Financial Statements
June 30, 2011

American Humane Association

(With Comparative Totals for 2010)

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Directors
American Humane Association
Washington, D.C.

We have audited the accompanying statement of financial position of American Humane Association (the "Association") as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Association's 2010 audited financial statements. Those statements were audited by other auditors whose report dated September 30, 2010, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Humane Association as of June 30, 2011, and the changes in its net assets and its cash flows for the yearthen ended in conformity with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Golden, Colorado
November 22, 2011

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	2011	2010
Assets		
Cash and cash equivalents	$ 19,993	$ 663,455
Investments	2,048,060	8,623,915
Accounts receivable, net	1,201,123	1,372,746
Promises to give, net	244,909	249,114
Prepayments and deposits	207,786	78,833
Property and equipment, net	2,136,668	2,238,746
Beneficial interests in charitable trusts	6,057,871	5,649,816
Investments held for endowment	772,069	772,069
Total assets	$ 12,688,479	$ 19,648,694
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 1,795,847	$ 1,253,630
Accrued expenses and other liabilities	771,563	485,632
Line of credit	464,084	-
Deferred revenue	673,816	223,560
Obligations under split-interest agreements	228,980	254,236
Total liabilities	3,934,290	2,217,058
Net Assets (Deficit)		
Unrestricted		
Undesignated	(1,725,659)	5,760,636
Board designated - operating reserve	3,000,000	5,000,000
	1,274,341	10,760,636
Temporarily restricted	761,332	338,882
Permanently restricted	6,718,516	6,332,118
Total net assets	8,754,189	17,431,636
Total liabilities and net assets	$ 12,688,479	$ 19,648,694

American Humane Association

Statement of Activities

Year Ended June 30, 2011

(with comparative totals for the year ended June 30, 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	2010 Total
Support, Revenue and Gains					
Contributions and sponsorships	$ 3,046,223	$ 665,515	$ -	$ 3,711,738	$ 3,672,228
Government grants	4,325,864	-	-	4,325,864	3,326,906
Other grants	2,841,421	-	-	2,841,421	3,028,804
Royalty income	490,014	-	-	490,014	528,759
Service fees	2,042,002	-	-	2,042,002	2,042,019
Conferences and seminars	442,653	-	-	442,653	422,064
Net investment return	1,196,839	136,100	-	1,332,939	2,564,092
Change in value of beneficial interests in charitable trusts	-	21,657	540,062	561,719	153,924
Distributions from charitable trusts	153,664	-	(153,664)	-	-
Net assets released from restriction	400,822	(400,822)	-	-	-
Total support, revenue and gains	14,939,502	422,450	386,398	15,748,350	15,738,796
Expenses					
Program services					
Animal protection	8,449,306	-	-	8,449,306	8,374,597
Child welfare	9,018,245	-	-	9,018,245	7,418,350
Human-animal interaction	1,445,353	-	-	1,445,353	1,321,728
Total program services	18,912,904	-	-	18,912,904	17,114,675
Supporting services					
Philanthropic services and fundraising	3,195,416	-	-	3,195,416	3,113,140
General administration	2,317,477	-	-	2,317,477	1,422,526
Total supporting services	5,512,893	-	-	5,512,893	4,535,666
Total expenses	24,425,797	-	-	24,425,797	21,650,341
Change in Net Assets	(9,486,295)	422,450	386,398	(8,677,447)	(5,911,545)
Net Assets, Beginning of Year	10,760,636	338,882	6,332,118	17,431,636	23,343,181
Net Assets, End of Year	$ 1,274,341	$ 761,332	$ 6,718,516	$ 8,754,189	$ 17,431,636

American Humane Association
Statement of Functional Expenses
Year Ended June 30, 2011
(with comparative totals for the year ended June 30, 2010)

