AMERICAN HUMANE ASSOCIATION

FINANCIAL STATEMENTS

JUNE 30, 2015

CALIBRE
CPA GROUP
Bethesda, MD

AMERICAN HUMANE ASSOCIATION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

CONTENTS

CALIBRE
CPA GROUP
Bethesda, MD

Report of Independent Auditors

Board of Directors
American Humane Association

We have audited the accompanying financial statements of the American Humane Association (the Association), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the year ended June 30, 2015, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Humane Association as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the year ended June 30, 2015, in accordance with accounting principles generally accepted in the United States of America.

Calibre CPA Group, PLLC

Bethesda, MD
October 6, 2015

American Humane Association

Statements of Financial Position

June 30, 2015 and 2014

	2015	2014
Assets		
Assets		
Cash and cash equivalents	$ 1,873,837	$ 1,736,442
Investments	1,800,635	1,974,620
Accounts receivable, net	438,405	497,466
Grants and contributions receivable, net	1,494,574	1,663,661
Prepayments and deposits	353,903	477,344
Property and equipment, net	189,427	262,501
Beneficial interests in charitable trusts	5,700,117	5,873,727
Investments held for endowment	1,113,898	1,050,603
Total assets	$ 12,964,796	$ 13,536,364
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 268,431	$ 362,556
Accrued expenses and other liabilities	597,817	1,061,249
Deferred revenue	244,704	294,237
Deferred lease liability	288,994	272,309
Obligations under split-interest agreements	1,230,973	1,266,612
Total liabilities	2,630,919	3,256,963
Net assets		
Unrestricted	699,416	510,396
Temporarily restricted	3,035,761	3,065,556
Permanently restricted	6,598,700	6,703,449
Total net assets	10,333,877	10,279,401
Total liabilities and net assets	$ 12,964,796	$ 13,536,364

See accompanying notes to financial statements.

American Humane Association

Statement of Activities

Year Ended June 30, 2015
(With comparative totals for year ended June 30, 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
Support and revenue					
Contributions and sponsorships	4,288,382	$ 2,285,523	$ 70,000	$ 6,643,905	$ 5,978,314
Other grants	3,345,329	-	-	3,345,329	2,949,486
Royalty income	1,604,263	-	-	1,604,263	1,277,899
Services fees	1,833,636	-	-	1,833,636	1,352,583
Conferences and seminars	36,000	-	-	36,000	84,510
Rental and miscellaneous income	108,972	-	-	108,972	155,720
Net investment return					
Distributions from perpetual trusts	206,611	-	-	206,611	188,870
Other	120,089	10,574	-	130,663	186,357
Change in value of split interest agreements	(113,339)	1,140	-	(112,199)	15,132
Gain (loss) on interests in perpetual trusts	-	-	(174,749)	(174,749)	489,918
Net assets released from restrictions	2,327,032	(2,327,032)	-	-	-
Total support and revenue	13,756,975	(29,795)	(104,749)	13,622,431	12,678,789
Expenses					
Program services					
Humane Heartland	1,532,079	-	-	1,532,079	1,266,134
Humane Hollywood	6,953,422	-	-	6,953,422	5,958,121
Humane Intervention	1,101,622	-	-	1,101,622	1,031,177
Humane Research and Therapy	1,196,788	-	-	1,196,788	947,068
Total program services	10,783,911	-	-	10,783,911	9,202,500
Supporting services					
Philanthropic services and fundraising	1,960,173	-	-	1,960,173	2,035,090
General administration	823,871	-	-	823,871	748,432
Total supporting services	2,784,044	-	-	2,784,044	2,783,522
Total expenses	13,567,955	-	-	13,567,955	11,986,022
Change in net assets	189,020	(29,795)	(104,749)	54,476	692,767
Net assets					
Beginning of year	510,396	3,065,556	6,703,449	10,279,401	9,586,634
End of year	$ 699,416	$ 3,035,761	$ 6,598,700	$ 10,333,877	$ 10,279,401

See accompanying notes to financial statements.

