

**AMERICAN HUMANE ASSOCIATION,
DBA AMERICAN HUMANE - FIRST TO SERVE**

FINANCIAL STATEMENTS

JUNE 30, 2017

**AMERICAN HUMANE ASSOCIATION,
DBA AMERICAN HUMANE - FIRST TO SERVE**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
American Humane Association,
DBA American Humane - First to Serve

We have audited the accompanying financial statements of the American Humane Association, DBA American Humane - First to Serve (American Humane), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the year ended June 30, 2017, 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.

Auditors' 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 auditors' 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 auditors consider 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 American Humane as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the year ended June 30, 2017, in accordance with accounting principles generally accepted in the United States of America.

Calibre CPA Group, PLLC

Bethesda, MD
November 3, 2017

**AMERICAN HUMANE ASSOCIATION,
DBA AMERICAN HUMANE - FIRST TO SERVE**

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,682,946	\$ 1,626,830
Investments	2,990,104	2,705,325
Accounts receivable	388,865	465,336
Grants and contributions receivable	3,211,536	2,110,980
Prepayments and deposits	693,305	659,612
Total current assets	8,966,756	7,568,083
NON-CURRENT ASSETS		
Accounts receivable, net of current portion	148,250	-
Grants and contributions receivable, net of current portion	1,000,000	1,700,000
Beneficial interests in charitable trusts	5,475,056	5,270,453
Investments held for endowment	1,173,136	1,103,095
Property and equipment, net	580,983	468,638
Total non-current assets	8,377,425	8,542,186
Total assets	\$ 17,344,181	\$ 16,110,269
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 430,733	\$ 506,835
Accrued expenses and other liabilities	666,941	923,461
Deferred revenue	218,958	252,913
Deferred lease liability	11,159	7,887
Obligations under split-interest agreements	221,702	221,702
Total current liabilities	1,549,493	1,912,798
NON-CURRENT LIABILITIES		
Deferred lease liability, net of current portion	334,165	329,550
Obligations under split-interest agreements, net of current portion	954,776	957,726
Total non-current liabilities	1,288,941	1,287,276
Total liabilities	2,838,434	3,200,074
NET ASSETS		
Without donor restrictions	3,252,600	1,741,522
With donor restrictions	11,253,147	11,168,673
Total net assets	14,505,747	12,910,195
Total liabilities and net assets	\$ 17,344,181	\$ 16,110,269

See accompanying notes to financial statements.

**AMERICAN HUMANE ASSOCIATION,
DBA AMERICAN HUMANE - FIRST TO SERVE**

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2016)

	Without Donor Restrictions	With Donor Restrictions	2017 Total	2016 Total
SUPPORT AND REVENUE				
Contributions and sponsorships	\$ 18,321,904	\$ 2,873,295	\$ 21,195,199	\$ 12,668,023
Other grants	3,685,485	-	3,685,485	3,301,671
Royalty income	1,964,326	-	1,964,326	1,691,034
Services fees	3,151,707	-	3,151,707	2,302,722
Conferences and seminars	58,400	-	58,400	141,215
Rental and miscellaneous income	37,984	-	37,984	126,082
Net investment return				
Distributions from perpetual trusts	221,702	-	221,702	251,604
Other, net of fees	188,292	-	188,292	105,875
Change in value of split interest agreements	71,585	1,428	73,013	(111,957)
Gain (loss) on interests in perpetual trusts	-	311,174	311,174	(426,627)
Net assets released from restrictions	<u>3,101,423</u>	<u>(3,101,423)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>30,802,808</u>	<u>84,474</u>	<u>30,887,282</u>	<u>20,049,642</u>
EXPENSES				
Program services				
Humane Hollywood	8,369,503	-	8,369,503	6,498,407
Humane Rescue	5,464,696	-	5,464,696	2,768,966
Center for Military Affairs	5,090,308	-	5,090,308	758,029
Farm Animal Program	4,313,719	-	4,313,719	3,167,176
Humane Conservation	3,049,983	-	3,049,983	922,491
Humane Research	420,951	-	420,951	841,343
Total program services	<u>26,709,160</u>	<u>-</u>	<u>26,709,160</u>	<u>14,956,412</u>
Supporting services				
Philanthropic services and fundraising	1,536,740	-	1,536,740	1,605,644
General administration	1,045,830	-	1,045,830	911,268
Total supporting services	<u>2,582,570</u>	<u>-</u>	<u>2,582,570</u>	<u>2,516,912</u>
Total expenses	<u>29,291,730</u>	<u>-</u>	<u>29,291,730</u>	<u>17,473,324</u>
CHANGE IN NET ASSETS	1,511,078	84,474	1,595,552	2,576,318
NET ASSETS				
Beginning of year	<u>1,741,522</u>	<u>11,168,673</u>	<u>12,910,195</u>	<u>10,333,877</u>
End of year	<u>\$ 3,252,600</u>	<u>\$ 11,253,147</u>	<u>\$ 14,505,747</u>	<u>\$ 12,910,195</u>

See accompanying notes to financial statements.

