

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

FINANCIAL STATEMENTS

JUNE 30, 2018

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

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying financial statements of the American Humane Association, DBA American Humane - First to Serve (American Humane), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Humane as of June 30, 2018 and 2017, 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.

Calibre CPA Group, PLLC

Bethesda, MD
September 29, 2018

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

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,282,192	\$ 1,682,946
Investments	4,082,371	2,990,104
Accounts receivable	1,018,112	816,811
Grants and contributions receivable	4,464,885	2,783,590
Prepayments and deposits	507,614	693,305
Total current assets	12,355,174	8,966,756
NON-CURRENT ASSETS		
Accounts receivable, net of current portion	217,625	148,250
Grants and contributions receivable, net of current portion	300,000	1,000,000
Beneficial interests in charitable trusts	5,659,641	5,475,056
Investments held for endowment	1,275,787	1,173,136
Property and equipment, net	571,985	580,983
Total non-current assets	8,025,038	8,377,425
Total assets	\$ 20,380,212	\$ 17,344,181
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 506,628	\$ 430,733
Accrued expenses and other liabilities	656,319	666,941
Deferred revenue	306,210	218,958
Deferred lease liability	11,159	11,159
Obligations under charitable gift annuities	112,271	107,171
Total current liabilities	1,592,587	1,434,962
NON-CURRENT LIABILITIES		
Deferred lease liability, net of current portion	323,006	334,165
Obligations under charitable gift annuities, net of current portion	1,095,839	1,069,307
Total non-current liabilities	1,418,845	1,403,472
Total liabilities	3,011,432	2,838,434
NET ASSETS		
Without donor restrictions	5,594,258	3,252,600
With donor restrictions	11,774,522	11,253,147
Total net assets	17,368,780	14,505,747
Total liabilities and net assets	\$ 20,380,212	\$ 17,344,181

See accompanying notes to financial statements.

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

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions and sponsorships	\$ 21,934,916	\$ 4,534,251	\$ 26,469,167	\$ 18,385,945	\$ 2,809,254	\$ 21,195,199
Grants	2,855,614	-	2,855,614	3,685,485	-	3,685,485
Royalty income	2,211,972	-	2,211,972	1,964,326	-	1,964,326
Services fees	3,142,815	-	3,142,815	3,151,707	-	3,151,707
Conferences and seminars	84,550	-	84,550	58,400	-	58,400
Rental and miscellaneous income	6,022	-	6,022	37,984	-	37,984
Net investment return						
Distributions from perpetual trusts	211,447	-	211,447	221,702	-	221,702
Other, net of fees	128,858	40,651	169,509	124,251	64,041	188,292
Change in value of split interest agreements	10,837	687	11,524	71,585	1,428	73,013
Gain on interests in perpetual trusts	-	183,898	183,898	-	311,174	311,174
Net assets released from restrictions	4,238,112	(4,238,112)	-	3,101,423	(3,101,423)	-
Total support and revenue	34,825,143	521,375	35,346,518	30,802,808	84,474	30,887,282
EXPENSES						
Program services						
Humane Conservation	6,845,377	-	6,845,377	3,049,983	-	3,049,983
Humane Hollywood	7,693,265	-	7,693,265	8,369,503	-	8,369,503
Humane Rescue	3,151,939	-	3,151,939	5,464,696	-	5,464,696
Center for Military Affairs	6,694,950	-	6,694,950	5,090,308	-	5,090,308
Farm Animal Program	4,752,754	-	4,752,754	4,313,719	-	4,313,719
Other programs	502,027	-	502,027	420,951	-	420,951
Total program services	29,640,312	-	29,640,312	26,709,160	-	26,709,160
Supporting services						
Philanthropic services and fundraising	1,771,983	-	1,771,983	1,536,740	-	1,536,740
General administration	1,071,190	-	1,071,190	1,045,830	-	1,045,830
Total supporting services	2,843,173	-	2,843,173	2,582,570	-	2,582,570
Total expenses	32,483,485	-	32,483,485	29,291,730	-	29,291,730
CHANGE IN NET ASSETS	2,341,658	521,375	2,863,033	1,511,078	84,474	1,595,552
NET ASSETS						
Beginning of year	3,252,600	11,253,147	14,505,747	1,741,522	11,168,673	12,910,195
End of year	\$ 5,594,258	\$ 11,774,522	\$ 17,368,780	\$ 3,252,600	\$ 11,253,147	\$ 14,505,747

See accompanying notes to financial statements.