American Humane Association

Statement of Functional Expenses

Year Ended June 30, 2015
(With comparative totals for year ended June 30, 2014)

	2015									2014
	Program Services					Supporting Services				
	Humane Heartland	Humane Hollywood	Humane Intervention	Humane Research and Therapy	Total	Philanthropic Services and Fundraising	General Administration	Total	Total Expenses	Total Expenses
Salaries	$ 551,224	$ 2,691,969	$ 411,919	$ 327,849	$ 3,982,961	$ 834,454	$ 398,413	$ 1,232,867	$ 5,215,828	$ 4,670,996
Benefits	121,439	527,486	89,336	73,307	811,568	182,169	87,560	269,729	1,081,297	901,152
Professional services	256,467	1,423,918	78,079	382,525	2,140,989	338,578	173,431	512,009	2,652,998	2,000,008
Subcontractors	252,650	172,511	-	-	425,161	-	-	-	425,161	314,719
Tradeshows and events	51,707	258,145	20,292	126,207	456,351	28,474	3,618	32,092	488,443	591,907
Supplies	2,984	55,220	21,889	24,041	104,134	9,883	4,387	14,270	118,404	91,509
Postage	4,572	23,917	2,239	9,801	40,529	82,614	2,469	85,083	125,612	137,445
Telecommunications	13,567	75,157	9,957	8,496	107,177	20,661	6,046	26,707	133,884	99,274
Equipment lease and repairs	1,705	19,984	22,560	1,442	45,691	2,693	3,544	6,237	51,928	111,379
Occupancy	60,633	468,157	82,967	42,907	654,664	81,596	78,198	159,794	814,458	800,742
Travel	67,001	619,225	112,985	79,035	878,246	93,924	39,298	133,222	1,011,468	937,785
Printing	9,911	72,530	1,477	23,965	107,883	81,744	979	82,723	190,606	151,051
Grant distributions	-	17,000	18,572	20,000	55,572	-	-	-	55,572	71,518
Outreach, promotion	25,234	100,569	4,759	24,112	154,674	27,463	695	28,158	182,832	185,651
List purchases	-	950	-	-	950	-	-	-	950	-
Dues and subscriptions	7,060	20,379	3,237	11,457	42,133	38,008	1,923	39,931	82,064	71,317
Taxes, licenses and fees	1,424	20,100	25,796	2,938	50,258	94,144	13,427	107,571	157,829	125,977
Miscellaneous	374	158,193	285	5,102	163,954	2,724	149	2,873	166,827	114,062
Donated goods and services	102,641	196,202	145,460	32,362	476,665	38,629	6,545	45,174	521,839	518,242
Depreciation and amortization	1,486	31,810	49,813	1,242	84,351	2,415	3,189	5,604	89,955	91,288
Total expenses	$ 1,532,079	$ 6,953,422	$ 1,101,622	$ 1,196,788	$ 10,783,911	$ 1,960,173	$ 823,871	$ 2,784,044	$ 13,567,955	$ 11,986,022

See accompanying notes to financial statements.

American Humane Association

Statement of Cash Flows

Year Ended June 30, 2015
(With comparative amounts for year ended June 30, 2014)

	2015	2014
Cash flows from operating activities		
Change in net assets	$ 54,476	$ 692,767
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation and amortization expense	89,955	91,288
Bad debt expense	155,591	104,773
Net (gains) losses on investments	(116,698)	(118,621)
Change in value of beneficial interest in charitable trusts	173,610	(496,993)
Change in value of obligations under split-interest agreements	(35,639)	269,305
(Increase) decrease in operating assets		
Accounts receivable	(96,530)	(109,281)
Grants and contributions receivable	169,087	879,784
Prepayments and deposits	123,441	(163,766)
Increase (decrease) in operating liabilities		
Accounts payable	(94,125)	(92,814)
Accrued expenses and other liabilities	(463,432)	523,727
Deferred revenue	(49,533)	(45,857)
Deferred lease liability	16,685	37,975
Net cash provided by (used for) operating activities	(73,112)	1,572,287
Cash flows from investing activities		
Proceeds from sales of investments	439,071	842,167
Purchases of investments	(211,683)	(1,311,080)
Purchases of property and equipment	(16,881)	(147,486)
Net cash provided by (used for) investing activities	210,507	(616,399)
Cash flows from financing activities		
Borrowing under line of credit	1,000,000	800,000
Repayment of line of credit	(1,000,000)	(1,525,000)
Net cash used for financing activities	-	(725,000)
Net increase in cash and cash equivalents	137,395	230,888
Cash and cash equivalents		
Beginning of year	1,736,442	1,505,554
End of year	$ 1,873,837	$ 1,736,442
Supplemental disclosure: interest paid during the year	$ 1,059	$ 613

See accompanying notes to financial statements.

