



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

FINANCIAL STATEMENTS

JUNE 30, 2022





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

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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7501 WISCONSIN AVENUE | SUITE 1200 WEST  
BETHESDA, MD 20814  
T: 202.331.9880 | F: 202.331.9890

## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the accompanying financial statements of the American Humane Association, DBA American Humane - First to Serve (American Humane), a nonprofit organization, which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of American Humane and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about American Humane's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.





## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 American Humane's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about American Humane's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Calibre CPA Group, PLLC*

Bethesda, MD  
November 17, 2022



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

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	2022	2021
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,347,231	\$ 4,556,650
Investments	14,797,911	12,741,735
Accounts receivable	1,080,692	1,111,269
Grants and contributions receivable	980,631	1,455,157
Prepayments and deposits	729,410	289,161
Total current assets	19,935,875	20,153,972
<b>Non-current assets</b>		
Accounts receivable, net of current portion	-	27,200
Grants and contributions receivable, net of current portion	300,000	400,000
Beneficial interests in charitable trusts	5,390,168	6,524,475
Investments held for endowment	769,260	1,712,355
Property and equipment, net	3,842,076	1,940,984
Total non-current assets	10,301,504	10,605,014
Total assets	\$ 30,237,379	\$ 30,758,986
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 987,292	\$ 661,977
Accrued expenses and other liabilities	1,033,709	1,420,187
Deferred revenue	253,912	839,750
Deferred lease liability	63,120	60,972
Refundable advance	-	1,163,177
Obligations under charitable gift annuities	134,652	141,570
Total current liabilities	2,472,685	4,287,633
<b>Non-current liabilities</b>		
Deferred lease liability, net of current portion	927,356	147,695
Obligations under charitable gift annuities, net of current portion	1,219,783	1,256,518
Total non-current liabilities	2,147,139	1,404,213
Total liabilities	4,619,824	5,691,846
<b>Net assets</b>		
Without donor restrictions	15,707,121	13,420,844
With donor restrictions	9,910,434	11,646,296
Total net assets	25,617,555	25,067,140
Total liabilities and net assets	\$ 30,237,379	\$ 30,758,986

See accompanying notes to financial statements.

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

## STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue</b>						
Contributions and sponsorships	\$ 10,513,542	\$ 1,477,087	\$ 11,990,629	\$ 6,259,394	\$ 1,629,820	\$ 7,889,214
In-kind contributions	39,932,562	-	39,932,562	33,482,458	-	33,482,458
Grants	2,910,356	-	2,910,356	2,176,683	-	2,176,683
Royalties and rights fees	3,031,717	-	3,031,717	2,730,961	-	2,730,961
Services fees	5,336,068	-	5,336,068	3,233,916	-	3,233,916
Event fees and ticket sales	115,729	-	115,729	37,136	-	37,136
Miscellaneous income	6,393	-	6,393	17,750	-	17,750
Net investment return						
Distributions from perpetual trusts	282,227	-	282,227	258,986	-	258,986
Other, net of fees	(2,377,683)	-	(2,377,683)	2,194,864	238,391	2,433,255
Change in value of split interest agreements	(46,437)	-	(46,437)	(71,890)	-	(71,890)
Gain (loss) on interests in perpetual trusts	-	(1,134,307)	(1,134,307)	-	1,042,749	1,042,749
Net assets released from restrictions	2,078,642	(2,078,642)	-	3,844,188	(3,844,188)	-
Total support and revenue	<u>61,783,116</u>	<u>(1,735,862)</u>	<u>60,047,254</u>	<u>54,164,446</u>	<u>(933,228)</u>	<u>53,231,218</u>
<b>Expenses</b>						
Program services						
Humane Conservation	7,658,313	-	7,658,313	4,861,948	-	4,861,948
Humane Hollywood	11,189,930	-	11,189,930	8,648,192	-	8,648,192
Humane Rescue	13,299,453	-	13,299,453	8,414,896	-	8,414,896
Center for Military Affairs	9,348,932	-	9,348,932	10,343,178	-	10,343,178
Farm Animal Program	7,043,160	-	7,043,160	6,162,688	-	6,162,688
Other program services	6,279,261	-	6,279,261	5,082,983	-	5,082,983
Total program services	<u>54,819,049</u>	<u>-</u>	<u>54,819,049</u>	<u>43,513,885</u>	<u>-</u>	<u>43,513,885</u>
Supporting services						
Philanthropic services and fundraising	2,980,783	-	2,980,783	3,864,710	-	3,864,710
General administration	1,697,007	-	1,697,007	2,110,428	-	2,110,428
Total supporting services	<u>4,677,790</u>	<u>-</u>	<u>4,677,790</u>	<u>5,975,138</u>	<u>-</u>	<u>5,975,138</u>
Total expenses	<u>59,496,839</u>	<u>-</u>	<u>59,496,839</u>	<u>49,489,023</u>	<u>-</u>	<u>49,489,023</u>
<b>Change in net assets</b>	2,286,277	(1,735,862)	550,415	4,675,423	(933,228)	3,742,195
<b>Net assets</b>						
Beginning of year	<u>13,420,844</u>	<u>11,646,296</u>	<u>25,067,140</u>	<u>8,745,421</u>	<u>12,579,524</u>	<u>21,324,945</u>
End of year	<u>\$ 15,707,121</u>	<u>\$ 9,910,434</u>	<u>\$ 25,617,555</u>	<u>\$ 13,420,844</u>	<u>\$ 11,646,296</u>	<u>\$ 25,067,140</u>

See accompanying notes to financial statements.