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

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	Program Services										Supporting Services											
	Humane Conservation		Humane Hollywood		Humane Rescue		Center for Military Affairs		Farm Animal Program		Other Programs		Total		Philanthropic Services and Fundraising		General Administration		Total			
Salaries	\$ 337,049	\$ 2,707,139	\$ 407,330	\$ 445,251	\$ 641,899	\$ 242,152	\$ 4,780,820	\$ 589,565	\$ 544,810	\$ 1,134,375	\$ 5,915,195	\$ 589,565	\$ 544,810	\$ 1,134,375	\$ 5,915,195	\$ 589,565	\$ 544,810	\$ 1,134,375	\$ 5,915,195	\$ 589,565	\$ 544,810	\$ 1,134,375
Benefits	64,066	470,253	77,537	84,828	122,434	46,187	865,305	112,571	103,948	216,519	1,081,824	112,571	103,948	216,519	1,081,824	112,571	103,948	216,519	1,081,824	112,571	103,948	216,519
Professional services	569,793	1,286,461	161,641	478,552	280,909	39,294	2,816,650	326,165	226,169	552,334	3,368,984	326,165	226,169	552,334	3,368,984	326,165	226,169	552,334	3,368,984	326,165	226,169	552,334
Subcontractors	119,454	237,858	-	44,363	594,663	7,665	1,004,003	8,764	-	8,764	1,012,767	8,764	-	8,764	1,012,767	8,764	-	8,764	1,012,767	8,764	-	8,764
Events	48,925	380,266	12,263	147,944	26,787	3,415	619,600	78,578	4,161	82,739	702,339	78,578	4,161	82,739	702,339	78,578	4,161	82,739	702,339	78,578	4,161	82,739
Travel	148,836	421,471	123,488	211,019	117,944	43,329	1,066,087	44,513	33,193	77,706	1,143,793	44,513	33,193	77,706	1,143,793	44,513	33,193	77,706	1,143,793	44,513	33,193	77,706
Depreciation and amortization	8,442	25,151	137,740	8,876	7,507	2,011	189,727	5,649	858	6,507	196,234	5,649	858	6,507	196,234	5,649	858	6,507	196,234	5,649	858	6,507
Dues and subscriptions	7,298	10,901	3,210	4,516	10,695	3,888	40,508	63,418	3,753	67,171	107,679	63,418	3,753	67,171	107,679	63,418	3,753	67,171	107,679	63,418	3,753	67,171
Equipment lease and repairs	1,740	22,447	50,729	5,612	2,504	1,063	84,095	2,872	12,964	15,836	99,931	2,872	12,964	15,836	99,931	2,872	12,964	15,836	99,931	2,872	12,964	15,836
Equipment lease and repairs	-	22,500	66,386	91,091	-	50,000	229,977	1,500	-	1,500	231,477	1,500	-	1,500	231,477	1,500	-	1,500	231,477	1,500	-	1,500
Occupancy	49,237	487,647	119,591	46,921	74,091	17,930	795,417	61,780	94,453	156,233	951,650	61,780	94,453	156,233	951,650	61,780	94,453	156,233	951,650	61,780	94,453	156,233
Outreach and promotion	210,572	101,635	35,685	155,214	52,061	1,318	556,485	7,872	1,838	9,710	566,195	7,872	1,838	9,710	566,195	7,872	1,838	9,710	566,195	7,872	1,838	9,710
Postage	12,999	20,624	5,330	8,883	9,176	3,490	60,502	167,716	3,355	171,071	231,573	167,716	3,355	171,071	231,573	167,716	3,355	171,071	231,573	167,716	3,355	171,071
Printing	22,946	40,035	19,334	23,124	11,593	1,161	118,193	160,536	705	161,241	279,434	160,536	705	161,241	279,434	160,536	705	161,241	279,434	160,536	705	161,241
Supplies	10,961	26,332	60,531	15,682	7,239	5,215	125,960	5,264	3,248	8,512	134,472	5,264	3,248	8,512	134,472	5,264	3,248	8,512	134,472	5,264	3,248	8,512
Taxes, licenses and fees	4,038	23,751	37,139	14,159	3,504	326	82,917	47,578	4,958	52,536	135,453	47,578	4,958	52,536	135,453	47,578	4,958	52,536	135,453	47,578	4,958	52,536
Telecommunications	9,783	95,079	15,615	10,828	14,711	3,787	149,803	9,745	8,444	18,189	167,992	9,745	8,444	18,189	167,992	9,745	8,444	18,189	167,992	9,745	8,444	18,189
Donated goods and services	5,216,465	1,309,480	1,813,650	4,873,710	2,773,741	28,295	16,015,341	25,465	19,830	45,295	16,060,636	25,465	19,830	45,295	16,060,636	25,465	19,830	45,295	16,060,636	25,465	19,830	45,295
Other expenses	2,773	4,235	4,740	24,377	1,296	1,501	38,922	52,432	4,503	56,935	95,857	52,432	4,503	56,935	95,857	52,432	4,503	56,935	95,857	52,432	4,503	56,935
Total expenses	\$ 6,845,377	\$ 7,693,265	\$ 3,151,939	\$ 6,694,950	\$ 4,752,754	\$ 502,027	\$ 29,640,312	\$ 1,771,983	\$ 1,071,190	\$ 2,843,173	\$ 32,483,485	\$ 1,771,983	\$ 1,071,190	\$ 2,843,173	\$ 32,483,485	\$ 1,771,983	\$ 1,071,190	\$ 2,843,173	\$ 32,483,485	\$ 1,771,983	\$ 1,071,190	\$ 2,843,173