**AMERICAN HUMANE ASSOCIATION,
DBA AMERICAN HUMANE - FIRST TO SERVE**

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017

(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2016)

	2017							2016				
	Program Services						Supporting Services					
	Humane Hollywood	Humane Rescue	Center for Military Affairs	Farm Animal Program	Humane Conservation	Humane Research	Total	Philanthropic Services and Fundraising	General Administration	Total	Total Expenses	Total Expenses
Salaries	\$ 2,694,104	\$ 525,084	\$ 469,824	\$ 618,441	\$ 247,450	\$ 193,453	\$ 4,748,356	\$ 559,390	\$ 457,846	\$ 1,017,236	\$ 5,765,592	\$ 5,283,301
Benefits	467,919	101,808	91,089	135,490	48,163	37,570	882,039	109,083	88,633	197,716	1,079,755	1,076,276
Professional services	1,294,702	193,491	378,518	220,020	484,591	68,434	2,639,756	216,166	265,905	482,071	3,121,827	2,963,312
Subcontractors	282,493	600	-	494,850	151,107	6,815	935,865	-	-	-	935,865	717,538
Tradeshows and events	325,210	11,746	62,802	56,473	27,622	433	484,286	120,853	11,069	131,922	616,208	496,746
Supplies	27,045	34,098	8,924	6,660	4,311	31,747	112,785	5,300	4,383	9,683	122,468	122,276
Postage	20,509	7,125	8,169	5,249	5,292	5,916	52,260	77,279	3,135	80,414	132,674	135,133
Telecommunications	80,406	14,173	6,405	11,734	4,794	6,010	123,522	8,437	7,037	15,474	138,996	135,086
Equipment lease and repairs	22,799	65,444	1,295	2,684	1,460	1,320	95,002	2,452	13,243	15,695	110,697	80,190
Occupancy	437,792	126,566	45,212	78,067	52,694	28,546	768,877	55,788	93,583	149,371	918,248	856,940
Travel	422,966	173,701	123,910	100,911	85,699	15,311	922,498	63,734	63,100	126,834	1,049,332	1,059,358
Printing	42,457	13,759	18,610	7,482	5,015	2,607	89,930	122,504	2,472	124,976	214,906	194,955
Grant distributions	25,000	205,255	124,869	-	-	-	355,124	-	-	-	355,124	154,626
Outreach, promotion	118,903	71,315	89,886	57,702	53,142	5,161	396,109	27,135	8,933	36,068	432,177	79,229
List purchases	-	-	-	-	-	-	-	19,456	-	19,456	19,456	4,171
Dues and subscriptions	17,640	8,446	9,918	9,504	6,833	925	53,266	56,075	5,028	61,103	114,369	214,416
Taxes, licenses and fees	25,423	10,178	8,171	2,669	3,923	901	51,265	39,997	3,553	43,550	94,815	76,532
Miscellaneous	2,685	12,254	1,963	63,060	2,513	79	82,554	12,154	1,908	14,062	96,616	47,296
Donated goods and services	2,040,151	3,787,917	3,635,934	2,436,931	1,862,378	14,079	13,777,390	37,725	9,265	46,990	13,824,380	3,690,925
Depreciation and amortization	21,299	101,736	4,809	5,792	2,996	1,644	138,276	3,212	6,737	9,949	148,225	85,018
Total expenses	\$ 8,369,503	\$ 5,464,696	\$ 5,090,308	\$ 4,313,719	\$ 3,049,983	\$ 420,951	\$ 26,709,160	\$ 1,536,740	\$ 1,045,830	\$ 2,582,570	\$ 29,291,730	\$ 17,473,324

See accompanying notes to financial statements.

**AMERICAN HUMANE ASSOCIATION,
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STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017

(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED JUNE 30, 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,595,552	\$ 2,576,318
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization expense	148,225	85,018
Bad debt expense	-	22,800
Net gains on investments	(188,292)	(86,674)
Change in value of beneficial interest in charitable trusts	(204,603)	429,664
Change in value of obligations under split-interest agreements	2,950	(51,545)
(Increase) decrease in operating assets		
Accounts receivable	(71,779)	(49,731)
Grants and contributions receivable	(400,556)	(2,316,406)
Prepayments and deposits	(33,693)	(305,709)
Increase (decrease) in operating liabilities		
Accounts payable	(76,102)	238,404
Accrued expenses and other liabilities	(256,520)	325,644
Deferred revenue	(33,955)	8,209
Deferred lease liability	7,887	48,443
Net cash provided by operating activities	489,114	924,435
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	1,513,604	607,423
Purchases of investments	(1,686,033)	(1,416,064)
Purchases of property and equipment	(260,569)	(362,801)
Net cash used for investing activities	(432,998)	(1,171,442)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	56,116	(247,007)
CASH AND CASH EQUIVALENTS		
Beginning of year	1,626,830	1,873,837
End of year	\$ 1,682,946	\$ 1,626,830

See accompanying notes to financial statements.

**AMERICAN HUMANE ASSOCIATION
DBA AMERICAN HUMANE - FIRST TO SERVE**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

NOTE 1. ORGANIZATION

Founded in 1877, American Humane Association, DBA American Humane - First to Serve (American Humane) is committed to ensuring the safety, welfare and well-being of animals. Our leadership programs are first to serve in promoting and nurturing the bonds between animals and humans.

American Humane, America's first national humane organization, celebrated 139 years of service with a rebranding effort which began with changing the organization's name from American Humane Association to American Humane. The name change was accompanied by a new website, a new logo, and new slogan "First to Serve."

