

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

FINANCIAL STATEMENTS

JUNE 30, 2020



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

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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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, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, 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 American Humane as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

CalibreCPAGroup, PLLC

Bethesda, MD
October 12, 2020

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

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,953,573	\$ 2,934,006
Investments	8,410,786	6,022,325
Accounts receivable	704,862	1,198,936
Grants and contributions receivable	2,686,204	2,549,737
Prepayments and deposits	379,648	839,371
Total current assets	17,135,073	13,544,375
NON-CURRENT ASSETS		
Accounts receivable, net of current portion	141,775	233,750
Grants and contributions receivable, net of current portion	1,040,000	680,000
Beneficial interests in charitable trusts	5,491,807	5,636,276
Investments held for endowment	1,480,941	1,473,320
Property and equipment, net	386,069	498,424
Total non-current assets	8,540,592	8,521,770
Total assets	\$ 25,675,665	\$ 22,066,145
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 642,271	\$ 700,803
Accrued expenses and other liabilities	805,668	786,870
Deferred revenue	233,850	236,950
Deferred lease liability	51,006	50,677
Loan payable	506,528	-
Obligations under charitable gift annuities	129,126	121,296
Total current liabilities	2,368,449	1,896,596
NON-CURRENT LIABILITIES		
Loan payable, net of current portion	579,842	-
Deferred lease liability, net of current portion	210,399	252,862
Obligations under charitable gift annuities, net of current portion	1,192,030	1,107,400
Total non-current liabilities	1,982,271	1,360,262
Total liabilities	4,350,720	3,256,858
NET ASSETS		
Without donor restrictions	8,745,421	6,313,833
With donor restrictions	12,579,524	12,495,454
Total net assets	21,324,945	18,809,287
Total liabilities and net assets	\$ 25,675,665	\$ 22,066,145

See accompanying notes to financial statements.

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

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions and sponsorships	\$ 40,094,564	\$ 5,218,177	\$ 45,312,741	\$ 29,300,504	\$ 5,134,567	\$ 34,435,071
Grants	2,525,573	-	2,525,573	2,746,410	-	2,746,410
Royalties and rights fees	2,977,698	-	2,977,698	2,932,036	-	2,932,036
Services fees	2,363,197	-	2,363,197	3,738,209	-	3,738,209
Conferences and seminars	140,400	-	140,400	286,898	-	286,898
Miscellaneous income	6,434	-	6,434	25,287	-	25,287
Net investment return						
Distributions from perpetual trusts	266,849	-	266,849	263,486	-	263,486
Other, net of fees	119,401	22,897	142,298	347,299	48,687	395,986
Change in value of split interest agreements	(45,988)	-	(45,988)	(63,008)	136	(62,872)
Gain (loss) on interests in perpetual trusts	-	(144,469)	(144,469)	-	(23,501)	(23,501)
Net assets released from restrictions	<u>5,012,535</u>	<u>(5,012,535)</u>	<u>-</u>	<u>4,438,957</u>	<u>(4,438,957)</u>	<u>-</u>
Total support and revenue	<u>53,460,663</u>	<u>84,070</u>	<u>53,544,733</u>	<u>44,016,078</u>	<u>720,932</u>	<u>44,737,010</u>
EXPENSES						
Program services						
Humane Conservation	3,794,471	-	3,794,471	5,407,315	-	5,407,315
Humane Hollywood	9,117,678	-	9,117,678	9,987,602	-	9,987,602
Humane Rescue	6,031,276	-	6,031,276	2,595,446	-	2,595,446
Center for Military Affairs	12,544,991	-	12,544,991	5,366,284	-	5,366,284
Farm Animal Program	5,853,621	-	5,853,621	8,610,673	-	8,610,673
Other program services	<u>9,249,897</u>	<u>-</u>	<u>9,249,897</u>	<u>7,576,286</u>	<u>-</u>	<u>7,576,286</u>
Total program services	<u>46,591,934</u>	<u>-</u>	<u>46,591,934</u>	<u>39,543,606</u>	<u>-</u>	<u>39,543,606</u>
Supporting services						
Philanthropic services and fundraising	2,692,096	-	2,692,096	2,638,425	-	2,638,425
General administration	<u>1,745,045</u>	<u>-</u>	<u>1,745,045</u>	<u>1,114,472</u>	<u>-</u>	<u>1,114,472</u>
Total supporting services	<u>4,437,141</u>	<u>-</u>	<u>4,437,141</u>	<u>3,752,897</u>	<u>-</u>	<u>3,752,897</u>
Total expenses	<u>51,029,075</u>	<u>-</u>	<u>51,029,075</u>	<u>43,296,503</u>	<u>-</u>	<u>43,296,503</u>
CHANGE IN NET ASSETS	2,431,588	84,070	2,515,658	719,575	720,932	1,440,507
NET ASSETS						
Beginning of year	<u>6,313,833</u>	<u>12,495,454</u>	<u>18,809,287</u>	<u>5,594,258</u>	<u>11,774,522</u>	<u>17,368,780</u>
End of year	<u>\$ 8,745,421</u>	<u>\$ 12,579,524</u>	<u>\$ 21,324,945</u>	<u>\$ 6,313,833</u>	<u>\$ 12,495,454</u>	<u>\$ 18,809,287</u>

See accompanying notes to financial statements.