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

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	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	\$ 320,438	\$ 2,855,886	\$ 512,702	\$ 388,331	\$ 622,956	\$ 1,136,487	\$ 5,836,800	\$ 1,184,126	\$ 748,623	\$ 1,932,749	\$ 7,769,549
Benefits	68,556	516,728	108,443	81,675	134,353	240,927	1,150,682	254,090	159,787	413,877	1,564,559
Professional services	236,388	363,947	251,412	301,049	163,169	841,087	2,157,052	483,459	442,094	925,553	3,082,605
Subcontractors	113,513	533,433	2,625	261,031	582,922	5,705	1,499,229	-	-	-	1,499,229
Tradeshows and events	103,280	16,574	6,476	141,027	9,145	273,910	550,412	164,246	9,533	173,779	724,191
Travel	50,324	501,740	121,023	141,790	29,663	409,751	1,254,291	109,261	54,454	163,715	1,418,006
Depreciation and amortization	2,567	32,699	65,954	3,284	6,225	124,157	234,886	12,654	18,587	31,241	266,127
Dues and subscriptions	6,901	19,518	6,248	6,857	79,022	22,453	140,999	177,300	14,800	192,100	333,099
Equipment lease and repairs	1,025	22,112	26,200	1,463	1,149	5,107	57,056	2,563	6,639	9,202	66,258
Grant distributions	140,000	-	103,595	-	-	-	243,595	-	550	550	244,145
Occupancy	33,404	189,066	115,858	22,087	59,136	181,591	601,142	80,722	155,448	236,170	837,312
Outreach and promotion	35,974	48,833	273,148	102,926	30,455	54,540	545,876	51,156	2,396	53,552	599,428
Postage	12,896	18,810	15,503	12,198	8,296	18,590	86,293	49,555	6,137	55,692	141,985
Printing	19,155	22,438	25,936	28,404	13,506	34,435	143,874	209,552	8,459	218,011	361,885
Supplies	5,264	21,470	28,129	23,899	5,362	75,845	159,969	14,490	5,882	20,372	180,341
Taxes, licenses and fees	2,002	60,658	4,296	10,552	2,373	13,103	92,984	100,105	4,299	104,404	197,388
Telecommunications	8,656	35,748	14,546	3,882	5,175	14,643	82,650	11,397	2,216	13,613	96,263
Donated goods and services	6,481,480	5,915,557	11,606,560	7,800,831	5,281,336	2,788,345	39,874,109	42,019	16,434	58,453	39,932,562
List purchases	-	-	-	-	-	-	-	15,739	-	15,739	15,739
Other expenses	16,490	14,713	10,799	17,646	8,917	38,585	107,150	18,349	40,669	59,018	166,168
<b>Total expenses</b>	<b>\$ 7,658,313</b>	<b>\$ 11,189,930</b>	<b>\$ 13,299,453</b>	<b>\$ 9,348,932</b>	<b>\$ 7,043,160</b>	<b>\$ 6,279,261</b>	<b>\$ 54,819,049</b>	<b>\$ 2,980,783</b>	<b>\$ 1,697,007</b>	<b>\$ 4,677,790</b>	<b>\$ 59,496,839</b>

See accompanying notes to financial statements.

**AMERICAN HUMANE ASSOCIATION,  
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**STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED JUNE 30, 2021

