Partners hereby consent to the employment and discharge of real estate brokers, managing and other agents, accountants and attorneys as Paul G. Irwin, General Partner, may from time to time determine.

(d) Any of the Partners may engage in, or possess an interest in, other business ventures of every nature and description, independently, or with others, including, but not have the right to inspect and examine such books at reasonable times. The books shall be closed and balanced at the end of each year. Annual statements showing the Partnership net taxable income or loss for the fiscal year and indicating the share of net taxable income or loss of each Partner for income tax purposes shall be prepared by the accountants and distributed to all the Partners within a reasonable time after the close of each fiscal year.

21. Assignment of Partnership Interest. A General Partner may assign the whole of his or her interest in the Partnership only by means of the following procedure. The General Partner shall make an offer to sell his entire Partnership interest, which offer shall be extended equally to all General Partners. Such offer shall be in writing and shall specify (a) that the offeror desires to sell or assign his entire interest in the Partnership; (b) the price for which the interest is to be sold or assigned; and (c) a period of thirty (30) days for acceptance of the offer. A period of ninety (90) days shall be allowed for settlement on the sale. Such period shall run from the date the offer is made to the other Partners. If the offerees, or any of them, accept in writing such offer within thirty (30) days, the settlement shall be completed as specified above. At settlement, each party shall deliver the documents and funds necessary to complete settlement. If none of the offerees accepts an offer to sell and assign an interest, the offeror may

offer his share to third parties at the same price and upon the same terms as those offered to the other Partners. If the offeror does not make a legally binding agreement to sell and assign his Partnership interest to a third party within ninety (90) days of such offer, then the offeror's right to sell his interest shall terminate; provided, however, the offeror may avail himself of this procedure by again making an offer to the other Partners as specified above.

22. Death, Retirement, Insanity, Etc. In the event of the death, retirement, bankruptcy, or adjudication of insanity or incompetency of any of the General Partners, the Partnership shall be dissolved and terminated; provided, however, that, in such event, the Partnership may be continued if all of the surviving or remaining competent General Partners so elect. If the surviving or remaining General Partners decide to continue the Partnership, the personal representative, trustee, receiver, custodian or legal successor in interest to the withdrawing General Partner shall become a General Partner in the Partnership with the same interest as the withdrawing Partner in Partnership contributions, profits, losses and distributions. The surviving or remaining competent General Partners shall determine whether to continue the Partnership no later than ninety (90) days following the death, retirement, resignation or adjudication of insanity or bankruptcy of any General Partner and shall give written notice of this

determination to such personal representative, trustee, receiver, custodian or legal successor in interest.

This Partnership is independent of any employment relationship between Irwin and the Society and shall survive the modification or termination of that relationship.

23. Termination Prior to End of Term. The Partnership may be terminated by agreement of the General Partners prior to the end of the term, said agreement to be manifested by written agreement of the parties.

24. Distributions on Termination. In the event of the dissolution and termination of the Partnership, then the General Partners shall proceed to the liquidation of the Partnership and the proceeds of such liquidation shall be applied and distributed according to the following order of priority of payments:

(a) First, to the payment of the debts and liabilities of the Partnership (other than any loans or advances that may have been made by the Partners to the Partnership) and the expenses of liquidation;

(b) Then, to the establishment of any reserves which the General Partners may deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Partnership, or of the General Partners arising out of, or in connection with, the Partnership. Such reserves shall be paid over by the General Partners to an attorney as escrowee, to be held by him for the purpose of disbursing such reserves in payment of any of the aforementioned contingencies, and at the expiration of such period of time as the General Partners deem advisable, to distribute the balance remaining in the manner hereinafter provided;

(c) Then, to the repayment of any loans or advances that may have been made by any of the Partners to the Partnership; however, if the amount available for such repayment is insufficient, then pro rata, on account thereof;

(d) Then, to the full repayment of each Partner's initial and additional capital contributions;

(e) Finally, the remaining balance shall be distributed to all the General Partners in proportion to their respective Partnership percentage interests as set forth above in paragraph 9.

25. Procedure on Termination. A reasonable time shall be allowed for the orderly liquidation of the assets of the Partnership and the discharge of liabilities to creditors so as to enable the General Partners to minimize the normal losses attendant upon a liquidation. Each of the Partners shall be furnished with a statement prepared by the Partnership's Certified Public Accountant, which shall set forth the assets and liabilities of the Partnership as of the date of complete liquidation.

26. Indemnity. The Partnership shall indemnify and save harmless any General Partner from any loss or damage incurred

by him by reason of any act performed in good faith by him for and on behalf of the Partnership.

27. Notices. All notices provided for in this Agreement shall be directed to the parties at the addresses herein set forth and to the Partnership at its principal office, by registered or certified mail.

28. Binding Effect. This Agreement shall be binding upon all the Partners and their estates, heirs or legatees.

29. Agreement in Counterparts. This Agreement may be executed in several counterparts and all, when so executed, shall constitute one Agreement, binding on all the parties hereto, notwithstanding that all the parties are not signatory to the original or the same counterpart.

30. Applicable Law. This Agreement and the rights of the parties hereunder, shall be interpreted in accordance with the laws of the District of Columbia.

IN WITNESS WHEREOF, the Partners have set forth their signatures below on the date first above written.

GENERAL PARTNERS

____

Paul G. Irwin

____

The Humane Society of the United States, acting through its President, John A. Hoyt

District of Columbia : ss

I, the undersigned, a notary public in and for the District of Columbia, hereby certify that on this ____ day of ___, 1987, there appeared before me Paul G. Irwin, personally well known to me, who gave oath in due form and executed the foregoing Brightwater Partnership Agreement.

____
Notary Public

(SEAL)

My Commission Expires:

District of Columbia : ss

I, the undersigned, a notary public in and for the District of Columbia, hereby certify that on this ____ day of ______, 1987, there appeared before me, John A. Hoyt, personally well known to me, who gave oath in due form and executed the foregoing Brightwater Partnership Agreement on behalf of the Humane Society of the United States.

____
Notary Public

(SEAL)

My Commission Expires:

Jacksonville
Vermont 05342
11/12/86

Charles Lambert
221 Shady Hill Rd.
Fairfield, Conn. 06430

Mary Hobart
Sycamore Heights
RR 1 Box 72
Siloam Springs
Arkansas, 72761

Margaret Holcomb
1500 Durham Rd.
Guilford, Ct. 06437

Dear Friends:

We have agreed with Jean and Paul Irwin to accept the Club's regular formula of 1.6 times the assessed valuation by the Town. The assessment of $28,500 times 1.6 is $45,600.

Because of our special relationship with the Irwins, we have agreed to accept a price of $42,000., total. This includes the furnishings of the cabin, as well as the skiff, as well as the $35,000. insurance policy which I renewed July 1. I also paid this year's Town tax bill, and have agreed to absorb the legal costs we were put to in connection with this matter.

We wrote our appraiser as well as Eastern Appraisal Oct. 4 that since we were going the regular route as provided by the by-laws we would use the Club formula and asked the appraisers to stop further work on appraising our property as their work would be of no value to us.

Should the Club wish to pursue the completion of these appraisals for its own purposes, we feel it is the obligation of the Club to pay for any further expense incurred.

Further, because of the important tax implications which apply to this specific tax year, it is imperative that this issue be concluded as soon as possible, certainly no later than Dec.15,1986.

We need the time this date affords to terminate the legal arrangements between the Irwins and the Butlers by the end of this tax year.

Enclosed in the letter to Margaret Holcomb is our deed to lots 19,20,43. (old) Because this is an important paper, we are sending her letter by certified mail, return receipt requested. Surrendering our lease makes possible the issuance of the new lease to the Irwins.

Be assured this is a most difficult letter to write, terminating nearly half a century of membership in the Brightwater Club. However, as honorary members we look forward to sharing many happy days in the future in the Irwin Cabin.

Most Sincerely, June H Butler
June H. Butler

J. George Butler
J.George Butler

Failure to Account for Property

March 9, 1988 Bill Voorhees told me he learned the day before that $200,000 to $250,000 of gold is in one or more safe deposit boxes but was never reported to him so was not reported on the tax returns or financial statements and has not been subject to the normal auditing safeguards.

The attached memo from Mr. Madden describes his efforts to identify other donations which may not have been recorded.

The section on the 1986 Form 990 in this book discusses an apparent failure to include a $100,000 note donated by Mrs. Evans to RSUS. Mr. Irwin's letter of March 8th attempts to explain the matter further and you may wish to ask him for more information.

The audit for 1986 was apparently not completed until late summer, early fall 1987. (See Application for Extension of Time to File which appears as p. 3 of the 1986 990). Therefore if the gift was made in 1986 but the delivery of the document delayed until April 1987, there was ample time to reflect the gift on the 1986 information.

We all have serious problems if the gift was not made until 1987 but RSUS furnished documents to support a 1986 tax deduction of $100,000.

<u>MEMORANDUM</u>

TO: Paul Irwin & Sam Trevino

FROM: Murdaugh Madden

DATE: March 8, 1988

RE: Response to the March 4, 1988 Inquiry

Following the description of the "system" used by the HSUS for accounting for the items of personal property, requested in the first two sentences of that letter, you might add some language attributable to me as follows:

Our General Counsel, Murdaugh Stuart Madden, has been in charge of and overseen the HSUS bequest program, and a number of the items of tangible personal property coming to the HSUS during the past ten years have come via bequests from a number of estates. When these items would arrive, they would be immediately turned over to either Mrs. Morgan (Sam Trevino's predecessor) or Paul Irwin. Once the files on these various estates from which these items came are located, there should be either inventories, receipts, or letters evidencing transmittal from the estate to the HSUS, which would identify the items involved. Mr. Madden's office is now trying to identify these estates, and to reconstruct what passed through his office in this manner.

As far as real estate is concerned, the same review of the files is being undertaken. In the usual case, however, both as to real estate and tangible personal property, we have tried our best to have the attorney probating the estate take steps to sell the real estate and convert tangible personal property to cash, so that there won't be too many cases where these things came to us in kind. However, the search for them through the records of hundreds of estates over the past ten years will be quite time consuming.

The Humane Society of the United States
2100 L Street, NW
Washington, DC 20037
(202) 452-1100

March 8, 1988

Gail McGreevy Harmon, Esq.
Harmon & Weiss
2001 S Street, NW - Suite 430
Washington, DC 20009-1125

Dear Ms. Harmon:

Regarding the first two paragraphs of your letter of March 4, I am enclosing a copy of a memorandum from Mr. Madden. As he has stated, he is preparing documentation. He has informed me that the process will be time-consuming. However, tangible property is held in our safe here at Headquarters or in safe deposit boxes in the American Security Bank and the Guardian Safe Deposit, Inc., 2499 North Harrison Street in Arlington, Virginia. In concert with Mr. Madden, I will provide a full response.

I am enclosing a copy of Mrs. Frankenberg's contributions, 1983 through 1988.

Regarding the National Association for the Advancement of Humane Education, Inc., the program of this corporation was absorbed into the HSUS budget, General Fund. Consequently, there was the substantial contraction. The payments which were made to me in 1987 and 1988 involved transfers from the HSUS General Fund to the NAAHE corporation. I am instructing Mr. Trevino to provide documentation regarding approval and date.

I am providing W-2 and 1099 copies for Mr. Hoyt and myself for the year 1987.

Regarding the $100,000 Evans' note, we did not know until April of 1987 if Mrs. Evans was declaring this as a 1986 deduction or a 1987 deduction. The receipt was requested to be dated 1986 by Mrs. Evans' tax accountant. Since the note was not delivered to us until April 1987, it was my position as treasurer of the HSUS that delivery actually took place in 1987 and is subject to the 1987 audit. I am seeking advice regarding the necessity of amending the records of 1986 to reflect this transaction.

To the best of my knowledge there have been no amendments to the Deed of Trust to the Mellon Bank. I am asking Mr. Madden and the Mellon Bank to look for any amendments to the Trust. I have assumed that as treasurer I was authorized to act and have done so for as long as I have held this position. Mellon Bank never questioned my authority to act.

I do not have known responsibility for an Irene C. Evans trust dated October 17, 1978. If evidence is available regarding such responsibility I would be pleased to receive the same.

Sincerely,

Paul G. Irwin
Executive Vice President
and Treasurer

PGI:jps

The Humane Society of the United States
2100 L Street, N.W.
Washington, D.C. 20037
(202) 452-1100

Lit 5
#16

R E C E I P T

On this 31st day of December, 1986, THE HUMANE SOCIETY OF THE UNITED STATES gratefully acknowledges the receipt, donation, and assignment of a promissory note held by Mrs. Irene C. Evans, and the rights to income and payments therefrom, said note being made by John A. Hoyt and Gertrude M. Hoyt, on November 2, 1981, in the principal amount of One Hundred Thousand ($100,000) Dollars, payable to Irene Evans, and due on July 1, 1987, bearing interest at Ten (10%) Percent, payable semiannually -- said note being amended by memorandum dated January 7, 1986, reducing the interest rate to Zero (0%) Percent, retroactive to November 1, 1982.

THE HUMANE SOCIETY OF
THE UNITED STATES

By: [signature]
Paul G. Irwin
Executive Vice President &
Chief Operating Officer

16 A

Credibility Problems

1. Did Deferred Compensation Committee meet on March 3, 1987 and authorize certain actions?

    A. Attached memo from Mr. Hoyt states it did.

    B. Attached letters from Mr. Lydman and Mr. Wiseman (when read in conjunction with the materials to which they specifically refer) clearly state that there was no meeting on March 3.

2. Since "this corporation" (NAHEE) had no funds on 12/31/86 (see 990 attached) any attempt to authorize the use of its funds would be ineffective.

3. In a letter dated December 1, 1987, Mr. Hoyt wrote to Mr. Wiseman that Miss Frankenburg has given HSUS $330,000 over the last five years and she provided the funds for Mrs. Hoyt's travel. However, documents provided by HSUS indicate that in the 5 years 1983-1987, Miss Frankenburg gave $265,000 and that none of this was allocated to Mrs. Hoyt's travel which was paid for out of the general fund.

NAAHE · 1988

Confidential Memorandum

To: Samuel Trevino

From: John A Hoyt

Subject: Compensation for Paul G Irwin

Date:1/10/88

Please draw a check in the amount of $5,000 on the National Association for the Advancement of Humane Education account in partial payment of compensation due Paul G Irwin for 1987. The compensation committee, at a meeting held in Washington, DC , March 3, 1987 approved the use of the corporations funds as a source for salary payment as needed.

JAH

FOR CREDIT TO THE ACCOUNT OF

OFFICE [illegible] ACCOUNT NUMBER [redacted] 44

NAME [illegible]

ADDRESS [illegible]

IF RECEIPT IS TO BE MAILED

CITY & STATE [illegible] ZIP [illegible]

DATE [illegible]

AMERICAN SECURITY BANK, N.A.

WASHINGTON, D. C. 20013

ENDORSE EACH CHECK AS DRAWN

		DOLLARS	CENTS
CASH ▶			
CHECKS	TRANSIT NO		
	[illegible]	5000	00
TOTAL CASH/CHECKS			
LESS CASH RETURNED			
TOTAL DEPOSIT		5000	00

PLEASE NOTE: CHECKS AND OTHER ITEMS ARE RECEIVED FOR DEPOSIT SUBJECT TO FINAL PAYMENT

CUSTOMER COPY

Note: No copy of disbursement available to THaco from Humane Society. The money was transferred from the general fund into NAAHE Savings & subsequently was withdrawn + check paid to Irwin by bank.

Confidential Memorandum

March 10,1987

TO: Samuel A. Trevino

From: John A. Hoyt

Subject: Compensation for Paul G. Irwin

Please draw a check in the amount of $5000.00 on the National Association for the Advancement of Humane Education account in partial payment of compensation due Paul G. Irwin for 1987. The Compensation Committee, at a meeting held in Washington, D.C., March 3, 1987 approved the use of this corporations funds as a source for salary payment as needed.

JAH

THE HUMANE SOCIETY
OF THE UNITED STATES
NATIONAL HEADQUARTERS
2100 L STREET, N. W.
WASHINGTON, D.C. 20037

AMERICAN SECURITY BANK, N.A.

25884

Mar. 11m 19 87

15-53
540

PAY 5000

DOLLARS $5,000.00

TO THE ORDER OF National Association for the Advancement of Humane Education

VOID AFTER 90 DAYS

Paul G Irwin

Samuel A Hawes

NOT NEGOTIABLE

⑈025884⑈ ⑆054000551⑆43 [redacted] 920⑈

THE HUMANE SOCIETY
OF THE UNITED STATES

DELUXE - FORM WVC-3 V-7

Contribution

5,000.00

3040

No. 000001

3/10/87 19 87 15-56/540

PAY TO THE ORDER OF Paul G. IRWIN $ 5000.00

FIVE THOUSAND XX/100 DOLLARS

AMERICAN SECURITY BANK, N.A.
21st & L Streets
21st and L Streets, NW.
Washington, D.C. 20037

Samuel A. Irwin
John A. Hoyt

5

FOR

000001 054000551 32 [redacted] 269 0000500000

THE HUMANE SOCIETY
OF THE UNITED STATES

DETACH AND RETAIN THIS STATEMENT
THE ATTACHED CHECK IS IN PAYMENT OF ITEMS DESCRIBED BELOW.
IF NOT CORRECT PLEASE NOTIFY US PROMPTLY. NO RECEIPT DESIRED.

DELUXE - FORM WVC-3 V-7

Contribution 5,000.00

3040

RECEIVED MAR 0 7 1988

Post Office Box 120
Woolwich, Main 04579

February 9, 1988

John W. Mettler, III
950 Third Avenue
New York, N.Y. 10022

Dear John,

I wish to acknowledge receipt of your letter of January 26, 1988, which has already been responded to by Jack Lydman. Therefore, all I can add is to confirm that there were no meetings of the Deferred Compensation Committee other than those the Minutes of which were distributed at the December 12th Board Meeting. These meetings took place on the following dates:

September 13, 1984
July 24, 1986
April 22, 1987
August 25, 1987

Sincerely,

Bill

K. William Wiseman

KWW:MW

cc: Susan Pepperdine
Robert B. Sorock
Jack Lydman

JACK WILSON LYDMAN
2815 QUE STREET, N. W.
WASHINGTON, D. C. 20007

February 3, 1988

John W. Mettler III
950 Third Avenue
New York, N.Y. 10022

Dear John,

In response to your letter of January26, 1988 to Bill Wiseman, a copy of which you forwarded to me, let me first state that I know of no minutes of meetings of the Deferred Compensation Committee other than those distributed to the HSUS Board on December12, 1987.

I cannot tell you precisely when the meetings were drafted, or by whom, except that the initial records were prepared in a reasonable time after each meeting by John and / or Paul. The minutes, of course, did not become official until signed by me and approved by other members of the committee.

Sincerely,

Jack

Jack W. Lydman
Secretary, Deferred Compensation
Committee HSUS.

C. K. William Wiseman

Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c) (except black lung benefit trust or private foundation) of the Internal Revenue Code or section 4947(a)(1) trust

Note: You may be required to use a copy of this return to satisfy state reporting requirements. See instruction D.

OMB No 1545-0047

1986

For the calendar year 1986, or fiscal year beginning , 1986, and ending , 19

Use IRS label. Otherwise, please print or type.

Name of organization: The National Association for the Advancement of Humane Education

Address (number and street): 2100 L Street, N.W.

City or town, state, and ZIP code: Washington, D.C. 20037

A Employer identification number (see instruction L): 23 : 7327537

B State registration number (see instruction D): N/A

C Section 4947(a)(1) trusts filing this form in lieu of Form 1041, check here ▶ ☐ (see instruction C10). N/A

D Check type of organization—Exempt under section ▶ ☒ 501(c)(3) (insert number), OR ▶ ☐ section 4947(a)(1) trust

E Accounting method: ☒ Cash ☐ Accrual ☐ Other (specify) ▶

Check here if application for exemption is pending N/A ▶ ☐

F Is this a group return (see instruction J) filed for affiliates? ☐ Yes ☒ No
If "Yes," enter the number of affiliates for which this return is filed ____
Is this a separate return filed by a group affiliate? ☐ Yes ☒ No

G If "Yes" to either, give four-digit group exemption number (GEN) ▶ N/A

H ☐ Check here if your gross receipts are normally not more than $25,000 (see instruction B11). You do not have to file a completed return with IRS but should file a return without financial data if you were mailed a Form 990 Package (see instruction A). Some states may require a completed return.

I ☐ Check here if gross receipts are normally more than $25,000 and line 12 is $25,000 or less. Complete Parts I (except lines 13-15), III, IV, VI, and VII and only the indicated items in Parts II and V (see instruction I). If line 12 is more than $25,000, complete the entire return.

501(c)(3) organizations and 4947(a)(1) trusts must also complete and attach Schedule A (Form 990). (See instructions.)

Part I Statement of Support, Revenue, and Expenses and Changes in Fund Balances

These columns are optional—see instructions

			(A) Total	(B) Unrestricted/ Expendable	(C) Restricted/ Nonexpendable
Support and Revenue	1	Contributions, gifts, grants, and similar amounts received:			
	a	Direct public support			
	b	Indirect public support			
	c	Government grants			
	d	Total (add lines 1a through 1c) (attach schedule—see instructions)			
	2	Program service revenue (from Part IV, line f)			
	3	Membership dues and assessments			
	4	Interest on savings and temporary cash investments			
	5	Dividends and interest from securities			
	6a	Gross rents			
	b	Minus: rental expenses			
	c	Net rental income (loss)			
	7	Other investment income (Describe ▶)			
	8a	Gross amount from sale of assets other than inventory (Securities / Other)			
	b	Minus: cost or other basis and sales expenses			
	c	Gain (loss) (attach schedule)			
	9	Special fundraising events and activities (attach schedule—see instructions):			
	a	Gross revenue (not including $____ of contributions reported on line 1a)			
	b	Minus: direct expenses			
	c	Net income (line 9a minus line 9b)			
	10a	Gross sales minus returns and allowances			
	b	Minus: cost of goods sold (attach schedule)			
	c	Gross profit (loss)			
	11	Other revenue (from Part IV, line g)			
	12	Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8c, 9c, 10c, and 11)			
Expenses	13	Program services (from line 44, column (B)) (see instructions)			
	14	Management and general (from line 44, column (C)) (see instructions)			
	15	Fundraising (from line 44, column (D)) (see instructions)			
	16	Payments to affiliates (attach schedule—see instructions)			
	17	Total expenses (add lines 16 and 44, column (A))			
Fund Balances	18	Excess (deficit) for the year (subtract line 17 from line 12)			
	19	Fund balances or net worth at beginning of year (from line 74, column (A))	239		
	20	Other changes in fund balances or net worth (attach explanation)	(239)		
	21	Fund balances or net worth at end of year (add lines 18, 19, and 20)	0		

For Paperwork Reduction Act Notice, see page 1 of the instructions.

DEFERRED COMPENSATION COMMITTEE

The Deferred Compensation Committee was created on September 9, 1983 by the Executive Committee of HSUS. The Executive Committee moved that the Board create this committee, but according to the minutes of the Board meeting held subsequent to this Executive Committee meeting, the creation was neither reported to the Board nor was Board approval sought.

The Bylaws of the HSUS provide in Article VII that the Board has the power to create committees and that the Executive Committee cannot assume powers reserved to the Board. Committees of the Board of Directors of a nonprofit corporation are considered to be creatures of the Board, and to obtain their power from the Board through its delegation to them. In reviewing the propriety of the actions of the Deferred Compensation Committee it is therefore of great significance that the minutes of the Board meetings nowhere disclose that its existence or its decisions on behalf of the Board were ever disclosed to the Board.

In addition to not having been created properly, the Deferred Compensation Committee has acted in excess of the power which it purported to have. Its powers are to establish and administer deferred compensation plans and "from time to time be constituted a compensation committee to consult with and advise the President regarding staff compensation." The bylaws in Article VIII, section 5 state that the President's salary "shall be determined by the Board." Therefore, in authorizing a $9,000 travel allowance (compensation) for John Hoyt (1/2/85), deciding to purchase his house "in lieu of other compensation" (4/22/87) and deciding to reimburse Paul Irwin for the property in Maine (8/25/87) this committee was acting in excess of any authority which it purported to have and in violation of the Bylaws.

It may be argued that the Board has acquiesced in or even ratified these actions by its failure to object. However, since the Board was not told about the Deferred Compensation Committee, it is unreasonable to argue that it should have objected. With regard to setting the President's salary, the primary obligation to set the agenda for Board meeting and to bring items to the attention of the Board lies with the senior officers of the corporation and its Chairman; this obligation was clearly not fulfilled. The remaining Board members also share some responsibility for not asking questions, but the response given to Susan Pepperdine and Mrs. Browning (12/12/87 minutes say Mrs. Browning had asked for information about the President's salary and benefits at previous meetings but had not received an answer) can be taken as evidence that the attitude of some Board members was to render such questions futile.

Moved and seconded that the Board of Directors authorize the establishment of a Deferred Compensation Plan to be administered by a Deferred Compensation Committee comprised of the Chairman of the Board, Coleman Burke; the Vice Chairman, K. William Wiseman; and director Jack Lydman.

As regards matters relating to the establishment and administration of the Deferred Compensation Plan, the Committee is empowered to act in all matters on behalf of the Board of Directors.

This Committee may also from time to time be constituted a Compensation Committee to consult with and advise the President regarding staff compensation as the need may arise.

Adopted by Executive Committee,
HSUS Board of Directors,
September 9, 1983

Bylaws of The Humane Society of the United States

Washington, D.C.
October, 1980

ARTICLE I—OFFICES

The principal office of The Humane Society of the United States shall be located in Washington, District of Columbia. The Society may establish and maintain subsidiary offices at other places.

ARTICLE II—CORPORATE SEAL

The corporate seal of the Society shall be circular in form and shall have inscribed thereon the name of the Society, the year of its organization and the words "Corporate Seal, Delaware." The Society may alter and change said seal at its pleasure. Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced otherwise.

ARTICLE III—MEMBERS

Section 1. The Society shall have the following classes of annual membership:

Single	$10	Sustaining	$ 100
Dual	18	Sponsor	500
Donor	25	Patron	1,000
Supporting	50		

Members shall pay to the Treasurer of the Society or to the Treasurer of an incorporated Branch of the Society annual dues in accordance with their selected class of membership. Such dues shall be due and payable with the application for membership and thereafter on the anniversary date of the election to membership. Any member failing to pay his dues on or before the date when they are payable shall not be a member in good standing.

Section 2. Any person who has been elected a member of the Society shall be deemed to have automatically applied for membership in the State Branch of the state in which the member resides, and any person elected a member of a Branch shall be deemed to have automatically applied for Society membership.

Section 3. No person shall be a member of the Society unless elected to membership by the Board of Directors of the Society and, if the application for membership is made through a Branch, by the Board of Directors of the Branch. The Board of Directors may reject any application for membership for reasonable cause. The Board may also expel a member for reasonable cause. Any person refused membership or expelled may appeal such rejection or expulsion to the members at the ensuing annual meeting of the members of the Society by addressing a notice of appeal to the Secretary of the Society at least 10 days before such meeting. The members may at such meeting by a majority vote overrule any such rejection or expulsion. Their decision shall be final.