"First to Serve" is the foundation of the updated branding which emphasizes the organization's hundred-plus year commitment to helping animals - longer than any other national organization. American Humane was first to serve and protect animals in virtually every major disaster from World War I to recent flooding crises. And with rescue units stationed across the country, American Humane will continue to locate, shelter, and care for animals when and wherever disaster might strike.

American Humane carries out its mission through the following programs:

Humane Hollywood

American Humane's "**No Animals Were Harmed®**" certification program was - and is - the first to serve in the protection of animals in film and television, safeguarding millions of animals on tens of thousands of productions worldwide for more than 75 years. 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 meet 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.

NOTE 1. ORGANIZATION (CONTINUED)

- Educates and informs film industry professionals and the public regarding the humane treatment of animal actors in the global media community.
- Enforces American Humane's Guidelines for the Safe Use of Animals in Filmed Media (Guidelines) with specially trained Certified Animal Safety Representatives.

Our Certified Animal Safety Representatives monitored 66 percent of animal action for a total of 2,956 production days. Program coverage is significant for intense animal action in filmed media. The No Animals Were Harmed Certified Animal Safety Representatives monitored 80 percent of all intense animal action representing 2,144 production days for U.S. and International productions. The program issued 1,044 ratings and awarded 946 "No Animals Were Harmed®" end-credit certifications.

The production community has continued to embrace our new fee-for-service business model, implemented in 2014 to close the gap between the cost of running our program and our grant awards from the Industry Advancement and Cooperative Fund - SAG and Industry Cooperative Fund - AFTRA, demonstrating the value they place on our work and mission to protect animal actors.

Humane Hollywood educated millions with **American Humane Hero Dog Awards®**, a program initiative designed to inspire 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 sixth annual American Humane Hero Dog Awards featuring James Denton, Beth Stern, Katharine McPhee and many more was presented on the Hallmark Channel on October 28, 2016.

Eight courageous dogs from around the country were honored for their acts of bravery and compassion, including Emerging Hero Dog Hooch, an abused French Mastiff who was rescued and now works with children and his local community. Additionally, through our **American Humane Hero Veterinarian and Hero Veterinary Technician Awards**, we named Dr. Natalie Isaza American Humane's American Hero Veterinarian and Kim Knap the 2016 American Hero Veterinary Technician.

Humane Rescue

Our famed animal rescue program was - and is - the first to serve in the protection of animals suffering in disasters and cruelty cases. Celebrating more than 100 years of work, American Humane Rescue teams save 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 these programs is 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 the past year, our animal rescue teams with their nearly 250 highly trained volunteer first responders nationwide helped provide 545,384 free meals to shelter animals, and saved and sheltered 6,703 more animals caught in the wake of deadly hurricanes, floods, and wildfires. With our help, these beautiful animals are now safe and back with their families or returned to the wild.

NOTE 1. ORGANIZATION (CONTINUED)

- **A Rescue Mission in Flood-Ravaged West Virginia:** As horrific flood waters ravaged West Virginia, American Humane Rescue raced to the scene to help the animal victims of the disaster. Our team of trained emergency responders and two of our 50-foot rescue vehicles deployed to Charleston, where with the generous help of Banfield Pet Hospital we offered free first-aid and wellness checks to local pet owners, administered vaccines, and provided operational support to local animal shelters, which were completely overwhelmed by the volume of demand.
- **Early Morning Cruelty Raid Frees 47 Animals:** The American Humane Rescue team, accompanied by one of its 50-foot emergency vehicles and two F-350 trucks, deployed to Tennessee to participate in a dramatic early morning raid aimed at saving, rehabilitating, and caring for 46 cats and a dog seized from a home. The animals were removed and taken to a temporary emergency animal shelter facility where they were given food, medical treatment, and intensive 24-hour care until they were out of danger.
- **Saving the Animal Victims of the Louisiana Floods:** As the flood waters rose in Louisiana, our rescue team rushed to the heart of the devastation to help the animal victims of the catastrophe, which was considered to be one of the worst natural disasters to strike the United States since Superstorm Sandy in 2012. American Humane Rescue deployed a team of trained first responders and two of our 50-foot emergency vehicles to find and recover lost pets, provide veterinary care and attention, distribute food, medicine and supplies, and manage day-to-day operations at local shelters. These effort were recognized by Walmart on the Ellen DeGeneres show and resulted in a sizeable grant to expand our work with local organizations in the Baton Rouge area.
- **First to Serve in Stricken South Carolina:** As deadly Hurricane Matthew neared the East Coast, American Humane Rescue received an urgent request for help from a shelter in North Myrtle Beach, which was located in the path of the hurricane. Jeff, one of our first responders, immediately leapt into action, driving nine hours with his three-legged German Shepherd, Dually, to reach the shelter before the storm. Once there, Jeff helped prepare the animal shelter for the coming hurricane. After the center's employees left to be with their families, Jeff and Dually dug in and rode out the storm as the sole guardians of the shelter's 166 animals. Our team then deployed to Okatie in one of the hardest-hit areas to set up an emergency center for animals and help the local shelter in its rescue and recovery efforts. American Humane Rescue distributed thousands of pounds of food and pet supplies, operated veterinary clinics for injured and ill animals, and reunited lost and scared pets with their beloved family members.
- **Helping Homeless Pets in the Tennessee Wildfires:** Our rescue team rushed to assist animals left homeless by the raging Tennessee wildfires, providing care and comfort to both pets and their owners who were displaced by the deadly inferno.
- In the past year, American Humane's Second Chance® Fund provided medical and emergency fund grants to local shelters and rescue groups. The Meacham Fund provided capital support grants to various organizations to provide resources to help animals in need.