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

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program Services						Supporting Services				Total Expenses
	Humane Conservation	Humane Hollywood	Humane Rescue	Center for Military Affairs	Farm Animal Program	Other Program Services	Total	Philanthropic Services and Fundraising	General Administration	Total	
Salaries	\$ 575,488	\$ 2,674,321	\$ 481,135	\$ 414,684	\$ 565,382	\$ 751,133	\$ 5,462,143	\$ 1,116,546	\$ 833,242	\$ 1,949,788	\$ 7,411,931
Benefits	106,105	450,712	88,628	76,704	105,368	137,772	965,289	205,714	153,804	359,518	1,324,807
Professional services	811,783	288,978	130,731	473,290	220,292	1,066,354	2,991,428	319,269	250,158	569,427	3,560,855
Subcontractors	44,645	402,661	-	349,327	395,905	61,780	1,254,318	-	-	-	1,254,318
Events	17,766	12,338	2,123	112,711	31,072	369,669	545,679	150,788	8,020	158,808	704,487
Travel	209,639	318,995	88,067	132,588	58,195	130,000	937,484	89,300	29,806	119,106	1,056,590
Depreciation and amortization	3,274	27,028	107,412	8,041	5,788	8,823	160,366	9,531	14,238	23,769	184,135
Dues and subscriptions	5,845	9,788	4,979	2,791	9,540	5,994	38,937	91,232	4,042	95,274	134,211
Equipment lease and repairs	535	18,267	19,285	2,378	952	2,647	44,064	2,478	12,567	15,045	59,109
Grant distributions	12,000	-	106,843	-	-	2,000	120,843	35,000	-	35,000	155,843
Occupancy	40,581	434,236	103,505	27,172	61,703	81,112	748,309	122,457	158,632	281,089	1,029,398
Outreach and promotion	32,472	33,983	95,605	174,083	20,812	56,691	413,646	57,087	2,414	59,501	473,147
Postage	12,302	8,805	8,237	10,072	3,957	10,125	53,498	82,174	3,292	85,466	138,964
Printing	8,590	15,227	8,503	23,581	11,313	37,786	105,000	249,154	5,349	254,503	359,503
Supplies	4,355	20,712	29,314	24,506	4,300	8,728	91,915	11,638	4,721	16,359	108,274
Taxes, licenses and fees	1,730	25,724	8,633	13,981	2,081	4,016	56,165	89,019	4,328	93,347	149,512
Telecommunications	8,369	54,275	16,067	5,959	8,121	17,260	110,051	13,044	12,088	25,132	135,183
Bad debts	-	-	-	-	-	-	-	-	223,000	223,000	223,000
Donated goods and services	1,885,551	4,315,106	4,718,023	10,681,094	4,329,560	6,486,329	32,415,663	31,849	18,551	50,400	32,466,063
Other expenses	13,441	6,522	14,186	12,029	19,280	11,678	77,136	15,816	6,793	22,609	99,745
Total expenses	\$ 3,794,471	\$ 9,117,678	\$ 6,031,276	\$ 12,544,991	\$ 5,853,621	\$ 9,249,897	\$ 46,591,934	\$ 2,692,096	\$ 1,745,045	\$ 4,437,141	\$ 51,029,075

See accompanying notes to financial statements.

**AMERICAN HUMANE ASSOCIATION,
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STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services						Supporting Services			Total Expenses	
	Humane Conservation	Humane Hollywood	Humane Rescue	Center for Military Affairs	Farm Animal Program	Other Program Services	Total	Philanthropic Services and Fundraising	General Administration		Total
Salaries	\$ 461,657	\$ 2,708,286	\$ 380,277	\$ 268,698	\$ 723,818	\$ 630,377	\$ 5,173,113	\$ 713,696	\$ 532,202	\$ 1,245,898	\$ 6,419,011
Benefits	91,447	454,186	74,358	52,631	140,938	124,563	938,123	139,459	103,536	242,995	1,181,118
Professional services	1,013,158	340,620	86,995	582,058	283,972	1,098,479	3,405,282	351,951	221,000	572,951	3,978,233
Subcontractors	89,368	422,172	-	239,977	574,429	2,000	1,327,946	-	-	-	1,327,946
Events	6,341	5,790	21,469	92,565	34,857	323,308	484,330	63,695	3,535	67,230	551,560
Travel	189,093	504,870	178,539	146,380	86,574	184,932	1,290,388	82,743	38,111	120,854	1,411,242
Depreciation and amortization	6,382	26,143	117,758	5,859	10,310	9,063	175,515	7,574	1,580	9,154	184,669
Dues and subscriptions	14,475	13,721	5,823	3,033	12,688	12,464	62,204	66,878	5,333	72,211	134,415
Equipment lease and repairs	773	22,906	35,536	6,825	2,799	1,320	70,159	3,333	14,930	18,263	88,422
Grant distributions	10,000	-	13,000	27,500	-	22,500	73,000	-	-	-	73,000
Occupancy	48,786	458,212	99,567	35,400	84,008	59,888	785,861	103,538	99,658	203,196	989,057
Outreach and promotion	88,471	60,785	28,445	208,686	63,511	92,454	542,352	56,592	2,343	58,935	601,287
Postage	11,610	13,491	5,132	6,548	10,200	9,144	56,125	123,895	3,201	127,096	183,221
Printing	14,909	16,873	6,640	24,024	19,698	38,930	121,074	194,937	7,550	202,487	323,561
Supplies	3,779	23,837	31,315	24,433	15,741	10,799	109,904	8,426	5,657	14,083	123,987
Taxes, licenses and fees	3,205	27,750	12,908	15,881	2,652	6,526	68,922	57,766	3,635	61,401	130,323
Telecommunications	5,559	70,193	13,761	4,704	11,833	9,671	115,721	10,245	7,291	17,536	133,257
Donated goods and services	3,323,204	4,786,382	1,470,876	3,614,973	6,519,064	4,921,491	24,635,990	619,280	52,338	671,618	25,307,608
Other expenses	25,098	31,385	13,047	6,109	13,581	18,377	107,597	34,417	12,572	46,989	154,586
Total expenses	\$ 5,407,315	\$ 9,987,602	\$ 2,595,446	\$ 5,366,284	\$ 8,610,673	\$ 7,576,286	\$ 39,543,606	\$ 2,638,425	\$ 1,114,472	\$ 3,752,897	\$ 43,296,503