Section 4. Each Branch shall promptly send to the Society the name, mailing address, and forty percent (40%) of the annual dues of every member who pays dues to the Branch and the Treasurer of the Society shall promptly send to the appropriate Branch the name, mailing address and sixty percent (60%) of the annual dues of every member who pays dues to the Society and who resides in the state in which a Branch exists.

Section 5. All members who have been in good standing for six months shall be entitled to cast one vote at any meeting of the Society and in any referendum or other election as provided by these Bylaws. A dual family membership shall entitle each of 2 members of a family to a single vote. For the purposes of this section, a member shall be deemed to have become a member on the date his application was received by the Secretary or Executive Director of a Branch or by the President of the Society, whichever is earlier.

ARTICLE IV—MEETINGS OF MEMBERS

Section 1. The annual meetings of members of the Society for the purpose of transacting business authorized to be transacted by the members shall be held at such time and place as shall be specified by the Board of Directors.

Section 2. Special meetings of the members shall be held in Washington, District of Columbia, and may be called at any time by the Board of Directors or by any 50 members upon their filing with the Secretary of the Society a request in writing for the meeting, stating the purpose or purposes of the proposed meeting. The agenda of any special meeting shall be confined to the subjects stated in the call for the meeting. Special meetings requested by members shall be held not less than 30 days nor more than 60 days after the filing of the request.

Section 3. Advance notice of all meetings of members shall be given by the Secretary of the Society. All such notices shall be sent by mail at least 20 days in advance of the date set for the meeting to the last known post office address of each member who will be entitled to vote at the date of the meeting.

Section 4. At any meeting of the members, unless otherwise required by statute or these Bylaws, those members present in person shall have authority to transact all business that may come before the meeting. Voting by proxy shall not be permitted.

Section 5. There shall be elected annually to serve a term of one year a Nominating Committee of six (6) persons. Members in attendance at the Annual Meeting of members of the Society shall elect to this Committee two

(2) members who have been in good standing for at least two (2) years. The Board of Directors at its Annual Organization Meeting shall elect four (4) members, two (2) of whom shall be Directors and two (2) shall be other members of the Society, all four (4) having been members in good standing of the Society for at least two (2) years. At least sixty (60) days before the Annual Meeting, the Committee shall nominate at least seven candidates for full term membership on the Board of Directors. The Committee shall notify the Secretary of the Society of its nominations. Any 250 members in good standing may also nominate one or more candidates for membership on the Board by written petition filed with the Secretary at least forty-five (45) days before the Annual Meeting. A list of those nominees selected by the Nominating Committee will be available to any member upon request made to the Secretary of the Society.

Section 6. Within sixty (60) days following each Annual Meeting of members of the Society, the Chairman of the Board of Directors shall appoint an Elections Committee consisting of the Secretary of the Society and three members of the Society, none of whom shall be Directors. At least thirty (30) days before the next Annual Meeting, said Secretary shall cause to be sent to each member of the Society entitled to vote a list of all the nominees for election, the position they were nominated to fill, a reasonable amount of biographical information, and a ballot to cast a vote in said election. Ballots shall be returned to and retained unopened by the Elections Committee not less than fifteen (15) days before the Annual Meeting. Not more than ten (10) days after the closing date of voting in said election, the Committee shall open, count, and record the number of said ballots. The Committee shall deliver said ballots together with a certification of the results of said election to the Secretary of the Society for retention in its records. The candidates, in number necessary to fill the terms of office as Director of the Society voted upon in said election, who each shall have received a greater number of votes than each of the remainder of the candidates, shall be elected to said office. At the said Annual Meeting, the Committee shall announce the results of the election and the names of the candidates who shall have been elected to said office pursuant to the provisions of these Bylaws.

ARTICLE V—REFERENDUMS

Section 1. In addition to the right to vote at regular or special meetings of the Society, members shall be entitled to vote in a referendum. A referendum may be initiated on the following questions, and no other:

a. To authorize the transfer of operating funds to an Endowment Fund, as provided in Article IX;

b. Any question which the Board of Directors or an Annual Meeting of the Society shall decide to submit to referendum;

c. The amendment of these Bylaws.

Section 2. A referendum may be initiated by: (a) any special or annual meeting of the Society; (b) the Board of Directors; (c) petition of any 50 members in good standing, submitted to the Secretary of the Society in writing and stating precisely the motion or resolution to be voted upon.

Section 3. When a referendum has been initiated, the Secretary of the Society shall submit the question to all members eligible to vote with a ballot within 60 days, specifying the address to which the ballot shall be returned. The majority vote of those returning ballots to the specified address within 30 days from the date of the mailing of the ballots shall decide the issue, except an issue of amendment of the Bylaws, which shall be governed by the provisions of Article XII of the Bylaws.

Section 4. A referendum shall not impair the powers of the Board of Directors, as set forth in Article VI, except as they are modified in Article IX, and except as the powers of the Board may be modified by a change in these Bylaws.

ARTICLE VI—DIRECTORS

Section 1. The concerns, direction and management of the affairs of the Society shall be vested in the Board of Directors, who shall pursue such policies and principles as shall be in accordance with the provisions of the Articles of Incorporation and these Bylaws, and the statutes of Delaware.

Section 2. The Board of Directors shall be composed of no more than 24 members, but no act of this Society shall be void because, at any time, there may be fewer than 24 Directors in office. No person shall be eligible to serve as a Director who is receiving compensation for services from this or any other humane organization. No elected Director shall be qualified to serve in that capacity until he becomes a dues paying member of the Society.

Section 3. The Board of Directors shall be divided into three classes and shall be elected in accordance with the provisions in Article IV of these Bylaws. One-third of the membership of the Board of Directors shall be elected each year for a term of three years. Each Director shall hold office for three years and until his successor shall be chosen. Directors shall be eligible for re-election.

Section 4. In the event any Director shall by death, resignation, incapacity to act or otherwise, cease to be a Director during his or her term, his or her successor may be chosen by the Board to serve out the balance of the Director's unexpired term. In no case may a person be appointed to serve as a Director who is ineligible for election as a Director.

Section 5. Directors shall be entitled to reimburse ment for necessary expenses incurred in fulfilling their duties.

Section 6. A regular Annual Organization Meeting of the Board of Directors shall be held at the Annual Meeting of the members of the Society, after announcement of the results of election of Directors, or on the day following adjournment. The annual organization meeting shall be held in the city or town where the Annual Meeting of members is held. In addition, the Board of Directors shall hold a regular meeting in the sixth month following the annual organization meeting.

Section 7. All meetings of the Board of Directors shall be held at such time as the Chairman of the Board shall from time to time order, subject to Sections 6 and 8 of this Article. All meetings of the Board of Directors, except the annual organization meeting, shall be held in Washington, District of Columbia, unless the Chairman of the Board proposes another place and a majority of the Board of Directors agree in writing to the place proposed.

Section 8. Special meetings of the Board of Directors shall be ordered by the Chairman of the Board when requested to do so in writing by any five or more Directors and may be ordered by the Chairman of the Board upon his own initiative. A special meeting requested by five or more Directors shall be called to be held not more than 45 days after the written request has been delivered to the Chairman of the Board.

Section 9. Notice of all meetings shall be mailed to Directors by the Secretary of the Society at least 20 days in advance of the meeting, except that no notice shall be required for any meeting at which all of the Directors are present and any meeting may be held without notice provided every Director shall waive in writing the notice otherwise required.

Section 10. The Board of Directors may, without meeting together, transact business by mail, by voting upon resolutions or motions having been initiated by any three Directors. The Secretary shall, within 5 days after receipt of such a motion or resolution, promptly mail the text of such a motion or resolution to all Directors. Ten days thereafter, the Secretary shall mail ballots to all Directors, including any comments received by the Secretary from any Director. If within twenty days thereafter a majority of the members of the Board of Directors shall send in writing to the Secretary their vote in favor of any such resolution or motion, said resolution or motion shall be deemed carried, otherwise it shall fail; provided, however, that no such affirmative action shall go into effect for five days after the Secretary, by registered or certified mail, shall have sent to each Director a report of the tabulated result of such vote, the ballots of which shall be produced at the following meeting of the Board of Directors.

Section 11. Seven of the members of the Board of Directors shall constitute a quorum. An affirmative vote by a majority of those present shall be required for adoption or approval by it of any matter upon which it undertakes to act.

Section 12. If any Director shall be absent from three consecutive regular meetings, such Director may be deemed to have resigned from office and in that event the vacancy so caused shall be filled as herein provided for filling of vacancies in the membership of the Board of Directors.

ARTICLE VII—COMMITTEES

Section 1. The Board of Directors may have an Executive Committee composed of 9 or more of their number. The Executive Committee shall have and may exercise all of the powers of the Board of Directors when the Board is not in session, except the power to elect and remove officers and such powers, if any, as the Board may specifically reserve to itself or as may be specifically assigned to any other committee or any officer of the Society. The Executive Committee shall make and adopt such rules and regulations as it may deem prudent for its management.

Section 2. The Board of Directors may provide for such other committees or other bodies of Directors and members as it shall deem desirable. The Board of Directors may delegate to such committees such duties and powers from time to time as it shall deem necessary or desirable.

ARTICLE VIII—OFFICERS

Section 1. At each annual organization meeting of the Board of Directors, or in default of election at such meeting, then at an adjournment thereof, or at any meeting of the Board of Directors duly called for the purpose of election of officers, the Board of Directors shall elect a Chairman of the Board, a Vice Chairman of the Board, a President, a Secretary and a Treasurer. The Board may also elect such other officers as the business of the Society may require. No person shall be eligible to hold office who is not a member of this Society at the time of his appointment. All the officers shall hold office at the pleasure of the Board of Directors but in no case beyond the time when their respective successors shall be elected and shall qualify. Any officer may be removed from office by the Board of Directors at any time.

Section 2. Whenever any vacancy shall occur in any office created by these Bylaws, or by the Board of Directors, the vacancy may be filled by the Board of Directors, acting in meeting or by mail ballot, for the unexpired term.

Section 3. The Chairman of the Board shall preside over all meetings of members of the Society, the Board, and the Executive Committee and shall be, ex officio, with vote, a member of all committees of the Board, except the Elections Committee.

Section 4. The Vice Chairman shall fill all functions of the Chairman when the latter is incapacitated, is unavailable, or for any other reason cannot serve.

Section 5. The President shall be the principal executive officer of the Society and shall be responsible only to the Board of Directors. He shall conduct the activities and business of the Society in accordance with principles and policies prescribed by the Board of Directors. His salary shall be determined by the Board. He shall employ and have full authority over other staff members and shall determine the duties and, within the limits of a budget approved by the Board, the compensation of all such staff members. He shall, a reasonable time before the beginning of each fiscal year of the Society, submit to the Board a written budget and program proposal for the ensuing year. The Board shall approve or amend and adopt a budget for the ensuing year and the President shall operate within said adopted budget. The President shall deliver to the annual meeting of the members of the Society a comprehensive report of the work done in the preceding year and an outline of plans for the ensuing year. The President may participate in any meeting of the Board of Directors or any committee of the Board, but without vote.

Section 6. The Secretary shall take and preserve minutes of all meetings of the members of the Society and of the Board, shall notify all members and Directors of annual and special meetings, and shall perform other duties assigned by the Board. He shall cause a record of all actions taken at all membership, Board and Executive Committee meetings to be mailed to any member upon request. In the absence of the Secretary from any meeting, the presiding officer shall appoint a temporary secretary to record the minutes and such minutes shall be transmitted to the Secretary.

Section 7. The Treasurer shall have custody of all funds and securities of the Society, shall disburse funds in accordance with a budget approved by the Board, and shall submit to the Board and to the annual meeting of the members of the Society an annual report, audited by an accountant selected by the Board, of the income and expenditures of the Society for the preceding year and of its assets and liabilities as at the end of the period under review. He shall make the report available to any member upon request at any time. The Treasurer may authorize other persons to sign checks and perform other functions of his office subject to the approval of the Board of Directors.

ARTICLE IX—USE OF FUNDS

All available funds of the Society shall be used for the immediate relief of suffering and the vigorous prosecution of humane education except as otherwise provided by law or the specific terms of a gift or mandate of a donor. Nothing in this section shall, however, be construed so as to prevent the Board of Directors from establishing prudent reserves for the operating expenses of the Society or from prudently investing any surplus funds of the Society to produce additional income, nor construed to prevent the members of the Society at a meeting or through a referendum from authorizing the Directors to transfer funds from operating funds to an Endowment Fund and placing funds of the Society therein. Should an Endowment Fund be established, no Director or officer of the Society shall be liable to any one with respect to any action taken or omitted to be taken by him in good faith in accordance with the direction of the Board of Directors of the Society with respect to any investment made on behalf of the Society. In connection with any investment made, the Directors shall use the same degree of care and skill in making investments as a prudent man would use under the circumstances in the conduct of his own affairs. Nothing contained herein shall be construed as relieving a Director or officer from liability for his own negligent failure to act, or his own willful misconduct.

ARTICLE X—TRANSFER OF SECURITIES

Any two persons, being President, Secretary, Treasurer, or Assistant Secretary or Assistant Treasurer, shall have the joint authority to execute, under seal, such form of transfer and assignment as may be customary or necessary to constitute a regular transfer of any stocks or other registered securities standing in the name of the Society. They may from time to time execute and deliver on behalf of the Society proxies on any and all stock owned by the Society.

ARTICLE XI—MISCELLANEOUS

Section 1. All meetings of the members of the Society, its Board of Directors and its committees shall be conducted pursuant to Roberts Rules of Order as set forth in the last published revision thereof.

Section 2. The fiscal year of the Society shall commence on January first of each year.

ARTICLE XII—AMENDMENTS

These Bylaws may be altered, amended, added to or repealed only by referendum procedure established by Article V of these Bylaws and by an affirmative vote of two-thirds (⅔) of those members voting thereon.

NHEC does not appear to be a functioning organization. When during my January 25 visit to the HSUS offices I asked for the minutes of the corporation, staff members were not able to locate or remember any minutes since 1976; since then the general counsel's office has not located any.

Although this Committee was told that "all transactions were approved," there is little evidence of approval. There is a memorandum date January 2, 1985 from Coleman Burke approving travel allowances for Hoyt and Irwin payable from NHEC. Note that this document did not authorize the payment of additional compensation to Hoyt and Irwin from NHEC. However, as stated above, Burke could not act for the Board regarding Hoyt's compensation and furthermore, he was not an officer of NHEC and so had no authority to authorize it to spend any money.

There are major problems with the way the payments into and out of NHEC were reported to the Board, to the public and the government. The payments to NHEC were made from the annuity account at the Mellon Bank. This account was created to pay funds to HSUS donors who have contributed funds to this annuity trust. Paul Irwin drew funds out of the annuity trust to fund the salary payments which were run through NHEC. These payments were hidden from everyone by the mechanism of characterizing them on the financial statements and the 990 tax returns as "payments to beneficiaries." While, in fact, they should have been entered on an adjacent line "contributions to other organizations."

Under the trust document establishing the annuity trust, only members of the Investment Committee have authority to request distributions from the trust. I have asked for, but not received, any instructions which would have led the trust to believe that Mr. Irwin had authority to request funds.

A final step in the process required that NHEC open a bank account to receive the annuity trust money and pay it out to Mr. Hoyt and Mr. Irwin. To open the account, they had to file one more false document certifying that the Board of NHEC had authorized the opening of the account.

390-34C

ORIGINAL

DEED OF TRUST

MADE this 9th day of April, 1962, by and between THE HUMANE SOCIETY OF THE UNITED STATES, its successors or assigns, a Delaware corporation having its principal office in the City of Washington, District of Columbia, (hereinafter called the "Settlor") and MELLON NATIONAL BANK AND TRUST COMPANY, a national banking association authorized to engage in trust business in the Commonwealth of Pennsylvania, (hereinafter called the "Trustee"):

WHEREAS, the Settlor has received, and will receive from time to time in the future, funds to be used primarily in the payment of annuities; and

WHEREAS, the Settlor, desiring to create an irrevocable trust of such funds, hereby transfers and delivers the property listed in Schedule "A" attached hereto to the Trustee, together with all the Settlor's estate, right, title and interest in and to the same; and

WHEREAS, the Trustee is willing to accept the trust and to hold said property, together with any additions thereto, (hereinafter called the "Trust Estate") in trust for the uses and purposes set forth below;

NOW, THEREFORE, the Settlor and the Trustee agree as follows:

ONE: The Trustee shall hold, manage, invest and reinvest the Trust Estate and shall distribute the net income and principal as follows:

(A) Quarter-annually, as of February 1, May 1, August 1 and November 1 of each year, the Trustee shall make such payments to such persons as the Settlor shall direct in writing.

(B) Semi-annually, on the six-months and yearly anniversary of the execution of this Deed of Trust, an actuary selected by the Settlor will calculate the reserve needed to make the payments then guaranteed by the Settlor and shall notify the Trustee in writing of the amount of such reserve. If the then market value of the Trust Estate exceeds one hundred twenty-five (125%) per cent of such reserve, the Trustee shall notify the Settlor in writing of the excess and shall pay any part or all of such excess to the Settlor upon the latter's written request.

(C) Upon the death of the survivor of all the annuitants of whom the Trustee has been notified, the trust shall terminate; and the then principal and any accrued or undistributed income shall be transferred and delivered to the Settlor or its successor or, if the Settlor is no longer in existence and no organization has succeeded to its rights and obligations hereunder, to such charitable organization or organizations as, in the opinion of the Trustee, are carrying on the same work as the Settlor.

TWO: In the administration of this trust, the Trustee shall have, in addition to and not in limitation of any authority granted to it by law and without the necessity of obtaining the consent of any court, the following powers: to accept and retain in kind any securities or other property delivered to it by the Settlor; to invest and reinvest the principal of the Trust Estate in any kind of property, real or personal, or part interest therein, without being restricted to investments which are legal for trust funds; to give options for sales, leases and exchanges; to borrow money; to sell, pledge, exchange or mortgage any real or personal property; to compromise claims, to lease real or personal property for terms exceeding five (5) years; to join in or oppose the merger, consolidation, reorganization or readjustment of the financial structure of any firm or corporation in which the Trust Estate may have an interest; to carry securities in the name of a nominee; and to distribute the Trust Estate either in cash or in kind; PROVIDED, however, that the Trustee shall make no sales or purchases without the prior approval of the Settlor.

THREE: In directing distributions of income and principal and in approving investments, the Settlor shall act through any two members of the Investments Committee of its Board of Directors. The present members of said Committee are D. COLLIS WAGER, EDWARD M. BOSTICK, ROBERT T. CHENOWETH, OLIVER EVANS and JACQUES W. SICHEL; the Trustee shall be entitled to rely upon such listing until notified of any change in writing by the Settlor acting through its proper officers.

FOUR: The Trustee shall furnish to the Settlor quarter-annual statements of income and semi-annual statements of principal and investments.

FIVE: The Settlor may make additions from time to time hereunder, in cash or in kind; PROVIDED, however, that any securities added shall be acceptable to the Trustee.

SIX: The Settlor declares this trust to be irrevocable and reserves no rights of amendment or revocation except as hereinabove specifically set forth.

SEVEN: The Trustee may resign at any time upon sixty (60) days written notice to the Settlor, and shall resign if so requested by the Settlor as soon as the Settlor shall designate a successor trustee.

EIGHT: The Settlor agrees to pay the Trustee annually compensation for its services hereunder in accordance with the Trustee's schedule of compensation currently in effect when the services are performed.

NINE: This Deed of Trust has been delivered to and accepted by the Trustee in the Commonwealth of Pennsylvania, and its interpretation shall be governed in all respects by the laws of said Commonwealth.

WITNESS the due execution hereof the day and year aforesaid.

THE HUMANE SOCIETY OF THE UNITED STATES

By John J. Grandy
President

ATTEST:

Marcia Glaser
Assistant Secretary

MELLON NATIONAL BANK AND TRUST COMPANY

By William H. Latimer, Jr.
Vice President

ATTEST:

Assistant Secretary

STATE OF MISSOURI)
) ss:
COUNTY OF JACKSON)

On this, the 9 day of April, 1962, before me, a Notary Public, personally appeared Robert I. Chenoweth who acknowledged himself to be the President of The Humane Society of the United States, and that he as such President, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the Society by himself as President.

IN WITNESS WHEREOF I hereunto set my hand and official seal.

Homer K. Clee [illegible]
Notary Public
My Commission Expires April 9, 1965

COMMONWEALTH OF PENNSYLVANIA)
) ss:
COUNTY OF ALLEGHENY)

On this, the 11th day of April, 1962, before me, a Notary Public, personally appeared Wm. H. [illegible] who acknowledged himself to be a Vice President of Mellon National Bank and Trust Company, and that he as such Vice President, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the Bank by himself as Vice President.

IN WITNESS WHEREOF I hereunto set my hand and official seal.

Dorothea Crane
Notary Public

SCHEDULE "A"

Cash in the amount of $10,801.00

******

Mellon Bank

Mellon Bank N.A.
One Mellon Bank Center
40th Floor
Pittsburgh, PA 15258-0001
412 234 5784

Barbara K. Robinson
Vice President

March 1, 1988

Mr. Samuel A. Trevino
Assistant Treasurer
The Humane Society of the United States
5430 Grosvenor Lane
Bethesda, MD 20814

Dear Mr. Trevino:

Re: Humane Society of the United States
Account No. [redacted]246

As you reauested, enclosed is a copy of the original Trust Agreement for the aboved referenced account.

If you have any questions concerning this matter, please feel free to call.

Sincerely,

Barbara

Barbara K. Robinson
Vice President

Encl.

BKR/vlr
0683L

Signature Card for the
Columbia First FS&L

ACCOUNT EXECUTIVE

RESOLUTION of the ...... The National Humane Education Center

RESOLVED, That the hereinafter designated officers are hereby authorized to open a savings account for this institution and to invest its funds from time to time with

COLUMBIA FIRST FEDERAL SAVINGS AND LOAN ASSOCIATION, WASHINGTON, D.C.

and that said association is hereby authorized to act without further inquiry in accordance with writings bearing the signatures of ...... such officers, unless and until it has been notified of any change of officers and of further authorization of other individuals to so sign, together with a specimen of the signature of each such individual.

[illegible] Office Pres.

[illegible] Office V. P.

[illegible] Office [illegible]

[illegible] Office [illegible]

IT IS HEREBY CERTIFIED that the above named officers have been duly elected to the office set opposite their respective names, that they hold such offices at this time, that their true signatures appear on the reverse hereof, and that the above resolution is not a violation of our articles of association or bylaws and was duly adopted at a meeting of the Board held on the 27th day of Oct. 199[illegible]

IN WITNESS WHEREOF, I have hereunto affixed my name as Secretary, and the seal of this institution, this 4th day of [illegible]

Secretary

[illegible]

SIGNATURE VERIFICATION

TYPE: John A. Hoyt ...... 20TH & [illegible]

ACCOUNT NUMBER

TYPE: Paul G. Irwin ......

SIG. LOC.

TYPE: [illegible] ......

OFFICE PHONE

TYPE: ......

HOME PHONE

SPECIAL INSTRUCTIONS

Alice Morgan Wright--Edith Goode Fund

The Alice Morgan Wright-Edith Goode Fund is a charitable trust of which HSUS is trustee. With assets of $1,300,000 and income of over $100,000 per year, it is a major asset of the HSUS and represents a significant opportunity for funding organizations devoted to animal welfare.

Under Article Eighteenth of the last will and testament of Alice Morgan Wright, (See Tab ___) the Board of Directors of the HSUS is to have absolute discretion and authority in selecting beneficiaries of the charitable trust fund established under her will. See Tab number __. As far as I can tell, however, the full Board of Directors has never approved the selection of charitable grantees. I gather that the Board has been informed, after the fact of the charitable distributions and has never exercised its legal role in this process.

A Board member, Donald Dawson, is said to have represented the Board as an individual trustee, but there is no record that he was selected by the Board to carry out this function, that they delegated this power to him, or gave him any direction or instruction in this regard. When he left the Board in mid-1984, no Board member was involved in this process until recently when Mr. Wiseman represented the Board.

the children are associated or come in contact.

(n) To promote insistently in institutions of learning, from childhood onward, the education of the heart and the courage to withstand any popular trend, which, in the misused name of Science, might lead to a disregard for the fundamental ethics of righteousness and compassion.

(o) To befriend all Earth's creatures on land, in the sea and in the air; to defend them against the ravages by mankind and inspire in human beings compassion for all. To recognize in animals their capacity for friendship and their need of friends.

EIGHTEENTH: Being confident that the objectives of the Humane Society of the United States are substantially the same as the objectives cited above, all the rest, residue and remainder of my estate, both real and personal, of which I die seized and possessed, and of every name and nature and in which I have or may have any interest and wheresoever located, including all legacies or bequests which for any reason shall lapse or become inoperative, I give, devise and bequeath as follows:

(a) One-third (1/3rd) I give to the Humane Society of the United States, a charitable humane organization, havings its principle office now at 1145 - 19th Street, N.W., Washington, D.C., not in trust, but absolutely, to be used by it any way that in its sole judgment will most effectively protect animals from suffering and will most effectively further their happiness, well-being and humane treatment.

(b) The remaining Two-Thirds (2/3rds) I give to the said Humane Society of the United States, IN TRUST NEVERTHELESS, for the following uses and purposes, that is to say:

That the Humane Society of the United States shall retain and keep the amount of this bequest as a separate and distinct Fund to be known as the

ALICE MORGAN WRIGHT - EDITH GOODE FUND

to invest and reinvest the corpus of said Fund and collect the rents, income, profits and proceeds therefrom and appropriate and apply the income therefrom for the humane care, comfort, protection and well-being of dumb animals and so far as it may legally do so, provide financial aid to other societies and organizations having for their objectives the prevention of cruelty to animals, and/or the promotion of their welfare, and/or the protection and furtherance of their happiness, and/or humane education, or are in a position to further and carry out one or more of my objectives as above declared, by means of payments, contributions or loans to such other societies and organizations of such sum of sums from the income of said Fund as in its judgment it shall deem fitting and adviseable.

The Board of Directors of the Humane Society of the United States shall have absolute discretion and authority in the selection of such beneficiaries of the ALICE MORGAN WRIGHT - EDITH GOODE FUND and without limiting or modifying that power I make the following suggestions and urge and direct that so far as possible:

(a) Priority shall be given to substantial and regular support of any animal shelter and rescue program operated by or for the National Humane Education Society, which now maintains a shelter known as Please Plantation, at Sterling, Virginia, so long as it is operated as a shelter for Animals and a center for humane education.

(b) If the World Federation for the Protection of Animals continues in effective activity, substantial aid shall be given to that Federation in such a way as to encourage and assist it in developing and carrying out a program of basic humane education throughout the world, particularly through the United Nations and UNESCO.