NOTE 1. ORGANIZATION (CONTINUED)

Lois Pope LIFE Center for Military Affairs

For 100 years, American Humane has been first to serve those who serve our country by helping our nation's military heroes on the battlefield and on the home front. In 1916 American Humane deployed to rescue and care for 68,000 war horses wounded each month on the battlefields of World War I Europe. Following World War II we helped pioneer the field of animal-assisted therapy to help returning veterans readjust to civilian life and help children of military families cope during their parents' deployments. Today, we help our nation's military heroes, two-legged and four-legged, with a wide range of life-changing, life-saving programs.

Here are just some of our victories during the past year:

- **Launched a New National Resource for America's Heroes:** To serve our nation's human and animal military heroes, we inaugurated the *Lois Pope LIFE Center for Military Affairs*. This major new resource, founded through the generosity of renowned philanthropist and passionate veterans' advocate Lois Pope, is instrumental in American Humane's efforts to support our Armed Forces, working to repatriate and reunite retired military hero dogs with their handlers, helping veterans struggling with Post-Traumatic Stress (PTS) to obtain lifesaving service dogs, and providing free healthcare to America's four-legged warriors who have completed their service to our country.
- **Reunited our Heroes:** American Humane reunited two military hero dog teams this year. Military Working Dogs protect our troops and it is estimated that each one saves the lives of approximately 150 to 200 servicemen and women. Despite their heroic service, not all of these warriors come home and are reunited with the battle buddies who mean so much to them. To help ensure that ALL our veterans come home - including our four-legged ones - American Humane has been working to repatriate and reunite these lifesaving teams. To date, we have helped bring 34 teams back together to enjoy the happy, healthy retirements they so richly deserve.
- **Provided Free Healthcare for Retired Military Dogs:** Our Working Dogs medical care program was able to assist with healthcare for 12 retired Military Working Dogs. We currently have 43 retired military dogs on our roster to ensure they receive the medical care needed for a pain-free and happy retirement.
- **Worked to Make Service Dogs Available to Veterans:** Every day 184 veterans are diagnosed with PTS and, tragically, 20 take their own lives. Where medicines and traditional therapy fail, trained service dogs can succeed. However, there are far too few appropriately trained lifesaving animals to meet the need, the process of obtaining one is complex and can take between 18-24 months, and each may cost upwards of \$20,000 – out of reach for many veterans. The benefits of pairing veterans and service dogs are great, since many animals come from shelters, meaning that two lives may be saved. To help this effort, American Humane:
 - Provided 27 grants to help veterans secure lifesaving service dogs.

NOTE 1. ORGANIZATION (CONTINUED)

- Hosted a national convening of experts to develop best practice training standards and credentialing for PTS service dogs for veterans with the generous support of Schultz Family Foundation and Mars Petcare US. This will mean not only more and better-trained service dogs for veterans in need, but improvements in access to public spaces and transportation.
- Developed a free “Guide to Getting a PTS Service Dog” brochure to help military veterans obtain PTS service dogs. Sponsored by NCR Foundation and the Schultz Family Foundation, copies were provided in printed and online form to veterans service organizations, V.A. clinics and other non-profits.
- Created national television and radio public service announcements with NHL star Matt Martin, offering our free guide to getting a PTS service dog, helping get them the tools to help them fight the invisible wounds of war and win their personal battle at home.
- **Honored Our Bravest...The Lois Pope LIFE K-9 Medal of Courage:** Military dogs each save an estimated 100-150 lives during the course of their service, but rarely get the recognition they deserve. To change this, American Humane and philanthropist Lois Pope teamed up to create the nation’s highest honor for military dogs: The annual Lois Pope LIFE K-9 Medal of Courage. The inaugural awards honored four heroic dogs on Capitol Hill, attended by members of Congress and top military leaders including Commandant of the USMC General Robert B. Neller, First Sgt. Matt Eversmann (Ret.), the hero of Mogadishu whose story inspired the film “Black Hawk Down”; and USMC Col. Scott Campbell, Commanding Officer of the Wounded Warrior Regiment in Quantico, VA. The awards were covered by ABC NEWS, the BBC World Service, top military publications, and other media around the world. “These remarkable dogs work side-by-side with the men and women of our Armed Forces, performing vitally important and life-saving work, while putting their own lives on the line for our country,” said Lois Pope. “It is high time that their valiant sacrifices and contributions to our nation and our men and women in uniform are properly recognized at the highest levels.”

Farm Animal Program

The **American Humane Farm Animal program** was – and is – the first to serve in helping to ensure the welfare of animals living on our nation’s farms and ranches. Our American Humane Certified™ farm animal welfare certification program is the oldest, largest, and fastest-growing auditing and certification effort in the country. The purpose of this vital 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 consumers and people involved in the food supply chain about the significance and benefits of the humane treatment of farm animals. This program certifies the humane treatment of more animals in food production than any other. Farm animal welfare standards are regularly reviewed by the program’s Scientific Advisory Committee, an international group of animal science experts, veterinarians, and ethicists. Third-party audits are conducted annually by independent auditors, and are based on objective, measurable, science-based criteria. This year nearly 200 million more animals on 363 farms and ranches came under our science-based protections. The program now covers more than 8,000

NOTE 1. ORGANIZATION (CONTINUED)

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, beef, pork, and eggs. An outreach initiative with chefs provides an online “humane table” featuring restaurants and recipes using humanely raised products. American Humane reached millions of people through its national television public service announcement, asking them to help build a more humane world for animals raised on farms and ranches by choosing humanely raised foods. The message was so well-received that the PSA was in the top 10 percent of most-played public service announcements in the country.