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,515,658	\$ 1,440,507
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	184,135	184,669
Loss on disposal of property and equipment	2,494	-
Net (gains) loss on investments	7,268	(252,779)
Change in value of beneficial interest in charitable trusts	144,469	23,501
Change in value of obligations under charitable gift annuities	45,988	63,008
Change in operating assets		
Accounts receivable	586,049	(196,949)
Grants and contributions receivable	(496,467)	1,535,148
Prepayments and deposits	459,723	(331,757)
Change in operating liabilities		
Accounts payable	(58,532)	194,175
Accrued expenses and other liabilities	18,798	130,551
Deferred revenue	(3,100)	(69,260)
Deferred lease liability	(42,134)	(30,626)
Net cash provided by operating activities	3,364,349	2,690,188
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	611,104	476,886
Purchases of investments	(3,014,453)	(2,975,438)
Purchases of property and equipment	(74,275)	(111,108)
Net cash used for investing activities	(2,477,624)	(2,609,660)
CASH FLOWS FROM FINANCING ACTIVITIES		
Liabilities assumed under charitable gift annuities	168,081	71,268
Payments to charitable gift annuitants	(121,609)	(113,690)
Loan proceeds	1,086,370	-
Borrowing under line of credit	250,000	-
Repayment of line of credit	(250,000)	-
Net cash provided by (used for) financing activities	1,132,842	(42,422)
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,019,567	38,106
CASH AND CASH EQUIVALENTS		
Beginning of year	2,934,006	2,895,900
End of year	\$ 4,953,573	\$ 2,934,006

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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 people.

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:

American Humane Conservation

In the face of what scientists are calling a "Sixth Mass Extinction" with species disappearing at an unprecedented rate, zoos and aquariums are playing an outsized role in preserving the vital web of life on Earth. To elevate standards and shine a spotlight on those who take good care of their animals, American Humane developed the first-ever independent, science-based humane certification dedicated solely to helping ensure the welfare and humane treatment of the animals in the world's zoos, aquariums, and conservation centers.

We are proud to announce the following accomplishments on behalf of the remarkable and endangered animals with whom we share the Earth....

- **Helping protect species in zoological settings worldwide:** American Humane now helps protect the welfare and humane treatment of 400,000 animals at 63 leading zoological facilities around the world. Fewer than one percent of zoos and aquariums have earned our prestigious Humane Certified™ seal of approval.

NOTE 1. ORGANIZATION (CONTINUED)

- **Global expansion:** Major institutions around the world are lining up to become American Humane Certified and we now certify major zoological facilities in 18 U.S. states and 12 countries in North and Central America, the Bahamas, Europe and Asia.
- **Award-winning conservation materials for children:** Our “Humane Heroes” series of books and curricula encouraging K-12 students to value and preserve the disappearing species of the world won the 2020 “Teachers’ Choice Award for the Classroom.” Published by *Chicken Soup for the Soul*, elementary, middle and high school students read stories of animal rescue, rehabilitation and conservation being played out at American Humane Certified zoos and aquariums around the world.
- **Raised public awareness for humane conservation:** American Humane created a series of six educational videos about the vital role of zoos and aquariums in conservation, prompting more than 15 million views on social media. Our national television and radio public service messages with famed wildlife conservationist Jeff Corwin continue to promote support of humane conservation and has been broadcast nearly 50,000 times, reaching some half a billion people so far!

American 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 80 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 help 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:

- Works to protect animals used in film, television and commercial production, no matter where filming occurs, during the production and on set.
- Educates and informs film industry professionals and the public regarding the humane treatment of animal actors in the global media community.
- Verifies American Humane’s *Guidelines for the Safe Use of Animals in Filmed Media* with specially trained Certified Animal Safety Representatives™, many of whom are veterinarians.

