



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

FINANCIAL STATEMENTS

JUNE 30, 2023





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

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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
October 18, 2023

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

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

Assets	<u>2023</u>	<u>2022</u>
Current assets		
Cash and cash equivalents	\$ 1,230,105	\$ 2,347,231
Investments	15,923,742	14,797,911
Accounts receivable	2,188,568	1,080,692
Grants and contributions receivable	2,804,278	980,631
Prepayments and deposits	<u>834,288</u>	<u>729,410</u>
Total current assets	<u>22,980,981</u>	<u>19,935,875</u>
Non-current assets		
Accounts receivable, net of current portion	46,000	-
Grants and contributions receivable, net of current portion	300,000	300,000
Beneficial interests in charitable trusts	5,632,450	5,390,168
Investments held for endowment	738,457	769,260
Capitalized software, net	173,573	-
Operating right-of-use asset	2,741,603	-
Property and equipment, net	<u>3,603,401</u>	<u>3,842,076</u>
Total non-current assets	<u>13,235,484</u>	<u>10,301,504</u>
Total assets	<u>\$ 36,216,465</u>	<u>\$ 30,237,379</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 839,850	\$ 987,292
Accrued expenses and other liabilities	1,130,208	1,033,709
Deferred revenue	592,462	253,912
Deferred lease liability	-	63,120
Notes payable	1,000,000	-
Operating lease liability - current portion	500,047	-
Obligations under charitable gift annuities	<u>144,774</u>	<u>134,652</u>
Total current liabilities	<u>4,207,341</u>	<u>2,472,685</u>
Non-current liabilities		
Operating lease liability, net of current portion	3,415,882	-
Deferred lease liability, net of current portion	-	927,356
Obligations under charitable gift annuities, net of current portion	<u>1,237,580</u>	<u>1,219,783</u>
Total non-current liabilities	<u>4,653,462</u>	<u>2,147,139</u>
Total liabilities	<u>8,860,803</u>	<u>4,619,824</u>
Net assets		
Without donor restrictions	16,152,158	15,707,121
With donor restrictions	<u>11,203,504</u>	<u>9,910,434</u>
Total net assets	<u>27,355,662</u>	<u>25,617,555</u>
Total liabilities and net assets	<u>\$ 36,216,465</u>	<u>\$ 30,237,379</u>

See accompanying notes to financial statements.

AMERICAN HUMANE ASSOCIATION, DBA AMERICAN HUMANE - FIRST TO SERVE

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Contributions and sponsorships	\$ 9,262,330	\$ 2,478,749	\$ 11,741,079	\$ 10,513,542	\$ 1,477,087	\$ 11,990,629
Contributed nonfinancial assets	40,001,395	-	40,001,395	39,932,562	-	39,932,562
Grants	5,993,771	-	5,993,771	2,910,356	-	2,910,356
Royalties and rights fees	2,698,877	-	2,698,877	3,031,717	-	3,031,717
Services fees	3,321,977	-	3,321,977	5,336,068	-	5,336,068
Event fees and ticket sales	213,429	-	213,429	115,729	-	115,729
Miscellaneous income	4,209	-	4,209	6,393	-	6,393
Net investment return						
Distributions from perpetual trusts	278,730	-	278,730	282,227	-	282,227
Other, net of fees	1,580,210	-	1,580,210	(2,377,683)	-	(2,377,683)
Change in value of split interest agreements	(69,024)	-	(69,024)	(46,437)	-	(46,437)
Gain (loss) on interests in perpetual trusts	-	242,282	242,282	-	(1,134,307)	(1,134,307)
Net assets released from restrictions	1,427,961	(1,427,961)	-	2,078,642	(2,078,642)	-
Total support and revenue	<u>64,713,865</u>	<u>1,293,070</u>	<u>66,006,935</u>	<u>61,783,116</u>	<u>(1,735,862)</u>	<u>60,047,254</u>
Expenses						
Program services						
Humane Conservation	6,520,017	-	6,520,017	7,658,313	-	7,658,313
Humane Hollywood	11,491,985	-	11,491,985	11,189,930	-	11,189,930
Humane Rescue	7,604,957	-	7,604,957	13,299,453	-	13,299,453
Center for Military Affairs	19,184,815	-	19,184,815	9,348,932	-	9,348,932
Farm Animal Program	6,620,868	-	6,620,868	7,043,160	-	7,043,160
Other program services	6,187,393	-	6,187,393	6,279,261	-	6,279,261
Total program services	<u>57,610,035</u>	<u>-</u>	<u>57,610,035</u>	<u>54,819,049</u>	<u>-</u>	<u>54,819,049</u>
Supporting services						
Philanthropic services and fundraising	4,559,703	-	4,559,703	2,980,783	-	2,980,783
General administration	2,099,090	-	2,099,090	1,697,007	-	1,697,007
Total supporting services	<u>6,658,793</u>	<u>-</u>	<u>6,658,793</u>	<u>4,677,790</u>	<u>-</u>	<u>4,677,790</u>
Total expenses	<u>64,268,828</u>	<u>-</u>	<u>64,268,828</u>	<u>59,496,839</u>	<u>-</u>	<u>59,496,839</u>
Change in net assets	445,037	1,293,070	1,738,107	2,286,277	(1,735,862)	550,415
Net assets						
Beginning of year	15,707,121	9,910,434	25,617,555	13,420,844	11,646,296	25,067,140
End of year	<u>\$ 16,152,158</u>	<u>\$ 11,203,504</u>	<u>\$ 27,355,662</u>	<u>\$ 15,707,121</u>	<u>\$ 9,910,434</u>	<u>\$ 25,617,555</u>