	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	\$ 358,030	\$ 2,224,690	\$ 476,331	\$ 327,323	\$ 582,421	\$ 435,933	\$ 4,404,728	\$ 1,023,423	\$ 854,188	\$ 1,877,611	\$ 6,282,339
Benefits	80,720	417,165	107,781	71,537	131,481	96,886	905,570	229,188	191,756	420,944	1,326,514
Professional services	192,883	306,032	167,817	299,192	146,464	643,163	1,755,551	431,875	290,231	722,106	2,477,657
Subcontractors	9,198	523,258	1,875	261,189	720,903	72,174	1,588,597	-	-	-	1,588,597
Events	32,076	3,135	3,173	82,364	4,123	13,109	137,980	96,241	11,542	107,783	245,763
Travel	19,778	304,765	60,676	85,242	9,609	45,417	525,487	18,647	43,888	62,535	588,022
Depreciation and amortization	3,609	26,114	104,080	6,878	6,773	5,223	152,677	8,867	17,398	26,265	178,942
Dues and subscriptions	7,332	8,291	7,694	3,009	6,876	5,775	38,977	89,277	4,152	93,429	132,406
Equipment lease and repairs	220	34,621	27,370	1,013	694	498	64,416	1,741	11,196	12,937	77,353
Grant distributions	8,000	-	81,585	5,000	-	42,000	136,585	-	-	-	136,585
Occupancy	38,339	313,381	121,420	26,126	78,968	55,106	633,340	109,476	194,057	303,533	936,873
Outreach and promotion	107,987	33,591	81,919	219,983	23,560	45,189	512,229	31,226	10,950	42,176	554,405
Postage	16,803	21,565	15,380	16,721	10,856	11,278	92,603	62,341	8,033	70,374	162,977
Printing	25,927	23,350	23,767	45,969	18,704	29,160	166,877	235,685	8,074	243,759	410,636
Supplies	5,033	13,416	28,378	22,267	5,172	8,798	83,064	28,249	7,800	36,049	119,113
Taxes, licenses and fees	632	41,130	8,565	6,673	1,447	1,384	59,831	94,890	2,869	97,759	157,590
Telecommunications	5,258	38,167	17,340	3,748	6,471	9,027	80,011	17,215	7,800	25,015	105,026
Bad debts	140,000	-	-	-	-	243,766	383,766	-	-	-	383,766
Donated goods and services	3,800,858	4,305,559	7,070,207	8,846,324	4,405,274	3,287,811	31,716,033	1,331,387	435,038	1,766,425	33,482,458
List Purchases	-	-	-	-	-	-	-	36,371	-	36,371	36,371
Other expenses	9,265	9,962	9,538	12,620	2,892	31,286	75,563	18,611	11,456	30,067	105,630
<b>Total expenses</b>	<b>\$ 4,861,948</b>	<b>\$ 8,648,192</b>	<b>\$ 8,414,896</b>	<b>\$ 10,343,178</b>	<b>\$ 6,162,688</b>	<b>\$ 5,082,983</b>	<b>\$ 43,513,885</b>	<b>\$ 3,864,710</b>	<b>\$ 2,110,428</b>	<b>\$ 5,975,138</b>	<b>\$ 49,489,023</b>

See accompanying notes to financial statements.



**AMERICAN HUMANE ASSOCIATION,  
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STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 550,415	\$ 3,742,195
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	266,127	178,942
Loss on disposal of property and equipment	-	206
Bad debts and losses on uncollectible contributions receivable	-	383,766
Net (gains) loss on investments	2,597,779	(2,260,836)
Change in value of beneficial interest in charitable trusts	1,134,307	(1,032,668)
Change in value of obligations under charitable gift annuities	46,437	71,890
Change in operating assets		
Accounts receivable	57,777	(291,832)
Grants and contributions receivable	574,526	1,487,281
Prepayments and deposits	(440,249)	90,487
Change in operating liabilities		
Accounts payable	325,315	19,706
Accrued expenses and other liabilities	(386,478)	614,519
Refundable advance	(1,163,177)	76,807
Deferred revenue	(585,838)	605,900
Deferred lease liability	87,489	(52,738)
Net cash provided by operating activities	3,064,430	3,633,625
<b>Cash flows from investing activities</b>		
Proceeds from sales of investments	3,380,597	246,272
Proceeds from sales of property and equipment	-	25,000
Purchases of investments	(7,091,457)	(2,547,799)
Purchases of property and equipment	(1,472,899)	(1,759,063)
Net cash used for investing activities	(5,183,759)	(4,035,590)
<b>Cash flows from financing activities</b>		
Liabilities assumed under charitable gift annuities	69,018	164,150
Payments to charitable gift annuitants	(159,108)	(159,108)
Net cash (used for) provided by financing activities	(90,090)	5,042
<b>Net change in cash and cash equivalents</b>	(2,209,419)	(396,923)
<b>Cash and cash equivalents</b>		
Beginning of year	4,556,650	4,953,573
End of year	\$ 2,347,231	\$ 4,556,650

See accompanying notes to financial statements.



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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

**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 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 nearly 400,000 animals at 65 leading zoological facilities around the world. Fewer than one percent of zoos and aquariums have earned our prestigious Humane Certified™ seal of approval.
- **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 Caribbean, Europe, and Asia.
- **Award-winning conservation film launched:** To counter the “Sixth Mass Extinction” now taking place and rally a new generation of advocates for the preservation of Earth’s precious animals, American Humane created its first documentary film, “Escape from Extinction,” narrated by Oscar-winning actress Dame Helen Mirren. The film is galvanizing animal lovers around the world and was named the “Best Environmental Documentary” of 2020 at DOC LA.