NOTE 1. ORGANIZATION

American Humane Association (the Association) is the country's first national humane organization and the only charity dedicated to protecting children and animals. Since 1877 the organization has been at the forefront of virtually every major advance in protecting our most vulnerable, including children, pets and farm animals.

The mission of American Humane Association is to ensure the welfare, wellness and well-being of children and animals, and to unleash the full potential of the bond between humans and animals to the mutual benefit of both. Our goal is to measurably, demonstrably and significantly increase the number of children and animals who are protected from harm - and the number of humans and animals whose lives are enriched - through direct action, thought leadership, policy innovation, and expansion of proven, effective programs.

The Association carries out its mission through the following programs:

Humane Heartland

The American Humane Certified® farm animal welfare program is the oldest, largest, and fastest-growing auditing, and certification program in the country advocating for the humane treatment of farm animals. The purpose of the program is to improve and verify the treatment of animals on our nation's farms and ranches utilizing evidence and science-based welfare standards, and to educate the food supply chain and consumers about the significance and benefits of the humane treatment of farm animals.

This program certifies the humane treatment of animals in North American food production, and achieved a significant milestone in this fiscal year in the national agriculture sector. American Humane Association's farm animal welfare program expanded from certifying the humane treatment of 400 million farm animals in 2012 to certifying *over one billion farm animals* at the close of the fiscal year. In fact, this program has grown 1,000% over the past four years in terms of number of animals impacted through the farm animal welfare program. This landmark is significant because American Humane Association now certifies the humane treatment of nearly 10% of the animals in North American food production. The humane certification and audit standards are regularly reviewed by its Science Advisory Committee, an international group of animal science experts. The third party audits are conducted by independent Professional Animal Auditor Certification Organization (PAACO) certified auditors. The program covers over 8,100 farms and ranches throughout the United States and Canada. The American Humane Certified® seal is now found on many products in grocery stores, including dairy, chicken, turkey, pork, eggs and cheese products. An outreach initiative with chefs provides an online "humane table" featuring restaurants and recipes using humanely raised products.

NOTE 1. ORGANIZATION (CONTINUED)

American Humane Association developed a third grade school curriculum on raising farm animals humanely and how food is produced. This is available in our humane education initiatives.

Humane Hollywood

The "No Animals Were Harmed®" certification program has safeguarded over half a million animals on thousands of productions worldwide in the last five years alone. Since 1940, our program has been at the forefront of animal welfare in filmed entertainment. We are the only industry-sanctioned organization with oversight of animals in filmed production and the sole entity to award the internationally recognized *No Animals Were Harmed*® end-credit certification to productions that met our rigorous standard of care.

The purpose of the No Animals Were Harmed® certification program is to ensure and certify the safety of animal actors, which also results in greater safety for human actors, in the production of filmed media. The program fundamentally:

- Protects animals used in film, television and commercial production, no matter where filming occurs, during the production and on set.
- Supports compliant productions with respect to any improper allegations of animal mistreatment or abuse, throughout the life of the project within our scope on set.
- Educates and informs film industry professionals and the public regarding the humane treatment of animal actors in the global media community.
- Enforces American Humane Association's *Guidelines for the Safe Use of Animals in Filmed Media* (*Guidelines*) with specially trained Certified Animal Safety Representatives.