Humane Conservation

American Humane once again demonstrated how it is first to serve the world’s animals, including many of the most remarkable and endangered species on Earth, when it launched its new **Humane Conservation certification program** in June 2016. As habitats disappear and environments change, leaving animals to face what scientists are calling a “Sixth Mass Extinction” with species disappearing at a rate of 8 to 100 times higher than expected, zoos, aquariums and conservation centers have become modern arks of hope for many creatures, playing a more vital role than ever before.

To fill this vital need, American Humane has developed the first-ever independent, scientific and evidence-based third-party humane certification standards focused solely on the animals living in these institutions. Created and backed by the most well-respected, iconic names in science, animal welfare, ethics, and conservation, these new standards will help ensure the welfare and humane treatment of the animals in human care at the world’s zoos, aquariums and conservation centers. Adding another level of rigor, the implementation of these comprehensive standards will be verified by independent auditor. Since its launch in June 2016, American Humane has certified 20 global institutions with 25 facilities in 7 different countries, protecting the nearly 250,000 animals that reside in these certified facilities. This new program will help ensure the welfare and humane treatment of the millions of animals in the world’s zoos and aquariums, and shine a bright light on those institutions that are doing remarkable work in preserving the creatures of the earth and building new generations of ambassadors for the world’s animals.

Humane Research

Science is the foundation for all of American Humane’s programs, and we are committed to continuing our legacy of providing evidence-based solutions for the humane movement for the benefit of children and animals, while promoting the power of the human-animal bond. Our Humane Research work addresses challenges impacting the most vulnerable in society. American Humane has been driven by science-based research and outcomes for over a century, and continues this effort in modern times through innovative research studies.

NOTE 1. ORGANIZATION (CONTINUED)

- The ***Canines and Childhood Cancer study***, launched by American Humane in partnership with Zoetis, was conducted 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 (CCC) study is a randomized, controlled trial that examines specific health effects that animal-assisted therapy has 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 is providing empirical evidence of the benefits. The study’s final results are being unveiled in late 2017 and published in the Journal of Pediatric Oncology Nursing.
- American Humane worked with HABRI and Pet Care Trust to present the results of our Pets in the Classroom Study, which indicated growth in social skills, leadership and empathy among students who had an animal in the classroom.
- American Humane gave two presentations at the International Society of Anthrozoology (ISAZ) Conference in Sacramento, CA.
- **Providing hope, help and comfort to communities in crisis.** American Humane continued in its fourth year of partnering with The Weather Channel to provide the services of **“Butler” The Weather Channel Therapy Dog** who, with his American Humane handler, visits communities nationwide that have been impacted by severe weather. They traveled together to Lumberton, North Carolina following the devastating flooding from Hurricane Matthew, to Albany, Georgia following the EF-3 tornado, and to Golden, Colorado for two national segments about disaster preparedness for pets, reaching into 100 million homes.

Public Education, Prevention, and Outreach

Building a better world requires the participation of all. Since the founding of American Humane in 1877, we have understood that identifying challenges, crafting solutions, and engaging others to help implement them, are vital to success. Therefore, we have invested heavily in public education, prevention, and outreach to help the broader world better understand the key humane issues facing animals and give them the perspective and tools to help effect change.

This past year, we reached significant numbers of people through national campaigns designed to ensure the safety, welfare and well-being of animals, and promote and nurture the bonds between animals and humans.

- **Be Kind to Animals Week®**
In 2016 we marked the 101st year of our iconic “Be Kind to Animals Week®,” the most successful public-education effort and longest-running commemorative week in U.S. history. This nationwide effort reached millions of American schoolchildren with educational curricula, classroom posters and teaching materials and an electronic web resource promoting four simple ways they (and their parents) can help in creating a kinder world for animals.

NOTE 1. ORGANIZATION (CONTINUED)

- **National Television Public Service Announcements**

American Humane reached hundreds of millions of people through three new national television and radio public service announcements. The first, which is narrated by Alison Sweeney and encourages people to teach children the value of treating animals with kindness, ranked in the top 10 percent of all public service announcements nationwide - a formidable achievement. The second, narrated by National Hockey League (NHL) star Matt Martin, provides a free guide to veterans struggling with PTS to help them obtain a lifesaving service dog. The third, featuring renowned wildlife conservationist Jeff Corwin, urges people to help preserve and protect the disappearing and magnificent creatures of the earth by supporting Humane Certified zoos and aquariums.

- **Teaching the Next Generation to Care for Earth's Remarkable & Endangered Creatures**

As scientists tell us the Earth is going through a "Sixth mass extinction" with species disappearing at a rate 8-100 times higher than expected, making sure that we give the next generation with an appreciation and love for the world's remarkable and endangered animals is critical. To do this, American Humane worked with Humane Certified zoos, aquariums, and conservation centers worldwide to create a series of books for schoolchildren to build in them a love and appreciation for the world's animals. Partnering with the hugely successful publisher, Chicken Soup for the Soul, American Humane released three books targeted to elementary school, middle school, and high school, which are being distributed to schools reaching 92 percent of all U.S. school children over five years. We believe this to be a vitally important project since we will only protect what we love, and we cannot love what we don't know. The preservation of the world's creatures depends on each generation understanding, embracing, and protecting the animals with which we share the Earth.