(c) If Defenders of Wildlife develops and continues a program and policy of protecting wild animals from cruelty and suffering (a policy and program that is to be distinguished from mere conservation of species) it shall receive assistance from the income of the Fund.

(d) If the American Fondouek Maintenance Committee (Mass. SPCA) continues its work in North Africa, an annual contribution of at least ONE HUNDRED ($100.00) DOLLARS be made to that Committee.

NINTEENTH: Thereafter, the following organizations shall be given preference in the application of income from said Fund as they are at present of special concern to me:

(a) Animal Defense and Anti-Vivisection Society, Miss Lind-af-Hageby, Pres., 15 St. James' Place, London, S. W. 1, England.

(b) Wayside Waifs, P.O. Box 5795, Kansas City, Mo.

(c) Scottish Society for the Prevention of Vivi-section, 10 Queensferry Street, Edinburg, Scotland, Harvey Metcalfe, Secretary.

(d) Animal Crusaders, Mrs. C. M. Barton, Editor, 2519 Walnut Avenue, Everett, Washington.

(e) Animal Protective League, Inc., 2545 North 56th Street, Milwaukee, Wisconsin.

(f) Dublin SPCA, Mrs. E. Ardaugh, Secretary, 218 St. Stevens Green, Dublin, Ireland.

(g) Association Uraguaya de Proteccion a Los Animales, Senora Lorelei de Meier, President, 2470 Dr. P. de Pena, Montevideo, Uruguay.

(h) Animal Welfare Society of South Africa, Miss Doris M. Ward, President, 63 Bing Street, Capetown, South Africa.

(i) Association for the Prevention of Cruelty in Public Spectacles, Senora Dolores Marsans Comas, President, Vico 21 (S.G.) Barcelona, Spain.

(j) Bund Gegen Misbrauch der Tiere, Hauptgeschaftssetelle, Herzberger, Landstrasse 119, Gottingen, Germany.

(k) Society for the Protection of Animals in North Africa, 15 Buckingham Gate, London, S.W. 1, England.

(l) Missouri Anti-vivisection Society, (Grace Gonaham), Box 624, St. Louis, Mo.

(m) Old Warhorse Memorial Hospital, 175 Piccadilly, Lond, Pres. Mrs. Kathleen Taylor-Smith.

(n) National Anti-vivisection, Editor, Wilfred Risdon, 27 Palace Street, London S.W. 1, England.

(o) Tasmania Canine Defense League, 356 Main Road, Glenorchy, Tasmania, Miss A. Rawson, Hon. Sec.

Is this a Helen's charity?

(p) The National Catholic Society for Animal Welfare, 733 - 15th Street, N.W., Washington, D. C., Pres. Msgr. Leroy McWilliams.

TWENTIETH: The following is a list of humane organizations which I believe might well be considered as recipients from the ALICE MORGAN WRIGHT - EDITH GOODE FUND:

(a) Association for the Protection of Fur-Bearing Animals, P. O. Box 274, Vancouver, B.C.

(b) Nilgiri Animal Sanctuary, Mrs. Dorothy Dean, Inkeman, Coonoor, Nilgiris, So. India.

(c) Eastern Slope Animal Welfare League, Ira Glackens, Pres., North Conway, New Hampshire.

(d) Humane Society of Rochester, 3537 Henrietta Road, Henrietta, New York.

(e) Humanitarian League of Rochester, 197 Tremont Street, Rochester, New York

(f) Humane Society of Lackawana County, 900 East Gibson Street, Scranton, Pa.

(g) National Equine Defense League, Blackwell, Carlisle, England.

(h) Nordiska Samfundet, Pres. John Bortz, Restadsvagen 15, Bromma, Stockholm, Sweden.

(i) Peoples Dispensary for Sick Animals, PDSA House, Clifford Street, London, W.1.

(j) Performing and Captive Animals Defense League, Capt. McMichael, 11 Buckingham Street, Adelphi, London, W. C. 2, England.

(k) South African Federation for the Prevention of Cruelty to Animals, 47 Parliament Street, Capetown, South Africa.

(l) Tierschutzverein, Tierheim, Berline-Lankivitz Gneisenaustrasse 21-25.

TWENTY-FIRST: It is my hope that the corpus of the Trust Fund shall continue as large as possible and that it may from time to time be augmented by gifts from humanitarians through publicity, promotion and solicitation.

TWENTY-SECOND: ~~IN~~ the administration of the ALICE MORGAN WRIGHT - EDITH GOODE FUND and as a part of such administration, I direct that the Humane Society of the United States shall each year publish in its official and circulated organ or in some other publication that is widely circulated among humane workers and the general public an audited statement of receipts and disbursements of the Fund identifying organizations that are given aid from the Fund and of assets and liabilities.

TWENTY-THIRD: It is my wish and desire and I direct that so far as possible notice of my death be given by my Executors as follows:

That from my greeting cards, the one bearing the words "Amor Vincit Omnia" be used for the purpose of printing cards from it and on the back of each card shall be inscribed the words "Farewell Greetings from Alice Morgan Wright". or from Edith Goode as the case may be

That my Executors shall place and entrust the distribution of the cards and material relating to my death under the supervision of the Humane Society of

1986 Federal Form 990 for HSUS

Paul Irwin, Treasurer of HSUS signed the Federal 990 (tax) information return stating under penalties of perjury that to the best of his knowledge, it is true, correct and complete p. 5.

Thomas Havey & Co. is listed as preparer but did not sign the return as preparer, p. 5.

The United States Code provides for civil penalties for tax return preparers in certain circumstances and provide for civil and criminal penalties for signing and filing false tax returns. HSUS' 1986 return incorrectly states that during 1986 there was no direct or indirect lending of money or extension of credit between the organization and principal officer, p.6.

Loan to John Hoyt

But on December 31, 1986 Paul Irwin signed a receipt for donation to HSUS of Mrs. Evans' loan to John Hoyt.

On Balance sheets the $100,000 loan is not included p. 4.

On March 3, 1988 Bill Voorhees told me he was never told and never discovered that the Evans note had been donated to HSUS at December 31, 1986.

NHEC

On schedule 2 listing "grants to other organizations" the payment from HSUS to NHEC is not shown, p. 11-12.

The payment to NHEC is in fact listed in payments to annuitants on Schedule 3, p. 13.

Paul Irwin was the individual who requested the payments from the HSUS annuity account to NHEC.

W.S.P.A.

Schedule 2 listing gifts to other organizations failed to disclose an additional $30,000 in gifts to W.S.P.A. In 1986, $41,000 was given by HSUS to W.S.P.A.

Accounts Fees & Employee Benefits

Page 2, line 31 gave no information on fees paid to accountants, when in fact they were paid $45,000, more than twice their average fee over the previous 3 years. Page 2, line 28 "other employee benefits" fails to include roughly $50,000 in life and disability insurance for employee officers. This figure is included in the insurance figure on schedule 3; if noticed at all, it probably would be understood to be organizational insurance not employee benefits. One significant aspect of these mistakes discussed above is that I believe that the same errors were carried over to financial statements and resulted in inaccurate information being presented to the HSUS Board.

The errors on p. 2 are similar to those discussed with regard to the 1985 990.

** TOTAL PAGE.002 **

The Humane Society of the United States
2100 L Street, N.W.
Washington, D.C. 20037
(202) 452-1100

Lit 5
#16

<u>R E C E I P T</u>

On this 31st day of December, 1986, THE HUMANE SOCIETY OF THE UNITED STATES gratefully acknowledges the receipt, donation, and assignment of a promissory note held by Mrs. Irene C. Evans, and the rights to income and payments therefrom, said note being made by John A. Hoyt and Gertrude M. Hoyt, on November 2, 1981, in the principal amount of One Hundred Thousand ($100,000) Dollars, payable to Irene Evans, and due on July 1, 1987, bearing interest at Ten (10%) Percent, payable semiannually -- said note being amended by memorandum dated January 7, 1986, reducing the interest rate to Zero (0%) Percent, retroactive to November 1, 1982.

THE HUMANE SOCIETY OF
THE UNITED STATES

By: Paul Irwin
Paul G. Irwin
Executive Vice President &
Chief Operating Officer

16 r

Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c) (except black lung benefit trust or private foundation) of the Internal Revenue Code or section 4947(a)(1) trust

Note: You may be required to use a copy of this return to satisfy state reporting requirements. See instruction D.

OMB No. 1545-0047

1986

For the calendar year 1986, or fiscal year beginning , 1986, and ending , 19 .

Use IRS label. Otherwise, please print or type.

Name of organization: The Humane Society of the United States

Address (number and street): 2100 - L Street, N. W.

City or town, state, and ZIP code: Washington, D. C. 20037

A Employer identification number (see instruction L): 53 : 0225390

B State registration number (see instruction O)

C Section 4947(a)(1) trusts filing this form in lieu of Form 1041, check here ▶ ☐ (see instruction C10).

D Check type of organization—Exempt under section ▶ ☒ 501(c)(3) (insert number), OR ▶ ☐ section 4947(a)(1) trust

Check here if application for exemption is pending . ▶ ☐

E Accounting method: ☐ Cash ☒ Accrual ☐ Other (specify) ▶

F Is this a group return (see instruction J) filed for affiliates? ☐ Yes ☒ No

If "Yes," enter the number of affiliates for which this return is filed ____

Is this a separate return filed by a group affiliate? ☐ Yes ☒ No

G If "Yes" to either, give four-digit group exemption number (GEN) ▶

H ☐ Check here if your gross receipts are normally not more than $25,000 (see instruction B11). You do not have to file a completed return with IRS but should file a return without financial data if you were mailed a Form 990 Package (see instruction A). Some states may require a completed return.

I ☐ Check here if gross receipts are normally more than $25,000 and line 12 is $25,000 or less. Complete Parts I (except lines 13-15), III, IV, VI, and VII and only the indicated items in Parts II and V (see instruction I). If line 12 is more than $25,000, complete the entire return.

501(c)(3) organizations and 4947(a)(1) trusts must also complete and attach Schedule A (Form 990). (See instructions.)

Part I Statement of Support, Revenue, and Expenses and Changes in Fund Balances

(These columns are optional—see instructions)

				(A) Total	(B) Unrestricted/ Expendable	(C) Restricted/ Nonexpendable
Support and Revenue	1	Contributions, gifts, grants, and similar amounts received:				
	a	Direct public support	5,737,274		4,902,133	835,141
	b	Indirect public support				
	c	Government grants				
	d	Total (add lines 1a through 1c) (attach schedule—see instructions)		5,737,274	4,902,133	835,141
	2	Program service revenue (from Part IV, line f)		240,000	240,000	
	3	Membership dues and assessments		3,369,787	3,369,787	
	4	Interest ~~on savings and temporary cash investments~~		617,042	229,883	387,159
	5	Dividends ~~and interest from securities~~		234,155	126,818	107,337
	6a	Gross rents				
	b	Minus: rental expenses				
	c	Net rental income (loss)				
	7	Other investment income (Describe ▶)				
	8a	Gross amount from sale of assets other than inventory	Securities: 5,011,814; Other:			
	b	Minus: cost or other basis and sales expenses Sch."1"	Securities: 4,669,296; Other:			
	c	Gain (loss) (attach schedule)	Securities: 342,518; Other:	342,518	269,685	72,833
	9	Special fundraising events and activities (attach schedule—see instructions):				
	a	Gross revenue (not including $______ of contributions reported on line 1a)				
	b	Minus: direct expenses				
	c	Net income (line 9a minus line 9b)				
	10a	Gross sales minus returns and allowances				
	b	Minus: cost of goods sold (attach schedule)				
	c	Gross profit (loss)				
	11	Other revenue (from Part IV, line g)				
	12	Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8c, 9c, 10c, and 11)		10,540,776	9,138,306	1,402,470
Expenses	13	Program services (from line 44, column (B)) (see instructions)		6,926,527	6,817,703	108,824
	14	Management and general (from line 44, column (C)) (see instructions)		773,731	660,579	113,152
	15	Fundraising (from line 44, column (D)) (see instructions)		308,503	308,503	
	16	Interfund transfers ~~Payments to affiliates (attach schedule—see instructions)~~		-	(265,059)	265,059
	17	Total expenses (add lines 16 and 44, column (A))		8,008,761	7,521,726	487,035
Fund Balances	18	Excess (deficit) for the year (subtract line 17 from line 12)		2,532,015	1,616,580	915,435
	19	Fund balances or net worth at beginning of year (from line 74, column (A))		13,164,935	7,361,662	5,803,273
	20	Other changes in fund balances or net worth (attach explanation)				
	21	Fund balances or net worth at end of year (add lines 18, 19, and 20)		15,696,950	8,978,242	6,718,708

Part II **Statement of Functional Expenses**

All organizations must complete column (A). Columns (B), (C), and (D) are required for most section 501(c)(3) and (c)(4) organizations and 4947(a)(1) trusts but optional for others. (See instructions.)

	Do not include amounts reported on lines 6b, 8b, 9b, 10b, or 16 of Part I.	(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22	Grants and allocations (attach schedule) Sch. "2"	211,986	211,986		
23	Specific assistance to individuals				
24	Benefits paid to or for members				
25	Compensation of officers, directors, etc.	534,000	379,000	116,000	39,000
26	Other salaries and wages	1,766,870	1,541,367	218,253	7,250
27	Pension plan contributions	29,960	25,017	4,344	599
28	Other employee benefits	137,377	114,709	19,920	2,748
29	Payroll taxes	165,314	138,037	23,971	3,306
30	Professional fundraising fees				
31	Accounting fees	46,500			
32	Legal fees	~~107,632~~	60,175	47,166	291
33	Supplies	131,857	111,147	18,200	2,510
34	Telephone	112,368	93,828	16,293	2,247
35	Postage and shipping	173,692	149,254	21,476	2,962
36	Occupancy	142,526	115,727	24,027	2,772
37	Equipment rental and maintenance	28,726	23,987	4,165	574
38	Printing and publications	402,450	336,046	58,355	8,049
39	Travel	265,563	231,379	30,040	4,144
40	Conferences, conventions, and meetings	52,867	44,144	7,666	1,057
41	Interest	20,307	16,956	2,945	406
42	Depreciation, depletion, etc. (attach schedule)	132,237	110,418	19,174	2,645
43	Other expenses (itemize): a Schedule "3"	3,593,029	3,223,350	141,736	227,943
b					
c					
d					
e					
f					
44	Total functional expenses (add lines 22 through 43) Organizations completing columns B-D, carry these totals to lines 13-15.	8,008,761	6,926,527	773,731	308,503

Part III **Statement of Program Services Rendered**

List each program service title on lines a through d; for each, identify the service output(s) or product(s), and report the quantity provided. Enter the total expenses attributable to each program service and the amount of grants and allocations included in that total. (See instructions for Part III.)	Expenses (Optional for some organizations—see instructions)
a Humane Education, membership and program services (Grants and allocations $ 211,986)	4,285,627
b Cruelty investigation and litigation (Grants and allocations $)	711,570
c Membership development (Grants and allocations $)	1,929,330
d (Grants and allocations $)	
e Other program service activities (attach schedule) (Grants and allocations $)	
f Total (add lines a through e) (should equal line 44, column (B))	6,926,527

2

Form **2758**
(Rev. October 1986)
Department of the Treasury
Internal Revenue Service

Application for Extension of Time To File

U.S. Partnership, Fiduciary, and Certain Exempt Organization Returns

▶ **File a separate application for each return.**

OMB No. 1545-0148
Expires 08/31/88

Please type or print. File the original and one copy by the due date for filing your return. (See instructions on back.)

Name: THE HUMANE SOCIETY OF THE UNITED STATES

Number and street (or P.O. Box number if mail is not delivered to street address): 2100-L STREET, N.W.

City or town, state, and ZIP code: WASHINGTON, D.C. 20037

Employer identification number: 53-0225390

(S corporations filing Form 1120S, political or exempt organizations filing Form 1120-POL, corporate exempt organizations filing Form 990-T, or farmers' cooperative associations filing Form 990-C, use Form 7004.)

1 An extension of time until OCTOBER 15, 1987 is requested in which to file (check only one):

☐ Form 1065 ☐ Form 1041-A ☐ Form 4720 ☐ Form 990-T (401(a) trust) ☐ Form 990-BL
☐ Form 1041 (estate) ☐ Form 1041S ☐ Form 5227 ☐ Form 990-PF ☐ Form 6069
☐ Form 1041 (trust) ☐ Form 3520-A ☒ Form 990 ☐ Form 990-T (other than 401(a) trust)

Check here ▶ ☐, if organization does not have an office or place of business in the United States.

2 For calendar year 19 86, or other tax year beginning ...., and ending ....

3 Has an extension of time to file been previously granted for this tax year? ☒ Yes ☐ No

4 State in detail why you need the extension. ADDITIONAL TIME IS STILL NEEDED IN ORDER TO COMPLETE THE AUDIT OF THE FINANCIAL STATEMENTS, WHICH ARE NECESSARY IN THE PREPARATION OF FORM 990. AS SOON AS THE REMAINING OPEN ITEMS ARE RESOLVED, A COMPLETE AND ACCURATE RETURN WILL BE PROMPTLY FILED.

5a If this form is for Form 1041, 4720, 5227, 6069, 990-BL, 990-PF, or 990-T, enter the total unpaid tax estimated to be due on the return . . . $ N/A

b If an estate, filing this form for a tax year beginning before January 1, 1987, enter at least 1/4 of the amount on line 5a and pay with this form . . . $ N/A

c All others (other than estates using line 5b), enter the total amount from line 5a and pay with this form (see the instructions) $ N/A

Caution: *Interest will be charged on any tax not paid by the regular due date of the returns filed on forms listed on line 5a above until the tax is paid.*

Signature and Verification

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete; and that I am authorized to prepare this form.

Signature ▶ Reginald E. Milley, CPA Date ▶ 8-13-87

IRS will show below whether or not your application is approved and will return the copy.

IRS RECEIVED
0817 1987
PSC PHILA. PA
4

Notice to Applicant—To Be Completed by IRS

☒ We HAVE approved your application. (Please attach this form to your return.)

☐ We HAVE NOT approved your application. (Please attach this form to your return.)
However, because of your reasons stated above, we have granted a 10-day grace period from the date shown below or due date of your return, whichever is later. This 10-day grace period is considered to be a valid extension of time for purposes of elections otherwise required to be made on timely filed returns.

☐ We HAVE NOT approved your application.
After considering your reasons stated above, we cannot grant your request for an extension of time to file. (We are not granting the 10-day grace period.)

☐ We cannot consider your application because it was filed after the due date of your return.

☐ Other ....

Director

By: AR

Date

If the copy of this form is to be returned to an address other than that shown above, please enter the address where the copy should be sent.

Please Type or Print

Name: THOMAS HAVEY & CO.

Number and street (or P.O. Box number if mail is not delivered to street address): 4301 CONNECTICUT AVE., N.W., SUITE 432

City or town, state, and ZIP code: WASHINGTON, D.C. 20008

For Paperwork Reduction Act Notice, see back of form.

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Part IV **Program Service Revenue and Other Revenue (State Nature)**

	Program service revenue	Other revenue
a Fees from government agencies		
b Sales of literature and other	240,000	
c		
d		
e		
f Total program service revenue (enter here and on line 2)	240,000	
g Total other revenue (enter here and on line 11)		

Part V **Balance Sheets** If line 12 or Column (B) of line 59 is more than $25,000, complete the entire balance sheet. If line 12, Part I, and Column (B) of line 59 are $25,000 or less, you may complete only lines 59, 66, 74, and 75. See instructions.

Note: Columns (C) and (D) are optional. *Columns (A) and (B) must be completed to the extent applicable. Where required, attached schedules should be for end-of-year amounts only.*	(A) Beginning of year	End of year (B) Total	(C) Unrestricted/ Expendable	(D) Restricted/ Nonexpendable
Assets				
45 Cash—non-interest bearing	1,541,619	3,333,877	2,301,270	1,032,607
46 Savings and temporary cash investments	1,797,960	3,072,438	1,138,519	1,933,919
47 Accounts receivable ▶ 98,058 minus allowance for doubtful accounts ▶ —	18,651	98,058	96,010	2,048
48 Pledges receivable ▶ minus allowance for doubtful accounts ▶				
49 Grants receivable				
50 Receivables due from officers, directors, trustees, and key employees (attach schedule)				
51 Other notes and loans receivable ▶ minus allowance for doubtful accounts ▶	434,972	128,084	116,383	11,701
52 Inventories for sale or use				
53 Prepaid expenses and deferred charges	39,741	34,058	34,058	-
54 Investments—securities (attach schedule) Sch. "6"	7,007,915	6,160,369	3,069,899	3,090,470
55 Investments—land, buildings and equipment: basis ▶ minus accumulated depreciation ▶ (attach schedule)				
56 Investments—other (attach schedule) Sch. "8"	1,006,001	1,321,709		1,321,709
57 Land, buildings and equipment: basis ▶ 2,598,418 Sch. "9" minus accumulated depreciation ▶ 871,755 (attach schedule)	1,780,090	1,726,663	1,726,663	
58 Other assets ▶ Acc'd int. & divi. received	120,691	44,046	16,218	27,828
59 Total assets (add lines 45 through 58)	13,747,640	15,919,302	8,499,020	7,420,282
Liabilities				
60 Accounts payable and accrued expenses	548,139	177,254	167,000	10,254
61 ~~Grants payable~~ Interfund accounts			(691,320)	691,320
62 Support and revenue designated for future periods (attach schedule)				
63 Loans from officers, directors, trustees, and key employees (attach schedule)				
64 Mortgages and other notes payable (attach schedule) Sch. "10"	9,566			
65 Other liabilities ▶ Deferred income	25,000	45,098	45,098	
66 Total liabilities (add lines 60 through 65)	582,705	222,352	(479,222)	701,574
Fund Balances or Net Worth				
Organizations that use fund accounting, check here ▶ [X] and complete lines 67 through 70 and lines 74 and 75.				
67a Current unrestricted fund	7,361,662	8,978,242	8,978,242	
b Current restricted fund	22,287	684,313		684,313
68 Land, buildings and equipment fund				
69 Endowment fund	6,410	6,406		6,406
70 Other funds (Describe ▶ Annuity & Trust)	5,774,576	6,027,989		6,027,989
Organizations that do not use fund accounting, check here ▶ [ ] and complete lines 71 through 75.				
71 Capital stock or trust principal				
72 Paid-in or capital surplus				
73 Retained earnings or accumulated income				
74 Total fund balances or net worth (see instructions)	13,164,935	15,696,950	8,978,242	6,718,708
75 Total liabilities and fund balances/net worth (see instructions)	13,747,640	15,919,302	8,499,020	7,420,282

4

Part VI List of Officers, Directors, and Trustees (List each officer, director, and trustee whether compensated or not.) (See instructions.)

(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (if any)	(D) Contributions to employee benefit plans	(E) Expense account and other allowances
Schedule "4"				

Part VII Other Information

		Yes	No
76	Has the organization engaged in any activities not previously reported to the Internal Revenue Service? If "Yes," attach a detailed description of the activities.		x
77	Have any changes been made in the organizing or governing documents, but not reported to IRS? If "Yes," attach a conformed copy of the changes.		x
78 a	Did the organization have unrelated business gross income of $1,000 or more during the year covered by this return?		x
b	If "Yes," have you filed a tax return on Form 990-T, Exempt Organization Business Income Tax Return, for this year?	n/a	
c	If the organization has gross sales or receipts from business activities not reported on Form 990-T, attach a statement explaining your reason for not reporting them on Form 990-T.		
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year? (See instructions.) If "Yes," attach a statement as described in the instructions.		x
80	Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization? (See instructions.) If "Yes," enter the name of the organization ▶ Schedule "7" and check whether it is ☒ exempt OR ☐ nonexempt.	x	
81 a	Enter amount of political expenditures, direct or indirect, as described in the instructions: none		
b	Did you file Form 1120-POL, U.S. Income Tax Return for Certain Political Organizations, for this year?		x
82	Did your organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value? If "Yes," you may indicate the value of these items here. Do not include this amount as support in Part I or as an expense in Part II. See instructions for reporting in Part III ▶ n/a		x
83	*Section 501(c)(5) or (6) organizations.*—Did the organization spend any amounts in attempts to influence public opinion about legislative matters or referendums? (See instructions and Regulations section 1.162-20(c).) If "Yes," enter the total amount spent for this purpose: n/a	n/a	
84	*Section 501(c)(7) organizations.*—Enter amount of:		
a	Initiation fees and capital contributions included on line 12: n/a		
b	Gross receipts, included in line 12, for public use of club facilities (see instructions): n/a		
c	Does the club's governing instrument or any written policy statement provide for discrimination against any person because of race, color, or religion? (See instructions.)	n/a	
85	*Section 501(c)(12) organizations.*—Enter amount of:		
a	Gross income received from members or shareholders: n/a		
b	Gross income received from other sources (do not net amounts due or paid to other sources against amounts due or received from them): n/a		
86	*Public interest law firms.*—Attach information described in the instructions.		
87	List the states with which a copy of this return is filed ▶ NY; NJ; CT; IL; MN; MI; VA; MD; OH; CA		
88	During this tax year did you maintain any part of your accounting/tax records on a computerized system?	x	
89	The books are in care of ▶ Assistant Treasurer Telephone no. ▶ (202) 452-1100 Located at ▶ 2100 L Street, N. W., Washington, D. C. 20037		

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature of officer: [signature] Date: 9/30/87 Title: Treasurer

Paid Preparer's Use Only

Preparer's signature: Date: Check if self-employed ▶ ☐

Firm's name (or yours, if self-employed) and address: Thomas Havey & Co. #36-2131790, 4301 Conn. Ave., N.W., Wash., D.C. ZIP code: 20008

5

SCHEDULE A (Form 990)
Department of the Treasury
Internal Revenue Service

Organization Exempt Under 501(c)(3)

(Except Private Foundation), 501(e), 501(f), 501(k), or Section 4947(a)(1) Trust
Supplementary Information
▶ **Attach to Form 990.**

OMB No. 1545-0047

1986

Name: The Humane Society of the United States
Employer identification number: 53 : 0225390

Part I Compensation of Five Highest Paid Employees Other Than Officers, Directors, and Trustees (See specific instructions)

Name and address of employees paid more than $30,000	Title and average hours per week devoted to position	Compensation	Contributions to employee benefit plans	Expense account and other allowances
Michael Fox 2100 – L St.,N.W.,Wash.,D.C.	Scientific Director 40 hrs.	59,000	3,076	—
Ben Hayes 2100 – L St.,N.W.,Wash.,D.C.	Director of Memberships 40 hrs.	34,000	3,011	—
Frantz Dantzler 2100 – L St.,N.W.,Wash.,D.C.	Regional Director 40 hrs.	36,000	3,008	—
Martha Hamby 2100 – L St.,N.W.,Wash.,D.C.	Director of Fed. Legislation 40 hrs.	33,500	1,141	—
John Dommers 2100 – L St.,N.W.,Wash.,D.C.	Regional Director 40 hrs.	33,000	3,000	—
Total number of other employees paid over $30,000 ▶	12			

Part II Compensation of Five Highest Paid Persons for Professional Services (See specific instructions)

Name and address of persons paid more than $30,000	Type of service	Compensation
None		
Total number of others receiving over $30,000 for professional services ▶	None	

Part III Statements About Activities

		Yes (1)	No (2)
1 During the year, have you attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum?	1	x	
If "Yes," enter the total expenses paid or incurred in connection with the legislative activities $ ______			
Complete Part VI of this form for organizations that made an election under section 501(h) on Form 5768 or other statement. For other organizations checking "Yes," attach a statement giving a detailed description of the legislative activities and a classified schedule of the expenses paid or incurred.			
2 During the year, have you, either directly or indirectly, engaged in any of the following acts with a trustee, director, principal officer or creator of your organization, or any organization or corporation with which such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary:			
a Sale, exchange, or leasing of property?	2a		X
b Lending of money or other extension of credit?	2b		X
c Furnishing of goods, services, or facilities?	2c		X
d Payment of compensation (or payment or reimbursement of expenses if more than $1,000)? See Form 990 /Part VI	2d	X	
e Transfer of any part of your income or assets?	2e		X
If the answer to any question is "Yes," attach a detailed statement explaining the transactions.			
3 Do you make grants for scholarships, fellowships, student loans, etc.?	3		X
4 Attach a statement explaining how you determine that individuals or organizations receiving disbursements from you in furtherance of your charitable programs qualify to receive payments. (See specific instructions)			

The Hum Society of the United States)-0225390

Part IV Reason for Non-Private Foundation Status (See instructions for definitions)

The organization is not a private foundation because it is (check applicable box; please check only ONE box):

5 ☐ 1 A church, convention of churches, or association of churches. Section 170(b)(1)(A)(i).
6 ☐ 2 A school. Section 170(b)(1)(A)(ii). (Also complete Part V, page 3.)
7 ☐ 3 A hospital or a cooperative hospital service organization. Section 170(b)(1)(A)(iii).
8 ☐ 4 A Federal, state or local government or governmental unit. Section 170(b)(1)(A)(v).
9 ☐ 5 A medical research organization operated in conjunction with a hospital. Section 170(b)(1)(A)(iii). Enter name, city, and state of hospital ▶
10 ☐ 6 An organization operated for the benefit of a college or university owned or operated by a governmental unit. Section 170(b)(1)(A)(iv). (Also complete Support Schedule.)
11 ☒ 7 An organization that normally receives a substantial part of its support from a governmental unit or from the general public. Section 170(b)(1)(A)(vi). (Also complete Support Schedule.)
12 ☐ 8 An organization that normally receives: (a) no more than 1/3 of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975, and (b) more than 1/3 of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions—subject to certain exceptions. See section 509(a)(2). (Also complete Support Schedule.)
13 ☐ 9 An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in (1) boxes 5 through 12 above or (2) section 501(c)(4), (5), or (6) if they meet the test of section 509(a)(2). See section 509(a)(3).