## NOTE 1. ORGANIZATION (CONTINUED)

- **Raised public awareness for humane conservation:** Hundreds of millions of people have been reached through our educational videos and national TV and radio public service announcements (PSAs) about the vital role of zoos and aquariums in conservation.

### 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 more than 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.

Our Certified Animal Safety Representatives™ successfully protected 90,000 animals in more than 300 films and episodic series, supervising 3,000 production days of action on everything from indie films to the biggest box-office blockbusters.

### 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.



## NOTE 1. ORGANIZATION (CONTINUED)

- **Provided hurricane relief:** American Humane Rescue had two requests with four mission tasks for Hurricane Ida that was a federally declared disaster following the strong Category 4 hurricane that hammered Louisiana for over 13 hours with 150 mph sustained winds, 10-15 inches of rain and 5-12 feet of storm surge. American Humane received the second request by Louisiana Department of Agriculture and Forestry (LDAF) to assist our MOU partner Terrebonne and Lafourche Parishes with three mission tasks. Terrebonne Parish reported 90% of homes were damaged, 60% of them were left uninhabitable. Six teams responded, operating under hybrid Covid-19 safety protocols due to the lack of hotels. Oklahoma and Louisiana regional response trucks and trailers were utilized along with an RV to house responders on site for 31 days. An emergency temporary animal shelter was created to handle the overflow dogs for both parishes providing care, medical support for 120 plus dogs, decontamination, and demobilization of the shelter at the end.
- **Saved animals during the pandemic:** American Humane took a leadership role in supporting shelter pets abandoned during the pandemic, providing one million meals, as well as critically needed supplies and medicines through its "Feed the Hungry Covid-19 Fund" (the Fund). The fund continues to offer relief to shelters and rescues beyond the impacts of the COVID-19 pandemic. We were able to provide grant funding to shelters and rescue organizations in desperate need of assistance. Two of the receiving shelters were impacted by the devastating December tornado outbreak in Kentucky. This brought us to a total of 1,166,250 meals across 46 states and 1 territory. The fund enables us to support local shelters and rescues during challenging times, and we will continue to leverage grant opportunities to provide relief nationwide.
- **Sheltered animals amidst the Caldor wildfires:** American Humane Rescue was requested by El Dorado County Animal Services to assist with four mission tasks to assist El Dorado County, CA and Douglas County, NV during the Caldor Wildfire that became a federally declared disaster, burned over 200,000 acres, and threatened South Lake Tahoe. Still operating under Covid 19 safety protocols, three teams responded, helping shelter over 680 small animals on both the West side and East side of the fire, provided critical transport of animals out of the South Lake Tahoe evacuated areas on the East side, set up, secured, and provided management of the East side temporary shelter, and assisted with decontamination and demobilization of resources on the West side as pets went home after evacuation orders were lifted. All this enabled El Dorado County Animal Services to shelter over 1,700 animals and provide critical services to the animals in their county.
- **Helped those who need it most:** American Humane Rescue held a vaccine and wellness clinic during National Pet Preparedness Month in June with our partners at Zoetis and Terrebonne Parish Animal Shelter. The clinic enabled low-income families to access essential preventive vet care for their cats and dogs, educate them on the importance of vet care, and helped connect them with local veterinary resources for continued routine care.



## NOTE 1. ORGANIZATION (CONTINUED)

- **Trained more rescuers:** American Humane was able to provide a series of first responder Rescue trainings at the American Humane Sanctuary, “Saturdays at the Sanctuary.” Class participants received hands-on education about dog and cat behavior and proper handling techniques, how to prepare their pets and community for a disaster, and essential components of deploying as an American Humane Rescue first responder.
- **Provided support overseas:** As war broke out in Ukraine, the concern was not only for the citizens, but the animals caught in the crossfire. American Humane collaborated with NARSC partners that had existing Ukraine contacts and networks to support operations and facilitate logistics. American Humane provided \$75,000 in emergency relief grants that have supported local animal shelters and assisted evacuees and their pets fleeing to neighboring countries in securing essential medical care, documentation, and supplies. The grants have also provided relief, food, care, and critical evacuation transport for zoo and wildlife rehab facilities that have been impacted.

### 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.

- **Brought 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 52 of these heroes home and reunited them with their battle buddies.
- **Saved lives on each end of the leash:** To help stem the tide of veteran suicide and find forever homes for animals in need of them, American Humane helped provide another dozen U.S. veterans struggling with PTS and TBI free, highly trained service dogs through its “Pups4Patriots™” program, bringing the total so far to 196.
- **Created more training centers across the country:** American Humane has six Pups4Patriots training locations and plans to add more next year.
- **Galvanized support for America’s four-legged military heroes:** American Humane’s annual “Pups4Patriots Dinner Dance” raised funds for our veterans with the help of internationally renowned philanthropists and veterans’ advocates.