See accompanying notes to financial statements.

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

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017

	Program Services										Supporting Services		
	Humane Conservation	Humane Hollywood	Humane Rescue	Center for			Other Programs	Total	Philanthropic Services and Fundraising	General Administration	Total	Total Expenses	
				Military Affairs	Farm Animal Program	Farm Animal Program							
Salaries	\$ 247,450	\$ 2,694,104	\$ 525,084	\$ 469,824	\$ 618,441	\$ 193,453	\$ 4,748,356	\$ 559,390	\$ 457,846	\$ 1,017,236	\$ 5,765,592		
Benefits	48,163	467,919	101,808	91,089	135,490	37,570	882,039	109,083	88,633	197,716	1,079,755		
Professional services	484,591	1,294,702	193,491	378,518	220,020	68,434	2,639,756	216,166	265,905	482,071	3,121,827		
Subcontractors	151,107	282,493	600	-	494,850	6,815	935,865	-	-	-	935,865		
Events	27,622	325,210	11,746	62,802	56,473	433	484,286	120,853	11,069	131,922	616,208		
Travel	85,699	422,966	173,701	123,910	100,911	15,311	922,498	63,734	63,100	126,834	1,049,332		
Depreciation and amortization	2,996	21,299	101,736	4,809	5,792	1,644	138,276	3,212	6,737	9,949	148,225		
Dues and subscriptions	6,833	17,640	8,446	9,918	9,504	925	53,266	56,075	5,028	61,103	114,369		
Equipment lease and repairs	1,460	22,799	65,444	1,295	2,684	1,320	95,002	2,452	13,243	15,695	110,697		
Grant distributions	-	25,000	205,255	124,869	-	-	355,124	-	-	-	355,124		
Occupancy	52,694	437,792	126,566	45,212	78,067	28,546	768,877	55,788	93,583	149,371	918,248		
Outreach and promotion	53,142	118,903	71,315	89,886	57,702	5,161	396,109	27,135	8,933	36,068	432,177		
Postage	5,292	20,509	7,125	8,169	5,249	5,916	52,260	77,279	3,135	80,414	132,674		
Printing	5,015	42,457	13,759	18,610	7,482	2,607	89,930	122,504	2,472	124,976	214,906		
Supplies	4,311	27,045	34,098	8,924	6,660	31,747	112,785	5,300	4,383	9,683	122,468		
Taxes, licenses and fees	3,923	25,423	10,178	8,171	2,669	901	51,265	39,997	3,553	43,550	94,815		
Telecommunications	4,794	80,406	14,173	6,405	11,734	6,010	123,522	8,437	7,037	15,474	138,996		
Donated goods and services	1,862,378	2,040,151	3,787,917	3,635,934	2,436,931	14,079	13,777,390	37,725	9,265	46,990	13,824,380		
Other expenses	2,513	2,685	12,254	1,963	63,060	79	82,554	31,610	1,908	33,518	116,072		
Total expenses	\$ 3,049,983	\$ 8,369,503	\$ 5,464,696	\$ 5,090,308	\$ 4,313,719	\$ 420,951	\$ 26,709,160	\$ 1,536,740	\$ 1,045,830	\$ 2,582,570	\$ 29,291,730		