The program coverage is significant for intense animal action seen in filmed media. The No Animals Were Harmed® Certified Animal Safety Representatives monitored 74.65% of all intense animal action representing 1,581 production days for US and International productions. The Certified Animal Safety Representatives monitored 56% of animal action for a total of 2,681 production days. The program issued 788 ratings and awarded 699 "No Animals Were Harmed®" end-credit certifications. In January 2014, with the support of industry leaders, the No Animals Were Harmed® program implemented a fee-for-service business model, in order to close the gap between the cost of running our program and our grant awards from Industry Advancement and Cooperative Fund - SAG and Industry Cooperative Fund - AFTRA. The production community has embraced our new fees demonstrating the value they place on our work and mission to protect animal actors. For fiscal year 2015, the program had total service fee revenue of more than $1.3 million.

Humane Hollywood educated millions with the American Humane Association Hero Dog Awards®, a program initiative designed to inspire and entertain millions while educating them on the power of the human-animal bond and the role of working dogs in society. The national television broadcast of the Fourth Annual American Humane Association Hero Dog Awards featuring James Denton, Beth Stern, Wilson Phillips and many more was presented on the Hallmark Channel on October 30, 2014. It was the highest rated show in our four year tenure.

NOTE 1. ORGANIZATION (CONTINUED)

Therapy Dog Susie, a pit bull, took home the top honor for 2014's American Hero Dog. Susie was found beaten and on the verge of death in a North Carolina park. Nursed back to health and later adopted by Donna Lawrence - herself the victim of a vicious dog attack - the pair have gone on to successfully champion harsher laws for convicted animal abusers in North Carolina, known as "Susie's Law." This remarkable story is the subject of the inspirational film "Susie's Hope." Together, Donna and Susie visit schools and hospitals to bring the power of animal-assisted therapy and to breakdown stereotypes about the pit bull breed. Additionally, we presented our first-ever American Humane Association Hero Veterinarian and Hero Veterinary Technician Awards, with Dr. Eva DeCozio named 2014's American Hero Veterinarian and Signe Corbin the 2014 American Hero Veterinary Technician.

Humane Intervention

Our famed Red Star® Rescue teams rescue and shelter animals in crisis and provide lifesaving tips and disaster preparation training to protect children, families and communities before, during and after disasters. The purpose of Humane Intervention programs are to provide intervention for communities in crisis and to help build more humane communities nationwide through initiatives like grants, shelter support and humane education.

In just the past ten years, Red Star® Rescue teams with their nearly 200 highly trained volunteer first-responders nationwide have rescued, cared for and/or assisted more than 80,000 animals. Among our Red Star® responses in fiscal year 2015, our legendary team rushed to the aid of more than 100 animals found in terrible condition at a New Jersey shelter. American Humane Association's Red Star team worked to save and rehabilitate the animals, and start them on the road to their new lives as members of loving families.

Emergency field responses during fiscal year 2015 included rescuing and relocating 66 animals in dire need at a reservation in South Dakota. Without our help, these animals would have died or been euthanized. The team saved 18 horses and a mule in a major cruelty case. Red Star staff and volunteers ran a 24/7 critical care operation following the rescue until the horses were stable enough to be transported to a rescue facility. Red Star team members provided emergency care and compassion to 70 frightened dogs rescued in a dramatic multi-state dogfighting raid. In addition to emergency response, the team provided lifesaving education and outreach with a disaster preparedness tour of the Northeast. Sponsored by Banfield Pet Hospital, emergency instructions, vital tips, and disaster kits were distributed at special events in states across the region including New Jersey, Pennsylvania and Northern Virginia. The effort reached millions more people through media following the tour and a live broadcast on Fox News Channel. The Red Star team maintains a fleet of disaster response vehicles and boats, to include an 82-foot tractor trailer and rig that serves as a mobile command unit and veterinary medical and triage unit.

In the past year, American Humane Association's Second Chance Fund provided medical and emergency fund grants to local shelters and rescue groups. The Meacham Fund provided support to various organizations to provide resources to help animals in need.

NOTE 1. ORGANIZATION (CONTINUED)

Humane Research and Therapy

American Humane Association's foundation is providing evidence-based solutions for the humane movement for the benefit of children and animals, while promoting the power of the human-animal bond. Anchored by two research institutes - the Animal Welfare Research Institute and the Children's Innovation Institute - humane research and therapy bring participatory, preventive science to our communities with robust humane solutions impacting our most vulnerable in society. American Humane Association has been driven by science-based research and outcomes for over a century, and continues this effort in modern times through innovative research studies.