NOTE 1. ORGANIZATION (CONTINUED)

Our Certified Animal Safety Representatives helped nearly 100,000 animals stay safe on some 1,000 film and television productions during the past year. Responding to growing demand, we were on set for 16 percent more production days than the previous year. Our representatives worked to protect animal actors during filming in 33 countries and monitored 34 percent more international production days than the previous year.

American Humane Rescue

For more than 100 years, American Humane Rescue teams have been *First to Serve*® in the protection of animals suffering in natural disasters as well as man-made cases of cruelty, neglect or hoarding. American Humane Rescue teams save, feed and shelter animals in crisis, and provide lifesaving tips and disaster preparation training before, during and after disasters. The program's purpose is to provide intervention for communities in crisis and to help build more humane communities nationwide through training, grants, shelter support and humane education.

- **Helped hundreds of thousands of animals:** In the past year, our animal rescue teams with their nearly 250 highly trained volunteer first responders helped save, feed and shelter more than 500,000 animals.
- **Provided leadership in the deadly COVID-19 pandemic:** American Humane took a leadership role in supporting shelter pets abandoned during the pandemic, providing critically needed food, supplies and medicines through our “Feed the Hungry” fund, and launching a nationwide campaign to stop people from giving up their companions and to foster or adopt shelter animals.
- **Saving lives in the aftermath of Hurricane Dorian:** When this devastating storm struck the Bahamas, American Humane evacuated animals, helped search for and rescue hundreds more, distributed nearly 50,000 meals, paid for veterinary care on the island, and helped rebuild a critically important shelter to ensure safe housing for lost pets.
- **Rescuing animals in Oklahoma:** Following historic flooding there, our rescue team rushed in, saving bewildered, terrified animals like Roscoe, an aging, mixed-breed dog whose home disappeared under 12 feet of water and was found clinging to life in the branches of a tree.
- **Helping victims of the Australian wildfires:** American Humane worked with our humane conservation partners to support lifesaving efforts to get veterinary care, food, water, medicines and supplies to the animal victims in the scorched wastelands of Australia.

NOTE 1. ORGANIZATION (CONTINUED)

- **Delivering a ton of love to 400+ starving cats:** American Humane and Chicken Soup for the Soul Pet Food delivered thousands of pounds of food to hundreds of hungry cats at an abandoned property as plans were made to rescue and rehome them.
- **Reaching millions with lifesaving information:** Actress and producer Vivica A. Fox taped a national Public Service Announcement (PSA), urging people to become American Humane Rescue volunteers and adopt from shelters. Look and listen for this message on your local TV and radio stations!
- **Bringing help to those who need it most:** American Humane conducted free veterinary clinics to help animals in some of the most resource-poor areas of the country, bringing spay and neuter services and lifesaving vaccines provided free of charge by Zoetis Petcare to dogs and cats whose families cannot afford to give them medical care.
- **Training more rescuers:** Our American Humane Rescue team, which has been first to serve in rescuing animals for more than 100 years, trained 880 animal emergency responders in 17 states and the nation's capital - so that they can be ready to help animals in need...anytime, anywhere.
- **Feeding shelter animals:** American Humane and Chicken Soup for the Soul Pet Food delivered more than 10 tons of hope and nutritious, free meals to hungry, frightened and abandoned animals in shelters in just the last year.
- **Protecting communities in crisis:** American Humane continued to work with major media to provide millions with disaster preparedness and emergency response tips.

American Humane's Lois Pope LIFE Center for Military Affairs

Since 1916, 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.

- **Bringing Battle Buddies back together:** After a lifetime of serving our country and protecting our troops, far too many retired military dogs are separated from their handlers and left overseas. American Humane has already brought 42 of these heroes home and reunited them with their battle buddies.
- **Saving lives on each end of the leash:** To help stem the tide of veteran suicide and save unadopted animals, American Humane launched the "Pups4Patriots[™]" program, which finds dogs in need of forever homes and trains them to become lifesaving service dogs for veterans coping with PTS and TBI.

NOTE 1. ORGANIZATION (CONTINUED)

- **Reaching out to those in need:** A new national PSA campaign starring Broadway and film star Kristin Chenoweth encourages veterans to apply for a free, lifesaving service dog trained by the experts at American Humane. These TV and radio spots have already aired more than a thousand times so far, reaching millions.
- **Urging Congress to do more for veterans:** Service dogs are not only costly but can take an unacceptable 18-24 months to obtain. The “PAWS for Veterans Therapy Act” will train and pair vets suffering from post-deployment mental health issues with service dogs.
- **Honoring America’s four-legged military heroes:** Five courageous canines were awarded American Humane’s Lois Pope LIFE K-9 Medal of Courage, the nation’s highest award for military dogs. The internationally covered ceremony on Capitol Hill included hundreds of congressional staff and top U.S. military leaders, including U.S. Marine Corps Brigadier General Robert C. Fulford and U.S. Marine Corps Colonel Scott Campbell (Ret.).