See accompanying notes to financial statements.

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

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	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	\$ 477,544	\$ 3,206,965	\$ 411,371	\$ 430,155	\$ 618,428	\$ 860,469	\$ 6,004,932	\$ 1,653,943	\$ 862,482	\$ 2,516,425	\$ 8,521,357
Benefits	99,566	554,390	86,030	89,220	135,705	180,199	1,145,110	347,696	183,740	531,436	1,676,546
Professional services	1,084,940	490,177	227,941	577,868	427,386	754,734	3,563,046	562,343	504,187	1,066,530	4,629,576
Subcontractors	246,613	574,512	-	309,799	759,024	12,000	1,901,948	-	-	-	1,901,948
Tradeshows and events	44,823	13,940	21,782	142,240	14,843	348,435	586,063	268,702	9,089	277,791	863,854
Travel	429,112	1,188,106	193,746	147,207	61,747	494,864	2,514,782	130,938	40,173	171,111	2,685,893
Depreciation and amortization	4,888	82,328	25,710	8,290	15,717	230,978	367,911	44,726	19,462	64,188	432,099
Dues and subscriptions	46,084	41,435	9,392	15,074	23,814	32,155	167,954	34,774	12,006	46,780	214,734
Equipment lease and repairs	3,130	3,746	55,135	167	316	2,627	65,121	898	1,245	2,143	67,264
Grant distributions	99,396	220	21,486	220	110	3,616	125,048	352	220	572	125,620
Lease expense	35,489	303,392	111,876	27,233	58,338	175,623	711,951	96,181	156,513	252,694	964,645
Outreach and promotion	56,401	91,471	327,010	192,216	47,219	65,651	779,968	63,457	5,554	69,011	848,979
Postage	11,590	15,383	7,114	14,100	9,898	19,129	77,214	128,430	5,235	133,665	210,879
Printing	19,811	27,345	22,693	60,209	22,529	33,938	186,525	300,980	10,516	311,496	498,021
Supplies	13,332	26,045	38,052	23,299	5,341	21,379	127,448	15,494	4,322	19,816	147,264
Taxes, licenses and fees	4,579	37,772	7,346	3,538	3,584	5,235	62,054	63,556	36,263	99,819	161,873
Telecommunications	5,713	46,738	14,456	4,737	6,031	15,570	93,245	17,366	2,072	19,438	112,683
Donated goods and services	3,811,840	4,775,216	6,015,873	17,123,070	4,404,609	2,874,596	39,005,204	769,439	226,752	996,191	40,001,395
List purchases	-	-	-	-	-	-	-	39,822	-	39,822	39,822
Other expenses	25,166	12,804	7,944	16,173	6,229	56,195	124,511	20,606	19,259	39,865	164,376
Total expenses	\$ 6,520,017	\$ 11,491,985	\$ 7,604,957	\$ 19,184,815	\$ 6,620,868	\$ 6,187,393	\$ 57,610,035	\$ 4,559,703	\$ 2,099,090	\$ 6,658,793	\$ 64,268,828

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
Lease expense	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
Total expenses	\$ 7,658,313	\$ 11,189,930	\$ 13,299,453	\$ 9,348,932	\$ 7,043,160	\$ 6,279,261	\$ 54,819,049	\$ 2,980,783	\$ 1,697,007	\$ 4,677,790	\$ 59,496,839

See accompanying notes to financial statements.