The "*Canines and Childhood Cancer* study", launched by American Humane Association in partnership with Zoetis, is working in collaboration with children's hospitals across the country to investigate the impacts of animal-assisted therapy on pediatric oncology patients, their parents, and the therapy dogs who visit them. The "Canines and Childhood Cancer study" is a randomized, controlled trial that will examine specific health effects that animal-assisted therapy have on young cancer patients and their families. The therapeutic benefits of animal-assisted therapy for cancer patients have been shared anecdotally by doctors, patients, caregivers and animal handlers for years, and this research seeks to provide empirical evidence of the benefits. In April, an article regarding the *Canines and Childhood Cancer* (*CCC*) *Study* was published in a peer-reviewed journal - *Austin Journal of Veterinary Science & Animal Husbandry*. The study was also featured in the fourth edition (2015) of the *Handbook on Animal-Assisted Therapy*, which is widely used in college classrooms across the country as "the" textbook on human-animal interaction.

On the conference front, the *CCC* research team presented at the American Society of Pediatric Hematology/Oncology Annual Meeting in May in Phoenix, Ariz., which boasts more than 1,000 pediatric hematology/oncology professionals from around the world, and the International Society for Anthrozoology Annual Conference in July in Saratoga Springs, NY, with members representing 30 countries across the world.

Our Red Star® Animal Assisted Therapy teams are on the ground year-round providing life-healing comfort for children with cancer, communities struck by severe weather, and military families impacted by service. In the past year, Red Star® Animal Assisted Therapy deployed 109 Animal Assisted Therapy teams to 23 summer camps and military family retreats, impacting 1,950 children of our nation's military in partnership with the National Military Families Association's Operation Purple.

The Wags4Patriots program provides grants to military veterans in order to help offset the costs of training and adopting a Post-Traumatic Stress (PTS) service dog. To date, we have been able to help eight military veterans diagnosed with PTS adopt a service dog to aid them in coping with mental health symptoms caused by their war experiences. These dogs have allowed the veterans to become more independent, feel safe and accepted, and reconnect with the people and things they love.

NOTE 1. ORGANIZATION (CONTINUED)

In addition, American Humane Association continued its second year of partnership with The Weather Channel to provide the services of "Butler" The Weather Channel Therapy Dog who, with his AHA handler, visits communities nationwide that have been impacted by severe weather. In February, Butler visited Boston residents impacted by record snowfall and in March, he traveled to Atlanta to visit a 16-year-old boy who was paralyzed in a sledding accident and assisted with his physical therapy exercises. In April, Butler traveled to Moore, OK to participate in a community event to provide education and resources for people experiencing weather-related anxiety as storm season heated up.

The first week of May every year has been synonymous with kindness for generations of children and adults since 1915. To help children, parents and teachers make a difference in their communities, we launched the year-long "Kindness 100™" humane education campaign to mark the 100th anniversary of our "Be Kind to Animals Week®," the oldest commemorative week in American history. The national educational curriculum released in the spring reached 15 million children from pre-K to fifth grades, encouraging compassion, respect and kindness.

Dogs have been essential to the U.S. military since the Civil War, and they have been used heavily in the Global War on Terror. Their powerful noses are capable of detecting deadly hidden weapons caches and IEDs, and it is estimated that each dog serving in the military saves an estimated 150-200 lives on the battlefield. Unfortunately, when their tours of duty are over, they are not always afforded a ride home like their human counterparts. This year, American Humane Association funded the transfer home of 21 military working dogs and contract working dogs and reunited them with their former military handlers.

Private entities like American Humane Association should not be footing the bill to bring home these four-footed military heroes, and this year American Humane Association sponsored language in the FY 2016 National Defense Authorization Act to bring home all military working dogs and give their former human handlers the first right at adoption. The bill was passed with bipartisan support in both the House of Representatives and Senate in the spring and the full bill will soon be finalized and sent to President Obama for his signature.