American Humane Farm Animal Program

The **American Humane Farm Animal Program** was - and is - the *First to Serve*[®] in the protection of farm animals. 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 help 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. The program covers thousands of 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, ducks and eggs.

American Humane Hero Dog Awards[®]

We taught millions about the power of the people-animal bond and the role of working dogs in society through the annual **American Humane Hero Dog Awards**[®], a program that spotlights the life-enhancing, even life-saving work of humankind’s best friends. The national television broadcast of the ninth annual American Humane Hero Dog Awards featured James Denton, Beth Stern and many more celebrities, and was aired nationwide on the Hallmark Channel.

NOTE 1. ORGANIZATION (CONTINUED)

Public Education, Prevention, and Outreach

As the leader on animal welfare issues since 1877, news organizations are constantly seeking our expertise and commentary. We work with thousands of local, regional, and national news groups to get out lifesaving information and spread our message of compassion, caring and hope. Recent highlights of our educational outreach include:

- **Reaching the world with our humane messages**, reaching millions of people, encouraging them to be kind to animals and providing them with tools to create a more compassionate world.
- **Generating major news stories on helping animals** carried by prominent national publications, newspapers, magazines and news stations.
- **Touching millions through the national television broadcast** of the ninth annual **American Humane Hero Dog Awards** on Hallmark Channel with its 80 million+ subscribers. This annual campaign highlights the life-changing, life-saving power of the bond between animals and people.
- **Our award-winning national television and radio PSAs and billboard campaigns** are reaching hundreds of millions of people each year with lifesaving information, messages of compassion, and practical ways the public can support humane farming, humane conservation of the world's remarkable and endangered creatures, veterans needing service dogs, and animals caught in disasters and cruelty cases.
- **Teaching kids to be kind:** Partnering with the publishers of the iconic *Chicken Soup for the Soul* library, American Humane developed a national companion curriculum for their *Humane Heroes* series of free eBooks for elementary, middle and high-school students. The series and curricula seek to instill the love and value of animals into young people, teach them about conservation, and encourages them to be advocates for animals through stories of rescue, rehabilitation and humane conservation work being done at leading zoological institutions. The series won the 2020 Teachers' Classroom Award from Learning Magazine.
- **Recognition of Good Stewardship:** American Humane also earned much recognition for its good stewardship of funds and efficiency in turning charitable donations into effective action. For the third time in a row, American Humane was awarded Charity Navigator's highest "4-Star" rating - something only a fraction of the 1.5 million U.S. charities have achieved. American Humane has also been named a "Top-Rated Charity" with an "A" rating by CharityWatch, was called a "Best Charity" to support by Consumer Reports, and is among the few U.S. charities to be accredited by the Better Business Bureau's Wise Giving Alliance.

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.

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.

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 statements of financial position, and unrealized gains and losses are included in the statements 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, 2020 and 2019.

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. The allowance for doubtful accounts was \$200,000 at June 30, 2020 and \$-0- at June 30, 2019.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020; as such, no impairment losses were recorded during the year.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Revenue from contracts with customers consists primarily of service fees, royalty income, event registrations and related fees. Revenue is recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. The revenue is recognized net of discounts, waivers, and refunds. Revenue is recognized using the five-step approach required by Accounting Standards Codification (ASC) Topic 606 *Revenue from Contracts with Customers*, as follows:

- Identification of the contract with a customer.
- Identification of the performance obligations in the contract.
- Determination of the transaction price.
- Allocation of the transaction price to the performance obligations in the contract.
- Recognition of revenue when, or as, performance obligations are satisfied.

Performance Obligations and Significant Judgments - A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each performance obligation identified in the arrangement based on the relative standalone selling price of each distinct good or service and recognized as revenue when, or as, the performance obligation is satisfied. If a distinct good or service does not have an observable standalone selling price, then the primary method used to estimate the standalone selling price is the adjusted market assessment approach, under which we evaluate the market and estimate a price that a customer would be willing to pay for the goods and services we provide.

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.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 are reported as restricted support. 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 and billboard space for Public Service Announcements, which are measured and reported at fair value.

During the years ended June 30, 2020 and 2019, donated goods and services recognized in the financial statements totaled \$32,466,063 and \$25,307,608, 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, 2020 and 2019, advertising costs totaled \$218,916 and \$395,541, 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

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

American Humane's investments are made in accordance with its board-approved investment policy and 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 2017 through 2020 are subject to examination by the Internal Revenue Service (IRS), generally for three years after they were filed.

New Accounting Pronouncements Adopted

During the year ended June 30, 2020, American Humane adopted the provisions of Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606). Topic 606 prescribes a single model for revenue recognition, with a set of principles to be used for determining when revenue should be recognized, including performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each separate performance obligation. It also requires expanded disclosures about the nature, amount, and timing of revenues and cash flows. The adoption of Topic 606 did not have a material impact on these financial statements.

American Humane also adopted the provisions of Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (the Update). The Update provides a framework for determining whether a particular transaction is an exchange or a contribution, including how to evaluate whether a resource provider receives commensurate value in an exchange transaction, and guidance to assist entities in determining whether a contribution is either conditional or unconditional. The adoption of this Update did not have a material impact on these financial statements.