	2011								2010
	Program Services				Supporting Services				
	Animal Protection	Children's Welfare	Human-Animal Interaction	Total	Philanthropic Services and Fundraising	General Administration	Total	Total	Total
Salaries	$ 3,377,094	$ 3,196,999	$ 690,941	$ 7,265,034	$ 850,219	$ 977,960	$ 1,828,179	$ 9,093,213	$ 8,566,601
Benefits	674,721	657,547	143,040	1,475,308	174,913	193,918	368,831	1,844,139	1,962,121
Professional services	2,017,062	897,381	344,121	3,258,564	731,560	388,267	1,119,827	4,378,391	2,899,660
Subcontractors	320,522	750,853	13,720	1,085,095	23,104	16,756	39,860	1,124,955	1,541,142
Tradeshows and events	139,195	201,384	53,837	394,416	59,523	7,254	66,777	461,193	-
Supplies	84,385	57,901	24,193	166,479	15,331	25,520	40,851	207,330	371,035
Postage	46,987	30,725	9,433	87,145	222,870	12,398	235,268	322,413	536,905
Telecommunications	90,860	90,058	15,874	196,792	13,398	17,643	31,041	227,833	179,380
Equipment lease and repairs	80,680	34,852	10,694	126,226	9,069	9,875	18,944	145,170	130,319
Occupancy	268,797	130,055	29,447	428,299	60,421	37,370	97,791	526,090	331,908
Travel	891,633	400,488	58,909	1,351,030	120,595	142,058	262,653	1,613,683	2,131,369
Printing	44,387	45,277	14,865	104,529	513,303	6,389	519,692	624,221	722,982
Grant distributions	199,878	2,390,611	9,350	2,599,839	-	-	-	2,599,839	1,444,792
Outreach, promotion	-	-	-	-	-	445,860	445,860	445,860	242,054
List purchases	-	-	-	-	300,504	-	300,504	300,504	60,123
Dues and subscriptions	12,436	33,919	2,552	48,907	14,104	8,005	22,109	71,016	74,283
Taxes, licenses and fees	33,487	20,606	6,711	60,804	70,258	6,188	76,446	137,250	139,380
Miscellaneous	3,026	21,902	91	25,019	2,533	1,488	4,021	29,040	63,714
Depreciation and amortization	164,156	57,687	17,575	239,418	13,711	20,528	34,239	273,657	252,573
Total Expenses	$ 8,449,306	$ 9,018,245	$ 1,445,353	$ 18,912,904	$ 3,195,416	$ 2,317,477	$ 5,512,893	$ 24,425,797	$ 21,650,341

	2011	2010
Cash Flows from Operating Activities		
Decrease in net assets	$ (8,677,447)	$ (5,911,545)
Adjustment to reconcile changes in net assets to net cash used in operating activities		
Depreciation and amortization	273,657	252,573
Bad debt expense	21,618	-
Net investment return	(1,332,939)	(1,941,077)
Donated investments	-	(1,952)
Contributions received for charitable trusts	-	(3,841)
Change in value of beneficial interests in charitable trusts	(408,055)	(153,924)
Change in value of obligations under split-interest agreements	(25,256)	54,640
(Increase) decrease in operating assets:		
Accounts receivable	150,005	(83,080)
Promises to give	4,205	581,540
Prepayments and deposits	(128,953)	3,051
Inventory	-	54,971
Increase (decrease) in operating liabilities:		
Accounts payable	542,217	437,406
Accrued liabilities	285,931	(261,428)
Deferred revenue	450,256	(41,167)
Net Cash Used in Operating Activities	(8,844,761)	(7,013,833)
Cash Flows from Investing Activities		
Cash withdrawn from investments	7,908,794	7,041,554
Purchases of property and equipment	(171,579)	(69,594)
Net Cash Provided by Investing Activities	7,737,215	6,971,960
Cash Flows from Financing Activities		
Advances on line of credit	10,233,530	6,584,623
Payments on line of credit	(9,769,446)	(6,584,623)
Net Cash Provided by Financing Activities	464,084	-
Net Decrease in Cash and Cash Equivalents	(643,462)	(41,873)
Cash and Cash Equivalents at Beginning of the Year	663,455	705,328
Cash and Cash Equivalents at End of the Year	$ 19,993	$ 663,455

Note 1 - Summary of Significant Accounting Policies

Organization

American Humane Association (the "Association") is America's voice for the protection of children and animals. Since 1877, American Humane Association has been at the forefront of virtually every major advancement in protecting children and animals from cruelty and abuse. American Humane Association reaches millions of people every day through ground-breaking child and animal protection research, education, training and services.