- **International Conferences and Influence**

American Humane cohosted the Second World Congress on Animal Welfare in Mexico City and delivered the keynote address, "Humane Conservation," a detailed look at the need to preserve and protect Earth's vanishing species. American Humane also keynoted the World Dairy Summit in Rotterdam with a speech "Are Cows Treated Well Enough?" American Humane President and CEO Dr. Robin Ganzert and a contingent of ambassadors held high-level meetings with officials from Hong Kong's Ocean Park, which we gave our Humane Certified™ seal, the Department of Fisheries, Conservation, Agriculture, and other key organizations with impacts on animals.

NOTE 1. ORGANIZATION (CONTINUED)

- **Media Campaigns**

Each year, American Humane reaches millions of people across the country and around the globe with valuable information, advocacy campaigns, and tools designed to protect and promote the welfare of animals. This year, we generated more than 70,000 media pieces to draw attention to the need to be kind to animals, make humane choices in our lives, adopt more of the 6-8 million pets relinquished to shelters each year, support our two- and four-legged military veterans, protect animals in our homes, on our farms and ranches, in zoos and aquariums, in working environments, and those in human care, and understand the remarkable power of the human-animal bond, which can change and save lives.

In addition to touching some 1 billion lives each year through direct services - more than any other humane organization - our outreach, advocacy, and public education efforts reach significant numbers of people around the globe, and are helping shape the direction of the compassion movement and advance the building of a more humane world - for all of us.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

New Accounting Pronouncements

In 2016, Accounting Standards Update (ASU) 2016-14 was issued by the Financial Accounting Standards Board. ASU 2016-14 changes the net asset classification scheme and requires additional information regarding board designated net assets and underwater endowments, now requires expenses to be listed by function and nature, requires netting of investment expenses with investment income and disclosure of the details, the addition of qualitative and quantitative disclosures about liquidity, and eliminates the reconciliation of the indirect cash flow presentation. ASU 2016-14 becomes effective for fiscal years beginning after December 15, 2017. American Humane has elected early implementation of these standards. Previously reported financial information has been restated to present that information on a comparative basis.

Cash and Cash Equivalents

American Humane 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investment purchases are initially recorded at cost or, if contributed to American Humane, 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 American Humane's interest and dividend income, and realized and unrealized capital gains and losses generated from American Humane'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, 2017 and 2016.

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 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, 2017 and 2016, 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. American Humane 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

American Humane 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 statements of activities - to its estimated fair value. Management has determined that no long-lived assets were impaired during the year ended June 30, 2017; as such, no impairment losses were recorded during the year.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use in general operations.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of amounts that are subject to donor restrictions that may or will be met by expenditures or actions of American Humane and/or the passage of time, and certain income earned on net assets with perpetual donor restrictions.

American Humane 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Net assets with perpetual donor restrictions 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 American Humane.

The restrictions stipulate that resources be maintained permanently but permit American Humane 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, 2017 and 2016, deferred revenue represents the portion of revenue collected during the fiscal year that applies to subsequent years' activities.

Contributions and Grants

Contributions and grants received are reported as increases in net assets without donor restrictions or net assets with donor restrictions, 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 net assets without donor restrictions 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 net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bequests

American Humane, 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 American Humane 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, American Humane reports expirations of donor restrictions when the donated or acquired assets are placed in service. Volunteers contribute significant amounts of time to American Humane's program service activities, and are measured at fair value whenever the recognition criteria have been met. American Humane also receives significant airtime for Public Service Announcements, which are measured and reported at fair value. During the years ended June 30, 2017 and 2016, donated goods and services recognized in the financial statements totaled \$13,824,381 and \$3,690,925, respectively.

Functional Allocation of Expenses

The costs of conducting its programs and supporting services activities of American Humane have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and fringe benefits are allocated based on employee time and effort. Common costs such as occupancy, depreciation and the like are allocated pro-rata based on headcount or total costs incurred.

Advertising Costs

American Humane 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, 2017 and 2016, advertising costs totaled \$353,945 and \$54,177, 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments and Concentrations of Credit Risk

American Humane 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. American Humane has not experienced any losses in such accounts.

American Humane's investments are made primarily by investment managers engaged by American Humane, 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 American Humane.

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 American Humane's mission.

Accounting for Uncertain Tax Positions

American Humane 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 American Humane's tax-exempt purpose is subject to taxation as unrelated business income. American Humane had no significant taxable income or income tax expense during the current fiscal year.

American Humane believes it has conducted its operations in accordance with, and has properly maintained, its tax-exempt status. American Humane's tax returns for fiscal years 2014 through 2017 are subject to examination by the Internal Revenue Service (IRS), generally for three years after they were filed.

Reclassifications

Certain amounts previously reported as of and for the year ended June 30, 2016 have been reclassified to conform to the 2017 presentation.

NOTE 3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table represents American Humane's financial assets available to meet cash needs for general expenditures within one year of June 30, 2017.