Provide the following information about the supported organizations. (See instructions for Part IV, box 13.)

(a) Name of supported organizations	(b) Box number from above

14 ☐ 0 An organization organized and operated to test for public safety. Section 509(a)(4). (See specific instructions)

Support Schedule (Complete only if you checked box 10, 11, or 12 above) Use cash method of accounting.

Calendar year (or fiscal year beginning in) ▶	(a) 1985	(b) 1984	(c) 1983	(d) 1982	(e) Total
15 Gifts, grants, and contributions received. (Do not include unusual grants. See line 28.)	4,782,416	3,386,497	4,034,933	4,311,133	16,514,979
16 Membership fees received	2,117,806	1,325,450	826,386	721,570	4,991,212
17 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is not a business unrelated to the organization's charitable, etc., purpose	229,209	166,925	147,864	169,594	713,592
18 Gross income from interest, dividends, amounts received from payments on securities loans (section 512(a)(5)), rents, royalties, and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975	906,996	912,786	912,368	945,534	3,677,684
19 Net income from unrelated business activities not included in line 18					
20 Tax revenues levied for your benefit and either paid to you or expended on your behalf					
21 The value of services or facilities furnished to you by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge					
22 Other income. Attach schedule. Do not include gain (or loss) from sale of capital assets					
23 Total of lines 15 through 22	8,036,427	5,791,658	5,921,551	6,147,831	25,897,467
24 Line 23 minus line 17	7,807,218	5,624,733	5,773,687	5,978,237	25,183,875
25 Enter 1% of line 23	80,364	57,917	59,216	61,478	

26 Organizations described in box 10 or 11:
a Enter 2% of amount in column (e), line 24. 503,678
b Attach a list (not open to public inspection) showing the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 1982 through 1985 exceeded the amount shown in 26a. Enter the sum of all excess amounts here Sch. "II"

(Continued on page 3)

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The Humane Society of the United States
#53-0225390

Part IV Support Schedule (continued)(Complete only if you checked box 10, 11, or 12 on page 2) N/A

27 Organizations described in box 12, page 2:

a Attach a list for amounts shown on lines 15, 16, and 17, showing the name of, and total amounts received in each year from, each "disqualified person," and enter the sum of such amounts for each year:

(1985)........ (1984)........ (1983)........ (1982)........

b Attach a list showing, for 1982 through 1985, the name and amount included in line 17 for each person (other than "disqualified persons") from whom the organization received more, during that year, than the larger of: the amount on line 25 for the year or $5,000. Include organizations described in boxes 5 through 11 as well as individuals. Enter the sum of these excess amounts for each year:

(1985) (1984) (1983) (1982)

28 For an organization described in box 10, 11, or 12, page 2, that received any unusual grants during 1982 through 1985, attach a list (not open to public inspection) for each year showing the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not include these grants in line 15 above. (See specific instructions)

Part V Private School Questionnaire
To Be Completed ONLY by Schools That Checked Box 6 in Part IV N/A

			Yes (1)	No (2)
29	Do you have a racially nondiscriminatory policy toward students by statement in your charter, bylaws, other governing instrument, or in a resolution of your governing body?	29		
30	Do you include a statement of your racially nondiscriminatory policy toward students in all your brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?	30		
31	Have you publicized your racially nondiscriminatory policy by newspaper or broadcast media during the period of solicitation for students or during the registration period if you have no solicitation program, in a way that makes the policy known to all parts of the general community you serve? If "Yes," please describe; if "No," please explain. (If you need more space, attach a separate statement.)	31		
32	Do you maintain the following:			
a	Records indicating the racial composition of the student body, faculty, and administrative staff?	32a		
b	Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?	32b		
c	Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?	32c		
d	Copies of all material used by you or on your behalf to solicit contributions? If you answered "No" to any of the above, please explain. (If you need more space, attach a separate statement.)	32d		
33	Do you discriminate by race in any way with respect to:			
a	Students' rights or privileges?	33a		
b	Admissions policies?	33b		
c	Employment of faculty or administrative staff?	33c		
d	Scholarships or other financial assistance? (See instructions)	33d		
e	Educational policies?	33e		
f	Use of facilities?	33f		
g	Athletic programs?	33g		
h	Other extracurricular activities? If you answered "Yes" to any of the above, please explain. (If you need more space, attach a separate statement.)	33h		
34a	Do you receive any financial aid or assistance from a governmental agency?	34a		
b	Has your right to such aid ever been revoked or suspended? If you answered "Yes" to either 34a or b, please explain using an attached separate statement.	34b		
35	Do you certify that you have complied with the applicable requirements of sections 4.01 through 4.05 of Rev. Proc. 75-50, 1975-2 C.B. 587, covering racial nondiscrimination? If "No," attach an explanation. (See instructions for Part V)	35		

8

The Humane Society of the United States - #53-0225390

Part VI **Lobbying Expenditures by Public Charities (See instructions)**
(To be completed ONLY by an eligible organization that filed Form 5768)

Check here ▶ a ☐ If the organization belongs to an affiliated group. (See instructions)
Check here ▶ b ☐ If you checked a and "limited control" provisions apply. (See instructions)

Limits on Lobbying Expenses	(a) Affiliated group totals	(b) To be completed for ALL electing organizations
36 Total (grassroots) lobbying expenses to influence public opinion Schedule "22"		131,316
37 Total lobbying expenses to influence a legislative body Schedule "12"		129,288
38 Total lobbying expenses (add lines 36 and 37)		260,604
39 Other exempt purpose expenses (See Part VI instructions)		7,439,654
40 Total exempt purpose expenses (add lines 38 and 39) (See instructions)		7,700,258
41 Lobbying nontaxable amount. Enter the smaller of $1,000,000 or the amount determined under the following table—		535,013
42 Grassroots nontaxable amount (enter 25% of line 41)		133,753
(Complete lines 43 and 44. File Form 4720 if either line 36 exceeds line 42 or line 38 exceeds line 41.)		
43 Excess of line 36 over line 42		-0-
44 Excess of line 38 over line 41		-0-

If the amount on line 40 is—	The lobbying nontaxable amount is—
Not over $500,000	20% of the amount on line 40
Over $500,000 but not over $1,000,000	$100,000 plus 15% of the excess over $500,000
Over $1,000,000 but not over $1,500,000	$175,000 plus 10% of the excess over $1,000,000
Over $1,500,000	$225,000 plus 5% of the excess over $1,500,000

4-Year Averaging Period Under Section 501(h).

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 45-50 for details.)

Lobbying Expenses During 4-Year Averaging Period

Calendar year (or fiscal year beginning in) ▶	(a) 1986	(b) 1985	(c) 1984	(d) 1983	(e) Total
45 Lobbying nontaxable amount (See instructions)	535,013	495,278	396,339	353,302	1,779,932
46 Lobbying ceiling amount (150% of line 45(e))					2,669,898
47 Total lobbying expenses (See instructions)	260,604	249,241	346,024	244,243	1,100,112
48 Grassroots nontaxable amount (See instructions)	133,753	123,820	99,085	88,326	444,984
49 Grassroots ceiling amount (150% of line 48(e))					667,476
50 Grassroots lobbying expenses (See instructions)	131,316	74,934	98,217	49,097	353,564

THE HUMANE SOCIETY OF THE UNITED STATES
FORM 990
1986

#53-0225390

SCHEDULE "1"

Part 1, Line 8

	Gross Sales Price	Cost or Basis	Gain (Loss)
Sale of assets other than inventory			
Marketable securities	$5,011,814	$4,669,296	$342,518

THE HUMANE SOCIETY OF THE UNITED STATES
FORM 990
1986

#53-0225390

SCHEDULE "2"

Part II, Line 22 - Gifts to Other Organizations

National Coalition to Protect Our Pets	$ 15,000
Turtle Back Zoo	300
U.S.P.A.	1,000
A.S.P.C.A.	1,500
Michigan Humane Society	35,000
Animal Rights Network	5,000
World Society for Protection of Animals	5,000
Pacific and Northwest Animal Control	75
Jean E. Swanson	687
Friends of Washoe	1,000
Incarnate Word College	25,000
Halt/Pet and Wildlife Preserve	1,000
People for Animal Rights	500
Minitor	2,000
Animal Legal Defense Fund	100
National Trust for Protection of Animals	2,000
W.S.P.A.	5,000
St. Hubert's Giralda	6,000
American Horse Protection Association	1,000
Humane Education Research	1,000
American Fondouck	2,274
Association of Veterinarians	1,300
Irish Society for the Prevention of Cruelty to Animals	5,000
Council for Livestock Protection	5,000
Other miscellaneous gifts to other societies	90,250
	$211,986

(Notice
WSPA 30,000
total $35,000.
or 40,0??

~~FC OP DATE — 10/31/86~~

3/10/86	300.00	.00	1-4250-11	TURTLE BACK ZOO	CC
4/14/86	1,000.00	.00	1-4250-11	USPA	VC
4/18/86	1,500.00	.00	1-4250-11	ASPCA	CC
4/21/86	5,000.00	.00	1-4250-11	MICHIGAN HUMANE SOCIETY	CC
4/29/86	1,250.00	.00	1-4250-11	ANIMAL RIGHTS NETWORK	CC
6/10/86	1,250.00	.00	1-4250-11	ANIMAL RIGHTS NETWORK	CC
6/25/86	7,500.00	.00	1-4250-11	NATIONAL COALITION TO PROTECT PETS	CC
6/25/86	5,000.00	.00	1-4250-11	WORLD SOCIETY FOR PROTECTION OF ANIMALS	CC
8/01/86	75.00	.00	1-4250-11	PACIFIC AND NORTHWEST ANIMAL CONTROL	CORP
8/31/86	5,000.00	.00	1-4250-11	GIFTS TO OTHER SOCIETIES	AL
9/03/86	429.55	.00	1-4250-11	JEAN E SWANSON	CC
9/09/86	1,250.00	.00	1-4250-11	ANIMAL RIGHTS NETWORK	CC
9/11/86	1,000.00	.00	1-4250-11	FRIENDS OF WASHOE	CA
9/30/86	257.00	.00	1-4250-11	JEAN E SWANSON	CC
10/02/86	25,000.00	.00	1-4250-11	INCARNATE WORD COLLEGE - FREEMAN-LEE CHR	CC
10/29/86	1,000.00	.00	1-4250-11	HALT/PET AND WILDLIFE PRES	CC
10/29/86	500.00	.00	1-4250-11	PEOPLE FOR ANIMAL RIGHTS	CC
11/06/86	2,000.00	.00	1-4250-11	MONITOR	CC
12/05/86	1,250.00	.00	1-4250-11	ANIMAL RIGHTS NETWORK	CC
12/17/86	100.00	.00	1-4250-11	ANIMAL LEGAL DEFENSE FUND	CC
12/22/86	2,000.00	.00	1-4250-11	NATL TRUST FOR PROTECTION OF ANIMALS	CC
12/22/86	5,000.00	.00	1-4250-11	USPA	CC
12/31/86	1,000.00	.00	1-4250-11	ST HUBERT'S GIRALDA	CC
12/31/86	1,000.00	.00	1-4250-11	AMERICAN HORSE PROTECTION ASSOC	
FR-G.L.-C#	************	************	************	************ .00	77,16
1-4250-11	77,161.55	.00	77,161.55		

1000.- Humane Education (Research grants)
25,000.- Michigan Humane Society - Natl Encyclopedia of Animal Cruelty
10,000.- Humane Society of the U.S.
5,000.- Michigan Humane Society

Sub-total 118,161.25

①

List 5 # 11

NAME	AMOUNT
THE AMERICAN FONDOUK MAINTENANCE COMMITTEE, INC.	$ 2,274
ANIMAL PROTECTIVE LEAGUE	1,750
THE ANIMALS' CRUSADERS, INC.	1,750
ASOCIACION URUGUAYA DE PROTECCION A LOS ANIMALES	$ 1,750
ASSISTANCE AUX ANIMAUX	1,000
ASSOCIATION FOR THE PREVENTION OF CRUELTY IN PUBLIC SPECTACLES	1,750
ASSOCIATION FOR THE PROTECTION OF FURBEARING ANIMALS	1,750
ASSOCIATION OF VETERINARIANS FOR ANIMAL RIGHTS	1,300
BLUE CROSS OF INDIA	1,750
BROOKE HOSPITAL FOR ANIMALS	1,750
BUND GEGEN DEN MISSBRAUCH DER TIERE e.v.	1,750
COUNCIL FOR LIVESTOCK PROTECTION	5,000
DUBLIN SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS	1,750
FERNE ANIMAL SANCTUARY	1,750
FRIENDS OF DOGS	1,750
HELLENIC ANIMAL WELFARE SOCIETY	1,000
IRISH SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS	5,000
LA LIGUE FRANCAISE DES DROITES DE L'ANIMAL	750
MISSOURI ANTI VIVISECTION SOCIETY	1,750
NACODOCHES HUMANE SOCIETY	1,000
NATIONAL EQUINE DEFENSE LEAGUE	1,750
NATIONAL HUMANE EDUCATION SOCIETY	3,000
NILGIRI ANIMAL WELFARE SOCIETY	$ 1,750
NORDIC SOCIETY AGAINST PAINFUL EXPERIMENTS ON ANIMALS	1,750
PEOPLE'S DISPENSARY FOR SICK ANIMALS	1,750
ST. HUBERTS GIRALDA SHELTER AND EDUCATION CENTER	5,000
SCOTTISH SOCIETY FOR THE PREVENTION OF VIVISECTION	1,750
INTERNATIONAL SOCIETY FOR ANIMAL RIGHTS, INC.	1,750
SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS -- FIJI	1,750
SOCIETY FOR THE PROTECTION OF ANIMALS IN NORTH AFRICA	1,750
SOUTHERN AFRICAN FEDERATION OF SPCA'S AND AFFILIATED SOCIETIES	1,750
TIERSCHUTZVEREIN FUR BERLIN UND UMGEBUNG CORP.	1,750
WORLD SOCIETY FOR THE PROTECTION OF ANIMALS	10,000
WORLD SOCIETY FOR THE PROTECTION OF ANIMALS	20,000

① 93,824

FORM P-500 (GREEN) P-500 B (BUF

① = 211985.25

Gifts to other organizations

THE HUMANE SOCIETY OF THE UNITED STATES
FORM 990
1986

#53-0225390

SCHEDULE "3"

Part II, Line 43 - Other Expenses

	Col. (A)	Col. (B)	Col. (C)	Col. (D)
Consultants and other services	$ 139,878	$ 139,878	$ -	$ -
Data processing	54,602	45,593	7,917	1,092
Insurance and bonds	73,114	61,051	10,601	1,462
Taxes - other	60,999	50,934	8,845	1,220
Library	2,605	2,605	-	-
Payments to annuitants	103,714	-	103,714	-
Cost of educational publications	730,629	729,239	1,221	169
Mailing expense	2,153,330	1,929,330	-	224,000
Pet action line	264,720	264,720	-	-
Administrative fees	9,438	-	9,438	-
	$3,593,029	$3,223,350	$141,736	$227,943

what is this?

postage printing fees etc

4

THE HUMANE SOCIETY OF THE UNITED STATES
FORM 990
1986

#53-0225390

SCHEDULE "4"

Part VI

Name	Address	Title	Time Devoted	Salary	Contribution To Employee Benefit Plan	Expense Accoun and Other Allowances
John A. Hoyt	2100 L Street, N.W., Wash, D.C.	President	Full	$ 95,000	$ 7,926	$5,000
Murdaugh S. Madden	"	Vice-Pres.	"	69,000	14,926	n/a
Patrick B. Parkes	"	Vice-Pres.	"	50,500	7,926	n/a
Patricia A. Forkan	"	Vice-Pres.	"	51,000	7,926	n/a
Phyllis Wright	"	Vice-Pres.	"	44,500	6,126	n/a
Paul G. Irwin	"	Treasurer	"	78,000	9,926	n/a
Moneta P. Morgan	"	Asst.Treas.	"	50,000	2,926	n/a
Marcia Glaser	"	Asst.Secy.	"	37,000	1,126	n/a
John W. Grandy	"	Vice-Pres.	"	59,000	7,926	n/a
				$534,000	$ 66,734	$5,000

See attached list of directors who served part-time without compensation.

THE HUMANE SOCIETY OF THE UNITED STATES
FORM 990
1986

#53-0225390

BOARD OF DIRECTORS

SCHEDULE "4"
(Continued)

Coleman Burke, Esq.
465 Stewart Road
Short Hills, N. J.

Samuel A. Bowman
Tucker, Anthony & R.L. Day, Inc.
120 Broadway, 33rd floor
New York, NY 10271
212/618-7658

Dr. Carol Browning
6182 South 2855 East
Ogde, UT 84403
801/479-3475

Mrs. Oliver M. Evans
3045 P Street,N. W.
Washington, D. C. 20007
202/338-8037

Miss Regina Bauer Frankenberg
31 East 72nd Street, Apt. 9B
New York, NY 10021
212/488-4126

Harold H. Gardiner
Gardiner Advertising Agency
P. O. Box 30
Salt Lake City, UT 84110
801/364-5600

Jack W. Lydman
2815 Que Street, N. W.
Washington, D.C. 20007
202/965-1310

Mrs. Virginia (Pat) Lynch
98 Clarendon
San Francisco, CA 94114
415/566-6616

Mrs. Cherie Mason
Goose Cove Road
Sunset, ME 04683
207/348-6971

John W. Mettler III
Seminole Asset Management, Inc.
950 Third Avenue
New York, NY 10022
212/752-1855

John G. Moshner
USIA, Room 550
400 C Street, S. W.
Washington, D. C. 20547
202/485-2275

Mrs. Susan Pepperdine
6512 West 49th Street
Mission, KS 66202
913/831-0725

O.J. Ramsey, Esq.
Ramsey, Moore, Morrison & Keddy
10399 Old Placerville Road
Sacramento, CA 95827
916/362-8800

Mrs. Marilyn G. Seyler
815 Dickson Parkway
Mansfield, OH 44907
419/756-7559

John Kelly
WXYZ-TV
20777 West Ten Mile Road
Southfield, MI

THE HUMANE SOCIETY OF THE UNITED STATES
FORM 990
1986

#53-0225390

BOARD OF DIRECTORS

SCHEDULE "4"
(Continued)

Miss Alice R. Garey
2030 Carriage Lane
Arroyo Grande, CA 93420
805/849-5382

Ms. Gisela Karlan
6 Pepper Road
Towaco, NJ 07082
201/263-8255

William Kerber
4000 Cathedral Avenue, N.W.
Washington, D. C. 20016
202/338-7654

Dr. Amy Freeman Lee
127 Canterbury Hill
San Antonio, TX 78209
512/816-1747

Everett Smith, Jr.
Quaker Ridge
Greenwich, CT 06830
203/661-0004

Mrs. Brook Speidel
2531 Eye Street, N. W.
Washington, D. C. 20037
202/965-5546

Robert F. Welborn, Esq.
Welborn, Dufford, Brown & Tooley
1700 Broadway
Denver, CO 80290-1199
303/861-8013

K. William Wiseman
P. O. Box 120
Woolwich, ME 04579
207/443-3979

THE HUMANE SOCIETY OF THE UNITED STATES
FORM 990
1986

#53-0225390

SCHEDULE "6"

	December 31, 1986 Value
Investments in Corporate Stocks	$3,682,240
Investments in Corporate Bonds	939,900
Investments in Government Obligations	1,538,229
	$6,160,369

THE HUMANE SOCIETY OF THE UNITED STATES
FORM 990
1986

#53-0225390

SCHEDULE "7"

Part VII, Line 80

Common government body with (1) The National Humane Education Center, (2) The National Association for the Advancement of Humane Education, (3) Boulder County Humane Society Fund, (4) Elsa Horne Voss Animal Welfare Foundation, (5) Alice Morgan Wright-Edith Goode Fund, (6) Sussman Fund.

SCHEDULE "8"

Part V, Line 56

	Book Value
Undivided interest in trust funds	$1,321,709

FORM 990 - Depreciation Schedule

Reference Part II, Line 42 Schedule "9"

Name The Humane Society of the United States

F.E.I.N. 53-0225390

Depreciation

A. Description of property	B. Date acquired	C. Cost or other basis	D. Depreciation allowed or allowable in earlier years	E. Method of figuring depreciation	F. Life or rate	G. Deduction for this year
Land	various	422,375	-	-	-	-
Building and improvements	various	1,424,231	453,761	S/L	var.	57,119
Furniture and fixtures	various	731,197	272,873	S/L	var.	69,964
Transportation equipment	various	20,615	12,884	S/L	var.	5,154
Total		2,598,418	739,518			132,237
Accumulated depreciation		(871,755)				
		1,726,663				

THE HUMANE SOCIETY OF THE UNITED STATES
FORM 990
1986

#53-0225390

SCHEDULE "10"

Part V, Line 64

Due in equal installments until 1992 and secured by a first deed of trust on the Educational Center, Connecticut, 8-1/2% — $ 9,566

SCHEDULE "11"

Schedule A - Part IV, Line 26 (b)

Sussman Estate		$2,408,115
Burford Estate		1,425,839
		3,833,954
	$503,678 x 2	(1,007,356)
		$2,826,598

SCHEDULE "12"

Schedule A - Part VI, Lobbying Expenditures

	Grass Roots Lobbying	Direct Lobbying	Total
Prof./exec. and support staff	$ 11,190	$ 19,245	$ 30,435
Related disbursements	988	4,806	5,794
Publications-direct costs	71,271	35,384	106,655
Special projects-direct costs	17,031	17,991	35,022
Indirect costs	29,036	50,062	79,098
Stationery-(est.)	1,800	1,800	3,600
	$131,316	$129,288	$260,604
	Line 36	Line 37	Line 38

1985 Federal Form 990 for HSUS

The transfer from the annuity fund to NHEC is not disclosed anywhere; it should be specifically listed on schedule 2. The transfer is characterized as you saw in 1986 as a payment to annuitants.

Page 2 of the 990 contains a chart which is designed to allocate organizational costs by function; costs are allocated among program services, management and general, and fundraising. This chart is a tremendously important document. Not only is it a part of the federal tax return which the organization is obligated to file in a truthful manner, it also serves as the basis of filings in all of the states where the organization operates, as the basis of the filing with the many state agencies which seek to regulate charitable solicitation (see Tab for special discussion of problems with NY filing) and as the basis for filings with private watch-dog agencies such as National Charities Information Bureau. While most organizations which file these forms seek to report as low a number as ethically possible under Column (D) fundraising, HSUS may have gone too far in seeking to report few costs as fundraising.

Even though John Hoyt and Paul Irwin spend their time on several different types of activities, program, management and fundraising, they do not maintain time sheets or any other system to allocate their activities to these different categories. Line 25 provides $37,000, less than 10% of the officers' salaries, is attributable to fundraising. When I interviewed Mr. Hoyt he stated that none of his time is charged to fundraising; he said it is split evenly between education and administration. Were you not under the impression that Mr. Hoyt and Mr. Irwin spent a substantial amount of their time fundraising?

Attached are three different accounting guides (See Tabs ___) which state clearly that it is necessary for nonprofit organizations to have a professional system for allocating salary expenses among different program areas.

When I interviewed Mr. Irwin, I asked him to describe the basis on which this schedule was prepared and he was not able to do so. It is important to note that he signs this return declaring under penalties of perjury that the return is true, correct and complete.

THOMAS HAVEY & CO.
CERTIFIED PUBLIC ACCOUNTANTS
4301 Connecticut Avenue N.W. • Washington, D.C. 20008 • 202/966-6602
300 East Lombard Street • Baltimore, Maryland 21202 • 301/837-0313
30 North LaSalle Street • Chicago, Illinois 60602 • 312/368-0500
Members of the American Institute of Certified Public Accountants

TAXPAYER: The Humane Society of the United States DATE: July 29, 1986

INSTRUCTIONS FOR FILING

RETURN OF ORGANIZATION EXEMPT FROM INCOME TAX

FOR THE YEAR ENDED

December 31, 1985

To Be Signed And Dated By	(X) An Officer ( ) Trustee ( )
Amount of Tax	NONE
Mail Return To	INTERNAL REVENUE SERVICE CENTER (X) Philadelphia, Pennsylvania 19255 ( ) Holtsville, New York 00501 ( )
Return Must Be Mailed On Or Before	September 15, 1986 Use Certified Mail, if sufficient time to ensure timely delivery is unavailable.
State Filing Requirements	Remit a copy of Form 990, signed and dated to: District of Columbia, Department of Finance and Revenue 300 Indiana Avenue, N. W., Washington, D. C. 20001 on or before September 15, 1986.