Headquartered in Washington, D.C., American Humane Association is a child and animal welfare organization, representing mainstream principles and the ideals Americans hold dear: The shared belief that children and pets and other animals should not suffer from abuse, cruelty, and neglect. With this foremost in mind, American Humane Association is making a difference for millions of children and animals throughout America. Our programs touch a huge network of organizations, agencies, corporations, education institutions, shelters, and professionals across the U.S. and increasingly around the world.

American Humane Association carries out its mission through the following programs:

Animal Protection: American Humane Association's Animal Protection programs seek to ensure the humane treatment of companion and farm animals and animal actors by assisting animal shelters across the nation, aiding communities with rescue and sheltering efforts during disasters, and providing community education on the ethical and humane treatment of animals and emergency preparedness. Our legacy initiatives include programs such as Be Kind to Animals Week®, Adopt-A-Dog Month®, Adopt-A-Cat Month® and American Humane Association's Tag Day™. Through its Film and TV Unit office in Los Angeles (No Animals Were Harmed®), American Humane Association protects animals used in film and television productions and commercials. Through its American Humane Certified® farm animal certification program, the welfare of animals is monitored and certified for participating producers.

Child Welfare: American Humane Association's Child Welfare programs are known for the research, development and dissemination of best practices in child welfare. Child Welfare programs assist professional child welfare organizations that serve abused and neglected children, and provides studies and trainings in such initiatives as Family Group Decision Making and Differential Response. Child Welfare works to strengthen communities and child protective services systems to prevent child abuse and neglect. It works within communities to build effective, responsive services for children and families that result in more positive outcomes, and helps safeguard children through research and education that improves service delivery of public and private agencies and individual child care professionals.

Human-Animal Interaction: The mission to serve both children and animals meets and coalesces in American Humane Association's Human-Animal Interaction program, the principles of which have been integral to the corporation's mission since inception. Activities include research and training programs based on the incredible bond between animals and people, and the empathy and compassion learned in caring for pets. Primary among these efforts are animal-assisted therapy and humane education. American Humane Association also supports research into the long-known correlation between animal abuse and violence to people.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (“GAAP”). Accordingly, such information should be read in conjunction with the Association's audited financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Basis of Accounting

The accompanying financial statements of the Association have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

The Association considers all cash and highly liquid financial instruments with original maturities of three months or less and which are not held for long-term purposes to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to endowments are excluded from operating cash.

Investments

Investment purchases are initially recorded at cost, or if contributed to the Association, at their fair values on the date of contribution. Investments are reported at their fair values in the statement of financial position, and unrealized gains and losses are included in the statement of activities. Net investment return consists of the Association’s interest and dividend income, and realized and unrealized capital gains and losses generated from the Association’s investments, less investment management and custodial fees.

Accounts Receivable

Accounts receivable represent amounts due resulting from the performance of services provided to other organizations. The allowance method is used to determine uncollectible accounts and is based on account by account determination, prior years experience and management’s analysis of subsequent collections. Management has determined that substantially all receivable balances are collectible; therefore, no allowance for doubtful accounts has been recorded at June 30, 2011.

Approximately 52% of the outstanding balance of accounts receivable is attributable to three accounts.

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. The allowance for uncollectible promises to give is determined by management based upon historical experience, an assessment of the current economic environment, and analysis of subsequent events. As of June 30, 2011, management determined that no allowance was necessary.

Property and Equipment

Property and equipment additions are recorded at cost, or if donated, at the estimated fair value at the date of receipt. The Association capitalizes all property and equipment additions over $5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to forty years. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation is removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred.

Impairment of Long-Lived Assets

The Association reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the asset is reduced, by a charge reflected in the statement of activities, to its estimated fair value. Management has determined that no long-lived assets were impaired during the year ended June 30, 2011; as such, no impairment losses were recorded during the year.

Unrestricted Net Assets

Unrestricted net assets are available for use in general operations.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of amounts that are subject to donor restrictions that may or will be met by expenditures or actions of the Association and/or the passage of time, and certain income earned on permanently restricted net assets.

The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets

Permanently restricted net assets consist of assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Association.

The restrictions stipulate that resources be maintained permanently but permit the Association to expend the income generated in accordance with the provisions of the agreement.