As a thought leader in the humane space for 138 years, American Humane Association has always sought to share its research, program outcomes, and science-based solutions with the world community for the broad benefit of children and animals. To continue and expand this outreach, in 2015 we further raised our commitment to serve as a source of information and perspective to America and its leaders, supporting the founding of the Congressional Caucus for the Humane Bond, founded and co-chaired by Rep. Gus Bilirakis (R-FL) and Rep. Henry Cuellar (D-TX). This new caucus was created to promote and strengthen the humane bond between people and animals in working environments, our homes, hospitals, educational settings, the wild, and agriculture, and unleash the power of our connection to benefit both and create healthy, sustainable and humane communities.

NOTE 1. ORGANIZATION (CONTINUED)

American Humane Association held three congressional briefings on Capitol Hill this year. In July we highlighted the importance of dogs to the military and the need to bring them all home. Just before the Thanksgiving holiday, we came together to salute the farmers, food companies, chefs, and groups working to raise farm animals humanely and provide a Humane Table to America's families. Finally, in June we held the official launch event for the Congressional Caucus for the Humane Bond, where members of Congress were invited to come meet human and animal celebrities, military working dog teams, past Hero Dog Awards winners, and animal welfare experts and learn about the goals of the newest caucus on the Hill.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 highly liquid financial instruments with original maturities of three months or less and which are not held for long-term purposes to be 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, 2015 and 2014.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions have been 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, 2015 and 2014, management determined that no allowance was necessary. All promises to give are due within one year.

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 are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense accounts 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, 2015; 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 from 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, 2015, the Association recorded deferred revenue which represents the portion of revenue collected during the fiscal year that applies to subsequent years' activities.

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

The 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. The donation is recognized once the will has gone through probate and the Association has been notified of the award.

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, the

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Association reports expirations of donor restrictions when the donated or acquired assets are placed in service. Volunteers also contribute significant amounts of time to the Association's program service activities, and are measured at fair value whenever the recognition criteria have been met. During the years ended June 30, 2015 and 2014, donated goods and services recognized in the financial statements totaled $521,839 and $518,242, respectively.

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

The Association uses advertising to promote its programs among the constituencies it serves. The production costs of advertising are expensed as incurred. During the years ended June 30, 2015 and 2014, total advertising costs totaled $76,706 and $106,347, respectively.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting for Uncertain Tax Positions

The Association is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC), 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 IRC. 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 2012 through 2015 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Reclassifications

Certain amounts previously reported as of and for the year ended June 30, 2014 have been reclassified to conform to the 2015 presentation.

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 FASB Accounting Standards 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, 2015.

NOTE 3. FAIR VALUE DISCLOSURES (CONTINUED)

- Cash and cash equivalents: The carrying amount is a reasonable estimate of fair value.
- Corporate bonds and notes: Valued using pricing models maximizing the use of observable inputs for similar securities.
- Mutual and exchange – traded 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 underlying trust assets as reported by the Trustee, discounted using life expectancy tables. Fair value of perpetual trusts represents the Association's share of underlying trust assets as reported by the Trustees at June 30, 2015. Charitable trust 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, 2015 and 2014:

	June 30, 2015			
	Total	Level 1	Level 2	Level 3
Investments				
Cash and cash equivalents	$ 61,731	$ 61,731	$ -	$ -
Corporate bonds and notes	199,418	-	199,418	-
Mutual and exchange-traded funds				
Equities	1,359,562	1,359,562	-	-
Fixed income	1,051,320	1,051,320	-	-
Non-traditional	242,502	242,502	-	-
	$ 2,914,533	$ 2,715,115	$ 199,418	$ -
Beneficial interest in charitable trusts	$ 5,700,117	$ -	$ -	$ 5,700,117

	June 30, 2014			
	Total	Level 1	Level 2	Level 3
Investments				
Cash and cash equivalents	$ 71,900	$ 71,900	$ -	$ -
Corporate bonds and notes	412,677	-	412,677	-
Mutual and exchange-traded funds				
Equities	1,652,118	1,652,118	-	-
Fixed income	507,296	507,296	-	-
Non-traditional	381,232	381,232	-	-
	$ 3,025,223	$ 2,612,546	$ 412,677	$ -
Beneficial interest in charitable trusts	$ 5,873,727	$ -	$ -	$ 5,873,727