A COPY OF THIS RETURN IS ENCLOSED FOR YOUR FILES.

SPECIAL INSTRUCTIONS:

( ) ATTACH A SIGNED COPY OF YOUR FEDERAL EXTENSION OF TIME TO FILE TO THIS RETURN.

( )

Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt from Income Tax

Under section 501(c) (except black lung benefit trust or private foundation) of the Internal Revenue Code or section 4947(a)(1) trust

Note: You may be required to use a copy of this return to satisfy State reporting requirements. See instruction D.

OMB No. 1545-0047

1985

For the calendar year 1985, or fiscal year beginning , 1985, and ending , 19

Use IRS label. Otherwise, please print or type.

Name of organization: The Humane Society of the United States

Address (number and street): 2100 - L Street, N. W.

City or town, state, and ZIP code: Washington, D. C. 20037

A Employer identification number (see instruction L): 53 : 0225390

B State registration number (see instruction D)

C If address changed, check here . . . . ▶ ☐

D Check type of organization—Exempt under section ▶ ☒ 501(c)(3) (insert number), OR ▶ ☐ section 4947(a)(1) trust

Check here if application for exemption is pending . . ▶ ☐

E Accounting method: ☐ Cash ☒ Accrual ☐ Other (specify) ▶

F Section 4947(a)(1) trusts filing this form in lieu of Form 1041, check here ▶ ☐ (see instruction C10).

G Is this a group return (see instruction J) filed for affiliates? . . . . . ☐ Yes ☒ No
Is this a separate return filed by a group affiliate? . . . . . ☐ Yes ☒ No

If "Yes" to either, give four-digit group exemption number (GEN) ▶

☐ Check here if your gross receipts are normally not more than $25,000 (see instruction B11). You do not have to file a completed return with IRS but should file a return without financial data if you were mailed a Form 990 Package (see instruction A). Some States may require a completed return.

☐ Check here if gross receipts are normally more than $25,000 and line 12 is $25,000 or less. Complete Parts I (except lines 13-15), III, IV, VI, and VII and only the indicated items in Parts II and V (see instruction I). If line 12 is more than $25,000, complete the entire return.

501(c)(3) organizations and 4947(a)(1) trusts must also complete and attach Schedule A (Form 990). (See instructions.)

Part I Statement of Support, Revenue, and Expenses and Changes in Fund Balances

	Line		(A) Total	(B) Unrestricted/ Expendable	(C) Restricted/ Nonexpendable
Support and Revenue	1 Contributions, gifts, grants, and similar amounts received:				
	a Direct public support	4,782,416		4,765,416	17,000
	b Indirect public support				
	c Government grants				
	d Total (add lines 1a through 1c) (attach schedule—see instructions)		4,782,416	4,765,416	17,000
	2 Program service revenue (from Part IV, line f)		229,209	229,209	
	3 Membership dues and assessments		2,117,806	2,117,806	
	4 Interest ~~on savings and temporary cash investments~~		720,473	249,617	470,856
	5 Dividends ~~and interest from securities~~		186,523	113,032	73,491
	6a Gross rents				
	b Minus: rental expenses				
	c Net rental income (loss)				
	7 Other investment income (Describe ▶)				

8	Securities	Other
a Gross amount from sale of assets other than inventory	1,293,744	14,800
b Minus: cost or other basis and sales expenses Sch. "1"	1,157,128	20,068
c Gain (loss) (attach schedule)	136,616	(5,268

	Line		(A) Total	(B) Unrestricted/ Expendable	(C) Restricted/ Nonexpendable
	8c Gain (loss)		131,348	144,269	(12,921)
	9 Special fundraising events and activities (attach schedule—see instructions):				
	a Gross revenue (not including $ ____ of contributions reported on line 1a)				
	b Minus: direct expenses				
	c Net income (line 9a minus line 9b)				
	10a Gross sales minus returns and allowances				
	b Minus: cost of goods sold (attach schedule)				
	c Gross profit (loss)				
	11 Other revenue (from Part IV, line g)				
	12 Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8c, 9c, 10c, and 11)		8,167,775	7,619,349	548,426
Expenses	13 Program services (from line 44, column (B)) (see instructions)		6,210,756	6,087,549	123,207
	14 Management and general (from line 44, column (C)) (see instructions)		688,800	577,113	111,687
	15 Fundraising (from line 44, column (D)) (see instructions)		233,765	233,765	
	16 Interfund Transfers ~~Payments to affiliates (attach schedule—see instructions)~~		(50,000)	(536,650)	486,650
	17 Total expenses (add lines 16 and 44, column (A))		7,083,321	6,361,777	721,544
Fund Balances	18 Excess (deficit) for the year (subtract line 17 from line 12)		1,084,454	1,257,572	(173,118)
	19 Fund balances or net worth at beginning of year (from line 74, column (A))		12,080,481	6,104,090	5,976,391
	20 Other changes in fund balances or net worth (attach explanation)				
	21 Fund balances or net worth at end of year (add lines 18, 19, and 20)		13,164,935	7,361,662	5,803,273

These columns are optional—see instructions

For Paperwork Reduction Act Notice, see page 1 of the instructions.

Part II Statement of Functional Expenses

All organizations must complete column (A). Columns (B), (C), and (D) are required for most section 501(c)(3) and (c)(4) organizations and 4947(a)(1) trusts but optional for others. (See instructions.)

Do not include amounts reported on lines 6b, 8b, 9b, 10b, or 16 of Part I.	(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22 Grants and allocations (attach schedule) Sch. "2"	182,957	182,957		
23 Specific assistance to individuals				
24 Benefits paid to or for members				
25 Compensation of officers, directors, etc.	450,300	315,350	97,950	37,000
26 Other salaries and wages	1,613,302	1,420,258	185,062	7,982
27 Pension plan contributions	52,887	44,425	7,404	1,058
28 Other employee benefits	134,670	113,137	18,845	2,688
29 Payroll taxes	148,608	124,830	20,805	2,973
30 Professional fundraising fees				
31 Accounting fees	22,595	–	22,595	–
32 Legal fees	4,613	4,613	–	–
33 Supplies	70,298	59,050	9,842	1,406
34 Telephone	105,454	88,581	14,764	2,109
35 Postage and shipping	192,910	168,083	21,724	3,103
36 Occupancy	130,914	109,968	18,328	2,618
37 Equipment rental and maintenance	28,743	24,144	4,024	575
38 Printing and publications	603,491	506,933	84,488	12,070
39 Travel	239,059	210,246	25,211	3,602
40 Conferences, conventions and meetings	45,213	37,979	6,330	904
41 Interest	16,290	13,683	2,281	326
42 Depreciation, depletion, etc. (attach schedule)	105,937	88,987	14,831	2,119
43 Other expenses (itemize): a Sch. "3"	2,985,080	2,697,532	134,316	153,232
b				
c				
d				
e				
f				
44 Total functional expenses (add lines 22 through 43)	7,133,321	6,210,756	688,800	233,765

Expenses

Part III Statement of Program Services Rendered

List each program service title on lines a through d; for each, identify the service output(s) or product(s) and report the quantity provided. Enter the total expenses attributable to each program service and the amount of grants and allocations included in that total. (See instructions for Part III.)	Expenses (Optional for some organizations—see instructions)
a Humane Education, membership and program services (Grants and allocations $ 182,957)	3,407,589
b Cruelty investigation and litigation (Grants and allocations $)	766,433
c Membership development (Grants and allocations $)	2,036,734
d (Grants and allocations $)	
e Other program service activities (attach schedule) (Grants and allocations $)	
f Total (add lines a through e) (should equal line 44, column (B))	6,210,756

Form **2758**
(Rev. October 1985)
Department of the Treasury
Internal Revenue Service

App...cation for Extension of Time . . File

U.S. Partnership, Fiduciary, and Certain Exempt Organization Returns

▶ File a separate application for each return.

OMB No. 1545-0148
Expires 08/31/88

Please type or print. File the original and one copy by the due date for filing your return. (See Instructions on back.)

Name: The Humane Society of the United States

Number and street: 2100 - L Street, N.W.

City or town, state, and ZIP code: Washington, D.C. 20037

Employer identification number: 53-0225390

(S corporations filing Form 1120S, political or exempt organizations filing Form 1120-POL, corporate exempt organizations filing Form 990-T, or farmers' cooperative associations filing Form 990–C, use Form 7004.)

1 An extension of time until September 15, 1986 is requested in which to file (check only one):
☐ Form 1065 ☐ Form 1041-A ☐ Form 5227 ☐ Form 990-PF ☐ Form 990-BL
☐ Form 1041 (estate) ☐ Form 3520-A ☒ Form 990 ☐ Form 990-T (other than 401(a) trust) ☐ Form 6069
☐ Form 1041 (trust) ☐ Form 4720 ☐ Form 990-T (401(a) trust)
Check here ▶ ☐, if organization does not have an office or place of business in the United States.

2 For calendar year 19 85 , or other tax year beginning .... and ending ....

3 Has an extension of time to file been previously granted for this tax year? . . . . ☒ Yes ☐ No

4 State in detail why you need the extension. Taxpayer's records are still in the process of being reviewed, and until all open items have been resolved, a complete and accurate form 990 cannot be prepared.

5a If this form is for Form 1041, 4720, 5227, 6069, 990-BL, 990-PF, or 990-T, enter the total tax estimated to be due on the return . . . . $

b If an estate, enter at least 1/4 of the amount on line 5a and pay with this form . . . $

c All others, enter the total amount on line 5a and pay with this form . . . $

Caution: *Interest will be charged on any tax not paid by the regular due date of the returns filed on forms listed on line 5a above until the tax is paid.*

Signature and Verification

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete; and that I am authorized to prepare this form.

Signature ▶ Craig A Stevens CPA Date ▶ 7-10-86

IRS will show below whether or not your application is approved and will return the copy.

Notice to Applicant—To Be Completed by IRS

☐ We **HAVE** approved your application. (Please attach this form to your return.)

☐ We **HAVE NOT** approved your application. (Please attach this form to your return.)
However, because of your reasons stated above, we have granted a 10-day grace period from the date shown below or due date of your return, whichever is later. This 10-day grace period is considered to be a valid extension of time for purposes of elections otherwise required to be made on timely filed returns.

☐ We **HAVE NOT** approved your application.
After considering your reasons stated above, we cannot grant your request for an extension of time to file. (We are not granting the 10-day grace period.)

☐ We cannot consider your application because it was filed after the due date of your return.

☐ Other ....

Director

By. ________

Date ________

If the copy of this form is to be returned to an address other than that shown above, please enter the address where the copy should be sent.

Please Type or Print

Name: Thomas Havey & Co.

Number and street: 4301 Conn. Ave., N.W. Suite 432

City or town, state, and ZIP code: Washington, D.C. 20008

Form **2758**
(Rev. October 1985)
Department of the Treasury
Internal Revenue Service

Application for Extension of Time to File

U.S. Partnership, Fiduciary, and Certain Exempt Organization Returns

▶ **File a separate application for each return.**

OMB No. 1545-0148
Expires 08/31/88

Please type or print. File the original and one copy by the due date for filing your return. (See instructions on back.)

Name
The Humane Society of the United States

Number and street
2100 - L Street, N.W.

City or town, state, and ZIP code
Washington, D.C. 20037

Employer identification number
53-0225390

(S corporations filing Form 1120S, political or exempt organizations filing Form 1120-POL, corporate exempt organizations filing Form 990-T, or farmers' cooperative associations filing Form 990-C, use Form 7004.)

1 An extension of time until July 15, 1986 is requested in which to file (check only one):
☐ Form 1065 ☐ Form 1041-A ☐ Form 5227 ☐ Form 990-PF ☐ Form 990-BL
☐ Form 1041 (estate) ☐ Form 3520-A ☒ Form 990 ☐ Form 990-T (other than 401(a) trust) ☐ Form 6069
☐ Form 1041 (trust) ☐ Form 4720 ☐ Form 990-T (401(a) trust)
Check here ▶ ☐, if organization does not have an office or place of business in the United States.

2 For calendar year 19 85, or other tax year beginning .... and ending ....

3 Has an extension of time to file been previously granted for this tax year? ☐ Yes ☒ No

4 State in detail why you need the extension. Taxpayer's records are still in the ppocess of being reviewed, and until all discrepancies have been resolved, a complete and accurate Form 990 cannot be prepared.

IRS RECEIVED 0516 28 PSC PHILA PA 19

5a If this form is for Form 1041, 4720, 5227, 6069, 990-BL, 990-PF, or 990-T, enter the total tax estimated to be due on the return . . . $

b If an estate, enter at least 1/4 of the amount on line 5a and pay with this form . . . $

c All others, enter the total amount on line 5a and pay with this form . . . $

Caution: *Interest will be charged on any tax not paid by the regular due date of the returns filed on forms listed on line 5a above until the tax is paid.*

Signature and Verification

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete; and that I am authorized to prepare this form.

Signature ▶ Craig A Stevens Date ▶ 5-13-86

IRS will show below whether or not your application is approved and will return the copy.

Notice to Applicant—To Be Completed by IRS

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☐ **We HAVE NOT** approved your application.
After considering your reasons stated above, we cannot grant your request for an extension of time to file. (We are not granting the 10-day grace period.)

☐ We cannot consider your application because it was filed after the due date of your return.

☐ Other ....

Director

By:

Date

If the copy of this form is to be returned to an address other than that shown above, please enter the address where the copy should be sent.

Please Type or Print

Name
Thomas Havey & Co.

Number and street
4301 Conn. Ave. N.W. Suite 432

City or town, state, and ZIP code
Washington, D.C. 20008

Part IV Program Service Revenue and Other Revenue (State Nature)

		Program service revenue	Other revenue
a	Fees from government agencies		
b	Sale of Literature and other	229,209	
c			
d			
e			
f	Total program service revenue (enter here and on line 2)	229,209	
g	Total other revenue (enter here and on line 11)		

Part V Balance Sheets

If line 12 or line 59 is more than $25,000, complete the entire balance sheet. If line 12, Part I, and line 59 are $25,000 or less, you may complete only lines 59, 66, 74 and 75. See instructions.

Note: Columns (C) and (D) are optional. *Columns (A) and (B) must be completed to the extent applicable. Where required, attached schedules should be for end-of-year amounts only.*

		(A) Beginning of year	End of year (B) Total	(C) Unrestricted/ Expendable	(D) Restricted/ Nonexpendable
	Assets				
45	Cash—non-interest bearing	831,239	1,541,619	1,370,273	171,346
46	Savings and temporary cash investments	1,205,690	1,797,960	952,266	845,694
47	Accounts receivable ▶ 18,651 minus allowance for doubtful accounts ▶ —	106,474	18,651	16,603	2,048
48	Pledges receivable ▶ minus allowance for doubtful accounts ▶				
49	Grants receivable				
50	Receivables due from officers, directors, trustees, and key employees (attach schedule)				
51	Other notes and loans receivable ▶ minus allowance for doubtful accounts ▶	423,461	434,972	91,635	343,337
52	Inventories for sale or use				
53	Prepaid expenses and deferred charges	27,193	39,741	39,741	
54	Investments—securities (attach schedule) Sch. "6"	7,041,409	7,007,915	2,979,332	4,028,583
55	Investments—land, buildings and equipment: basis ▶ minus accumulated depreciation ▶ (attach schedule)				
56	Investments—other (attach schedule) Sch. "8"	949,545	1,006,001		1,006,001
57	Land, buildings and equipment: basis ▶ 2,520,565 Sch. "9" minus accumulated depreciation ▶ 740,475 (attach schedule)	1,754,743	1,780,090	1,780,090	
58	Other assets ▶ Acc'd interest & dividends recb	130,390	120,691	15,188	105,503
59	Total assets (add lines 45 through 58)	12,470,144	13,747,640	7,245,128	6,502,512
	Liabilities				
60	Accounts payable and accrued expenses	335,680	548,139	540,424	7,715
61	~~Grants payable~~ Interfund accounts	-	-	(691,524)	691,524
62	Support and revenue designated for future periods (attach schedule)				
63	Loans from officers, directors, trustees and key employees (attach schedule)				
64	Mortgages and other notes payable (attach schedule) Sch. "10"	13,983	9,566	9,566	-
65	Other liabilities ▶ Deferred Income	40,000	25,000	25,000	-
66	Total liabilities (add lines 60 through 65)	389,663	582,705	(116,534)	699,239
	Fund Balances or Net Worth				
	Organizations that use fund accounting, check here ▶ ☒ and complete lines 67 through 70 and lines 74 and 75.				
67	a Current unrestricted fund	6,104,090	7,361,662	7,361,662	-
	b Current restricted fund	168,640	22,287	-	22,287
68	Land, buildings and equipment fund				
69	Endowment fund	6,219	6,410	-	6,410
70	Other funds (Describe ▶ Annuity and Trust)	5,801,532	5,774,576	-	5,774,576
	Organizations that do not use fund accounting, check here ▶ ☐ and complete lines 71 through 75.				
71	Capital stock or trust principal				
72	Paid-in or capital surplus				
73	Retained earnings or accumulated income				
74	Total fund balances or net worth (see instructions)	12,080,481	13,164,935	7,361,662	5,803,273
75	Total liabilities and fund balances/net worth (see instructions)	12,470,144	13,747,640	7,245,128	6,502,512

Part VI **List of Officers, Directors, and Trustees (List each officer, director, and trustee whether compensated or not.) (See Instructions)**

(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (if any)	(D) Contributions to employee benefit plans	(E) Expense account and other allowances
Schedule "4"				

Part VII **Other Information**

		Yes	No
76	Has the organization engaged in any activities not previously reported to the Internal Revenue Service? If "Yes," attach a detailed description of the activities.		x
77	Have any changes been made in the organizing or governing documents, but not reported to IRS? If "Yes," attach a conformed copy of the changes.		x
78 a	Did the organization have unrelated business gross income of $1,000 or more during the year covered by this return?		x
b	If "Yes," have you filed a tax return on Form 990-T, Exempt Organization Business Income Tax Return, for this year?	n/a	
c	If the organization has gross sales or receipts from business activities not reported on Form 990-T, attach a statement explaining your reason for not reporting them on Form 990-T.		
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year (see instructions)? If "Yes," attach a statement as described in the instructions.		x
80	Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization (see instructions)? If "Yes," enter the name of the organization ▶ Schedule "7" and check whether it is ☒ exempt OR ☐ nonexempt.	x	
81 a	Enter amount of political expenditures, direct or indirect, as described in the instructions: none		
b	Did you file Form 1120-POL, U.S. Income Tax Return for Certain Political Organizations, for this year?		x
82	Did your organization receive donated services or the use of materials, equipment or facilities at no charge or at substantially less than fair rental value? If "Yes," you may indicate the value of these items here. Do not include this amount as support in Part I or as an expense in Part II. See instructions for reporting in Part III ▶ n/a		x
83	*Section 501(c)(5) or (6) organizations.*—Did the organization spend any amounts in attempts to influence public opinion about legislative matters or referendums (see instructions and Regulations section 1.162-20(c))? If "Yes," enter the total amount spent for this purpose: n/a		n/a
84	*Section 501(c)(7) organizations.*—Enter amount of:		
a	Initiation fees and capital contributions included on line 12: n/a		
b	Gross receipts, included in line 12, for public use of club facilities (see instructions): n/a		
c	Does the club's governing instrument or any written policy statement provide for discrimination against any person because of race, color, or religion (see instructions)?		n/a
85	*Section 501(c)(12) organizations.*—Enter amount of:		
a	Gross income received from members or shareholders: n/a		
b	Gross income received from other sources (do not net amounts due or paid to other sources against amounts due or received from them): n/a		
86	*Public interest law firms.*—Attach information described in the instructions.		
87	List the States with which a copy of this return is filed ▶ NY; NJ; CT; IL; MN; MI and VA		
88	During this tax year did you maintain any part of your accounting/tax records on a computerized system?	x	
89	The books are in care of ▶ Assistant Treasurer Telephone No. ▶ (202) 452-1100 Located at ▶ 2100 - L Street, N.W., Wash., D.C. 20037		

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature of officer | Date | Title

Paid Preparer's Use Only

Preparer's signature: Thomas Havey, Jr. | Date: 7/31/86 | Check if self-employed ▶ ☐

Firm's name (or yours, if self-employed) and address: Thomas Havey & Co., #36-2131790, 4301 Conn. Ave, N.W., Wash., D.C. | ZIP code: 20008

SCHEDULE A (Form 990)
Department of the Treasury
Internal Revenue Service

Organization Exempt Under 501(c)(3)

(Except Private Foundation), 501(e), 501(f), 501(k), or Section 4947(a)(1) Trust Supplementary Information
▶ Attach to Form 990.

OMB No. 1545-0047
1985

Name: The Humane Society of the United States
Employer identification number: 53 : 0225390

Part I Compensation of Five Highest Paid Employees (Other than Officers, Directors, and Trustees—see specific instructions)

Name and address of employees paid more than $30,000	Title and average hours per week devoted to position	Compensation	Contributions to employee benefit plans	Expense account and other allowances
Michael Fox 2100 L St.,N.W.,Wash.,D.C.	Scientific Director 40 hrs.	55,000	3,771	-0-
Ben Hayes 2100 L St.,N.W.,Wash.,D.C.	Asst.to Asst.Treas. 40 hrs.	34,000	1,303	-0-
Frantz Dantzler 2100 L St.,N.W.,Wash.,D.C.	Regional Director 40 hrs	32,000	2,152	2,700
Martha Hamby 2100 L St.,N.W.,Wash.,D.C.	Dir.of Fed.Legislation 40 hrs	31,938	-0-	-0-
John McArdle 2100 L St.,N.W.,Wash.,D.C.	Dir.of Labortory Animal Welfare 40 hrs	32,000	831	-0-
Total number of other employees paid over $30,000 ▶	-0-			

Part II Compensation of Five Highest Paid Persons for Professional Services (See specific instructions)

Name and address of persons paid more than $30,000	Type of service	Compensation
None		
Total number of others receiving over $30,000 for professional services ▶ None		

Part III Statements About Activities

		Yes (1)	No (2)
1 During the year have you attempted to influence national, State or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If "Yes," enter the total expenses paid or incurred in connection with the legislative activities $ 249,241. Complete Part VI of this form for organizations that made an election under section 501(h) on Form 5768 or other statement. For other organizations checking "Yes," attach a statement giving a detailed description of the legislative activities and a classified schedule of the expenses paid or incurred.	1	x	
2 During the year have you, either directly or indirectly, engaged in any of the following acts with a trustee, director, principal officer or creator of your organization, or any organization or corporation with which such person is affiliated as an officer, director, trustee, majority owner or principal beneficiary:			
a Sale, exchange, or leasing of property?	2a		x
b Lending of money or other extension of credit?	2b		x
c Furnishing of goods, services, or facilities?	2c		x
d Payment of compensation (or payment or reimbursement of expenses if more than $1,000)? See Form 990 Part VI	2d	x	
e Transfer of any part of your income or assets? If the answer to any question is "Yes," attach a detailed statement explaining the transactions.	2e		x
3 Attach a statement explaining how you determine that individuals or organizations receiving disbursements from you in furtherance of your charitable programs qualify to receive payments. (See specific instructions.)			
4 Do you make grants for scholarships, fellowships, student loans, etc.?	4		x

Part IV Reason for Non-Private Foundation Status (See instructions for definitions)

The organization is not a private foundation because it is (check applicable box; please check only ONE box):

5 ☐ 1 A church, convention of churches, or association of churches. Section 170(b)(1)(A)(i).
6 ☐ 2 A school. Section 170(b)(1)(A)(ii). (Also complete Part V, page 3.)
7 ☐ 3 A hospital or a cooperative hospital service organization. Section 170(b)(1)(A)(iii).
8 ☐ 4 A Federal, state or local government or governmental unit. Section 170(b)(1)(A)(v).
9 ☐ 5 A medical research organization operated in conjunction with a hospital. Section 170(b)(1)(A)(iii). Enter name, city, and state of hospital ▶ ....
10 ☐ 6 An organization operated for the benefit of a college or university owned or operated by a governmental unit. Section 170(b)(1)(A)(iv). (Also complete Support Schedule.)
11 ☒ 7 An organization that normally receives a substantial part of its support from a governmental unit or from the general public. Section 170(b)(1)(A)(vi). (Also complete Support Schedule.)
12 ☐ 8 An organization that normally receives: (a) no more than 1/3 of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975, and (b) more than 1/3 of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions—subject to certain exceptions. See section 509(a)(2). (Also complete Support Schedule.)
13 ☐ 9 An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in (1) boxes 5 through 12 above or (2) section 501(c)(4), (5), or (6) if they meet the test of section 509(a)(2). See section 509(a)(3).

Provide the following information about the supported organizations. (See instructions for Part IV, box 13.)

(a) Name of supported organizations	(b) Box number from above

14 ☐ 0 An organization organized and operated to test for public safety. Section 509(a)(4). (See specific instructions.)

Support Schedule (Complete only if you checked box 10, 11, or 12 above) Use cash method of accounting.

Calendar year (or fiscal year beginning in) ▶	(a) 1984	(b) 1983	(c) 1982	(d) 1981	(e) Total
15 Gifts, grants, and contributions received. (Do not include unusual grants. See line 28.)	3,386,497	4,034,933	4,311,133	2,718,282	14,450,845
16 Membership fees received	1,325,450	826,386	721,570	573,157	3,446,563
17 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is not a business unrelated to the organization's charitable, etc., purpose.	166,925	147,864	169,594	113,703	598,086
18 Gross income from interest, dividends, amounts received from payments on securities loans (section 512(a)(5)), rents, royalties, and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975	912,786	912,368	945,534	630,458	3,401,146
19 Net income from unrelated business activities not included in line 18					
20 Tax revenues levied for your benefit and either paid to you or expended on your behalf					
21 The value of services or facilities furnished to you by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge					
22 Other income. Attach schedule. Do not include gain (or loss) from sale of capital assets					
23 Total of lines 15 through 22	5,791,658	5,921,551	6,147,831	4,035,600	21,896,640
24 Line 23 minus line 17	5,624,733	5,773,687	5,978,237	3,921,897	21,298,554
25 Enter 1% of line 23	57,917	59,216	61,478	40,356	

26 Organizations described in box 10 or 11:
a Enter 2% of amount in column (e), line 24. 425,971
b Attach a list (not open to public inspection) showing the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 1981 through 1984 exceeded the amount shown in 26a. Enter the sum of all excess amounts here ..... Sch. "II"

(Continued on page 3)

Part IV Support Schedule (continued)(Complete only if you checked box 10, 11, or 12 on page 2) N/A

27 Organizations described in box 12, page 2:

a Attach a list, for amounts shown on lines 15, 16, and 17, showing the name of, and total amounts received in each year from each "disqualified person," and enter the sum of such amounts for each year:

(1984)........ (1983)........ (1982)........ (1981)........

b Attach a list showing, for 1981 through 1984, the name and amount included in line 17 for each person (other than "disqualified persons") from whom the organization received more, during that year, than the larger of: the amount on line 25 for the year or $5,000. Include organizations described in boxes 5 through 11 as well as individuals. Enter the sum of these excess amounts for each year:

(1984) (1983) (1982) (1981)

28 For an organization described in boxes 10, 11, or 12, page 2, that received any unusual grants during 1981 through 1984, attach a list (not open to public inspection) for each year showing the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not include these grants in line 15 above. (See specific instructions.)