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, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Total assets at end of year	\$ 25,675,665	\$ 22,066,145
Less nonfinancial assets		
Prepaid expenses and deposits	(379,648)	(839,371)
Net property and equipment	(386,069)	(498,424)
Beneficial interest in charitable trust assets	<u>(5,491,807)</u>	<u>(5,636,276)</u>
Total financial assets at end of year	19,418,141	15,092,074
Less amounts unavailable for general expenditures within one year		
Restricted by donor with time or purpose restrictions	(5,606,776)	(5,385,858)
Donor-restricted endowment funds and unexpended earnings	(1,480,941)	(1,473,320)
Accounts receivable due in more than one year	(141,775)	(233,750)
Cash held as security for line of credit	(1,000,000)	(1,001,254)
Investments held to fund charitable gift annuities	<u>(1,248,027)</u>	<u>(1,249,821)</u>
Total financial assets available for general expenditures within one year	<u>\$ 9,940,622</u>	<u>\$ 5,748,071</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. 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 access to an available line of credit in the amount of \$1,000,000.

NOTE 4. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Due in less than one year	\$ 2,686,204	\$ 2,549,737
Due in one to five years	<u>1,040,000</u>	<u>680,000</u>
	<u>\$ 3,726,204</u>	<u>\$ 3,229,737</u>

NOTE 5. 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 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.

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, 2020.

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

NOTE 5. FAIR VALUE DISCLOSURES (CONTINUED)

Assets and liabilities 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, 2020 and 2019:

	June 30, 2020			
	Total	Level 1	Level 2	Level 3
Investments				
Cash and cash equivalents	\$ 566,400	\$ 566,400	\$ -	\$ -
Mutual and exchange-traded funds				
Equities	5,298,441	5,298,441	-	-
Fixed income	3,415,007	3,415,007	-	-
Non-traditional	611,879	611,879	-	-
	<u>\$ 9,891,727</u>	<u>\$ 9,891,727</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in charitable trusts	<u>\$ 5,491,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,491,807</u>
Obligations under charitable gift annuities	<u>\$ 1,321,156</u>	<u>\$ -</u>	<u>\$ 1,321,156</u>	<u>\$ -</u>
	June 30, 2019			
	Total	Level 1	Level 2	Level 3
Investments				
Cash and cash equivalents	\$ 62,984	\$ 62,984	\$ -	\$ -
Mutual and exchange-traded funds				
Equities	4,191,421	4,191,421	-	-
Fixed income	2,462,348	2,462,348	-	-
Non-traditional	778,892	778,892	-	-
	<u>\$ 7,495,645</u>	<u>\$ 7,495,645</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in charitable trusts	<u>\$ 5,636,276</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,636,276</u>
Obligations under charitable gift annuities	<u>\$ 1,228,696</u>	<u>\$ -</u>	<u>\$ 1,228,696</u>	<u>\$ -</u>

NOTE 5. FAIR VALUE DISCLOSURES (CONTINUED)

American Humane's beneficial interest in charitable trusts as of June 30, 2020 includes approximately \$10,000 representing a remainder interest in one trust whose total assets have an estimated fair value of \$554,000. 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 \$5.48 million includes American Humane's interest in 17 perpetual trusts having total assets of approximately \$66 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, 2020 and 2019:

	Perpetual Trusts	Remainder Trusts	Total
Balance at June 30, 2018	\$ 5,649,696	\$ 9,945	\$ 5,659,641
Change in value	<u>(23,501)</u>	<u>136</u>	<u>(23,365)</u>
Balance at June 30, 2019	5,626,195	10,081	5,636,276
Change in value	<u>(144,469)</u>	<u>-</u>	<u>(144,469)</u>
Balance at June 30, 2020	<u>\$ 5,481,726</u>	<u>\$ 10,081</u>	<u>\$ 5,491,807</u>

NOTE 6. NET INVESTMENT RETURN

Net investment return consisted of the following for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 227,471	\$ 211,044
Unrealized gains (losses)	(22,289)	162,332
Realized gains	15,021	90,447
Investment fees	<u>(77,905)</u>	<u>(67,837)</u>
	142,298	395,986
Distributions from perpetual trusts	<u>266,849</u>	<u>263,486</u>
	<u>\$ 409,147</u>	<u>\$ 659,472</u>

NOTE 7. 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, 2020 and 2019, was \$1,321,156 and \$1,228,696, respectively, and required amounts included in investments to fund the liability were \$1,423,758 and \$1,299,071, 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, 2020 and 2019, the net present values of beneficial interests in charitable trusts were included in the statements of financial position as follows:

	<u>2020</u>	<u>2019</u>
Remainder trusts		
Gross amounts receivable	\$ 12,458	\$ 12,458
Less: discount	<u>(2,377)</u>	<u>(2,377)</u>
	10,081	10,081
Perpetual trusts		
Fair value of assets held in perpetual trusts	<u>5,481,726</u>	<u>5,626,195</u>
	<u>\$ 5,491,807</u>	<u>\$ 5,636,276</u>

The income distributions from perpetual trusts for the years ended June 30, 2020 and 2019 totaled \$266,849 and \$263,486, respectively, and are available to American Humane for unrestricted use.