**AMERICAN HUMANE ASSOCIATION,
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STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 1,738,107	\$ 550,415
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation and amortization	432,099	266,127
Amortization of capitalized software	11,608	-
Net (gains) loss on investments	(1,265,712)	2,597,779
Change in value of beneficial interest in charitable trusts	(242,282)	1,134,307
Change in value of obligations under charitable gift annuities	69,024	46,437
Change in operating assets		
Accounts receivable	(1,153,876)	57,777
Grants and contributions receivable	(1,823,647)	574,526
Prepayments and deposits	(104,878)	(440,249)
Operating right-of-use asset	(2,741,603)	-
Change in operating liabilities		
Accounts payable	(147,442)	325,315
Accrued expenses and other liabilities	96,499	(386,478)
Refundable advance	-	(1,163,177)
Deferred revenue	338,550	(585,838)
Operating lease liability	3,915,929	-
Deferred lease liability	(990,476)	87,489
Net cash provided by (used for) operating activities	(1,868,100)	3,064,430
Cash flows from investing activities		
Proceeds from sales of investments	3,288,209	3,380,597
Purchases of investments	(3,117,525)	(7,091,457)
Purchases of capitalized software	(185,181)	-
Purchases of property and equipment	(193,424)	(1,472,899)
Net cash used for investing activities	(207,921)	(5,183,759)
Cash flows from financing activities		
Liabilities assumed under charitable gift annuities	93,547	69,018
Payments to charitable gift annuitants	(134,652)	(159,108)
Borrowing under line of credit	1,000,000	-
Net cash (used for) provided by financing activities	958,895	(90,090)
Net change in cash and cash equivalents	(1,117,126)	(2,209,419)
Cash and cash equivalents		
Beginning of year	2,347,231	4,556,650
End of year	\$ 1,230,105	\$ 2,347,231

See accompanying notes to financial statements.



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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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. In 2023, Global Humane continues to expand as the worldwide arm of American Humane with programs deployed now in 40 countries.

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, global, and 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. Animal welfare standards are regularly reviewed by the program's Scientific Advisory Committee, an international group of animal science experts, veterinarians, and ethicists.

Fewer than three percent of zoological institutions worldwide are accredited or certified. While industry-affiliated associations offer programs for broad accreditation of business practices, American Humane Certified™ is the only independent, third-party certification effort solely devoted to the humane treatment of animals in zoos, aquariums, and other conservation organizations.

The American Humane Certified™ program offers three levels of transparent and credible assurance:

- **Uniquely Qualified, Trusted Humane Organization:** American Humane is the world's largest certifier of animal welfare, protecting more than 1 billion animals around the globe with the most recognized, credible, and respected humane programs. These include the world's largest farm animal welfare certification program and the historic “No Animals Were Harmed®” film certification.



NOTE 1. ORGANIZATION (CONTINUED)

- **Comprehensive Welfare Criteria Developed by Top Experts:** The program is built on comprehensive welfare criteria informed by an unmatched, independent Scientific Advisory Committee made up of highly respected experts in animal welfare, animal science, behavior, and animal ethics.
- **Independent Verification:** Implementation of these rigorous welfare measures are verified by independent auditors with extensive zoological expertise in animal science and welfare.

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 advances the welfare and humane treatment of nearly 400,000 animals at 69 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 the U.S. states and dozens of countries in North and Central America, the Caribbean, Europe, and Asia including the United Arab Emirates in the Middle East.
- **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 and is played in theaters around the world. "Escape from Extinction II" is currently in production for release in 2024.
- **Raised public awareness for humane conservation:** Hundreds of millions of people have been reached through our educational videos and national TV and radio PSAs about the vital role of zoos and aquariums in conservation.

Honoring the Heroes of Global Animal Conservation

Wolfgang Kiessling International Prize for Species Conservation

American Humane knows that the extraordinary efforts to preserve the animals on earth are more vital than ever – as are the scientists, researchers and advocates who devote their lives to these efforts.

To recognize and celebrate those who achieve significant positive change in the field of conservation practice, theory, and research, American Humane, the country's first and most experienced national humane organization, launched the *Wolfgang Kiessling International Prize for Species Conservation* (the Prize).



NOTE 1. ORGANIZATION (CONTINUED)

This biennial award was created in honor of Wolfgang F. Kiessling, the founder of Loro Parque and globally acknowledged leader in the field of conservation. After an application and review process from a team made up of global leaders in the field of conservation, the Prize is awarded to one conservationist who has made a measurable impact on species conservation.

The inaugural winner of the Prize was Prof. Jon Paul Rodriguez, Chair of the Species Survival Commission of the International Union for Conservation of Nature. The second winner is another global force for animals and will be announced September 13, 2023 in Washington, DC.