## NOTE 1. ORGANIZATION (CONTINUED)

### **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 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 and has expanded into South America. 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, pork, ducks, and eggs.

### **American Humane Hero Dog Awards®**

The **American Humane Hero Dog Awards** were created to celebrate the extraordinary acts of heroism performed by our best friends. This popular, yearly national campaign draws hundreds of courageous canines from across the country, more than a million votes by the American public, and four billion media impression, including features by NBC Nightly News with Lester Holt – Kid's Edition, TODAY show and PEOPLE magazine – all culminating in a celebrity-studded, national television broadcast.

### **American Humane Sanctuary**

The American Humane Sanctuary is a transformational rescue retreat for animals set in West Palm Beach, FL. Ever since we were called upon to serve our country during World War I, American Humane has been supporting the U.S. military. We work to help our brave veterans overcome the invisible wounds of duty through American Humane's famed "Pups4Patriots" program.

While at the Sanctuary, P4P teams will continue their complete hands-on training sessions to cultivate the important connection between the veteran and his or her new service dog. Creating a welcoming environment conducive to this bonding process is crucial to the success of our program.



## NOTE 1. ORGANIZATION (CONTINUED)

In addition to helping our nation's veterans, the Sanctuary is a haven where rescued animals can find hope and healing and eventually a forever home of their own. This one-of-a-kind refuge will serve many functions, ultimately leading to a better tomorrow for all living creatures and the people with whom they come into contact.

### **American Humane Certified Pet Provider Program**

Throughout time, pets have been, are, and will always be staples in our lives. Because of this special bond it's important that we consider not only where our pets come from but also who is involved in the process of caring for them before they reach your home. Pet providers who meet American Humane's rigorous science-based certification standards set themselves apart from others and give pet owners assurance that their pets have been treated well on the journey to their new family.

American Humane's Pet Provider program is focused on assessing the condition, well-being and welfare of small mammals, birds, reptiles, amphibians, invertebrates and aquatic life at pet provider locations and animal suppliers. American Humane Certified brands are distinguished as those that prioritize animal welfare. The program incorporates science- and evidence-based practices into a verifiable third-party audit program.

### **American Humane in Action**

*American Humane in Action* is a TV series that provides viewers with a firsthand look at how our groundbreaking programs affect change in the real world, from animals rescued from perilous disasters to endangered species on the brink of extinction. Hosted by American Humane CEO and president Dr. Robin Ganzert, the series features Hollywood stars – four-legged and two-legged – leading conservationists, frontline rescue workers, those battling to keep our country safe and those who ensure a humane food supply.

Each episode shines a spotlight on a different program area: Rescue, Military, Conservation, Hollywood and Farm, with an overarching theme emphasizing how we continue to strengthen the human-animal bond.

### **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.





## NOTE 1. ORGANIZATION (CONTINUED)

- **Generating major news stories on helping animals** carried by prominent national publications, newspapers, magazines, and news stations.
- **Touching millions through a national television broadcast** of the 11<sup>th</sup> 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. To encourage people to rescue, adopt and save animals in need American Humane ran billboards across the country reminding people to "Be a Hero."
- **Teaching kids to be kind:** For the 107<sup>th</sup> annual "Be Kind to Animals Week," the oldest commemorative week in U.S. history, American Humane unveiled a Spanish version of its comprehensive web site featuring free, humane-themed math and language arts lesson for kids from Pre-K to Grade 5, along with downloadable Be Kind to Animals posters, a pledge with simple ways to protect the animals in our lives, and a fascinating historical retrospective – all of which were sent to teachers and classrooms across the country. Building a better world for all of us begins with teaching the next generation to respect and value living beings . . . and this robust campaign was designed to do just that for millions of future members of the Compassion Movement.
- **Award-winning campaigns:** American Humane was named the 2022 Social Media & Digital Awards winner in **PR Daily's Social Media & Digital Awards** for its work to foster community growth through the Hero Dog Awards. This national, highly selective awards competition celebrates the teams, organizations and agencies who create captivating digital campaigns and have redefined the field with their groundbreaking work.

## 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.





## **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **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, 2022 and 2021.

### **Promises to Give**

Unconditional promises to give expected to be collected within one year are reported 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 \$140,000 at June 30, 2022 and 2021.



## **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, 2022 and 2021; as such, no impairment losses were recognized during those years.

### **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 is derived from both exchange transactions and contribution transactions. Revenue from exchange transactions is recognized when control of 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. Revenue from royalties and service fees are recognized over time as sales are made and services are provided. All other revenue from exchange transactions is recognized at the point in time when goods and services are delivered. Unconditional contributions are recognized upon receipt of cash or other assets, or when a donor promises to transfer cash or other assets in the future. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return or release, are not recognized until the conditions on which they depend have been substantially met.