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,863,033	\$ 1,595,552
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	196,234	148,225
Gain on disposal of property and equipment	(1,075)	-
Net gains on investments	(74,742)	(113,222)
Change in value of beneficial interest in charitable trusts	(184,585)	(204,603)
Change in value of obligations under charitable gift annuities	31,632	2,950
Change in operating assets		
Accounts receivable	(270,676)	(71,779)
Grants and contributions receivable	(981,295)	(400,556)
Prepayments and deposits	185,691	(33,693)
Change in operating liabilities		
Accounts payable	75,895	(76,102)
Accrued expenses and other liabilities	(10,622)	(256,520)
Deferred revenue	87,252	(33,955)
Deferred lease liability	(11,159)	7,887
Net cash provided by operating activities	1,905,583	564,184
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	1,757,807	1,513,604
Proceeds from sales of property and equipment	2,200	-
Purchases of investments	(2,877,983)	(1,761,103)
Purchases of property and equipment	(188,361)	(260,569)
Net cash used for investing activities	(1,306,337)	(508,068)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing under line of credit	350,000	-
Repayment of line of credit	(350,000)	-
Net cash provided by financing activities	-	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	599,246	56,116
CASH AND CASH EQUIVALENTS		
Beginning of year	1,682,946	1,626,830
End of year	\$ 2,282,192	\$ 1,682,946

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 1. ORGANIZATION

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

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

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

American Humane carries out its mission through the following programs:

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.

In just over a year, we are proud to announce the following victories on behalf of the remarkable and endangered animals with whom we share the Earth...

- **Helping protect a quarter of a million animals:** After passing a rigorous independent audit of comprehensive science-based standards created by the world's leading animal scientists and ethicists, we awarded the Humane Certified™ seal of approval to 33 zoological facilities around the world, promoting the safety and humane treatment of more than 250,000 animals living in these facilities.

NOTE 1. ORGANIZATION (CONTINUED)

- **Global expansion:** American Humane Conservation is already a worldwide program, certifying major zoological facilities in 11 U.S. states and 11 countries in North America, the Bahamas, Europe, and Asia.
- **Teaching tomorrow's humane heroes:** To cultivate the next generation of animal advocates, American Humane and the publisher of the Chicken Soup for the Soul library have developed a series of free children's e-books, as well as a new national curriculum, for elementary, middle, and high school students, focusing on the vital work being done by Humane Certified™ zoos and aquariums to protect and preserve species around the world.

Took our message directly to the public: American Humane created a series of four national television and radio public service announcement with famed wildlife conservationist Jeff Corwin to promote support of humane conservation. In just the first few months, the spots were broadcast more than 18,000 times across the country, reaching 200 million people.

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 77 years. Since 1940, our program has been at the forefront of animal welfare in filmed entertainment. We are the only industry-sanctioned organization with oversight of animals in filmed production and the sole entity to award the internationally recognized No Animals Were Harmed® end-credit certification to productions that meet our rigorous standard of care.

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

- Protects animals used in film, television and commercial production, no matter where filming occurs, during the production and on set.
- Educates and informs film industry professionals and the public regarding the humane treatment of animal actors in the global media community.
- Enforces American Humane's Guidelines for the Safe Use of Animals in Filmed Media (Guidelines) with specially trained Certified Animal Safety Representatives.

Our Certified Animal Safety Representatives helped keep more than 80,000 animals safe on nearly 1,000 film and television productions during the past year. Responding to growing demand, we brought on five new Certified Animal Safety Representatives for a total of 43 in 22 countries and monitored 23 percent more international production days than the previous year.