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 that film productions meet the requirements of our "No Animals Were Harmed®" keeping animals safe on sets, which also results in greater safety for human actors. 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.

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 human-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. First responders travel the nation with a fleet of specially equipped rescue vehicles, including American Humane's flagship 82-foot "Rescue Rig".



NOTE 1. ORGANIZATION (CONTINUED)

American Humane Rescue serves the animal victims of unimaginable cruelty and abuse. Our emergency rescue team collaborates with local law enforcement agencies on large-scale animal cruelty investigations, involving everything from hoarding cases to puppy mills and dogfighting operations.

Whenever and wherever tragedy strikes, whether a natural disaster or an incident of deplorable abuse, American Humane Rescue is there for animals. The program's purpose is to provide intervention for communities in crisis and to build more humane communities nationwide through training, grants, shelter support and humane education.

American Humane Rescue deployments in 2023 included:

- **Provided Georgia tornado relief:** American Humane Rescue was requested to deploy to Georgia where tornados destroyed homes and displaced humans and animals. The team worked closely with the Georgia Department of Agriculture and Atlanta Humane Society to provide temporary emergency shelter for rescued animals. The team evaluated and facilitated medical care in the temporary emergency shelter, reunited pets with their families, and collaborated with local officials to help displaced animals find permanent homes.
- **Supported needs after Tennessee tornados:** American Humane deployed a team to Tipton County, TN to help animals in need after two tornadoes hit the area. The storm damaged 540 structures, causing more than \$37 million in damage. The American Humane Rescue Team coordinated with authorities on the ground to help provide temporary emergency shelter for displaced pets. The Tipton County Animal Shelter was overwhelmed following the powerful storm and needed our team to help care for the injured and displaced pets.
- **Team headed to Guam to help after Hurricane Mawar:** American Humane Rescue was called into action to assist with critical relief efforts in Guam in the wake of typhoon Mawar. Our team assisted with and were focused on the safety and well-being of displaced animals in several communities on the island. We helped with animal rescues, reunifications, and animal control issues. We also trained local animal control staff in advanced techniques to enhance their effectiveness and safety in the field. An island endemic species that's faced the brink of extinction was also affected by the typhoon's aftermath. The island's critically endangered ko'ko' bird (also known as Guam rail) was another focus of American Humane's efforts including working on permanent measures to help the species increase populations. We cannot let this species disappear from Earth!



NOTE 1. ORGANIZATION (CONTINUED)

- **Helped animals displaced by wildfires in Spokane, Washington:** American Humane deployed a rescue team to Spokane, Washington amid ongoing wildfires. The fires burned more than 20,000 acres. American Humane worked with local authorities and groups to help shelter and care for hundreds of animals—including family pets, horses, goats, sheep, chickens, and more—that were impacted by the flames. In total, it's estimated that more than one thousand animals were impacted and needed care.
- **Trained more rescuers:** American Humane was able to provide a series of first responder Rescue trainings throughout the year. 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.

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.

American Humane is committed to helping America's veterans and recognizing their heroic contributions to the United States – both on and off the battlefield. American Humane has been *First to Serve*® with the U.S. military for a century: The animal rescue program was born on the battlefields of World War I Europe, where, at the request of the U.S. Secretary of War, volunteers with American Humane deployed to rescue and care for 68,000 wounded war horses each month.

We continue to proudly honor this legacy today through American Humane's Lois Pope LIFE Center for Military Affairs. The program, founded through the generosity of philanthropist and passionate veterans advocate, Lois Pope, offers meaningful support to our veterans with two key areas of focus: first, providing lifesaving service dogs (Pups4Patriots™) to veterans suffering from Post-Traumatic Stress (PTS) and/or Traumatic Brain Injury (TBI); second, reuniting retired military dogs with their former handlers.

- **Brought battle buddies back together:** After a lifetime of serving our country and protecting our troops, American Humane has brought dozens of furry 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 U.S. veterans struggling with PTS and TBI highly trained and free service dogs through its Pups4Patriots™ program, providing pups to veterans.



NOTE 1. ORGANIZATION (CONTINUED)

American Humane Farm Animal Program

American Humane believes people should be able to follow their food preference and find humanely raised dairy, meat, and egg products.