Revenue Recognition

Revenue is recognized when earned. Contract service revenue is recognized as services are rendered. Grant revenue under cost-reimbursable grants is recognized when qualifying reimbursable expenses are incurred. Conference and meeting revenues are recognized during the year in which the conference or meeting is held. As of June 30, 2011, American Humane Association recorded deferred revenue which represents the portion of revenue collected during the fiscal year that applies to subsequent year's activity.

Contributions and Grants

Contributions and grants received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions.

Support, including investment income which is restricted by the donor, is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Bequests

American Humane Association, if informed that it has been named beneficiary under certain wills, does not include bequest amounts in the financial statements relating to potential distributions if they may be revoked or amended during the makers' lifetimes.

Donated Property and Equipment, Goods and Services

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, American Humane Association reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Volunteers contribute significant amounts of time to the Association’s program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria.

Functional Allocation of Expenses

The Association allocates the costs of conducting its programs and supporting services activities among the programs and supporting services benefited.

Advertising Costs

American Humane Association uses advertising to promote its programs among the constituencies it serves. The production costs of advertising are expensed as incurred. During the year ended June 30, 2011, total advertising costs totaled $239,062.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support, revenue, expenses, and distributions during the reporting period. Actual results could differ from those estimates, and such differences could be material.

Financial Instruments and Concentrations of Credit Risk

The Association manages deposit concentration risk by placing its temporary cash and money market accounts with various financial institutions considered to be high quality. At times, a significant portion of the funds may exceed Federal Deposit Insurance Corporation ("FDIC") or other insurance limits. The Association has not experienced any losses in such accounts.

The Association's investments are made primarily by investment managers engaged by the Association, and the investments are monitored by management with the assistance of an outside investment advisor. Though the market values of investments are subject to fluctuation on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of the Association.

Credit risk associated with accounts receivable and promises to give is considered to be limited because of high historical collection rates and because a substantial portion of the amounts outstanding are due from individuals, foundations and corporations supportive of the Association's mission.

Accounting for Uncertain Tax Positions

American Humane Association is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, qualifies for the charitable contribution deduction under 170(b)(1)(A)(vi), and has been classified as an organization other than a private foundation under Section 509(a) of the Internal Revenue Code. However, income not directly related to the Association's tax-exempt purpose is subject to taxation as unrelated business income. The Association had no significant taxable income or income tax expense during the current fiscal year.

The Association believes it has conducted its operations in accordance with, and has properly maintained, its tax-exempt status. The Association's tax returns for fiscal years 2008 through 2011 are subject to examination by the Internal Revenue Service.

Note 2 - Unusual Bequest and Level of Activity

During the fiscal year ended June 30, 2006, the Association received an unusually large bequest approximating $35,000,000, and has since been using the bequest to provide additional programmatic services in areas historically beyond its financial ability to do so. During the year ended June 30, 2011, the last of the bequest distributions were expended, and the Association implemented a plan to scale back its activities to a sustainable level absent this continued funding source. Because of reduced physical office space needs, the Association decided to sell its headquarters facility, and subsequent to June 30, 2011, sold it for approximately $2.7 million. Management believes these actions and a balanced operating budget will provide the liquidity necessary to conduct operations at the new level, and will contribute to its goal of achieving an increase in net assets for the year ending June 30, 2012.

Note 3 - Fair Value Disclosures

The Association follows the methods of fair value measurement described in the Fair Value Measurements and Disclosures topic of the Codification to determine the fair values of all assets and liabilities required to be measured at fair value. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability, i.e., the "exit price," in an orderly transaction between market participants at the measurement date. A hierarchy prioritizes the observable and unobservable inputs used to measure fair value into three broad levels, as described below:

Level 1 – Observable inputs such as quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, or model-derived valuations in which all significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 – Unobservable inputs are used when little or no market data is available.

In determining fair value, the Association utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

Following is a description of the valuation methodologies used to measure fair value. There have been no changes in the methodologies used during the year ended June 30, 2011.

Cash and cash equivalents: The carrying amount is a reasonable estimate of fair value.

Domestic and international equity securities: Valued at the closing price reported on the active markets on which the individual securities are traded.

Bond Mutual funds: Valued at the closing price reported on the active markets on which the individual securities are traded.