NOTE 3. LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

Total assets at end of year		\$	17,344,181
Less nonfinancial assets			
Prepaid expenses and deposits	\$	693,305	
Net property and equipment		580,983	
Beneficial interest in charitable trust assets		<u>5,475,056</u>	<u>6,749,344</u>
Total financial assets at end of year			10,594,837
Less amounts unavailable for general expenditures within one year			
Restricted by donor with time or purpose restrictions		4,604,955	
Donor-restricted endowment funds and unexpended earnings thereon		1,173,136	
Current obligation under split -interest agreements		<u>221,702</u>	<u>5,999,793</u>
Total financial assets available for general expenditures within one year			<u>\$ 4,595,044</u>

As part of American Humane’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, American Humane invests cash in excess of its current requirements in a portfolio of investments designed to maximize long-term earnings with acceptable risk to investment principal. American Humane also has the ability to draw upon an available line of credit in the amount of \$1,000,000.

NOTE 4. FAIR VALUE DISCLOSURES

American Humane follows the methods of fair value measurement described in the Fair Value Measurements and Disclosures topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification(ASC) 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, American Humane utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

NOTE 4. FAIR VALUE DISCLOSURES (CONTINUED)

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, 2017.

- 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 American Humane's share of underlying trust assets as reported by the Trustees at June 30, 2017. Charitable trust assets are composed primarily of exchange traded securities.
- Obligations under split interest agreements: Liabilities under charitable gift annuities are recognized for present value of future cash flows expected to be paid to the donor. These liabilities are adjusted during the term of the annuities for payments and change in life expectancies.

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, 2017 and 2016:

	June 30, 2017			
	Total	Level 1	Level 2	Level 3
Investments				
Cash and cash equivalents	\$ 450,519	\$ 450,519	\$ -	\$ -
Mutual and exchange-traded funds				
Equities	1,598,684	1,598,684	-	-
Fixed income	1,865,810	1,865,810	-	-
Non-traditional	248,227	248,227	-	-
	<u>\$ 4,163,240</u>	<u>\$ 4,163,240</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in charitable trusts	<u>\$ 5,475,056</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,475,056</u>
Obligations under split-interest agreements	<u>\$ 1,176,478</u>	<u>\$ -</u>	<u>\$ 1,176,478</u>	<u>\$ -</u>

NOTE 4. FAIR VALUE DISCLOSURES (CONTINUED)

	June 30, 2016			
	Total	Level 1	Level 2	Level 3
Investments				
Cash and cash equivalents	\$ 35,262	\$ 35,262	\$ -	\$ -
Corporate bonds and notes	219,020	-	219,020	-
Mutual and exchange-traded funds				
Equities	1,846,273	1,846,273	-	-
Fixed income	1,528,404	1,528,404	-	-
Non-traditional	179,461	179,461	-	-
	<u>\$ 3,808,420</u>	<u>\$ 3,589,400</u>	<u>\$ 219,020</u>	<u>\$ -</u>
Beneficial interest in charitable trusts	<u>\$ 5,270,453</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,270,453</u>
Obligations under split-interest agreements	<u>\$ 1,179,428</u>	<u>\$ -</u>	<u>\$ 1,179,428</u>	<u>\$ -</u>

American Humane's beneficial interest in charitable trusts as of June 30, 2017 includes approximately \$9,000 representing a remainder interest in one trust whose total assets have an estimated fair value of \$524,000. American Humane's interest in the trust is 2.25% and has been adjusted for the life expectancy of those holding life interests. The remaining amount of approximately \$5.4 million includes American Humane's interest in 17 perpetual trusts having total assets of \$62.4 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, 2017 and 2016:

Balance at June 30, 2015	\$ 5,700,117
Decrease in value of beneficial interest in charitable trusts	<u>(429,664)</u>
Balance at June 30, 2016	5,270,453
Increase in value of beneficial interest in charitable trusts	<u>204,603</u>
Balance at June 30, 2017	<u>\$ 5,475,056</u>

The increase (decrease) in value included in the statement of activities attributable to the change in value relating to assets still held at June 30, 2017 and June 30, 2016 was \$204,603 and \$(429,664), respectively.

NOTE 5. NET INVESTMENT RETURN

Net investment return consisted of the following for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 82,820	\$ 112,138
Unrealized gain (losses)	109,483	(9,739)
Realized gains	3,739	31,985
Investment fees	<u>(31,511)</u>	<u>(28,509)</u>
	164,531	105,875
Distributions from perpetual trusts	<u>221,702</u>	<u>251,604</u>
	<u>\$ 386,233</u>	<u>\$ 357,479</u>

NOTE 6. ANNUITY AND TRUST AGREEMENTS

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

Charitable Gift Annuities

American Humane has an unrestricted beneficial interest in various charitable gift annuities. In accordance with the gift agreements, American Humane pays a specified amount of earnings to named beneficiaries over their lifetimes. American Humane 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, 2017 and 2016, was \$1,176,478 and \$1,179,428, 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 American Humane'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; however, American Humane will never receive the assets of the trust. As of June 30, 2017 and 2016, the net present values of beneficial interests in charitable trusts were included in the statements of financial position as follows:

NOTE 6. ANNUITY AND TRUST AGREEMENTS (CONTINUED)

	<u>2017</u>	<u>2016</u>
Remainder and lead trusts		
Gross amounts receivable	\$ 11,781	\$ 142,877
Less: discount	<u>(2,523)</u>	<u>(27,048)</u>
	9,258	115,829
Perpetual trusts		
Fair value of assets held in perpetual trusts	<u>5,465,798</u>	<u>5,154,624</u>
	<u>\$ 5,475,056</u>	<u>\$ 5,270,453</u>

During 2017, American Humane received no distributions from the remainder or lead trusts. The income distributions from perpetual trusts for 2017 totaled \$221,702 and are available to American Humane for unrestricted use.