### **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.

### **Contributed Nonfinancial Assets**

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



## **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

and billboard space for PSAs, which are measured and reported at fair value. During the years ended June 30, 2022 and 2021, donated goods and services recognized in the financial statements totaled \$39,932,562 and \$33,482,458, respectively. Over 95% of the amounts recognized represent airtime and billboard space. Radio and TV airtime is valued using a combination of actual and estimated utilization reporting from TV Access which identifies the number of stations airing PSAs for Nielsen tracked stations and based on the National Association of Broadcasters (NAB) average airing value, assuming 3 releases per PSA and a 50% reduction for non-reporting stations. Billboard space is valued using reporting from TV Access which details total impressions and flips per month with a dollar value associated. There are no restrictions on the usage of the donated airtime and billboard space.

### **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 and functional expenses. 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, 2022 and 2021, advertising costs totaled \$479,111 and \$317,009, 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 years ended June 30, 2022 and 2021.

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 2019 through 2022 are subject to examination by the Internal Revenue Service (IRS), generally for three years after they were filed.

### **New Accounting Pronouncement Adopted**

During the year ended June 30, 2022, American Humane adopted the provisions of Accounting Standards Update 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (the Update). The Update requires a not-for-profit to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. A disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets. The change in accounting principle resulting from ASU 2020-07 was adopted and applied retrospectively to each prior reporting period presented.

### NOTE 3. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The following table represents American Humane's financial assets available to meet cash needs for general expenditures within one year of June 30, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Total assets at end of year	\$ 30,237,379	\$ 30,758,986
Less nonfinancial assets		
Prepaid expenses and deposits	(729,410)	(289,161)
Net property and equipment	(3,842,076)	(1,940,984)
Beneficial interest in charitable trust assets	<u>(5,390,168)</u>	<u>(6,524,475)</u>
Total financial assets at end of year	20,275,725	22,004,366
Less amounts unavailable for general expenditures within one year		
Restricted by donor with time or purpose restrictions	(3,751,006)	(3,409,466)
Donor-restricted endowment funds and unexpended earnings	(769,260)	(1,712,355)
Accounts receivable due in more than one year	-	(27,200)
Cash held as security for line of credit	-	(1,000,000)
Investments held to fund charitable gift annuities	<u>(1,696,911)</u>	<u>(1,571,237)</u>
Total financial assets available for general expenditures within one year	<u>\$ 14,058,548</u>	<u>\$ 14,284,108</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.

### NOTE 4. GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable as of June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Due in less than one year	\$ 980,631	\$ 1,455,157
Due in one to five years	<u>300,000</u>	<u>400,000</u>
	<u>\$ 1,280,631</u>	<u>\$ 1,855,157</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



## NOTE 5. FAIR VALUE DISCLOSURES (CONTINUED)

price") in an orderly transaction between market participants at the measurement date. The 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, 2022.

- 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, 2022 and 2021:

	June 30, 2022			
	Total	Level 1	Level 2	Level 3
Investments				
Cash and cash equivalents	\$ 1,690,055	\$ 1,690,055	\$ -	\$ -
Mutual and exchange-traded funds				
Equities	9,797,038	9,797,038	-	-
Fixed income	3,581,537	3,581,537	-	-
Non-traditional	498,541	498,541	-	-
	<u>\$ 15,567,171</u>	<u>\$ 15,567,171</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in charitable trusts	<u>\$ 5,390,168</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,390,168</u>
Obligations under charitable gift annuities	<u>\$ 1,354,435</u>	<u>\$ -</u>	<u>\$ 1,354,435</u>	<u>\$ -</u>
	June 30, 2021			
	Total	Level 1	Level 2	Level 3
Investments				
Cash and cash equivalents	\$ 2,299,243	\$ 2,299,243	\$ -	\$ -
Mutual and exchange-traded funds				
Equities	8,520,605	8,520,605	-	-
Fixed income	2,996,484	2,996,484	-	-
Non-traditional	637,758	637,758	-	-
	<u>\$ 14,454,090</u>	<u>\$ 14,454,090</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in charitable trusts	<u>\$ 6,524,475</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,524,475</u>
Obligations under charitable gift annuities	<u>\$ 1,398,088</u>	<u>\$ -</u>	<u>\$ 1,398,088</u>	<u>\$ -</u>

American Humane's beneficial interest in charitable trusts as of June 30, 2022 of approximately \$5.39 million includes American Humane's interest in 17 perpetual trusts having total assets of approximately \$65 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, 2022 and 2021:

	Perpetual Trusts	Remainder Trusts	Total
Balance at June 30, 2020	\$ 5,481,726	\$ 10,081	\$ 5,491,807
Change in value	<u>1,042,749</u>	<u>(10,081)</u>	<u>1,032,668</u>
Balance at June 30, 2021	6,524,475	-	6,524,475
Change in value	<u>(1,134,307)</u>	<u>-</u>	<u>(1,134,307)</u>
Balance at June 30, 2022	<u>\$ 5,390,168</u>	<u>\$ -</u>	<u>\$ 5,390,168</u>