NOTE 8. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 116,844	\$ 94,054
Leasehold improvements	62,096	49,947
Vehicles	1,014,851	1,014,851
Computer hardware and software	<u>986,401</u>	<u>955,408</u>
	2,180,192	2,114,260
Less: accumulated depreciation	<u>(1,794,123)</u>	<u>(1,615,836)</u>
	<u>\$ 386,069</u>	<u>\$ 498,424</u>

NOTE 9. REVENUE FROM CONTRACTS WITH CUSTOMERS*Disaggregation of Revenue from Contracts with Customers*

The following table disaggregates American Humane's revenue based on the timing of satisfaction of performance obligations for the years ended June 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Performance obligations satisfied over time		
Royalties	\$ 2,262,698	\$ 2,237,461
Performance obligations satisfied at a point in time		
Rights fees	715,000	694,575
Services fees	2,363,197	3,738,209
Conferences and seminars	140,400	286,898
Other revenue*		
Investment income	409,147	659,472
Miscellaneous income	6,434	25,287
Grants	2,525,573	2,746,410
Contributions and sponsorships	<u>45,312,741</u>	<u>34,435,071</u>
	<u>\$ 53,735,190</u>	<u>\$ 44,823,383</u>

* Due to the nature of these revenue streams, these items are excluded from required disaggregation under ASC Topic 606. They are included here to provide a reconciliation to total revenues reported in the statements of activities.

NOTE 9. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)*Contract Balances*

All of American Humane's contract assets are considered accounts receivable and are included as accounts receivable both under current and non-current assets whereas contract liabilities are included with deferred revenue in the statements of financial position. Balances in these accounts as of the beginning and end of years ended June 30, 2020 and 2019 are as follows.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Accounts receivable			
Contract receivables	\$ 846,637	\$ 1,430,902	\$ 1,234,808
Due from employees	-	1,784	929
	<u>\$ 846,637</u>	<u>\$ 1,432,686</u>	<u>\$ 1,235,737</u>
Deferred revenue			
Rights fees	<u>\$ 233,850</u>	<u>\$ 236,950</u>	<u>\$ 306,210</u>

NOTE 10. 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. The line of credit was renewed in April 2019 with no maturity date. Borrowings under this line of credit bear interest at 0.25% plus the Prime Rate as published by The Wall Street Journal (3.250% total at June 30, 2020). 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, 2020, there was no outstanding balance on the line of credit.

NOTE 11. LOAN PAYABLE

On April 20, 2020, American Humane received a Paycheck Protection Program (PPP) loan in the amount of \$1,086,370, made available under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Provided American Humane complies with applicable provisions of the CARES Act, the PPP loan is eligible to be forgiven in full. As of the date these financial statements were available to be issued, management believes American Humane has complied with the applicable provisions of the CARES Act and, even though the application for forgiveness has not yet been submitted, that the entire amount of the PPP loan will be forgiven during the fiscal year ending June 30, 2021. Should the loan not be forgiven (in full or in part), American Humane is obligated to begin making equal monthly principal payments of \$63,316 beginning November 20, 2020, plus accrued interest at the annual rate of 1%. Any remaining unpaid amounts not forgiven are due in full on April 20, 2022.

NOTE 12. 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 U.S. Generally Accepted Accounting Principles (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 as 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.

NOTE 12. ENDOWMENT (CONTINUED)**Changes in Endowment Net Assets**

Changes in endowment net assets for the year ended June 30, 2020 and 2019 were as follows:

	2020		
	With Temporary Donor Restrictions	With Perpetual Donor Restrictions	Total
Endowment net assets, beginning of year	<u>\$ 238,025</u>	<u>\$ 1,235,295</u>	<u>\$ 1,473,320</u>
Appropriation for expenditure	<u>(15,276)</u>	<u>-</u>	<u>(15,276)</u>
Investment return			
Net appreciation	16,205	-	16,205
Interest income, net of fees	<u>6,692</u>	<u>-</u>	<u>6,692</u>
Total investment return	<u>22,897</u>	<u>-</u>	<u>22,897</u>
Contributions	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 245,646</u>	<u>\$ 1,235,295</u>	<u>\$ 1,480,941</u>
	2019		
	With Temporary Donor Restrictions	With Perpetual Donor Restrictions	Total
Endowment net assets, beginning of year	<u>\$ 189,338</u>	<u>\$ 1,086,449</u>	<u>\$ 1,275,787</u>
Appropriation for expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Investment return			
Net appreciation	18,546	-	18,546
Interest income, net of fees	<u>30,141</u>	<u>-</u>	<u>30,141</u>
Total investment return	<u>48,687</u>	<u>-</u>	<u>48,687</u>
Contributions	<u>-</u>	<u>148,846</u>	<u>148,846</u>
Endowment net assets, end of year	<u>\$ 238,025</u>	<u>\$ 1,235,295</u>	<u>\$ 1,473,320</u>

NOTE 12. 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, 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.