NOTE 7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 93,358	\$ 86,969
Leasehold improvements	49,182	49,182
Vehicles	857,555	685,455
Computer hardware and software	<u>825,940</u>	<u>743,859</u>
	1,826,035	1,565,465
Less: accumulated depreciation	<u>(1,245,052)</u>	<u>(1,096,827)</u>
	<u>\$ 580,983</u>	<u>\$ 468,638</u>

NOTE 8. LINE OF CREDIT

On April 18, 2016, American Humane entered into a line of credit with TD Bank, N.A. in the amount of \$1,000,000 with a maturity date of April 18, 2018. 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, 2016). 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. As of June 30, 2017, there was no outstanding balance on the line of credit.

NOTE 9. ENDOWMENT

General

American Humane's Endowment Fund was established by action of American Humane'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, American Humane 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 net assets with perpetual donor restrictions is classified as net assets with temporary donor restrictions until those amounts are appropriated for expenditure by American Humane in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, American Humane 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 American Humane 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 American Humane.
- Investment policies of American Humane.

Changes in Endowment Net Assets

Changes in endowment net assets for the year ended June 30, 2017 and 2016 were as follows:

NOTE 9. ENDOWMENT (CONTINUED)

	2017		
	With Temporary Donor Restrictions	With Perpetual Donor Restrictions	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Endowment net assets, beginning of year	84,646	1,018,449	1,103,095
Appropriation for expenditure	-	-	-
Investment return			
Net appreciation	51,844	-	51,844
Interest income, net of fees	12,197	-	12,197
Total investment return	64,041	-	64,041
Contributions	-	6,000	6,000
Endowment net assets, end of year	<u>\$ 148,687</u>	<u>\$ 1,024,449</u>	<u>\$ 1,173,136</u>
	2016		
	With Temporary Donor Restrictions	With Perpetual Donor Restrictions	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Endowment net assets, beginning of year	96,449	1,017,449	1,113,898
Appropriation for expenditure	(30,123)	-	(30,123)
Investment return			
Net appreciation	8,535	-	8,535
Interest income, net of fees	9,785	-	9,785
Total investment return	18,320	-	18,320
Contributions	-	1,000	1,000
Endowment net assets, end of year	<u>\$ 84,646</u>	<u>\$ 1,018,449</u>	<u>\$ 1,103,095</u>

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, American Humane 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 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.

NOTE 9. ENDOWMENT (CONTINUED)

Spending Policy and How the Investment Objectives Relate to the Spending Policy

American Humane 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, American Humane considered the long-term expected return on its endowment. Accordingly, over the long term, American Humane expects the current spending policy to allow its endowment to grow at an average of at least the CPI annually. This is consistent with American Humane'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 American Humane's expenditure budget on an annual basis.

NOTE 10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Temporary donor restrictions		
Contributions receivable	\$ 182,585	\$ 140,029
Restricted funds for programs	4,422,370	4,655,096
Unexpended earnings on endowments	148,687	84,646
Beneficial interest in charitable trusts	<u>9,258</u>	<u>115,829</u>
Total temporary donor restrictions	<u>4,762,900</u>	<u>4,995,600</u>
Perpetual donor restrictions		
Beneficial interest in perpetual trusts	5,465,798	5,154,624
Endowment funds with various income restrictions	<u>1,024,449</u>	<u>1,018,449</u>
Total perpetual donor restrictions	<u>6,490,247</u>	<u>6,173,073</u>
Total Donor Restricted Net Assets	<u>\$ 11,253,147</u>	<u>\$ 11,168,673</u>

During the year ended June 30, 2017, temporarily restricted net assets were released from restriction in the amount of \$130,812 due to the passage of time and \$2,893,289 due to the satisfaction of purpose restrictions.

NOTE 11. COMMITMENTS

Retirement Plans

American Humane 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. 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 contributed 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 401(a) plan was terminated effective April 30, 2016, with no further employer contributions to be made to the plan subsequent to that date. All employer contributions are now being made to the 403(b) plan, effective May 1, 2016.

Employer contributions become fully vested after four years of service. During the years ended June 30, 2017 and 2016, American Humane contributed \$126,502 and \$109,586, respectively, to the plan.

On November 13, 2014, American Humane established a deferred compensation plan agreement. American Humane contributed payments totaling \$10,000 during the year ended June 30, 2016, 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

American Humane leases office space and certain office equipment under operating leases expiring between 2019 and 2022. At June 30, 2017, future minimum payments required under these leases were as follows:

Year Ending June 30, 2018	\$ 684,348
2019	703,833
2020	724,323
2021	559,818
2022	<u>521,048</u>
	<u>\$ 3,193,370</u>

Rent expense for the years ended June 30, 2017 and 2016 was \$783,912 and \$743,178, respectively.

In May 2015, American Humane extended the agreement to sublease a portion of its D.C. office space until March 8, 2016, with monthly rent of \$9,454 starting July 8, 2015. In August 2015, American Humane entered into an agreement to lease 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, American Humane 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

American Humane has performed an evaluation of subsequent events through November 3, 2017, 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.