## NOTE 6. NET INVESTMENT RETURN

Net investment return consisted of the following for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 283,284	\$ 257,430
Unrealized gains (losses)	(4,385,324)	2,214,974
Realized gains	1,787,545	45,862
Investment fees	<u>(63,188)</u>	<u>(85,011)</u>
	(2,377,683)	2,433,255
Distributions from perpetual trusts	<u>282,227</u>	<u>258,986</u>
	<u>\$ (2,095,456)</u>	<u>\$ 2,692,241</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 the Trustee for these trusts. Generally, the assets received under the charitable gift annuities are reported 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, 2022 and 2021 was \$1,354,435 and \$1,398,088, respectively, and required amounts included in investments to fund the liability were \$1,696,911 and \$1,571,237, 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, 2022 and 2021, the net present values of beneficial interests in charitable trusts were included in

## NOTE 7. ANNUITY AND TRUST AGREEMENTS (CONTINUED)

the statements of financial position as follows:

	<u>2022</u>	<u>2021</u>
Perpetual trusts		
Fair value of assets held in perpetual trusts	\$ 5,390,168	\$ 6,524,475
	<u>\$ 5,390,168</u>	<u>\$ 6,524,475</u>

The income distributions from perpetual trusts for the years ended June 30, 2022 and 2021 totaled \$282,227 and \$258,986, 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land	\$ 639,770	\$ 639,770
Buildings	1,821,644	933,819
Furniture and equipment	558,192	198,489
Leasehold improvements	863,329	42,443
Vehicles	1,079,290	1,079,290
Computer hardware and software	<u>1,099,598</u>	<u>1,000,791</u>
	6,061,823	3,894,602
Less: accumulated depreciation	<u>(2,219,747)</u>	<u>(1,953,618)</u>
	<u>\$ 3,842,076</u>	<u>\$ 1,940,984</u>

## NOTE 9. CONTRACT BALANCES

The timing of billings, cash collections, and revenue recognition result in contract assets and contract liabilities associated with revenue from exchange transactions. Contract assets consist entirely of trade accounts receivable, which are recognized only to the extent it is probable that American Humane will collect substantially all of the consideration to which it is entitled in exchange for the goods or services that will be or have been transferred. Contract liabilities consist entirely of deferred revenue that results when American Humane receives advance payments from customers before revenue is recognized. Balances in these accounts as of the beginning and end of the years ended June 30, 2022 and 2021 are as follows:



## NOTE 9. CONTRACT BALANCES (CONTINUED)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Accounts receivable			
Contract receivables	<u>\$ 1,080,692</u>	<u>\$ 1,138,469</u>	<u>\$ 846,637</u>
Deferred revenue			
Rights fees and other	<u>\$ 253,912</u>	<u>\$ 839,750</u>	<u>\$ 233,850</u>

## NOTE 10. LINE OF CREDIT

On June 28, 2021, American Humane entered into an open-ended line of credit demand loan with Deutsche Bank in the amount of \$3,000,000. Borrowings under this line of credit bear interest at 1.50% plus the LIBO Rate as displayed on the appropriate page of the Reuters Monitor Money Rates Service Screen. Borrowings under the line are collateralized by all cash, securities, shares, certificates, investment property, security entitlements, promissory notes, instruments, rights, receivables, general intangibles, commodities and all property and financial assets of American Humane in the custody of the lender. As of June 30, 2022, there was no outstanding balance on the line of credit.

## NOTE 11. REFUNDABLE ADVANCE

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. On April 6, 2021, American Humane received a second loan in the amount of \$1,163,177 under the Paycheck Protection Program (PPP) established as part of the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act (the Act). PPP loans and accrued interest are forgivable after a covered period (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, primarily payroll, benefits, rent and utilities. Any unforgiven portion of a PPP loan is payable over two to five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. Management of American Humane used the loan proceeds for purposes consistent with the PPP requirements and has applied and was granted forgiveness for both loans. American Humane has initially recorded receipt of the loans as refundable advances and contribution revenue is recognized in the years the loans were forgiven.