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® is an annual, nationwide competition that searches out and recognizes America's Hero Dogs – often ordinary dogs who do extraordinary things, whether it's saving lives on the battlefield, lending sight or hearing to a human companion, or helping people achieve their goals. Dogs are honored in multiple categories for the Hero Dog Awards:

- Law Enforcement and First Responder Dogs – This category broadly includes dogs that are critical to first responders, that safeguard the public, and that find the missing and victims of disasters. Law enforcement dogs' ability to help protect their human handlers, thwart lawbreakers, and find evidence makes them true partners to first responders. Scent detection dogs can accurately detect a variety of targets, including correctly identifying a multitude of diseases and flora and fauna, and are used to detect illicit substances, drugs, fire accelerants, firearms, or explosives. Search and Rescue dogs are trained to find the missing, from those lost in the wilderness or city to victims of accidents and natural disasters.



NOTE 1. ORGANIZATION (CONTINUED)

- Service and Guide/Hearing Dogs – Service Dogs are trained to perform specific tasks for people with disabilities as defined by the Americans with Disabilities Act (ADA). They can be trained to work with people with physical mobility needs or limitations, or people who need alerts to medical conditions. They can also serve as the “eyes and ears” for the blind and/or deaf or perform tasks for those with psychiatric disabilities such as Post Traumatic Stress or Traumatic Brain Injury. These specially trained dogs can even help by retrieving or manipulating objects that are out of their person’s reach, alerting bystanders and retrieving help for their handler, leading while avoiding distractions and obstacles, and many other individual tasks as needed by a person with a disability. These heroes not only improve the lives of the people with whom they work, but also keep them safe every day.
- Therapy Dogs – Credentialed Animal-Assisted Therapy (AAT) Dogs are part of a therapeutic plan to aid with physical, social, emotional, and cognitive challenges for persons other than the dog’s owner/handler. AAT has been shown to help enhance the lives of people in need such as children who have experienced abuse or neglect, patients undergoing chemotherapy or other difficult medical treatments, and military veterans and their families who are struggling to cope with the effects of wartime military service. Studies have found that AAT lowers blood pressure, reduces stress and enhances a patient’s ability to achieve physical and psychological wellness.
- Military Dogs – Military working dogs first entered the service in 1942 to serve in the Army’s K-9 Corps. Today, these dogs are still playing an active role in searching for explosives and seizing enemies. Military working dogs have been used by the U.S. armed forces since World War I. In World War II, 436 scout dogs walked combat patrols overseas, often detecting the enemy at 1,000 yards, long before the enemy became aware of them. Dogs continued to serve with distinction in other conflicts, such as Korea, where the Army used about 1,500 dogs, primarily for guard duty. During the Vietnam War, nearly 4,000 dogs were employed and, officially, 281 were killed in action. Today’s conflicts include dogs at every level, still serving our country, helping to protect our troops.
- Emerging Hero and Shelter Dogs – Just as our understanding of animal behavior and science is ever expanding, so too do the amazing stories of the human animal bond in action. Dogs in this category can be nominated for doing heroic deeds, large or small; for overcoming difficult odds; or by having a remarkable rescue story like the millions of homeless dogs in shelters, on the streets, or needing help from unfavorable situations. Whether it was a second chance and a new “leash” on life or just a perfect fit that was meant to be, these dogs highlight what it means to be man’s best friend.

After voting by the American public, winners in each category are honored at the star-studded American Humane Hero Dog Awards® gala in Palm Beach, Florida.



NOTE 1. ORGANIZATION (CONTINUED)

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 impressions, 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

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. In addition to returning war dogs back to U.S. soil and reuniting them with their handlers, we work to help our brave veterans overcome the invisible wounds of duty through American Humane's famed Pups4Patriots™ program.

While at the Sanctuary, Pups4Patriots™ 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.

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 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 at every step 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 audit.

The humane treatment of all animals is paramount to American Humane. It is our moral obligation to ensure they are treated well and with high animal welfare standards. Consumers can be confident that when they see the American Humane Certified™ seal, they know the pets they are welcoming into their homes have received high levels of care and attention.



NOTE 1. ORGANIZATION (CONTINUED)

Following rigorous audits administered by American Humane auditors, certified pet providers are awarded the coveted American Humane Certified™ seal of approval. Animal welfare standards are regularly reviewed by the program's Scientific Advisory Committee, an international group of animal science experts, veterinarians, and ethicists. Certified providers should be commended for proactively taking the next step to ensure animals in their care are treated humanely and ethically.

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 of the 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.

[Watch American Humane in Action](#) on our YouTube Channel.

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. 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 a national television broadcast** of the 13th annual American Humane Hero Dog Awards® on A&E and fyi networks in 2023, and in previous years 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.



NOTE 1. ORGANIZATION (CONTINUED)

- **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 107th annual "Be Kind to Animals Week," the oldest commemorative week in U.S. history, American Humane unveiled a Spanish version of its comprehensive website 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 American Humane 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.