Beneficial interests in charitable trusts: Fair value of charitable remainder trusts is calculated as the value of the trust assets as reported by the trustee, discounted using life expectancy tables. Fair value of perpetual trusts represents the Associations share of trust assets as reported by the trustees at June 30, 2011. Charitable trusts assets are composed primarily of exchange traded securities.

Assets measured at fair value on a recurring basis have been categorized into a hierarchy based on the observable and unobservable inputs used to determine fair value as of June 30, 2011:

	Level 1	Level 2	Level 3	Total
Investments				
Cash and cash equivalents	$ 52,625	$ -	$ -	$ 52,625
Domestic equities	961,259	-	-	961,259
International equities	246,800	-	-	246,800
Bond mutual funds				
U.S. government	115,730	-	-	115,730
Mortgage	214,412	-	-	214,412
Domestic corporation	259,756	-	-	259,756
Foreign government	132,281	-	-	132,281
Foreign corporation	65,197	-	-	65,197
	$ 2,048,060	$ -	$ -	$ 2,048,060
Investments held for endowment				
Cash and cash equivalents	$ 19,839	$ -	$ -	$ 19,839
Domestic equities	362,371	-	-	362,371
International equities	93,037	-	-	93,037
Bond mutual funds				
U.S. government	43,628	-	-	43,628
Mortgage	80,828	-	-	80,828
Domestic corporation	97,922	-	-	97,922
Foreign government	49,867	-	-	49,867
Foreign corporation	24,577	-	-	24,577
	$ 772,069	$ -	$ -	$ 772,069
Beneficial interest in charitable trusts	$ -	$ -	$ 6,057,871	$ 6,057,871

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Below is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2011:

Balance, July 1, 2010	$ 5,649,816
Distributions	(153,664)
Increase in value of beneficial interests in charitable trusts	561,719
Balance, June 30, 2011	$ 6,057,871
Increase in value included in the statement of activities attributable to the change in value relating to assets still held at June 30, 2011	$ 408,055

Note 4 - Net Investment Return

Net investment return consisted of the following for the year ended June 30, 2011:

Interest and dividend income	$ 156,819
Net realized and unrealized gain	1,176,120
	$ 1,332,939

Note 5 - Annuity and Trust Arrangements

The Association is the beneficiary of certain irrevocable charitable gift arrangements, as well as perpetual, lead, term and charitable remainder trusts administered by the Association or banks and other financial institutions.

Charitable Gift Annuities

American Humane Association has an unrestricted beneficial interest in various charitable gift annuities. In accordance with the gift agreements, American Humane Association pays a specified amount of earnings to named beneficiaries over their lifetimes. American Humane Association is trustee for these trusts. Generally, the assets received under the charitable gift annuities are recorded at fair value and a corresponding liability is reflected equal to the net present value of future payments using a discount rate commensurate with the risks involved. The liability under these annuity agreements as of June 30, 2011, was $228,980.

Beneficial Interests in Charitable Trusts

Term and charitable remainder trusts provide for the payment of distributions to the grantor or other designated beneficiaries over the stipulated term or designated beneficiaries' lifetimes. At the end of the trusts' terms, the remaining assets are available for American Humane Association's use. Lead trusts provide for payment of distributions to the charity over the life of the residual beneficiary or the term of the trust. No residual amount is received by the charity at the termination of the trust. Perpetual trusts provide for the distribution of the net income of the trust to American Humane Association; however, American Humane Association will never receive the assets of the trust. As of June 30, 2011, the net present values of beneficial interests in charitable trusts were included in the statement of financial position as follows:

Remainder and lead trusts	
Gross amounts receivable	$ 158,616
Less discount	(47,192)
	111,424
Perpetual trusts	
Fair value of assets held by perpetual trusts	5,946,447
	$ 6,057,871

During 2011, the American Humane Association received no distributions from the remainder or lead trusts. The income from the perpetual trusts for 2011 was $153,664 and is available to American Humane Association for unrestricted use.

Note 6 - Property and Equipment

Property and equipment consisted of the following as of June 30, 2011:

	Total
Land	$ 523,556
Buildings and improvements	2,539,310
Furniture and equipment	494,297
Leasehold Improvements	137,808
Automobiles	286,666
Computer hardware and software	693,302
	4,674,939
Less accumulated depreciation	(2,538,271)
Net property and equipment	$ 2,136,668

On September 16, 2011, the Association sold its building and all office furniture in Englewood, Colorado for $2,740,401.