Part V Private School Questionnaire
To Be Completed ONLY by Schools that Checked Box 6 in Part IV N/A

			Yes (1)	No (2)
29	Do you have a racially nondiscriminatory policy toward students by statement in your charter, bylaws, other governing instrument, or in a resolution of your governing body?	29		
30	Do you include a statement of your racially nondiscriminatory policy toward students in all your brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?	30		
31	Have you publicized your racially nondiscriminatory policy by newspaper or broadcast media during the period of solicitation for students or during the registration period if you have no solicitation program, in a way that makes the policy known to all parts of the general community you serve?	31		
	If "Yes," please describe; if "No," please explain. (If you need more space, attach a separate statement.)			
32	Do you maintain the following:			
a	Records indicating the racial composition of the student body, faculty, and administrative staff?	32a		
b	Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?	32b		
c	Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?	32c		
d	Copies of all material used by you or on your behalf to solicit contributions?	32d		
	If you answered "No," to any of the above, please explain. (If you need more space, attach a separate statement.)			
33	Do you discriminate by race in any way with respect to:			
a	Students' rights or privileges?	33a		
b	Admissions policies?	33b		
c	Employment of faculty or administrative staff?	33c		
d	Scholarships or other financial assistance (see instructions)?	33d		
e	Educational policies?	33e		
f	Use of facilities?	33f		
g	Athletic programs?	33g		
h	Other extra-curricular activities?	33h		
	If you answered "Yes," to any of the above, please explain. (If you need more space, attach a separate statement.)			
34 a	Do you receive any financial aid or assistance from a governmental agency?	34a		
b	Has your right to such aid ever been revoked or suspended?	34b		
	If you answered "Yes," to either 34a or b, please explain using an attached separate statement.			
35	Do you certify that you have complied with the applicable requirements of sections 4.01 through 4.05 of Rev. Proc. 75-50, 1975-2 C.B. 587, covering racial nondiscrimination? If "No," attach an explanation (see instructions for Part V)	35		

Part VI Lobbying Expenditures By Public Charities (See Instructions)
(To be completed ONLY by an eligible organization that filed Form 5768.)

Check here ▶ a ☐ If the organization belongs to an affiliated group (see instructions).
Check here ▶ b ☐ If you checked a and "limited control" provisions apply (see instructions).

Limits on Lobbying Expenses	(a) Affiliated group totals	(b) To be completed for ALL electing organizations
36 Total (grassroots) lobbying expenses to influence public opinion		74,934
37 Total lobbying expenses to influence a legislative body		174,307
38 Total lobbying expenses (add lines 36 and 37) Sch. "12"		249,241
39 Other exempt purpose expenses (see Part VI instructions)		6,656,315
40 Total exempt purpose expenses (add lines 38 and 39) (see instructions)		6,905,556
41 Lobbying nontaxable amount. Enter the smaller of $1,000,000 or the amount determined under the following table—		
If the amount on line 40 is— / The lobbying nontaxable amount is—		
Not over $500,000 — 20% of the amount on line 40		
Over $500,000 but not over $1,000,000 — $100,000 plus 15% of the excess over $500,000		495,278
Over $1,000,000 but not over $1,500,000 — $175,000 plus 10% of the excess over $1,000,000		
Over $1,500,000 — $225,000 plus 5% of the excess over $1,500,000		
42 Grassroots nontaxable amount (enter 25% of line 41)		123,820
(Complete lines 43 and 44. File Form 4720 if either line 36 exceeds line 42 or line 38 exceeds line 41.)		
43 Excess of line 36 over line 42		-0-
44 Excess of line 38 over line 41		-0-

4-Year Averaging Period Under Section 501(h).
(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 45-50 for details.)

Lobbying Expenses During 4-Year Averaging Period

Calendar year (or fiscal year beginning in) ▶	(a) 1985	(b) 1984	(c) 1983	(d) 1982	(e) Total
45 Lobbying nontaxable amount (see instructions)	495,278	396,339	353,302	341,625	1,586,544
46 Lobbying ceiling amount (150% of line 45(e))					
47 Total lobbying expenses (see instructions)	495,278	346,024	244,243	211,615	1,297,160
48 Grassroots nontaxable amount (see instructions)	123,820	99,085	88,326	85,406	396,637
49 Grassroots ceiling amount (150% of line 48(e))					
50 Grassroots lobbying expenses (see instructions)	74,934	98,217	49,097	47,905	270,153

THE HUMANE SOCIETY OF THE UNITED STATES
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1985

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SCHEDULE "1"

Part 1, Line 8

Sale of assets other than inventory	Gross Sales Price	Cost or Basis	Gain (Loss)
Fixed assets	$ 14,800	$ 20,068	$(5,268)
Marketable securities	1,293,744	1,157,128	136,616
Total	$1,308,544	$1,177,196	$131,348

THE HUMANE SOCIETY OF THE UNITED STATES
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#53-0225390

SCHEDULE "2"

Part II, Line 22 - Gifts to Other Organizations

Assistance Aux. Animaux	$ 2,500
Wildlife Reserve	1,000
Salonica Aminal Welfare Society	2,500
National Association for the Advancement of Humane Education, Washington, D. C.	22,800
American Fondouck Maintenance Committee, Boston, Massachusetts	3,507
Animal Crusaders, Inc., Everett, Washington	2,500
Animal Kind	6,000
Association for the Prevention of Cruelty in Public Spectacles, Barcelona, Spain	2,500
Association for the Protection of Furbearing Animals, Vancouver, Canada	2,500
Association Uruguaya De Protection A Los Animales, Montevideo, Uruguay	2,500
Brooke Hospital for Animals, London, England	2,500
Bund Gegen Den Missbrauch Det Tiere E.V., Munich, Germany	2,500
Dublin Society for the Prevention of Cruelty to Animals, Dublin, Ireland	2,000
Ferne Animal Sanctuary, London, England	2,500
Irish Society for the Prevention of Cruelty to Animals, Dublin, Ireland	2,000
Missouri Anti-Vivisection Society, St. Louis, Missouri	2,500
National Equine Defense League, Carlisle, England	2,500
Nilgiri Animal Welfare Society, Tamilnadu, South India	2,500
Nordic Society Against Painful Experiments on Animals, Stockholm, Sweden	2,500
Peoples Dispensary for Sick Animals, Surrey, England	2,500
Performing and Captive Animals' Defense League, London, England	2,500
Scottish Society for the Prevention of Anti-Vivisection, Edinburgh, Scotland	2,500
Helenic Animal Welfare, Athens, Greece	1,000
South African Federation of SPCA's and Affiliated Societies, Republic of South Africa	2,500
Animal Rights Network, Wesport, Connecticut	5,500
Council for Livestock Protection, New York, New York	8,000
The Digit Fund, Rwanda, Africa	2,000
St. Huberts Giralda Shelter and Education Center, Madison, New Jersey	6,000
Animal Legal Defense Fund, San Francisco, California	5,000
National Coalition to Protect Pets	7,500
The Delta Society	6,000
Bat Conversation International, Inc.	2,700
Michigan Humane Society	5,000
Childrens Hospice International	500
Between the Species	1,000
World Society for Protection of Animals	10,000

THE HUMANE SOCIETY OF THE UNITED STATES
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SCHEDULE "2"
(Continued)

Part II, Line 22 - Gifts to Other Organizations

Nacodoches Humane Society	$ 1,000
Fund for Replacement of Animals in Medical Experiments (Frame), London, England	2,000
Society for Animal Rights (National Catholic Society for Animal Welfare), Clarks Summit, Pennsylvania	2,500
Society for the Protection of Animals of North America, London, England	2,500
Tierschutzverein Fur Berlin Und Umgebung Corp., Berlin, West Germany	2,500
World Society for the Protection of Animals, London, England	25,000
Alaska & Wildlife Alliance, Anchorage, Alaska	200
Syntex/Stanford Coalition	250
Australians for Animals	2,000
Lique Francoise De Drolies	2,500
Society for Prevention	2,500
	$182,957

SCHEDULE "3"

Part II, Line 43 - Other Expenses

	Col. (A)	Col. (B)	Col. (C)	Col. (D)
Consultants and other services	$ 78,544	$ 78,544	$ -	$ -
Data processing	29,340	24,645	4,108	587
Insurance and bonds	65,730	55,213	9,202	1,315
Taxes - other	52,207	43,854	7,309	1,044
Rental lists	150,000	-	-	150,000
Library	2,181	2,181	-	-
Payments to annuitants	95,849	-	95,849	-
Cost of educational publications	233,629	231,333	2,010	286
Membership development mailings	2,036,734	2,036,734	-	-
Pet action line	225,028	225,028	-	-
Administrative fees	15,838	-	15,838	-
	$2,985,080	$2,697,532	$134,316	$153,232

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SCHEDULE "4"

Part VI

Name	Address	Title	Time Devoted	Salary	Contribution To Employee Benefit Plan	Expense Account and Other Allowances
John A. Hoyt	2100 L Street,N.W., Wash.,D.C.	President	Full	$ 90,000	$ 7,142	$5,000
Murdaugh S. Madden	"	Vice-Pres.	"	48,000	9,261	n/a
Patrick B. Parkes	"	Vice-Pres.	"	39,000	5,503	n/a
Patricia A. Forkan	"	Vice-Pres.	"	39,600	2,033	n/a
Phyllis Wright	"	Vice-Pres.	"	35,000	3,321	n/a
Paul G. Irwin	"	Treasurer	"	74,000	4,611	n/a
Moneta P. Morgan	"	Asst.Treas.	"	37,200	5,310	n/a
Marcia Glaser	"	Asst.Secy.	"	31,500	2,087	n/a
John W. Grandy	"	Vice-Pres.	"	56,000	2,105	n/a
				$450,300	$ 41,373	$5,000

See attached list of directors who served part-time without compensation.

THE HUMANE SOCIETY OF THE UNITED STATES
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BOARD OF DIRECTORS

SCHEDULE "4"
(Continued

Coleman Burke, Esq.
4475 N. Ocean Blvd., #47F
Delray Beach, FL 33444
305/278-0189

Samuel A. Bowman
Tucker, Anthony & R.L. Day, Inc.
120 Broadway, 33rd floor
New York, NY 10271
212/618-7658

Dr. Carol Browning
6182 South 2855 East
Ogde, UT 84403
801/479-3475

Jack Conlon
641 South Atlantic Avenue
Cocoa Beach, FL 32931
305/784-3948

Mrs. Oliver M. Evans
3045 P Street,N. W.
Washington, D. C. 20007
202/338-8037

Mrs. Anna Fesmire
1400 West Cornwallis Drive
Greensboro, NC 27408
919/288-6607

Miss Regina Bauer Frankenberg
31 East 72nd Street, Apt. 9B
New York, NY 10021
212/488-4126

Harold H. Gardiner
Gardiner Advertising Agency
P. O. Box 30
Salt Lake City, UT 84110
801/364-5600

Jack W. Lydman
2815 Que Street, N. W.
Washington, D.C. 20007
202/965-1310

Mrs. Virginia (Pat) Lynch
98 Clarendon
San Francisco, CA 94114
415/566-6616

Mrs. Cherie Mason
Goose Cove Road
Sunset, ME 04683
207/348-6971

John W. Mettler III
Seminole Asset Management, Inc.
950 Third Avenue
New York, NY 10022
212/752-1855

John G. Moshner
USIA, Room 550
400 C Street, S. W.
Washington, D. C. 20547
202/485-2275

Mrs. Susan Pepperdine
6512 West 49th Street
Mission, KS 66202
913/831-0725

O.J. Ramsey, Esq.
Ramsey, Moore, Morrison & Keddy
10399 Old Placerville Road
Sacramento, CA 95827
916/362-8800

Mrs. Marilyn G. Seyler
815 Dickson Parkway
Mansfield, OH 44907
419/756-7559

THE HUMANE SOCIETY OF THE UNITED STATES
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BOARD OF DIRECTORS

SCHEDULE "4"
(Continued)

Miss Alice R. Garey
2030 Carriage Lane
Arroyo Grande, CA 93420
805/849-5382

Ms. Gisela Karlan
6 Pepper Road
Towaco, NJ 07082
201/263-8255

William Kerber
4000 Cathedral Avenue, N.W.
Washington, D. C. 20016
202/338-7654

Dr. Amy Freeman Lee
127 Canterbury Hill
San Antonio, TX 78209
512/816-1747

Everett Smith, Jr.
Quaker Ridge
Greenwich, CT 06830
203/661-0004

Mrs. Brook Speidel
2531 Eye Street, N. W.
Washington, D. C. 20037
202/965-5546

Robert F. Welborn, Esq.
Welborn, Dufford, Brown & Tooley
1700 Broadway
Denver, CO 80290-1199
303/861-8013

K. William Wiseman
P. O. Box 120
Woolwich, ME 04579
207/443-3979

THE HUMANE SOCIETY OF THE UNITED STATES
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SCHEDULE "6"

	December 31, 1985 Value
Investments in Corporate Stocks	$3,329,211
Investments in Corporate Bonds	794,415
Investments in Government Obligations	2,884,289
	$7,007,915

THE HUMANE SOCIETY OF THE UNITED STATES
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SCHEDULE "7"

Part VII, Line 80

Common government body with (1) The National Humane Education Center, (2) The National Association for the Advancement of Humane Education, (3) Boulder County Humane Society Fund, (4) Elsa Horne Voss Animal Welfare Foundation, (5) Alice Morgan Wright-Edith Goode Fund, (6) Sussman Fund.

SCHEDULE "8"

Part V, Line 56

	Book Value
Undivided interest in trust funds	$1,006,001

SCHEDULE "9"

Part V, Line 57

	Date Acquired	Cost	Prior years	Mtd.	Life	Depreciation this Year
Land	Various	$ 422,375	$ -	-	-	$ -
Buildings & improvements	Various	1,421,132	397,960	S/L	Var	55,761
Furniture & fixtures	Various	656,443	228,848	S/L	Var	45,022
Transportation equipment	Various	20,615	7,730	S/L	Var	5,154
		$2,520,565	$634,538			$105,937

THE HUMANE SOCIETY OF THE UNITED STATES
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SCHEDULE "10"

Part V, Line 64

Due in equal installments until 1992 and secured by a first deed of trust on the Educational Center, Connecticut, 8-1/2%	$ 9,566

SCHEDULE "11"

Schedule A - Part IV, Line 26 (b)

Sussman Estate		$2,405,618
Burford Estate		1,425,839
		3,831,457
	$425,971 x 2	(851,942)
		$2,979,515

SCHEDULE "12"

Schedule A,
Part VI, Line 38 - Lobbying Expenditures

	Direct Lobbying	Grass Roots Lobbying
Prof./exec. and support staff	$ 33,742	$ 13,885
Related disbursements	7,384	2,934
Publications - direct costs	24,875	15,765
Special projects - direct costs	19,688	4,748
Indirect costs	86,818	35,802
Stationery - (est.)	1,800	1,800
	$174,307	$ 74,934

CPA
Certified Public Accountants

AUDIT AND ACCOUNTING GUIDE

AUDITS OF CERTAIN NONPROFIT ORGANIZATIONS

PREPARED BY THE SUBCOMMITTEE ON NONPROFIT ORGANIZATIONS

Including
STATEMENT OF POSITION
ISSUED BY THE ACCOUNTING STANDARDS DIVISION

here is to be a proper study and
l control as a basis for reliance
n o e resultant extent of the
s a o be restricted."
es the application of the second
No. 3 discusses the effects of
the auditor's study and evalua-
Guidance concerning the inde-
of a material weakness in inter-
AS No. 20, *Required Communi-*
Internal Accounting Control.

Chapter 2

Expenses

Some nonprofit organizations present their expenses classified on a functional basis; others present their expenses classified on an object basis. When expenses are classified on a functional basis, each significant program and supporting service usually is reported separately in the statement of activity. Program services are those directly related to the purposes of the organization; supporting services are those not directly related to program services (such as fund-raising, membership development, and management and general expenses). In some cases, certain expenses (such as payroll and pension costs) pertain to more than one program or supporting service; generally, such expenses are allocated among the pertinent services. Because of the importance of fund-raising expenses to users of financial statements of a nonprofit organization, such costs may be disclosed in the financial statements even though the organization presents its expenses classified on an object basis.

When he is performing auditing procedures with respect to expenses, the auditor's objectives should be to obtain reasonable assurance that expenses are authorized or approved by management, are supported, are properly classified, are recognized in the appropriate period, and (when presented on a functional basis) are properly allocated to the appropriate functions. The most significant expenses incurred by many nonprofit organizations are payroll costs, and, therefore, the methods of allocating such costs are of particular interest to the auditor.

Internal accounting controls over a nonprofit organization's expenses are generally the same as the controls applicable to expenses of profit-oriented organizations. Examples of internal accounting controls that may apply to expenses include

- Existence of a well defined organizational chart that clearly defines the organization's activities by function and a detailed chart of accounts that defines the expenses chargeable to them.
- Controls over expenses, including comparison with approved budget estimates, and investigation of significant variations. (Budget estimates are generally approved and monitored by the organization's governing board.)
- Controls over disbursements, which include approval of disbursements and review of the distribution of expenses to accounts and the allocation among functions, if applicable.

The auditing procedures for expenses in nonprofit organizations are in most respects the same as those for expenses in profit-oriented organizations. When expenses are reported on a functional cost basis, examples of additional auditing procedures that the auditor should consider include

- Obtaining reasonable assurance that expenses have been approved. If the budget serves as authorization for expenses, the auditor would compare the expenses with the budget.
- Obtaining reasonable assurance that the functional classifications used adequately present the activities of the organization.
- Reviewing and testing the allocations of expenses that apply to more than one function and considering whether the methods and the underlying bases for allocation are reasonable and consistent. For example, a review of salary and wage allocations might include an examination of program reports, job descriptions, and employee time or activity reports.
- Obtaining reasonable assurance that the classifications used are consistent with those of the preceding year or, if not, that the changes are adequately disclosed.

Expenditures of Restricted Resources

Internal accounting controls and auditing procedures relating to expenditures of resources restricted by donors, grantors, or other outside parties to specific purposes are discussed in chapter 6, "Liabilities, Deferred Revenue and Support, and Fund Balances."

Grants Awarded

Grants may be awarde
organizations. Generally,
counting controls, and th
should consider for grants
those for other expenses.
the auditor should consid

- Examining grant author
- When appropriate, exan
status of the grantee or
- Reviewing the organiza
cluding accountability, i
- Reviewing procedures
refunds of grants made.
- Obtaining reasonable as
in the proper accounti

Taxation of Nonprofit

Although nonprofit org
come taxes, tax regulatio
in the audits of nonprofit o
tions may be subject to tax
and on excess lobbying ex
estate, and personal prop
collect sales taxes on sa
withhold payroll taxes.

Generally, the audit obj
and the auditing procedu
taxes of a nonprofit orga
oriented organization. Ex
auditor should consider i

- Identifying those taxes
and those for which it
- Examining exemption
- Obtaining reasonable
exempt status are met
have been filed on a t

Accounting Principles and Reporting Practices for Certain Nonprofit Organizations

Introduction

1. The American Institute of Certified Public Accountants has issued the following industry audit guides applicable to certain types of nonprofit organizations.

- *Hospital Audit Guide* (1972)
- *Audits of Colleges and Universities* (1973)
- *Audits of Voluntary Health and Welfare Organizations* (1974)
- *Audits of State and Local Governmental Units* (1974)

2. However, many nonprofit organizations are not covered by any of those guides. This statement of position is issued to recommend financial accounting principles and reporting practices for nonprofit organizations not covered by existing guides that prepare financial statements in conformity with generally accepted accounting principles. This statement is not intended to supersede or amend any of the listed guides. For numerous nonprofit organizations, complex accounting may be neither practical nor economical, and reporting based on cash receipts and disbursements or some other basis may be adequately informative. Under those circumstances, special-purpose financial reports should be prepared.

3. The provisions of this statement need not be applied to immaterial items.

4. A number of terms with specialized meanings are used throughout this statement and are defined in Appendix A.

5. This statement of position applies to all nonprofit organizations not covered by the AICPA industry audit guides listed in paragraph 1, other than those types of entities that operate essentially as commercial businesses for the direct economic benefit of members or stockholders. Examples of the latter category are

the period to which the dues relate. Nonrefundable initiation and life membership fees should be recognized as revenue in the period the fees are receivable, if future dues or fees can reasonably be expected to cover the cost of future services; otherwise, the fees should be amortized to future periods based on average membership duration, life expectancy, or other appropriate methods. However, if items such as dues, assessments, and nonrefundable initiation fees are in substance contributions and services are not to be provided to the member, they should be recognized as revenue and support in the periods in which the organization is entitled to them.

Expenses

Functional Classification of Expenses

85. Organizations that receive significant support in the form of contributions from the general public should summarize the cost of providing various services or other activities on a functional basis in the statement of activity. (For purposes of this paragraph, the accounting standards division believes that organizations receiving support from federated fund-raising or similar organizations are deemed to have received support from the general public.) Organizations receiving no significant support from such contributors are encouraged to report on a functional basis but may choose to summarize expenses on another basis (such as natural classifications) that would be considered useful to readers of the statement of activity. If expenses are not reported on a functional basis, the notes should contain a description of the basic programs of the organization. The remainder of this section is for those organizations that report expenses on a functional basis.

86. The functional classifications should include specific program services that describe the organization's service activities and supporting services, such as management and general and fund-raising.

87. The statement of activity should present costs separately for each significant program and supporting activity. Program activities are those directly related to the purposes for which the organization exists. Supporting activities do not relate directly

to the purposes for which the organization exists. Fund raising, membership development, and unallocated management and general expense are three examples of supporting activities that should be reported separately.

88. An organization may also present as supplementary information a schedule of functional expenses by object classification, that is, classifying expenses by type rather than function, such as salaries, employee-benefit expenses, and purchased services.

Program Services

89. Functional reporting classifications for program services vary according to the nature of the service rendered. For some organizations, a single functional reporting classification may be adequate to portray the program service provided. In most cases, however, several separate and identifiable services are provided, and in such cases, expenses for program services should be reported by the type of service function or group of functions. The purposes of the various functions should be clearly described, and each functional classification should include all of the applicable service costs.

90. Some local organizations remit a portion of their receipts to an affiliated state or national organization. The amount to be paid to the affiliates should be reported as either an expense or a deduction from total support and revenue in the statement of activity. The appropriate treatment depends on the arrangements: A reporting organization that is, in effect, a collecting agent for the state or national organization, such as local organizations that are required to remit a fixed percentage of all contributions, should report the remittance as a deduction from total support and revenue; other organizations should report the remittance as a program expense.

Management and General Costs

91. Management and general costs are those not identifiable with a single program or fund-raising activity but are indispensable to the conduct of those activities and to an organization's existence, including expenses for the overall direction of the

organization's general board ac
general recordkeeping, budgetin
of overall direction usually incl
the chief officer of the organiza
such staff spend a portion of the
gram services or categories of s
and expenses should be prorat
costs of disseminating informati
organization's "stewardship" of
ments concerning appointments,
should likewise be classified as m

Fund-Raising and Other Support

92. Fund-raising costs are inc
tribute money, securities, time,
the contributor will receive no
normally include the costs of p
mailing lists, printing, mailing, a
soliciting, as well as the cost of
encourage contributions. The co
disclosed. Fund-raising costs pai
be reported as support and as f

93. Some organizations hold
as banquets, dinners, theater p
donor receives a direct benefit
ticket). Some organizations sel
technique. The costs of such m
not considered fund-raising cos
gross proceeds received from
benefit. The costs of such me
should be disclosed.

94. A growing number of
seeking financial information t
fund-raising costs. A single f
ordinarily is adequate to portr
ever, other organizations may
support and total fund-raising e
information for a useful eval

ation exists. Fund raising,
ated management and gen-
su ting activities that

nt as supplementary infor-
ses by object classification,
rather than function, such
and purchased services.

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ervice rendered. For some
rting classification may be
e provided. In most cases,
able services are provided,
am services should be re-
or group of functions. The
ould be clearly described,
ld include all of the appli-

a portion of their receipts
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d as her an expense or a
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ends on the arrangements:
fect, a collecting agent for
ch as local organizations
entage of all contributions,
luction from total support
ld report the remittance as

are those not identifiable
activity but are indispens-
s and to an organization's
overall direction of the

organization's general board activities, business management, general recordkeeping, budgeting, and related purposes. Costs of overall direction usually include the salary and expenses of the chief officer of the organization and his staff. However, if such staff spend a portion of their time directly supervising program services or categories of supporting services, their salaries and expenses should be prorated among those functions. The costs of disseminating information to inform the public of the organization's "stewardship" of contributed funds, announcements concerning appointments, the annual report, and so forth, should likewise be classified as management and general expenses.

Fund-Raising and Other Supporting Services

92. Fund-raising costs are incurred in inducing others to contribute money, securities, time, materials, or facilities for which the contributor will receive no direct economic benefit. They normally include the costs of personnel, occupancy, maintaining mailing lists, printing, mailing, and all direct and indirect costs of soliciting, as well as the cost of unsolicited merchandise sent to encourage contributions. The cost of such merchandise should be disclosed. Fund-raising costs paid directly by a contributor should be reported as support and as fund-raising expenses.

93. Some organizations hold special fund-raising events, such as banquets, dinners, theater parties, and so forth, in which the donor receives a direct benefit (for example, a meal or theater ticket). Some organizations sell merchandise as a fund-raising technique. The costs of such merchandise or direct benefits are not considered fund-raising costs and should be applied against gross proceeds received from the person receiving such direct benefit. The costs of such merchandise or direct benefit costs should be disclosed.

94. A growing number of users of financial statements are seeking financial information that will enable them to evaluate fund-raising costs. A single functional reporting classification ordinarily is adequate to portray the fund-raising activity; however, other organizations may believe that reporting total public support and total fund-raising expense does not provide adequate information for a useful evaluation because the organizations

conduct a number of fund-raising activities with widely varying relationships. For those organizations, it may be appropriate to report fund-raising costs and the corresponding support obtained separately for each type of fund-raising function, either in the statement of activity or in the notes. The various fund-raising functions should be adequately described and should include all of the applicable costs. The total of all fund-raising activities should be disclosed whether the entity reports expenses on a functional or some other basis.