## 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, 2022 and 2021 were as follows:

	2022		
	With Temporary Donor Restrictions	With Perpetual Donor Restrictions	Total
Endowment net assets, beginning of year	<u>\$ 477,060</u>	<u>\$ 1,235,295</u>	<u>\$ 1,712,355</u>
Appropriation for expenditure	<u>(943,095)</u>	<u>-</u>	<u>(943,095)</u>
Total investment return	<u>-</u>	<u>-</u>	<u>-</u>
Contributions	<u>729,869</u>	<u>(729,869)</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 263,834</u>	<u>\$ 505,426</u>	<u>\$ 769,260</u>

  

	2021		
	With Temporary Donor Restrictions	With Perpetual Donor Restrictions	Total
Endowment net assets, beginning of year	<u>\$ 245,646</u>	<u>\$ 1,235,295</u>	<u>\$ 1,480,941</u>
Appropriation for expenditure	<u>(6,977)</u>	<u>-</u>	<u>(6,977)</u>
Investment return			
Net appreciation	216,453	-	216,453
Interest income, net of fees	21,938	-	21,938
Total investment return	<u>238,391</u>	<u>-</u>	<u>238,391</u>
Contributions	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 477,060</u>	<u>\$ 1,235,295</u>	<u>\$ 1,712,355</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 12. 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 13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2022 and 2021 consist of the following:

	June 30, 2021	Additions and Reclassifications	Released	June 30, 2022
Temporary donor restrictions				
Contributions restricted for future periods	\$ 37,500	\$ 31,393	\$ (37,500)	\$ 31,393
Contributions restricted for specific programs	3,371,966	1,445,694	(1,098,047)	3,719,613
Unexpended earnings on endowments	477,060	729,869	(943,095)	263,834
Total temporary donor restrictions	<u>3,886,526</u>	<u>2,206,956</u>	<u>(2,078,642)</u>	<u>4,014,840</u>
Perpetual donor restrictions				
Beneficial interest in perpetual trusts	6,524,475	(1,134,307)	-	5,390,168
Endowment funds with various income restrictions	1,235,295	(729,869)	-	505,426
Total perpetual donor restrictions	<u>7,759,770</u>	<u>(1,864,176)</u>	<u>-</u>	<u>5,895,594</u>
Total	<u>\$ 11,646,296</u>	<u>\$ 342,780</u>	<u>\$ (2,078,642)</u>	<u>\$ 9,914,434</u>
	June 30, 2020	Additions and Reclassifications	Released	June 30, 2021
Temporary donor restrictions				
Contributions restricted for future periods	\$ 54,962	\$ 37,500	\$ (54,962)	\$ 37,500
Contributions restricted for specific programs	5,551,814	1,592,320	(3,772,168)	3,371,966
Unexpended earnings on endowments	245,646	238,391	(6,977)	477,060
Beneficial interest in charitable trusts	10,081	-	(10,081)	-
Total temporary donor restrictions	<u>5,862,503</u>	<u>1,868,211</u>	<u>(3,844,188)</u>	<u>3,886,526</u>
Perpetual donor restrictions				
Beneficial interest in perpetual trusts	5,481,726	1,042,749	-	6,524,475
Endowment funds with various income restrictions	1,235,295	-	-	1,235,295
Total perpetual donor restrictions	<u>6,717,021</u>	<u>1,042,749</u>	<u>-</u>	<u>7,759,770</u>
Total	<u>\$ 12,579,524</u>	<u>\$ 2,910,960</u>	<u>\$ (3,844,188)</u>	<u>\$ 11,646,296</u>

During the year ended June 30, 2022, American Humane requested approval from the District of Columbia Superior Court to redirect a permanently restricted endowment of \$729,869 to another restricted purpose. Approval was received from the District of Columbia Superior Court on April 18, 2022.

## 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, 2022 and 2021, American Humane contributed \$212,488 and \$181,541, respectively, to the plan.

On November 13, 2014, American Humane established a deferred compensation plan agreement under Internal Revenue Code Section 457b. There were \$96,000 of contributions made under this arrangement during the year ended June 30, 2022 and a payout of \$14,944. There were no contributions made or payouts made under this arrangement during the year ended June 30, 2021. Total amounts held as an asset and corresponding liability as of June 30, 2022 and 2021 were \$127,650 and \$64,174, respectively. On November 13, 2021, American Humane established a deferred compensation plan agreement under Internal Revenue Code Section 457f. There was a contribution of \$65,500 made under this arrangement during the year ended June 30, 2022. Total amounts held as an asset and corresponding liability as of June 30, 2022 were \$51,681.

### Operating Lease Commitments

American Humane leases office space, equipment, and storage facilities under operating lease agreements that expire at various dates through March 31, 2033. Offices are located in Washington, D.C., 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, 2022 and 2021 was \$459,160 and \$637,213, respectively.

Future minimum lease payments under all operating leases as of June 30, 2022 are due as follows:

Year Ending June 30,	
2023	\$ 495,639
2024	514,386
2025	512,120
2026	525,112
2027	429,086
Thereafter	<u>2,456,137</u>
	<u>\$ 4,932,480</u>



## **NOTE 15. SIGNIFICANT UNCERTAINTIES**

American Humane invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

## **NOTE 16. SUBSEQUENT EVENTS REVIEW**

Subsequent events have been evaluated through November 17, 2022, which is the date the financial statements were available to be issued. This review and evaluation revealed no material event or transaction which would require an adjustment to or disclosure in the accompanying financial statements.