Note 7 - Line of Credit

American Humane Association has a $1,000,000 line of credit with a financial institution. Borrowings under this line of credit bear interest at .50% plus the prime rate announced by the financial institution (3.75% at June 30, 2011). The line of credit matures in January 2012, and may be renewed annually. Borrowings under the line are collateralized by pledged investments. The line of credit agreement contains covenants, which include a requirement to maintain a balance in the pledged investments of at least 100 % of the outstanding balance in use by the line of credit. As of June 30, 2011, $464,084 was due on the line of credit. The Association was in compliance with all covenants at June 30, 2011.

Note 8 - Endowment

General

American Humane Association's Endowment Fund is established by action of American Humane Association Board of Directors (the "Board") to be maintained in perpetuity. The Endowment Fund may include both donor-restricted endowment funds as well as funds designated by the Board to function as endowments. The endowment funds may be established for either specific purposes or general operating use. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board has interpreted the Washington D.C. Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Association and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Association
- Investment policies of the Association

Changes in Endowment Net Assets

Changes in endowment net assets for the year ended June 30, 2011, were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 772,069	$ 772,069
Investment return			
Interest income, net of fees	20,288	-	20,288
Net realized and unrealized gain on investments	115,812	-	115,812
Total investment return	136,100	-	136,100
Endowment net assets, end of year	$ 136,100	$ 772,069	$ 908,169

Return Objectives and Risk Parameters

The Endowment Fund is invested in perpetuity in accordance with an Endowment Policy adopted by the Board of Directors. The stated goal for the endowment is to generate a return which maintains purchasing power of the fund, as measured by the Consumer Price Index (CPI). Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, American Humane Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). American Humane Association targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Association has a policy of appropriating for distribution annually up to 5 percent of the beginning of the year principal and therefore will expect a portion of the endowment to be liquid. In establishing this policy, the Association considered the long-term expected return on its endowment. Accordingly, over the long term, the Association expects the current spending policy to allow its endowment to grow at an average of at least the CPI annually. This is consistent with the Association's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. Appropriation may be made in the form of American Humane Association's expenditure budget on an annual basis.

Note 9 - Restrictions on Net Assets

Temporarily restricted net assets as of June 30, 2011, consist of the following:

Contributions receivable	$ 244,909
Restricted funds for programs	404,999
Beneficial interest in charitable trusts	111,424
	$ 761,332

Permanently restricted net assets as of June 30, 2011, consist of the following:

Beneficial interests in perpetual trusts	$ 5,946,447
Endowment funds, with various income restrictions	772,069
	$ 6,718,516

Note 10 - Commitments

Retirement Plans

American Humane Association maintains tax-deferred retirement plans qualified under Sections 403(b) and 401(a) of the Internal Revenue Code. The plans cover substantially all full-time employees of American Humane Association. Employees may contribute a portion of their gross salaries to the 403(b) plan up to the maximum amount established by the IRS. American Humane Association contributes to the 401(a) plan one-half of the amounts contributed by each employee electing to participate in the 403(b) plan, up to a maximum employer contribution of 6% of gross wages. The 403(b) maximum employer contribution increased from 4 % to 6 % on July 1, 2007. Employer contributions become fully vested after four years of service. During the year ended June 30, 2011, American Humane Association contributed $134,774 to the plan.

Operating Lease Commitments

The Association leases office space and certain office equipment under operating leases expiring between 2012 and 2016 requiring the following annual payments:

Year Ending June 30,	Minimum Lease Commitments
2012	$ 437,523
2013	448,804
2014	435,384
2015	437,630
2016	187,600
	$ 1,946,941

Rent expense for the year ended June 30, 2011 was $297,772.

Hotel Commitments

The Association contracts with hotels for future events. Commitments under the terms of the agreements for 2012 require payments of $198,094.

Note 11 - Subsequent Events

American Humane Association has performed an evaluation of subsequent events through November 22, 2011, which is the date the financial statements were available to be issued, and has considered any relevant matters in the preparation of the financial statements and footnotes. See footnote 6 for discussion of the subsequent sale of the Association’s building.