95. Fund-raising efforts made in one year, such as those made to obtain bequests or to compile a mailing list of prospective contributors, often result in contributions that will be received in future years. Some have advocated deferring the costs of such fund-raising efforts until the period in which the contributions are expected to be received. Although there may be valid reasons to consider deferring those costs, the accounting standards division is concerned with the difficulty of assessing their ultimate recovery and the possibility of misstating the fund-raising cost relationships. Accordingly, fund-raising costs should be expensed when incurred. However, if pledges or restricted contributions that have already been received are recorded as deferred revenue and support, related fund-raising costs, if specifically identifiable with the contributions, may also be deferred if it is clear that the contributor intended that the contribution could be used to cover such costs. Similarly, costs incurred in the acquisition of literature, materials, and so forth, that will be used in connection with a fund-raising drive to be conducted in a succeeding period should be deferred to that period.

96. Costs incurred in the solicitation of grants from foundations or governments and cost of membership development in bona fide membership organizations should be shown as separate categories of supporting expenses. If the membership fee includes an element of contribution, the costs of membership development should be allocated between membership development and fund raising.

97. If an organization combines the fund-raising function with a program function (for example, a piece of educational literature with a request for funds), the costs should be allocated to

the program and fund-raising categories on the basis of the use made of the literature, as determined from its content, the reasons for its distribution, and the audience to whom it is addressed.

Allocation of Costs That Pertain to Various Functions

98. In some larger organizations, individual functions are performed by separate departments, with expenses classified by types within each department. Many other organizations incur items of cost that apply to more than one functional purpose. For those organizations, it may be necessary to allocate the costs among functions. Examples include salaries of persons who perform more than one type of service, rental of a building used for various program services, management and general expenses, and expenses of fund-raising activities.

99. The salaries of employees who perform duties relating to more than one function, as well as all other expenses pertaining to more than one function, should be allocated to the separate functional categories according to procedures that determine, as accurately as possible, the portion of the cost related to each function.

100. A reasonable allocation of an organization's functional expenses may be made on a variety of bases, and costs that have been allocated to programs and supporting services should be disclosed in the notes to the financial statements. It is not the intention of this statement to require organizations to undertake extensive detailed analyses and computations aimed at making overly meticulous allocations. The division recognizes that meaningful financial statements can often be prepared using estimates and overall computations when appropriate. (See Appendix B for illustrative allocation procedures.)

Grants

101. Organizations that make grants to others should record grants as expenses and liabilities at the time recipients are entitled to them. That normally occurs when the board approves a specific grant or when the grantee is notified.

Illustrative Allocation Procedures Under Paragraph 100

Although the following allocation procedures are illustrative only, using them or similar procedures ordinarily results in a reasonable allocation of an organization's multiple function expenses:

- A study of the organization's activities may be made at the start of each fiscal year to determine the best practicable allocation methods. The study should include an evaluation of the preceding year's time records or activity reports of key personnel, the use of space, the consumption of supplies and postage, and so forth. The results of the study should be reviewed periodically, and the allocation methods should be revised, if necessary, to reflect significant changes in the nature or level of the organization's current activities.
- Periodic time and expense records may be kept by employees who spend time on more than one function as a basis for allocating salaries and related costs. The records should indicate the nature of the activities in which the employee is involved. If the functions do not vary significantly from period to period, the preparation of time reports for selected test periods during the year might be sufficient.
- Automobile and travel costs may be allocated on the basis of the expense or time reports of the employees involved.
- Telephone expense may be allocated on the basis of use by extensions, generally following the charge assigned to the salary of the employee using the telephone, after making direct charges for the toll calls or other service attributable to specific functions.
- Stationery, supplies, and postage costs may be allocated based on a study of their use.
- Occupancy costs may be allocated on the basis of a factor determined from a study of the function of the personnel using the space involved.
- Depreciation and rental of equipment may be allocated based on asset usage.

National Health Council

National Assembly of National Voluntary
Health and Social Welfare Organizations

United Way of America

STANDARDS OF ACCOUNTING AND FINANCIAL REPORTING FOR VOLUNTARY HEALTH AND WELFARE ORGANIZATIONS

REVISED 1974

tivities that are to be totaled and shown as management and general expenses in Exhibit A.

The extent to which particular salaries, travel, office and other expenses can be identified as clearly management and general expenses will vary widely among agencies. In a large national organization, executive direction, financial management, overall planning and the coordination of member unit activities may individually command the full time of several executives and separate clerical staffs. In smaller agencies, a single executive may devote part of his time to management functions, part to direct program activities and part to fund raising. His salary will need to be charged, along with that of his secretary and his other time-related expenses, such as travel, to each activity on the basis of the time devoted to each. Regardless, however, of size or structure, the *function* of management and general services exists in every organization.

Activities that agencies should classify as management and general services for expenses reporting in Exhibit A include:

General board and committee meetings.
Executive direction.
General staff meetings.
Office management.
Accounting, auditing and budgeting.
Corporate legal services.
Personnel procurement.
Purchasing and distribution of materials.
Receptionist, switchboard, mail distribution, filing and other central services.
Organization and procedure studies.
Administrative reporting.

The above list is representative of common management and general activities. Other services—e.g., investment advice, executive training institutes—may have to be recognized by particular agencies as activities related to maintenance and direction of their total resources and also be reported as management and general. In some instances, on the other hand, some of the activities listed above can be reasonably, practically identified as part of another service—e.g., legal services secured specifically in connection with an agency's child adoption program and separately billed, as previously mentioned—and should be charged to the service benefited. Unless a reasonable, practical and verifiable basis exists for charging them directly to another service, however, activities of the type listed above should be accounted for as management and general. (This includes, for instance, routine acknowledgment of and accounting for contributions and other income. However, cost of maintaining detailed fund-raising records should be charged to fund raising.)

ACCOUNTING & FINANCIAL REPORTING

A GUIDE FOR UNITED WAYS AND NOT-FOR-PROFIT HUMAN SERVICE ORGANIZATIONS

DISTRIBUTION OF COSTS

The concept of functional basis accounting, discussed earlier in this book, requires that not-for-profit organizations maintain formal records which reflect the classification of expenses both as to "object" (salaries, occupancy, etc.) and function (i.e., program function and support function). The purpose of the narrative here is to discuss briefly some of the methods of expense allocation for functional basis accounting and reporting. Many of the recommendations made in the *STANDARDS* in this regard, are incorporated in this section.

The foundation of any functional accounting system is that expenditures must be related to program functions and support functions. Many expenditures are incurred entirely for a single program and, thus, can be directly related to a particular program without difficulty. Examples are items purchased for a specific program, or a person working full time in only one program. In these instances, the full cost of the item, or the person's salary and related expenses, is a cost of that program.

The difficulty in functional accounting lies with the many expenditures that benefit several programs and, thus, must be distributed among more than one program. These distributions can be accomplished without any unusual problems if there is (1) a recognition of the principles of expenditure distribution, (2) opportunity for assistance, if necessary, and (3) the existence of a set of distribution rules for the organization based on its size, local policies, and the type of accounting system utilized. These and related matters are discussed below.

One basic principle to bear in mind is to record expenses by function whenever feasible to do so. Whether expenses are recorded initially on a checkbook stub or in a multi-column cash disbursements journal, the object accounting classification of each payment should be indicated at the time it is initially recorded, e.g., "supplies," "postage," "travel," according to an agency's object classifications. To facilitate functional accounting for these same expenses, the functional classification of an expense should be entered simultaneously with its object classification whenever possible. This is normally feasible with respect to any expense that is incurred for and benefits only a single function, e.g., supplies for a camp, doctor's fee paid for a client in connection with a single health program, a quota-support payment to a national organization, etc. The benefits of such point-of-origin entry functional classification of direct expenses are: reduction of month-end analyses; minimization of opportunities for incorrect classifications; and, establishment of direct documentary evidence supporting an agency's functional classifications.

Expenses Cutting Across More Than One Function

As mentioned earlier, the most vexing problem of functional accounting is that confronted by expenses that benefit more than one function—e.g., salaries, office rent, travel expenses. Organizations are required to develop techniques that will provide measurable bases upon which expenses may be related to program or supporting service functions. For example, many expenditures can be related to time spent on a particular program, e.g., salaries, conference expenses, etc. Other expenditures may vary with space utilized for different functions, e.g., rent, utilities, maintenance, supplies, etc. The cost of equipment used in different functions may provide a logical basis for distributing related depreciation, maintenance, repairs and insurance expenses. If space-related expenses are to be distributed among services using a particular building, the proper method is to determine the proportion of space used for each function—normally the measurement of floor areas occupied.

Allocation of expenses based on employee's time requires some sort of time analysis or time reporting, as discussed below. Other bases for distribution of expenses may usually be established through a survey—as of space utilized for different services—whose results will furnish a standard basis for distributing related expenses among functions. Organizations experiencing relatively frequent changes in their activities, staff and facilities should be alert to changes sufficiently important to require reexamination of established expense-distribution bases. It is recommended that such studies be conducted, and if necessary, bases updated annually.

Time Reporting and Analysis. Since personal services constitute the largest single cost of most not-for-profit organizations, accounting for staff members' time spent in particular program and supporting services is essential for functional expense reporting by these organizations. As mentioned above, for employees whose me is spent exclusively on activities of one program service, no time reporting problem exists.

Functional expense allocation of compensation by staff members engaged in more than one service during an accounting period requires the accumulation of reliable data upon which such allocations can be made. In some instances, the activities of employees vary considerably throughout the year and from year to year and, thus, only the daily time sheet will reasonably reflect the functional distribution. However, it is recognized that accumulation of detailed time reports for all employees is a time-consuming task and is not required in every instance. Rather, periodic testing of the actual work done by employees in representative job classifications may suffice to provide the data needed to determine allocations. The determination and use of such a sample distribution requires careful planning and execution.[87] The periods selected for sampling must be both sufficiently random and of sufficient duration to be statistically representative of an employee's total activities for the year reported upon.[88] In most cases, this will require that sampling procedures be established on a continuing basis. In any case, whether time reports are kept on a full time basis or tests made of sample periods, guidelines should be established reflecting anticipated activities against which the results of the actual time reports may be measured. It is recommended that employees be trained in the procedures to be followed in time reporting and that the appropriate functional classification of each of their normal tasks be discussed with them in advance. Provision should be made for continual monitoring of the time reporting program to permit detection and correction of errors.

Responsibilities of Management

The functional classification of expenses permits an agency to tell the reader of the financial statements not only the nature of its expenses, but also the purpose for which they were made. Thus, the organization's management must assure that the techniques used in gathering such cost data are adequate and that the resultant financial statements reflect fairly the actual operations for the year.

The *STANDARDS* provides an illustration of a procedure for functional allocation of salary expenses which is presented below.

Employees Fully Assigned to One Function. At the time the annual budget is prepared, employees who are expected to spend their entire time working in one functional area during the coming year should be identified. Salaries of these people should be charged directly to the applicable functions. However, to assure that their assignments have not changed, a regular periodic review should be made of their duties and a note entered in the functional allocation working papers that this has been done.

Employees Assigned to Several Functional Areas. Likewise, at budget preparation time, those employees expected to perform work in several functional areas should be identified.

1. The duties of each employee should be reviewed with him or her, and a summary job description should be prepared listing both the nature and functional classification of work to be done and the approximate time to be spent in the respective areas during the coming year. This document should reflect the job tasks in sufficient detail so as to serve as a reference source for determining proper functional allocations by the employee when preparing his or her time reports.
2. Budgeted allocation percentages should then be prepared for each employee on the basis of this review, together with an understanding of the actual nature of the work to be done as determined by knowledgeable supervisory personnel.
3. In the event that the functional allocation of compensation is to be reflected in the interim financial statements, such allocations may be made on the basis of these budgeted percentages. The reliability of the budgeted allocation percentages should be verified by a continuing program of test period time reporting, as follows:
   a. The employees to submit time reports should be identified. In the case of larger organizations, it may be satisfactory to identify representative individuals in each job category, rather than requiring all such employees to submit reports.
   b. Arrangements should be made for the selected individuals to submit reports reflecting the function benefiting from their daily activities. These reports should be required on a regular basis. However, in most cases, reporting of

New York State Charities Form

New York State requires that charities which solicit funds from its residents register with and report annually to its department of state.

The attached form filed by BSUS and signed by Mr. Irwin and Mr. Hoyt under penalties of perjury is incorrect in several major respects. The simple "yes" and "no" questions on p. 3 seem to be answered incorrectly: see question 2 "do you send unordered merchandise or stamps?" and question 3 "does your organization allocate the costs of multi-purpose activities between program services and fundraising?"

The figures on the financial summary, page 1 are incorrect as well and I will be happy to discuss the problems with you if you wish.

THOMAS HAVEY & CO.
CERTIFIED PUBLIC ACCOUNTANTS

4301 Connecticut Avenue, N.W.
Washington D.C. 20008
202/966-6602

Members of the American Institute of Certified Public Accountants

September 30, 1987

NYS Department of State
Office of Charitable Regulation
162 Washington Avenue
Albany, New York 12231

Dear Sir:

We request an extension of time, until October 15, 1987, in which to file the State of New York Annual Financial Report for the Humane Society of the United States. The organization's records are still in the process of being reviewed and, until all discrepancies have been resolved, a complete and accurate return cannot be prepared.

Enclosed is Form 2758, Application for Extension of Time to File Form 990.

Sincerely,

Laurie H. Brandt

Laurie H. Brandt

LHB:lls
Enclosure

FULL OFFICIAL NAME AND ADDRESS OF ORGANIZATION	Annual Financial Report (Charitable Organization)
The Humane Society of the United States 2100 L Street, N.W. Washington, D.C. 20037	FOR YEAR ENDED December 31, 1986 NEW YORK STATE DEPARTMENT OF STATE
CHECK BOX IF ADDRESS HAS BEEN CHANGED —	Organization's Telephone Number Area Code 202 Number 452-1100 Extension

State Registration Number	This financial summary supplements but does not replace the organization's complete financial statements. Copies of the complete financial statements are available upon request.	LEAVE BLANK — OFFICE USE	
011833		Date Received	Examined By
Federal I.D. Number 53-0225390		Amount	Date

Financial Summary

Support and Revenue		TOTAL	UNRESTRICTED (optional)	RESTRICTED (optional)
1. Direct public support		5,737,274		
2. Indirect public support				
3. Government grants				
4. Program service revenue		240,000		
5. Other revenue		4,563,502		
6. Total support and revenue (add lines 1 through 5)		10,540,776		
Expenses	Including grants and allocations of:			
Program (list individually):				
7. Humane Education Membership and				
8. Program Services	4,285,627			
9. Cruelty Investigation & Litigation	711,570			
10. Membership Development Mailing	1,929,330			
11. Public information (combined w/fund raising)				
12. Payments to affiliates/services to affiliates				
13. Total program activity (add lines 7 through 12)		6,926,527		
14. Management and general		773,731		
15. Fund raising		308,503		
16. Total expenses (add lines 13 through 15)		8,008,761		
17. Excess (deficit) of support and revenue over expenses (line 6 minus line 16)		2,532,015		
Summary of Balance Sheet (as of December 31, 1986)				
18. Assets		15,919,302		
19. Liabilities		222,352		
20. Fund balances (line 18 minus line 19)		15,696,950		

Explanation of income and expense items, if required:

Attachments: (1) Federal Form 990 (2) Notes to Financial Statements

BRIGGS TAX FORMS, Clive, Iowa 50053 (515) 274-9821

Form **2758**
(Rev. October 1986)
Department of the Treasury
Internal Revenue Service

Application for Extension of Time To File

U.S. Partnership, Fiduciary, and Certain Exempt Organization Returns
▶ File a separate application for each return.

OMB No. 1545-0148
Expires 08/31/88

Please type or print. File the original and one copy by the due date for filing your return. (See instructions on back.)

Name: THE HUMANE SOCIETY OF THE UNITED STATES
Number and street (or P.O. Box number if mail is not delivered to street address): 2100-L STREET, N.W.
City or town, state, and ZIP code: WASHINGTON, D.C. 20037
Employer identification number: 53-0225390

(S corporations filing Form 1120S, political or exempt organizations filing Form 1120-POL, corporate exempt organizations filing Form 990-T, or farmers' cooperative associations filing Form 990-C, use Form 7004.)

1 An extension of time until OCTOBER 15, 1987 is requested in which to file (check only one):

☐ Form 1065 ☐ Form 1041-A ☐ Form 4720 ☐ Form 990-T (401(a) trust) ☐ Form 990-BL
☐ Form 1041 (estate) ☐ Form 1041S ☐ Form 5227 ☐ Form 990-PF ☐ Form 6069
☐ Form 1041 (trust) ☐ Form 3520-A ☒ Form 990 ☐ Form 990-T (other than 401(a) trust)

Check here ▶ ☐, if organization does not have an office or place of business in the United States.

2 For calendar year 19 86, or other tax year beginning ...., and ending ....

3 Has an extension of time to file been previously granted for this tax year? ☒ Yes ☐ No

4 State in detail why you need the extension. ADDITIONAL TIME IS STILL NEEDED IN ORDER TO COMPLETE THE AUDIT OF THE FINANCIAL STATEMENTS, WHICH ARE NECESSARY IN THE PREPARATION OF FORM 990. AS SOON AS THE REMAINING OPEN ITEMS ARE RESOLVED, A COMPLETE AND ACCURATE RETURN WILL BE PROMPTLY FILED.

5a If this form is for Form 1041, 4720, 5227, 6069, 990-BL, 990-PF, or 990-T, enter the total unpaid tax estimated to be due on the return . . . $ N/A

b If an estate, filing this form for a tax year beginning before January 1, 1987, enter at least 1/4 of the amount on line 5a and pay with this form . . . $ N/A

c All others (other than estates using line 5b), enter the total amount from line 5a and pay with this form (see the instructions) $ N/A

Caution: *Interest will be charged on any tax not paid by the regular due date of the returns filed on forms listed on line 5a above until the tax is paid.*

Signature and Verification

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete; and that I am authorized to prepare this form.

Signature ▶ Reginald E. Molloy, CPA Date ▶ 8-15-87

IRS will show below whether or not your application is approved and will return the copy.

IRS RECEIVED 08 17 1987 PSC PHILA, PA

Notice to Applicant—To Be Completed by IRS

☒ We HAVE approved your application. (Please attach this form to your return.)

☐ We HAVE NOT approved your application. (Please attach this form to your return.)
However, because of your reasons stated above, we have granted a 10-day grace period from the date shown below or due date of your return, whichever is later. This 10-day grace period is considered to be a valid extension of time for purposes of elections otherwise required to be made on timely filed returns.

☐ We HAVE NOT approved your application.
After considering your reasons stated above, we cannot grant your request for an extension of time to file. (We are not granting the 10-day grace period.)

☐ We cannot consider your application because it was filed after the due date of your return.

☐ Other ....

Director

By: ....

Date ....

If the copy of this form is to be returned to an address other than that shown above, please enter the address where the copy should be sent.

Please Type or Print

Name: THOMAS HAVEY & CO.
Number and street (or P.O. Box number if mail is not delivered to street address): 4301 CONNECTICUT AVE., N.W., SUITE 432
City or town, state, and ZIP code: WASHINGTON, D.C. 20008

For Paperwork Reduction Act Notice, see back of form.

SCHEDULE 1 — CONTRIBUTIONS
NOTE: Do not report donated services or facilities in this schedule.

Contributions and Grants

Direct Public Support

	TOTAL AMOUNT	Portion other than cash
1. Direct mail		
2. Telephone solicitation campaigns		
3. Commercial co-venturers (attach Schedule 3)		
4. Door-to-Door		
5. Special events (contribution portion only)		
6. Other (specify) ~~Gifts (including direct mail contributions)~~	3,875,893	
7.		
8.		
9.		
10. Total general public support (add lines 1 through 9)		
11. Foundation and trust grants		
12. Corporate and other business grants		
13. Legacies and bequests	1,861,381	
14. Total direct public support (add lines 10 through 13) (Transfer total line 14 to page 1, line 1.)	5,737,274	

Indirect Public Support

	TOTAL AMOUNT	Portion other than cash
15. From Federated Fundraising Agencies		
16. From affiliates		
17. From other fundraising agencies		
18. Total indirect public support (add lines 15 through 17) (Transfer total line 18 to page 1, line 2.)		

Government Grants

	TOTAL AMOUNT	Portion other than cash
19. Specify Agency:		
(a)		
(b)		
(c)		
(d)		
(e) All other government grants		
20. Total government grants (add lines (a) through (e).) (Transfer total line 20 to page 1, line 3.)		
21. Total contributions and grants (sum of lines 14, 18 and 20)	5,737,274	

Fundraising Information

(a) Did the organization engage the services of a professional fundraiser? ☐ Yes ☒ No If (a) is Yes, complete Schedule 2.
(b) Did the organization engage the services of a commercial co-venturer? ☐ Yes ☒ No If (b) is Yes, complete Schedule 3.

CERTIFICATION BY CHARITABLE ORGANIZATION

Under penalties of perjury, we declare that we reviewed this report, accompanying Federal Form 990 with attached schedules, and to the best of our knowledge and belief it is true, correct and complete in accordance with the rules of the New York State Department of State, Office of Charities Registration and the instructions applicable to this report.

Signature of President or Authorized Officer	Title	Date Signed
John A. Hoyt	President	9/30/87
Signature of Chief Fiscal Officer	**Title**	**Date Signed**
Paul G. Irwin	Treasurer	9/30/87

After this report has been fully executed by the two officials indicated above, send it to the NYS Department of State, Office of Charities Registration, 162 Washington Ave., Albany, NY 12231.

INDEPENDENT PUBLIC ACCOUNTANT'S REPORT

We have examined the balance sheet (Part V) of The Humane Society of the United States as of December 31, 1986, and the related statement of support, revenue and expenses and changes in fund balances (Part I) and statement of functional expenses (Part II) for the year then ended included in the accompanying Internal Revenue Service Form 990. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our (my) opinion, the financial statements referred to above present fairly the financial position of The Humane Society of the United States as of December 31, 1986 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination was made for the purpose of forming an opinion on the above financial statements taken as a whole. The accompanying information ~~xxxxxxxxxxxxxxxxxxx~~ is presented for purposes of additional analysis and is not a required part of the above financial statements. Such information, except for that portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the examination of the above financial statements; and, in our opinion, the information is fairly stated in all material respects in relation to the above financial statements taken as a whole.

Name of Firm or Individual Practitioner	Address	Date
Thomas Havey & Co.	4301 Connecticut Avenue, N.W. Washington, D.C. 20008	
Signature of Firm or Individual Practitioner	**If Firm, Name of Engagement Partner**	
	William Voorhees	

STATEMENTS REGARDING CERTAIN ACTIVITIES

1. Have your organization's books and records been audited by any governmental agency during the year? .... ☐ Yes ☒ No
   If Yes, specify agency: ______ period audited: ______

2. Does your organization send "Unordered Merchandise," "Seals," or "Stamps" in its solicitation of contributions? .... ☐ Yes ☒ No
   If Yes, describe merchandise: ______

3. Does your organization allocate costs of multipurpose activities between program services and fundraising (e.g. Direct mail, Telethon, etc.)? .... ☐ Yes ☒ No
   If Yes, submit schedule detailing the following: type of activity, method and factors used to determine allocations, total expenses by line item, amount allocated to fundraising and amount allocated to program services.

4. Has this report been distributed to the organization's governing board? .... ☒ Yes ☐ No

5. Does this organization regularly solicit salvage; is it a party to a contract involving the solicitation of salvage; or does it sell salvage in a thrift store? .... ☐ Yes ☒ No
   If Yes, submit schedule detailing income and expenses and an explanation of the operation.

SCHEDULE 2 — PROFESSIONAL FUNDRAISERS (PFR) N/A

ITEM	TOTAL	EVENT	EVENT	EVENT
1. Brief description of campaign, drive or event				
2. Date or period covered				
3. Name and address				
4. Registration number of PFR				
5. Total public donations*				
6. All payments to PFR				
7. All other fundraising expenses of the organization for each event				
8. Total expenses (line 6 plus line 7)				
9. Net proceeds (line 5 minus line 8)				

(If more than three events, attach a schedule using the same format.)

*On line 5, DO NOT exclude amounts retained by PFR or others (e.g., amounts reported on line 5).

SCHEDULE 3 — COMMERCIAL CO-VENTURERS (CCV) N/A

ITEM	TOTAL	EVENT	EVENT	EVENT
1. Brief description of campaign, drive or event				
2. Date or period covered				
3. Name and address				
4. Registration number (if applicable) of CCV				
5. Total receipts*				
6. Net amounts received by organization				

(If more than three events, attach a schedule using the same format.)

*On line 5, enter gross amounts received by the CCV including all amounts retained by the CCV and using estimates only when necessary.

Difficulties in Obtaining Complete Information on Mrs. Hoyt's Travel

Accountants

February 9, 1988

Asked Voorhees for costs of all trips of Mrs. Hoyt in last 5 years.

February 23, 1988

Accountants prepared a list of only the airfares paid for by HSUS.

February 24, 1988

In meeting, asked Voorhees for all travel, food, lodging expenses paid by HSUS for Mrs. Hoyt including those trips in which the transportation costs may have been paid by coupon or others.

February 29, 1988

Confirmed this request in writing.

March 1, 1988

I received a listing of meals and accountants stated that hotel bills were irrelevant. I reminded them that a double room costs more than a single and asked again for hotel costs. For the May 1986 trip they listed the costs of the meals in unidentified foreign currency, but, of course, if HSUS reimbursed the Hoyt's for these costs, HSUS would have done so in dollars. Of the trips listed on February 23, 1988, 2, or 25%, were listed incorrectly as to date.

Although I was told on February 24 that there were trips using frequent flyer coupons, no information on these trips was provided on March 1, 1988.

I was told several time, "you have all the trips". Then at the 11th hour on March 7, the accountants disclosed that HSUS paid for a long trip to the Far East. The airplane tickets cost $4,688.67 more than twice as much as the other total costs for transportation over a three year period. Presumabley W.S.P.A. reimbursed HSUS for these costs, but I have not been provided with the information.

For some trips, the completed HSUS expense form bears no relationship to the amounts listed by the accountants. See 5/24-6/20/86

Mr. Hoyt:

1. Asked him on January 26, 1988. He was vague saying annual meetings last 3 to 4 years and occasional trips to Europe. When pressed said he really could not recall information on European trips.

2. Asked in writing on questionnaire for him to "List" payments for travel expenses. He failed to "list" and stated only that she went on some trips.