Cash and Cash Equivalents

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



NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investment purchases are initially recorded at cost or, if contributed to American Humane, at their fair values on the date of contribution. Investments are reported at their fair values in the 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, 2023 and 2022.

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 \$0- and \$140,000 at June 30, 2023 and 2022, respectively.

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.



NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2023 and 2022; as such, no impairment losses were recognized during those years.

Leases

In its statements of financial position, American Humane records a right-of-use asset and lease liability, initially measured at the present value of total lease payments using a risk-free rate that approximates the remaining term of the lease. American Humane considers the likelihood of exercising renewal or termination clauses (if any) in measuring its right-of-use assets and lease liabilities. A single lease cost is calculated so that the cost of the lease is allocated over the lease term on a straight-line basis. Short-term leases (those with an initial term of twelve months or less and no purchase option) are expensed over their terms, with no corresponding right-of-use asset or lease liability recorded. American Humane does not separate non-lease components (if any) from lease components in determining the lease payments for leases of office equipment.

Capitalized Software Costs

In accordance with U.S. generally accepted accounting principles, the costs of application development for internal use software have been capitalized. This includes external and internal costs. Amortization is computed using the straight-line method over the estimated useful life of the assets, 5 years. Total amortization for the years ended June 30, 2023 and 2022, was \$11,608 and \$-0-, respectively, and is included in the dues and subscriptions line item on the statements of functional expenses.

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.



NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net assets with perpetual donor restrictions consist of assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of American Humane. The restrictions stipulate that resources be maintained permanently but permit American Humane to expend the income generated in accordance with the provisions of the agreement.

Revenue Recognition

Revenue is derived from both exchange transactions and contribution transactions. Revenue from exchange transactions is recognized when control of promised goods or services is transferred to American Humane's customers, in an amount that reflects the consideration they 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.



NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and billboard space for PSAs, which are measured and reported at fair value. During the years ended June 30, 2023 and 2022, donated goods and services recognized in the financial statements totaled \$40,001,395 and \$39,932,562, 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, 2023 and 2022, advertising costs totaled \$512,499 and \$479,111, respectively.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support, revenue, expenses, and distributions during the reporting period. Actual results could differ from those estimates.



NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments and Concentrations of Credit Risk

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

American Humane's investments are made 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, 2023 and 2022.

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 2020 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, 2023, American Humane adopted the provisions of Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). This guidance is intended to increase transparency and comparability among lessees by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 requires lessees to report a right-of-use asset along with a lease liability.



NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases* (Topic 842). The standard requires lessees to recognize the assets and liabilities that arise from leases in the statement of financial position. Additionally, in July 2018, the FASB issued ASU 2018-11, *Leases* (Topic 842) – *Targeted Improvements*, which, among other things, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. American Humane adopted ASU 2016-02 and its related amendments as of July 1, 2022, which resulted in the recognition of operating right-of-use assets totaling \$3,052,260, as well as operating lease liabilities totaling \$4,042,736. American Humane elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of July 1, 2022, without restating any prior-year amounts or disclosures. The related policy elections made by American Humane can be found in this note and the additional lease disclosures can be found in Note 13. There was no cumulative effect adjustment to the opening balance of net assets required.

American Humane elected to apply all practical expedients available under the ASU 2018-11, allowing it to 1) not reassess whether any expired or existing contracts previously assessed as not containing leases are, or contain, leases; 2) not reassess the lease classification for any expired or existing leases; 3) not reassess initial direct costs for any existing leases; and 4) utilize the risk-free interest rate for all underlying classes of assets. American Humane also elected to apply the practical expedient to use hindsight in determining the lease term which in the year of implementation American Humane has determined to be the remaining lease term.

NOTE 3. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

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 a line of credit available of \$3 million, of which \$1 million was borrowed as of June 30, 2023.