NOTE 3. FAIR VALUE DISCLOSURES (CONTINUED)

The Association's beneficial interest in charitable trusts as of June 30, 2015 includes approximately $119,000 representing a remainder interest in three different trusts whose total assets have an estimated fair value of $1.2 million. The Association's interest in the three trusts ranges from 2.25% to 33.33%, and has been adjusted for the life expectancy of those holding life interests. The remaining amount of approximately $5.6 million includes the Association's interest in 17 perpetual trusts having total assets of $62.5 million.

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 years ended June 30, 2015 and 2014:

Balance at June 30, 2013	$5,376,734
Increase in value of beneficial interest in charitable trusts	496,993
Balance at June 30, 2014	$5,873,727
Decrease in value of beneficial interest in charitable trusts	(173,610)
Balance at June 30, 2015	$5,700,117

The (decrease) increase in value included in the statement of activities attributable to the change in value relating to assets still held at June 30, 2015 and June 30, 2014 was $(173,610) and $496,993, respectively.

NOTE 4. NET INVESTMENT RETURN

Net investment return consisted of the following for the years ended June 30, 2015 and 2014:

	2015	2014
Interest and dividend income	$ 133,659	$ 67,736
Unrealized gains (losses)	(48,604)	66,646
Realized gains	45,608	51,975
	130,663	186,357
Distributions from perpetual trusts	206,611	188,870
	$ 337,274	$ 375,227

NOTE 5. ANNUITY AND TRUST AGREEMENTS

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

The Association has an unrestricted beneficial interest in various charitable gift annuities. In accordance with the gift agreements, the Association pays a specified amount of earnings to named beneficiaries over their lifetimes. The 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, 2015 and 2014, was $1,230,973 and $1,266,612, respectively.

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 the 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 the Association; however, the Association will never receive the assets of the trust. As of June 30, 2015 and 2014, the net present values of beneficial interests in charitable trusts were included in the statement of financial position as follows:

	2015	2014
Remainder and lead trusts		
Gross amounts receivable	$ 149,514	$ 155,335
Less: discount	(30,648)	(37,608)
	118,866	117,727
Perpetual trusts		
Fair value of assets held in perpetual trusts	5,581,251	5,756,000
	$ 5,700,117	$ 5,873,727

During 2015, the Association received no distributions from the remainder or lead trusts. The income distributions from perpetual trusts for 2015 totaled $206,611 and are available to the Association for unrestricted use.

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2015 and 2014:

	2015	2014
Furniture and equipment	$ 45,179	$ 200,612
Leasehold improvements	131,578	131,578
Vehicles	522,901	522,901
Computer hardware and software	629,420	618,853
	1,329,078	1,473,944
Less: accumulated depreciation	(1,139,651)	(1,211,443)
	$ 189,427	$ 262,501

NOTE 7. LINE OF CREDIT

The Association entered into a line of credit in July 2012 in the amount of $1,000,000. Borrowings under this line of credit bear interest at 0.25% plus the Prime Rate as published by *The Wall Street Journal* (3.5% at June 30, 2015). Borrowings under the line are collateralized by a money market account. The line of credit agreement contains covenants, which include a requirement to maintain a balance in the pledged money market account of at least 100% of the outstanding balance drawn against the line of credit. On December 19, 2014, the loan was modified to extend the maturity date until December 31, 2015. As of June 30, 2015, there is no outstanding balance on this line of credit.