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 13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2020 and 2019 consist of the following:

	June 30, 2019	Additions and Reclassifications	Released	June 30, 2020
Temporary donor restrictions				
Contributions restricted for future periods	\$ 132,705	\$ 54,962	\$ (132,705)	\$ 54,962
Contributions restricted for specific programs	5,253,153	5,163,215	(4,864,554)	5,551,814
Unexpended earnings on endowments	238,025	22,897	(15,276)	245,646
Beneficial interest in charitable trusts	<u>10,081</u>	<u>-</u>	<u>-</u>	<u>10,081</u>
Total temporary donor restrictions	<u>5,633,964</u>	<u>5,241,074</u>	<u>(5,012,535)</u>	<u>5,862,503</u>
Perpetual donor restrictions				
Beneficial interest in perpetual trusts	5,626,195	(144,469)	-	5,481,726
Endowment funds with various income restrictions	<u>1,235,295</u>	<u>-</u>	<u>-</u>	<u>1,235,295</u>
Total perpetual donor restrictions	<u>6,861,490</u>	<u>(144,469)</u>	<u>-</u>	<u>6,717,021</u>
Total	<u>\$ 12,495,454</u>	<u>\$ 5,096,605</u>	<u>\$ (5,012,535)</u>	<u>\$ 12,579,524</u>
	June 30, 2018	Additions and Reclassifications	Released	June 30, 2019
Temporary donor restrictions				
Contributions restricted for future periods	\$ 160,038	\$ 132,705	\$ (160,038)	\$ 132,705
Contributions restricted for specific programs	4,679,056	4,853,016	(4,278,919)	5,253,153
Unexpended earnings on endowments	189,338	48,687	-	238,025
Beneficial interest in charitable trusts	<u>9,945</u>	<u>136</u>	<u>-</u>	<u>10,081</u>
Total temporary donor restrictions	<u>5,038,377</u>	<u>5,034,544</u>	<u>(4,438,957)</u>	<u>5,633,964</u>
Perpetual donor restrictions				
Beneficial interest in perpetual trusts	5,649,696	(23,501)	-	5,626,195
Endowment funds with various income restrictions	<u>1,086,449</u>	<u>148,846</u>	<u>-</u>	<u>1,235,295</u>
Total perpetual donor restrictions	<u>6,736,145</u>	<u>125,345</u>	<u>-</u>	<u>6,861,490</u>
Total	<u>\$ 11,774,522</u>	<u>\$ 5,159,889</u>	<u>\$ (4,438,957)</u>	<u>\$ 12,495,454</u>

NOTE 14. COMMITMENTS

Retirement Plans

American Humane maintains a tax-deferred retirement plan qualified under Sections 403(b) of the Internal Revenue Code. The plan covers 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 Internal Revenue Service. American Humane contributes to the plan one-half of the amounts contributed by each employee electing to participate in the plan, up to a maximum employer contribution of 6% of gross wages. Employer contributions become fully vested after four years of service. During the years ended June 30, 2020 and 2019, American Humane contributed \$163,109 and \$158,630, respectively, to the plan.

On November 13, 2014, American Humane established a deferred compensation plan agreement under Internal Revenue Code Section 457. Contributions during the years ended June 30, 2020 and 2019 were \$-0- and \$10,000, respectively.

Operating Lease Commitments

American Humane leases office space, equipment, and storage facilities under operating lease agreements that expire at various dates through June 30, 2030. Offices are located in Washington, DC, Studio City, CA, and Palm Beach, FL. The office lease agreements generally contain renewal options and also require American Humane to pay its pro-rata share of increases in real estate taxes and operating expenses associated with the leased space. Rent expense related to all operating leases for the years ended June 30, 2020 and 2019 was \$766,553 and \$818,202, respectively.

Future minimum lease payments under all operating leases as of June 30, 2020 are due as follows:

Year Ending June 30,	
2021	\$ 681,353
2022	589,242
2023	63,575
2024	62,483
2025	63,728
Thereafter	<u>319,188</u>
	<u>\$ 1,779,569</u>

NOTE 15. SUBSEQUENT EVENTS REVIEW

Starting in early 2020, U.S. and global business and financial markets have been severely impacted by the Coronavirus pandemic. Developments such as social distancing, shelter-in-place directives and overall stock market conditions impacted American Humane's operations during the last half of fiscal year 2020. Its Conservation program and its "No Animals Were Harmed®" program were impacted as zoos and aquariums closed and production studios stopped filming. Additionally, American Humane's operations are heavily dependent on private and public donations from individuals, foundations, and corporations. The COVID-19 outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation may depress donations during fiscal year 2021. While American Humane considers these disruptions to be temporary, if they continue, this may have a material impact on American Humane's future operations, financial position, and liquidity. As a preventive measure, American Humane has taken steps to reduce expenditures for fiscal year 2021.

All subsequent events have been evaluated through October 12, 2020, which is the date the financial statements were available to be issued. This review and evaluation revealed no other material event or transaction which would require an adjustment to or disclosure in the accompanying financial statements.