NOTE 3. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (CONTINUED)

The following table represents American Humane's financial assets available to meet cash needs for general expenditures within one year of June 30, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Total assets at end of year	\$ 36,216,465	\$ 30,237,379
Less: nonfinancial assets		
Prepaid expenses and deposits	(834,288)	(729,410)
Operating right-of-use asset	(2,741,603)	-
Capitalized software, net	(173,573)	-
Net property and equipment	(3,603,401)	(3,842,076)
Beneficial interest in charitable trust assets	<u>(5,632,450)</u>	<u>(5,390,168)</u>
Total financial assets at end of year	23,231,150	20,275,725
Less: amounts unavailable for general expenditures within one year		
Restricted by donor with time or purpose restrictions	(4,832,597)	(3,751,006)
Donor-restricted endowment funds and unexpended earnings	(738,457)	(769,260)
Accounts receivable due in more than one year	(46,000)	-
Investments held to fund charitable gift annuities	<u>(1,886,096)</u>	<u>(1,696,911)</u>
 Total financial assets available for general expenditures within one year	 <u>\$ 15,728,000</u>	 <u>\$ 14,058,548</u>

NOTE 4. GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable as of June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Due in less than one year	\$ 2,804,278	\$ 980,631
Due in one to five years	300,000	300,000
	<u>\$ 3,104,278</u>	<u>\$ 1,280,631</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 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. 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.



NOTE 5. FAIR VALUE DISCLOSURES (CONTINUED)

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, 2023.

- 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, 2023 and 2022:

	June 30, 2023			
	Total	Level 1	Level 2	Level 3
Investments				
Cash and cash equivalents	\$ 667,866	\$ 667,866	\$ -	\$ -
Mutual and exchange-traded funds				
Equities	11,031,625	11,031,625	-	-
Fixed income	4,517,708	4,517,708	-	-
Non-traditional	445,000	445,000	-	-
	<u>\$ 16,662,199</u>	<u>\$ 16,662,199</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in charitable trusts	<u>\$ 5,632,450</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,632,450</u>
Obligations under charitable gift annuities	<u>\$ 1,382,354</u>	<u>\$ -</u>	<u>\$ 1,382,354</u>	<u>\$ -</u>
	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>

American Humane's beneficial interest in charitable trusts as of June 30, 2023 of approximately \$5.63 million includes American Humane's interest in 17 perpetual trusts having total assets of approximately \$69 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, 2023 and 2022:

	Perpetual Trusts	Remainder Trusts	Total
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	5,390,168	-	5,390,168
Change in value	<u>242,282</u>	<u>-</u>	<u>242,282</u>
Balance at June 30, 2023	<u>\$ 5,632,450</u>	<u>\$ -</u>	<u>\$ 5,632,450</u>

NOTE 6. NET INVESTMENT RETURN

Net investment return consisted of the following for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest and dividend income	\$ 385,931	\$ 283,284
Unrealized gains (losses)	(110,980)	(4,385,324)
Realized gains	1,376,692	1,787,545
Investment fees	<u>(71,433)</u>	<u>(63,188)</u>
	1,580,210	(2,377,683)
Distributions from perpetual trusts	<u>278,730</u>	<u>282,227</u>
	<u>\$ 1,858,940</u>	<u>\$ (2,095,456)</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, 2023 and 2022 was \$1,382,354 and \$1,354,435, respectively, and required amounts included in investments to fund the liability were \$1,886,096 and \$1,696,911, 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, 2023 and 2022, the net present values of beneficial interests in charitable trusts were included in the statements of financial position as follows on the next page:



NOTE 7. ANNUITY AND TRUST AGREEMENTS (CONTINUED)

	<u>2023</u>	<u>2022</u>
Perpetual trusts		
Fair value of assets held in perpetual trusts	\$ 5,632,450	\$ 5,390,168
	<u>\$ 5,632,450</u>	<u>\$ 5,390,168</u>

The income distributions from perpetual trusts for the years ended June 30, 2023 and 2022 totaled \$278,730 and \$282,227, 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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land	\$ 639,770	\$ 639,770
Buildings	1,894,152	1,821,644
Furniture and equipment	593,050	558,192
Leasehold improvements	879,334	863,329
Vehicles	1,079,290	1,079,290
Computer hardware and software	<u>1,169,652</u>	<u>1,099,598</u>
	6,255,248	6,061,823
Less: accumulated depreciation	<u>(2,651,847)</u>	<u>(2,219,747)</u>
	<u>\$ 3,603,401</u>	<u>\$ 3,842,076</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, 2023 and 2022 are as follows on the next page:

NOTE 9. CONTRACT BALANCES (CONTINUED)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Accounts receivable			
Contract receivables	\$ 2,234,568	\$ 1,080,692	\$ 1,138,469
Deferred revenue			
Rights fees and other	\$ 592,462	\$ 253,912	\$ 839,750

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 London Interbank Offered Rate (LIBOR) 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, 2023 and 2022, outstanding balance on the line of credit was \$1,000,000 and \$-0- respectively.

NOTE 11. 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

NOTE 11. ENDOWMENT (CONTINUED)

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.