NOTE 8. ENDOWMENT

General

The Association's Endowment Fund was established by action of the Association's 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 the 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

NOTE 8. ENDOWMENT (CONTINUED)

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, 2015 and 2014 were as follows:

	2015		
	Temporarily Restricted	Permanently Retricted	Total
Endowment net assets, beginning of year	$ 103,154	$ 947,449	$ 1,050,603
Appropriation for expenditure	(8,888)	-	(8,888)
Investment return			
Net depreciation	(18,758)	-	(18,758)
Interest income, net of fees	20,941	-	20,941
Total investment return	2,183	-	2,183
Contributions	-	70,000	70,000
Endowment net assets, end of year	$ 96,449	$ 1,017,449	$ 1,113,898

	2014		
	Temporarily Restricted	Permanently Retricted	Total
Endowment net assets, beginning of year	$ 50,640	$ 772,069	$ 822,709
Investment return			
Net appreciation	44,518	-	44,518
Interest income, net of fees	7,996	-	7,996
Total investment return	52,514	-	52,514
Contributions	-	175,380	175,380
Endowment net assets, end of year	$ 103,154	$ 947,449	$ 1,050,603

NOTE 8. ENDOWMENT (CONTINUED)

Return Objectives and Risk Parameters

The Endowment Fund is invested in perpetuity in accordance with an Endowment Policy adopted by the Board. 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, the 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). The 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 the Spending Policy

The Association has a policy of annually appropriating for distribution up to 5% of the beginning of the year principal and will therefore 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. Appropriations may be made in the form of the Association's expenditure budget on an annual basis.

NOTE 9. DESIGNATED NET ASSETS

The Association’s Board of Directors has designated $3,000,000 of unrestricted net assets, when they become available, to be set aside to function as an operating reserve. As of June 30, 2015 and 2014, unrestricted net assets were insufficient to fund the operating reserve.

NOTE 10. RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2015 and 2014 consist of the following:

	2015	2014
Contributions receivable	$ 158,140	$ 216,096
Restricted funds for programs	2,758,755	2,731,733
Beneficial interest in charitable trusts	118,866	117,727
	$ 3,035,761	$ 3,065,556

Permanently restricted net assets as of June 30, 2015 and 2014 consist of the following:

	2015	2014
Beneficial interest in perpetual trusts	$ 5,581,251	$ 5,756,000
Endowment funds with various income restrictions	1,017,449	947,449
	$ 6,598,700	$ 6,703,449

During the year ended June 30, 2015, temporarily restricted net assets were released from restriction in the amount of $176,806 due to the passage of time and $2,150,226 due to the satisfaction of purpose restrictions.

NOTE 11. COMMITMENTS

Retirement Plans

The 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 the Association. Employees may contribute a portion of their gross salaries to the 403(b) plan up to the maximum amount established by the IRS. The 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. Employer contributions become fully vested after four years of service. No employer contributions were made from February 2012 through June 2013, but were resumed in July 2013. During the years ended June 30, 2015 and 2014, the Association contributed $98,567 and $85,982, respectively, to the plan.

NOTE 11. COMMITMENTS (CONTINUED)

On November 13, 2014, the Association established a deferred compensation plan agreement. The Association contributed payments totaling $15,000 during the year ended June 30, 2015 on behalf of the President. Payment is due to the President when she terminates employment with the organization or attains age 70-1/2.

Operating Lease Commitments

The Association leases office space and certain office equipment under operating leases expiring between 2015 and 2022. At June 30, 2015, future minimum payments required under these leases were as follows:

Year Ending June 30,	2016	$ 635,339
	2017	649,656
	2018	664,497
	2019	684,012
	2020	704,533
	Thereafter	1,030,871
		$ 4,368,908

Rent expense for the years ended June 30, 2015 and 2014 was $692,046 and $693,783, respectively.

In May 2015, the Association extended the agreement to sublease a portion of its DC office space until March 8, 2016, with monthly rent of $9,454 starting July 8, 2015. In August 2015, the Association entered into an agreement to lease an office space in Studio City, California for 60 months starting November 1, 2015 with monthly rent payments of $15,800 increasing annually by 3%. In November 2013, the Association entered into an agreement to lease storage space in an adjacent building in Washington, D.C. through June 30, 2022, with monthly rent payments of $480 increasing annually by 3%.

NOTE 12. SUBSEQUENT EVENT REVIEW

The Association has performed an evaluation of subsequent events through October 6, 2015, 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. This review and evaluation revealed no new material event or transaction which would require an additional adjustment to or disclosure in the accompanying financial statements.