3. March 2, 1988 asked again in writing.

4. Mr. Hoyt's letter of March 8, 1988 again failed to answer the questions.

FORM P-507 (GREEN) P-507-B (BUFF) (6-62)

	INITIALS	DATE	REFERENCE
PREPARED BY	[illegible]	2/23/88	
CHECKED BY			
APPROVED BY			

HSUS
Mrs. Hoyt's Expenses

List 2	#2				
7/8/87	Wash. Dulles / Rochester		Air	Fare	108 00
3/24/87	✓ Natl / Chicago		✓	✓	282 00
6/30/86	✓ Dulles / [illegible]		✓	✓	151 00
5/[illegible]/86	Luxembourg / Amsterdam		✓	✓	295 00
6/7/86	Balt / Luxembourg		✓	✓	287 00
1/8/86	London / Zurich		✓	✓	129 00
1/10/86	Wash Dulles / [illegible]		✓	✓	341 00
9/21/85	Wash. Natl. / Dallas Fort Worth		✓	✓	278 00

This is every trip that was identified on an expense-reimbursement report by way of an airline ticket in her name.

Asked [illegible] info [illegible] all the trips for which plane ticket was paid by way of frequent flyer

Asked if another fund ([illegible]) was charged for these.

FORM P-507 (GREEN) P-507-B (BUFF) (6-82)

	INITIALS	DATE	REFERENCE
PREPARED BY			
CHECKED BY			
APPROVED BY			

HSUS

Mrs Hoyt – Expenses

(1 of 2)

Note: All meals shown in total, # of persons at each not available. Many meals are paid by their guests.

List 3 # 13

(shown as 6/30/86 per original list in error)

10/26/86 – Wash Dulles / Miami

Line	(1)	(2)	(5)	(6)
1	10/19	Air fare – mrs Hoyt	151 –	(round trip)
2	✓	Dinner	30 57	
3	10/20	meal	28 21	
4	10/22	meal	15 19	
5	10/23	meal	20 47	
6	✓	meal	66 65	
7	10/24	meal	24 41	
8	10/24	Dinner	114 33	
9	10/26	meal	10 55	
10	10/26	meal	15 81	

5/1/86 Hoyt to Luxemburg

Line	(1)	(2)	(4)	(5)
16	5/1/86	Air fare – mrs Hoyt		287 –
17		Amounts unobtainable – WSPCA		
18		Conference, no expenses shown		

5/21/86 Luxemburg to Amsterdam

Line	(1)	(2)	(4)	(5)
23	5/21	Air fare – mrs Hoyt		295 –
24	5/15 – 6/1	Amounts per bill shown in		
25		foreign currency as follows:		
26	5/25	meal	40 00	
27	5/26	✓	65 00	
28	✓	✓	8 50	
29	5/27	✓	39 70	
30	5/28	✓	30 50	
31	5/29	✓	14 00	
32	6/1	✓	38 90	

no return documents available.

Note: $6,000 trip to Australia was omitted!

(GREEN) P-507-B (BUFF) (6-82)

	INITIALS	DATE	REFERENCE
PREPARED BY			
CHECKED BY			
APPROVED BY			

Sie 3/4

(Cont'd)

HSUS
Mrs Hoyts Expenses

(2 of 2)

List 3 # 13

(stop-over)

9/21/85	Wash Nat'l / Dallas Fort Worth / Sacramento / Wash Nat'l		
9/21-9/24	Air Fare - mrs Hoyt	278 -	(round trip)
9/23	meal	53 85	
9/24	meal	17 48	
1/10	Wash/Dulles - London		
1/18	- London/Zurich		
1/10	Wash/Dulles to London - Air (mrs Hoyt)	341 -	(round trip)
	meals unobtainable *		
1/18	London to Zurich - Air (mrs Hoyt)	129 -	(round trip)
	meals unobtainable *		
	* Total shown for meals, entertaining, misc. = $611.00		
(3/20/87 per original sheet in error)			
10/87	Nat'l / Chicago / phoenix / Chicago / Nat'l		
10/1 to 10/17	Air Fare (round trip) - mrs Hoyt	282 -	
10/1	meal - 5 people	103 68	
10/5	✓	34 95	
10/7	✓	24 77	
report of 7/87	Wash/Dulles / Rochester		
5/7-5/10	Air fare - mrs Hoyt	108 -	(round trip)
5/7	meal	57 62	
5/8	meal	15 10	

The Humane Society of the United States
Weekly Charge and Cash Expenses

Name: John A. Hoyt

Week Ending: ______

Place	Sydney	Auckland, N.Z.	Fiji	Hawaii			
Date	2/4-2/6	2/6-2/11	2/11-2/12	2/12-2/14			
Miles Driven:							

Item	SUNDAY CHG	SUNDAY CASH	MONDAY CHG	MONDAY CASH	TUESDAY CHG	TUESDAY CASH	WEDNESDAY CHG	WEDNESDAY CASH	THURSDAY CHG	THURSDAY CASH	FRIDAY CHG	FRIDAY CASH	SATURDAY CHG	SATURDAY CASH	TOTALS CHG	TOTALS CASH
Air Travel																
Hotel	AS227.[illegible]0 ✓ ($150)		NZ448.47 ✓ 200.48 ✓		136.00 ✓ ($125)		$136.76 ✓ 45.88 ✓									
Breakfast			($250)		97.8[illegible] ✓											
Lunch			($120)		($90)											
Dinner																
Taxi-carfare																
Entertainment																
Tips																
Tel. & Tel.																
Automobile Rental							75.40 ✓									
Mileage Reimbursement																
Parking and Tolls																
Gas Purchase																
Auto Maintenance																
Totals	$150		$320	$100	$225	$50	$258.04 ✓	$100							$1,857.03	$758

Travel advance	$2000.00
Less cash spent	758.00
Balance due	$1242.00

Please list purpose of trip and contacts on reverse side.

Charges	$11,857.03
Cash	758.00
Total	$12,615.03

The Humane Society of the United States
Weekly Charge and Cash Expenses

Name: John A. Hoyt

Week Ending: ____________

~~From:~~ Place	San Francisco		San Francisco		Hong Kong		Singapore		Melbourne		Adelaide		Canberra			
~~To:~~ Date	1/17-1/18		1/19-1/23		1/23-1/26		1/26-1/28		1/29-2/1		2/2-2/3		2/3-2/4			
Miles Driven:																
Item	SUNDAY		MONDAY		TUESDAY		WEDNESDAY		THURSDAY		FRIDAY		SATURDAY		TOTALS	
	CHG	CASH	CHG	CASH	CHG	CASH	CHG	CASH	CHG	CASH	CHG	CASH	CHG	CASH	CHG	CAS
Air Travel	4688.67 ~~4688.67~~															
Hotel	76.41		Y143,954 ($960)		HK3,894.30 ($468)		S$603.70 ($300)		293.85 ($200)		154.49 ($100)		120.35 ($80)			
Breakfast																
Lunch																
Dinner	36.43															
Taxi-carfare																
Entertainment																
Tips		5.00														
Tel. & Tel.																
Automobile Rental	29.81															
Mileage Reimbursement																
Parking and Tolls																
Gas Purchase		3.00														
Auto Maintenance																
Gifts	170.00															
Briefcase					HK 550 ($66)											
Totals	$9689.99	$8.00	($960)*	$150	($534)	$100	($300)	$100	($200)	$150	($100)		($80)			

*Charged to Trevor Scott's credit card.

Please list purpose of trip and contacts on reverse side.

Travel Adv 6000.
Travel Expense 758.
Cash 1242.0

May 24 - June 8, 1986

The Humane Society of the United States
Weekly Charge and Cash Expenses

Name: John A. Hoyt **Week Ending:**

From:	Washington to	Luxembourg	to Leeds,	England	to	London	to
To:	N.Y.						
Miles Driven:							

Item	SUNDAY CHG	SUNDAY CASH	MONDAY CHG	MONDAY CASH	TUESDAY CHG	TUESDAY CASH	WEDNESDAY CHG	WEDNESDAY CASH	THURSDAY CHG	THURSDAY CASH	FRIDAY CHG	FRIDAY CASH	SATURDAY CHG	SATURDAY CASH	TOTALS CHG	TOTALS CASH
Air Travel	295 287		295 287													
Hotel																
Breakfast																
Lunch																
Dinner																
Taxi-carfare																
Entertainment																
Tips																
Tel. & Tel.																
Automobile Rental																
Mileage Reimbursement																900.00
Parking and Tolls																
Gas Purchase																
Auto Maintenance																
Purchase of books and shipping & c.																334.00
Totals																1234.00

All Expense Paid for one Month

Travel Advance 1000.00
Expenses 900.00
100.00

Please list purpose of trip and contacts on reverse side.

Less Advance - 1000.00
234.

Due JAH.

Demonstration of Difficulties Obtaining Complete Information

February 24, 1988

Learned that line on HSUS 1986 Financial Statements entitled "payments to annuitants" was inaccurate because it included payment to the corporation NHEC. Asked for information on components of this line on financial statement.

February 26, 1988

Received names of annuitants of Mellon accountant. I repeated that I wanted amounts paid to them and other components of this line on financial statement.

February 29 or March 1, 1988

Received amounts erroneously reported as "monthly" - when they were quarterly - asked for more information.

March 2, 1988

Received Mellon Statements performed calculations which show that Mellon disbursements do not equal figure on financial statements.

March 3, 1988

Had to ask again what other payments go into this item.

	INITIALS	DATE	REFERENCE
PREPARED BY			
CHECKED BY			
APPROVED BY			

HSUS

List 3 # 9

Annuitants - Mellon

DORIS SCOTT LAEMMERHIRT
CATHERINE FRINCO
RUTH H. IVES
RUTH P. WHITCOMB
ALICE B. PLYMPTON
HELEN STOECKER
KIDD LOCKARD
MIRIAM F. HOLMES
EDITH M. MURRAY
NELLIE E STORMS
BERNARD S. ALFORD
HESTER J. DYCKMAN
HELEN ASWORTH
MAY L BROOK
LILLIAN G SIEVERS
BERYL J MCMANUS
MABEL WINNE
AIDA FLEMING
DR. E.K. REUTER
HELEN F. BATCHELDER
MERRILL P. SMITH
GWENDOLEN M. APPLEYARD
GRETA STRUBLE
GENEVA LEHMAN
CHARLOTTE V GOULD
SENDRAH KELLY
J GEORGE BUTLER
ANNIE T. KING

FORM F-507 (GREEN) F-507-B (BUFF) (6-82)

	INITIALS	DATE	REFERENCE
PREPARED BY			
CHECKED BY			
APPROVED BY			

HSUS

Given to Gail 2/26

List 3 # 8

Annuitants – mellon	(3)	(4)	monthly amt	not yet 1	2	3	4
		3/87-10/87 454.50	17.50				
DORIS SCOTT LAEMMERHIRT		12/86-3/87 (471.76)	35 -	✓	✓	✓	✓
CATHERINE FRINCO			15.25	✓	✓	✓	✓
RUTH H. IVES			2200 -		✓	✓	
RUTH P. WHITCOMB			125 -		✓	✓	
ALICE B. PLYMPTON			175 -		✓	✓	
HELEN STOECKER			209.18	✓	✓	✓	
KIDD LOCKARD		1664.21	1935.87		✓		✓
MIRIAM E. HOLMES			105.50		✓	✓	✓
EDITH M. MURRAY			17.50	✓	✓	✓	
NELLIE E. STORMS			125 -	✓	✓	✓	
BERNARD S. ALFORD			1825.81	✓		✓	
HESTER J. DYCKMAN			264 -			✓	✓
HELEN ASWORTH			17.20		✓	✓	
MAY L. BROOK			68.75		✓		
LILLIAN G. SIEVERS			11.50		✓	✓	
BERYL J. MCMANUS			312 -	✓	✓	✓	
MABEL WINNE			82 -	✓	✓		
AIDA FLEMING			242.50	✓		✓	
DR. E. K. REUTER			170.98	✓	✓	✓	
HELEN F. BATCHELDER			272.50	✓	✓	✓	
MERRILL P. SMITH			42.75	✓	✓		✓
GWENDOLEN M. APPLEYARD			11.25	✓	✓	✓	✓
GRETA STRUBLE		1508.42	1547.75		✓	✓	✓
GENEVA LEHMAN			365.25	✓	✓	✓	✓
CHARLOTTE V. GOULD			210 -	✓	✓	✓	✓
SENORAH KELLY			91.75	✓	✓	✓	
J. GEORGE BUTLER			876.96				✓
ANNIE T. KING			45 -		✓	✓	✓
			11,401.21				
	12/86-3/87	11,562.26					
	3/87-12/87	11,582.02					
			13,155.01	Pd to annuitants			

HUMANE SOCIETY OF THE UNITED STATES
PRESIDENT'S SALARY AND BENEFITS
FIVE YEARS

	1987	1986	1985	1984	1983
HSUS Compensation	$95,000	$95,000	$90,000	$85,000	$85,000
Travel Allowance	4,000	4,000	5,000	4,000	4,000
Insurance 1/	9,109	8,434	5,109	5,109	5,109
NHEC 2/	14,000	14,000	13,000	9,000*	9,000*
Deferred Comp. 3/	5,000	5,000	5,000	5,000	0
TOTALS	$127,109#	$126,434	$118,109	$108,109	$103,109

*Imputed value of HSUS Provided Automobile 1983 & 1984

#Exclusive of value of housing May-December 1987

	1987	1986	1985	1984	1983
1/ Insurance					
Manhattan Life	4,000	333	0	0	0
Mass. Casualty Disb	913	913	913	913	913
Conn. Mutual Life	4,196	4,196	4,196	4,196	4,196
Aetna Life Ins	0	2,992	0	0	0
	9,109	8,434	5,109	5,109	5,109
2/ NHEC					
Auto/Travel	9,000	9,000	9,000	0	0
Add'l Comp.	5,000	5,000	4,000	0	0
	14,000	14,000	13,000	0	0
3/ Deferred Comp.					
Aetna Plan	5,000	5,000	5,000	5,000	0

The Humane Society of the United States
Special Meeting of the Board of Directors
Washington, D.C.
December 12, 1987

A special meeting of the Board of Directors of The Humane Society of the United States was held at the request of five directors.

Directors Present Samuel Bowman, Dr. Carol Browning, Harold Gardiner, Alice Garey, Paul Heneks, Gisela Hunnicutt, John Kelly, William Kerber, Jack Lydman, John W. Mettler III, Susan Pepperdine, O.J. Ramsey, Marilyn Seyler, Robert Sorock, Brook Speidel, Viola Weber, K. William Wiseman

Directors Absent Coleman Burke, Irene Evans, Regina B. Frankenberg, Jane Goodall, Dr. Amy Freeman Lee, Virginia (Pat) Lynch, Robert F. Welborn

Others Present Murdaugh Stuart Madden, Bardyl R. Tirana

The meeting was called to order at 10:05 a.m. Chairman Wiseman reported on president John A. Hoyt's condition and announced that he was scheduled for an angioplasty on December 14.

Mr. Wiseman also welcomed Mrs. Viola Weber as a new board member, and introduced Mr. Bardyl R. Tirana, an attorney representing directors Bowman, Seyler, Mettler and Speidel. Mr. Madden was introduced as counsel to Mr. Wiseman. Ms. Hunnicutt asked if Mr. Madden would also represent the entire board and it was confirmed that he would be available for that purpose.

Mr. Wiseman announced that director Susan Pepperdine would serve as secretary pro tem for this meeting.

Minutes A motion proposed by Ms. Speidel moved and seconded to include a section in the October 15 minutes after the first paragraph. Ms. Pepperdine proposed an amendment with alternative wording, which was moved and seconded. After discussion, the vote was delayed until later in the meeting.

Legal Aspects of Merger Proposal Mr. Wiseman read a section of a letter from five directors regarding legal aspects of the merger proposal. Upon request of Mr. Wiseman, Mr. Bowman deferred to his counsel, Mr. Tirana, to state the legal questions being raised. Mr. Tirana stated that such a proposal, whether called a "merger" or "union," would have to have the approval of the vote of the members or stockholders.

Mr. Wiseman discussed the legal aspects that were considered in order to comply with the Delaware laws under which the HSUS is incorporated. Under counsel from the HSUS legal staff that if a less formal "union" rather than a "merger" were proposed, it was felt the law could be complied with.

Mr. Madden read an August 14 memo from his associate, Roger Kindler, stating that the question would have to be taken to the membership as a whole for a plurality of the vote. In an August 18 memo the counsel stated that a membership vote could be avoided by retaining the Michigan Humane Society as a fully operational corporation with current assets, liabilities and employees maintained in its name.

Ms. Speidel stated that since the "blue book" on the proposed union didn't include all the background information, the directors didn't have the facts needed to make a considered decision. As an example, she cited an early December memo from the HSUS legal staff raising questions about the wording in the "blue book." She also said the board did not have Roger Kindler's August memoranda. She indicated that the directors could be placed in legal jeopardy for voting on a question without having this information.

Mr. Bowman stated that he represented the members who elected him and felt he could not fulfill this responsibility without having access to complete information.

Mr. Wiseman noted that the board voted to pursue the union. In response, Mr. Kerber stated that many members had objections after realizing that the effects of the union, such as operating clinics, were different from the positive presentation given to the board at the April board meeting.

Mr. Heneks stated that he felt there was no legal exposure since there was to have been an opportunity to vote on the question at the Phoenix meeting.

Mrs. Browning, Ms. Hunnicutt and Mr. Mettler objected to this statement. Mr. Mettler noted that at the April meeting the directors voted to continue considering the union, not that it was agreed upon.

Mr. Bowman stated that Mr. Hoyt, without the knowledge of Mr. Irwin as treasurer, transferred $25,000 from HSUS funds to the MHS in December 1986.

Ms. Speidel said she met with Mr. Hoyt October 6 and asked what financial entanglements the HSUS already had with the MHS. At that time, she said he mentioned only the $5,000 that had been used for the mourning dove lawsuit. When she asked if there were any other amounts to disclose, she said he assured her that there were none. She also stated that in a discussion with Mr. Wiseman on October 5, he said Mrs. Rose told him the finances of the MHS were in "dreadful shape," but he said he didn't believe they were. She said such information bears on the legality of the union.

Mr. Tirana confirmed that it is necessary to have all the facts in order to determine the legality.

Ms. Speidel asked why the $25,000 was not disclosed until December 11. Mr. Ramsey objected that there was a tacit conclusion that any disclosures that were made revealed illegalities.

Mr. Sorock discussed amounts received for the dove lawsuit, and offered to provide the complete list of amounts received.

Mr. Madden said a diligent effort had been made to comply with Mr. Tirana's seven-page request for information. He said the $25,000 was in addition to the $10,000 given earlier for the MHS to make a compilation of all state laws regarding animals. He noted that other organizations also contributed to this project.

Ms. Speidel raised an issue about a letter written by Mrs. Rose of the MHS concerning finances of the organization. Mr. Bowman said the night before the Detroit board meeting he learned of resignations of several MHS board members. When he asked about resignations during the meeting, he said Mr. Irwin answered that two or three had resigned. He said he then received a letter from Mrs. Rose saying eight members resigned.

Mr. Bowman declined to read Mrs. Rose's letter, though Mr. Kelly and Mr. Heneks asked that it be read. Mr. Sorock suggested making copies, but Mr. Madden said none should be made and that if the board wanted to hear the letter, the chairman should read it. Mr. Heneks then asked if it could be read off the record; the chairman said it could and then read it to the board. Mr. Sorock said he could refute each of the claims in the letter at an appropriate time.

President's Salary and Benefits The board proceeded to Topic 3 on the agenda concerning the president's salary and benefits. Mr. Wiseman said the board members had questions about this matter, and Mrs. Browning confirmed that she had asked about this at previous meetings but had not received an answer.

Mr. Lydman referred to the April 22 and August 25 minutes of the Deferred Compensation Committee concerning the purchase of Mr. Hoyt's house.

Mr. Wiseman read from the September 9, 1983, Executive Committee meeting which established the committee.

Mr. Ramsey said Mr. Hoyt told him some years ago that a loan had been made through Coleman Burke and the Jeffrey Fund (not HSUS funds) to provide him a house such as a minister would have. In about 1980, Mr. Ramsey said the loan needed to be repaid and that Mrs. Evans then loaned that amount. The date of the loan was January 10, 1980. In 1986 Mrs. Evans forgave the loan.

The Compensation Committee did not feel it appropriate that the president owe a debt to the HSUS and therefore authorized the purchase of Mr. Hoyt's house, taking into account Mrs. Evans' gift of the note.

Mr. Wiseman said that housing was provided rather than a higher salary. The money was not in the budget because it was an investment, and it should have been discussed with the chairman of the Investment Committee.

Mr. Mettler questioned the authority of the Deferred Compensation Committee and the fact that the transaction was not reported to the board. Mr. Wiseman said a report should have been made, but that the committee had operated as being confidential. He said the rules were being rewritten through a resolution that the president's compensation be voted upon annually by the board.

Mr. Tirana said the Compensation Committee was not formed by the board, but by the Executive Committee, which does not have that authority.

Mr. Ramsey said that he wouldn't accept that there were improprieties simply because minutes weren't in Mr. Tirana's hand to confirm election of the committees. Mr. Madden said he felt it would be legal for the Executive Committee to establish such a committee, but said the wording of the bylaws was subject to either interpretation.

Mr. Wiseman said Mr. Burke set Mr. Hoyt's salary and he in turn set the other salaries.

Mr. Ramsey presented a resolution. After some discussion, Ms. Speidel presented a different resolution to establish an Oversight Committee. Mr. Ramsey said he felt it was wrong to send a letter to previous directors. Ms. Speidel identified those directors as Cherie Mason, Anna Fesmire and Everett Smith, saying they were included because they were affected by the legality of actions taken during their terms.

On the question of the president's salary, Ms. Browning said the board should know this and set the salary. Mr. Gardiner disagreed.

Mr. Ramsey proposed to delete the section of his resolution concerning confirmation of the actions of the Deferred Compensation Committee. He referred to page 4 of Mr. Tirana's letter concerning Mrs. Evans, saying it included accusatory language.

The motions by Mr. Ramsey and Mr. Bowman were tabled for later consideration.

Ms. Hunnicutt asked about travel expenses and how they were paid. Some discussion ensued.

Mr. Bowman discussed the Edith Goode and Alice Morgan Wright bequests and questioned how payments have been made. Mr. Heneks objected to charges being made and recommended consideration of the resolution to look into the matters without discussing every item at this meeting.

Mr. Ramsey amended his resolution to qualify the wording to include phrasing "based on currently available evidence" that would serve as a vote of confidence.

Mr. Tirana discussed the issue of self-dealing and said "on the face of it" there was an appearance of that in the matter of the house occupied by Mr. Hoyt.

Mr. Wiseman and Mr. Kerber stated their views favoring a vote of confidence for Mr. Hoyt, Mr. Irwin and Mrs. Evans.

Mr. Mettler recommended that a vote of confidence would be premature and that the goal was to get everything on the table in order to start with a clean slate at the April meeting.

Compensation of Directors — Item 4 on the agenda was discussed concerning compensation of directors. Mr. Bowman said annual disclosure of such compensation or services should be made to the board. Mr. Madden said that it was a matter of the bylaws to give such assurance.

After some discussion, the consensus was for the board to establish procedures for reporting any reimbursement.

Role of Treasurer — On Item 5 of the agenda, Mr. Mettler said the organization is now so large that some assistance is needed from the board to provide "checks and balances" to the treasurer. He pointed out that Mr. Irwin is the first non-board treasurer, and that the Finance Committee has not served in that capacity, and suggested that it should. It was the consensus to accept Mr. Mettler's recommendation that he and Mr. Irwin define the duties of the Finance Committee and present these at the April meeting.

Ms. Hunnicutt asked for information on staff members in order to determine whether salaries are in compliance with equal opportunity statutes. Mr. Wiseman suggested she write the president for this information, but Mr. Bowman replied by reading from an earlier letter of Mr. Hoyt's which implied that he would reply to such requests only as a "favor." This, Mr. Bowman said, conflicts with Delaware law. Mr. Madden concurred with this judgment.

Role of Board of Directors — On Item 6, Mr. Mettler stated that the goal was to define the role of board committees, to assure that they're appointed by the board and that they report back to the board.

Mr. Bowman proposed that directors sign a statement saying they are familiar with the bylaws and would be willing to serve on a committee. Ms. Hunnicutt asked that board members should be allowed to sit in on any committee meeting. There was also discussion of the role of the nominating committee, how it is appointed and how it operates.

Ms. Seyler recommended that a committee be formed to determine how committees are named and their proper role. Mr. Wiseman, Mr. Bowman, Ms. Browning and Ms. Hunnicutt volunteered to serve on this committee. It was the consensus to accept this proposal.

Mr. Mettler recommended that an Oversight Committee be established, using wording proposed earlier in the meeting by himself, Ms. Seyler, Mr. Bowman and Ms. Speidel. Mr. Ramsey noted that there could be a conflict represented by the fact that Mr. Tirana's firm represents the HSUS auditing firm, Thomas Havey Co., but that if this potential conflict were understood, any objections could be waived.

There was discussion of the propriety of using outside counsel versus using the services of in-house counsel. Mr. Madden also raised the question of whether the Havey Co. would be in effect asked to audit its own actions.

Mr. Ramsey suggested revisions in the wording of the resolution to establish an Oversight Committee. There was discussion by Mr. Wiseman of whether this committee would cast doubts on the organization, and whether the questions could be answered without taking the step of forming the committee.

Mr. Mettler proposed an alternate resolution. The motion was moved and seconded, and was passed unanimously. (See Attachment A.)

Ms. Hunnicutt proposed that the four board members who employed outside counsel be reimbursed for that expense. Mr. Wiseman objected, saying he had cooperated with the directors' demands for information and that it was therefore unnecessary to hire outside counsel. After further discussion, she withdrew the proposal.

A motion was made and seconded to reconsider the added wording proposed by Ms. Pepperdine be included in the minutes of the October 15 board meeting. The motion carried.

A motion was then made, seconded and carried to accept the amended minutes to the October 15 meeting.

The meeting was adjourned at 8:40 p.m.

Respectfully submitted,

Susan Pepperdine
Secretary Pro Tem

Attachment A

Resolution

WHEREAS, the Board of Directors of The HSUS has the utmost faith and confidence in the executive staff of this organization; nevertheless, it is timely that an Audit Committee of the board be established.

Therefore, BE IT RESOLVED, that an Audit Committee comprised of Susan Pepperdine, Robert B. Sorock and John W. Mettler be established to make a full report to the Board of Directors on the management of the financial affairs of the HSUS in advance of the April 1988 board meeting, and that the Audit Committee be authorized to expend up to $50,000, in its discretion, for professional services of accountants and/or counsel, plus reimbursement for committee members' personal expenses.

Amendment to October 15, 1987 Minutes

During discussion Dr. Lee stated her view of the role of directors and questioned actions of some directors. Mr. Hoyt then stated that he as president has sole authority to deal with the staff and personnel, and said that if it were otherwise, he would not be willing to continue as president and felt that other staff members would feel the same way. Mr. Irwin supported that statement. Ms. Speidel stated that she objected to the remarks and that it was both her right and her duty under legal advice she had received to raise the questions that had been brought up.