Changes in Endowment Net Assets

Changes in endowment net assets for the years ended June 30, 2023 and 2022 were as follows:

	2023		
	With Temporary Donor Restrictions	With Perpetual Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 263,834	\$ 505,426	\$ 769,260
Appropriation for expenditure	(30,803)	-	(30,803)
Investment return	-	-	-
Contributions	-	-	-
Endowment net assets, end of year	<u>\$ 233,031</u>	<u>\$ 505,426</u>	<u>\$ 738,457</u>
	2022		
	With Temporary Donor Restrictions	With Perpetual Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 477,060	\$ 1,235,295	\$ 1,712,355
Appropriation for expenditure	(943,095)	-	(943,095)
Investment return	-	-	-
Contributions	729,869	(729,869)	-
Endowment net assets, end of year	<u>\$ 263,834</u>	<u>\$ 505,426</u>	<u>\$ 769,260</u>

NOTE 11. 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 12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2023 and 2022 consist of the following:

	June 30, 2022	Additions and Reclassifications	Released	June 30, 2023
Temporary donor restrictions				
Contributions restricted for future periods	\$ 31,393	\$ 30,523	\$ (31,393)	\$ 30,523
Contributions restricted for specific programs	3,719,613	2,448,226	(1,365,765)	4,802,074
Unexpended earnings on endowments	263,834	-	(30,803)	233,031
Total temporary donor restrictions	4,014,840	2,478,749	(1,427,961)	5,065,628
Perpetual donor restrictions				
Beneficial interest in perpetual trusts	5,390,168	242,282	-	5,632,450
Endowment funds with various income restrictions	505,426	-	-	505,426
Total perpetual donor restrictions	5,895,594	242,282	-	6,137,876
Total	\$ 9,910,434	\$ 2,721,031	\$ (1,427,961)	\$ 11,203,504

NOTE 12. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

	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	<u>477,060</u>	<u>729,869</u>	<u>(943,095)</u>	<u>263,834</u>
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	<u>1,235,295</u>	<u>(729,869)</u>	<u>-</u>	<u>505,426</u>
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>\$ 9,910,434</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 13. 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, 2023 and 2022, American Humane contributed \$171,575 and \$212,488, respectively, to the plan.

On November 13, 2014, American Humane established a deferred compensation plan agreement under Internal Revenue Code Section 457(b). There were no contributions made or payouts made under this arrangement during the year ended June 30, 2023. There were \$96,000 of contributions made under this arrangement during the year ended June 30, 2022 and a payout of \$14,944. Total amounts held as an asset and corresponding liability as of June 30, 2023 and 2022 were \$144,056 and \$127,650, respectively. On November 13, 2021, American Humane established a deferred compensation plan agreement under Internal Revenue Code Section 457(f). There was a contribution of \$85,000 made under this arrangement during the year ended June 30, 2023. Total amounts held as an asset and corresponding liability as of June 30, 2023 and 2022 were \$153,750 and \$51,681, respectively.

NOTE 13. COMMITMENTS (CONTINUED)

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, 2023 and 2022 was \$571,330 and \$566,056, respectively.

Supplemental qualitative information related to operating leases is as follows:

Operating Leases	Year Ended June 30, 2023
Right-of-use asset obtained in exchange for lease obligations	\$ 3,052,260
Weighted-average lease term (years)	8.93 years
Weighted-average discount rate	2.88%

The maturity of the lease liabilities under American Humane's operating and finance leases as of June 30, 2023 are as follows:

Year ending June 30,	Operating
2024	\$ 500,047
2025	521,343
2026	525,766
2027	438,871
2028	449,029
Thereafter	2,034,684
Undiscounted future cash flows	4,469,740
Less: effects of discounting	(553,811)
Lease liability recognized	<u>\$ 3,915,929</u>

NOTE 14. SIGNIFICANT UNCERTAINTIES/CONTINGENCIES

American Humane is named as defendant in cases from time to time. In the opinion of counsel and management, American Humane has adequate defenses for such actions and should not be liable for any significant amounts.

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



NOTE 14. SIGNIFICANT UNCERTAINTIES/CONTINGENCIES (CONTINUED)

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 15. SUBSEQUENT EVENTS REVIEW

On July, 17, 2023 American Humane amended its line of credit to increase the borrowing limit from \$3 Million to \$6 Million.

Subsequent to June 30, 2023, American Humane purchased a 14.2 acre property in Palm City, Florida for \$2.8 million that will serve as the new home to the American Humane Sanctuary. American Humane intends to sell the existing sanctuary property located in West Palm Beach, FL and transition all sanctuary operations to the new location in Palm City, Florida.

Subsequent events have been evaluated through October 18, 2023, 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.