American Humane Hollywood educated millions with **American Humane Hero Dog Awards®**, a program initiative designed to inspire millions while educating them on the power of the human-animal bond and the role of working dogs in society. The national television broadcast of the seventh annual American Humane Hero Dog Awards featuring James Denton, Beth Stern, Richard Marx and many more was presented on the Hallmark Channel.

NOTE 1. ORGANIZATION (CONTINUED)

American Humane Rescue

For more than 100 years, American Humane Rescue teams have been first to serve in the protection of animals suffering in disasters and cruelty cases. 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 purpose of these programs is to provide intervention for communities in crisis and to help build more humane communities nationwide through initiatives like grants, shelter support and humane education.

- **Helped hundreds of thousands of animals:** In the past year, our animal rescue teams with their nearly 250 highly trained volunteer first responders helped save, feed and shelter 612,100 animals, including 6,703 animals caught in the wake of deadly hurricanes, floods, and wildfires.
- **Saving Lives in the Aftermath of Hurricanes Harvey and Irma:** When these monster storms struck, we helped care for thousands of lost and displaced animals, helped organize and operate mega shelters in Texas and Louisiana, and conducted critical animal transports and lifesaving search and rescue missions in Florida that saved the lives of cats, dogs, horses, deer, and ducks.
- **Restoring Hope:** Following what was called a “Thousand-year flood” in Louisiana, American Humane provided major grants to seven shelters that had been partially or completely destroyed, allowing them to rebuild operations and restore critically needed services to more than 10,000 animals in their communities.
- **Protecting the future:** With the help of TV star Ellen DeGeneres and the Walmart Foundation, American Humane introduced a brand-new, giant mobile rescue vehicle to safeguard the animals of Louisiana and surrounding states, significantly bolstering our nationwide capabilities to respond to disasters and animal crises.
- **Helping homeless pets:** American Humane began a nationwide series of free veterinary clinics to provide life-saving services to pets of the country’s half million homeless people. Vital support and medical supplies were provided by **VIP Petcare**.
- **Delivering 600,000 meals to shelter animals:** American Humane and Chicken Soup for the Soul Pet Food delivered tons of hope and nutritious free meals to hungry, frightened and abandoned animals in shelters in just the last year.
- **Preparing communities:** Our rescue team held 12 trainings nationally to help protect and save animals when crises strike.
- **Reuniting animal victims of Hurricane Maria:** American Humane worked with international groups to airlift animals from devastated Puerto Rico to the United States and reconnect them with their families.
- **A giant gift to California’s animals:** Thanks to the generosity of philanthropist Lois Pope, a new 50-foot-long rescue vehicle was unveiled to guard the West Coast’s animals. Banfield Foundation made a generous contribution to cover the operational and deployment costs, and leading animal health company Zoetis agreed to stock the truck with medical and veterinary supplies, as it does for all American Humane rescue vehicles.
- **Helping animals in the California wildfires:** Our rescue team assisted animals in California’s Thomas Wildfires, delivering 2,000 pounds of free emergency food to pets being housed in a local shelter.

NOTE 1. ORGANIZATION (CONTINUED)

- **Providing hope, help and comfort to communities in crisis:** American Humane continued in its fifth year of partnering with The Weather Channel to provide the services of “**Butler**” **The Weather Channel Therapy Dog** who, with his American Humane handler, visits communities nationwide that have been impacted by severe weather. They provided disaster preparedness tips for pets reaching 100 million homes.
- **Giving animals second chances:** In the past year, American Humane’s Second Chance® Fund provided medical and emergency fund grants to local shelters and rescue groups. The Meacham Fund provided capital support grants to various organizations to provide resources to help animals in need.

American Humane’s Lois Pope LIFE Center for Military Affairs

Since 1916, American Humane has been First to Serve those who serve our country by helping our nation’s military heroes on the battlefield and on the home front.

- **Bringing Battle Buddies back together:** After a lifetime of serving our country and protecting our troops, far too many retired military dogs are separated from their handlers and left overseas. American Humane has already brought 31 of these heroes home and reunited them with their battle buddies.
- **Saving lives on each end of a healing leash:** Every day 184 veterans are diagnosed with Post-Traumatic Stress and, tragically, 20 of them take their own lives. At the same time, some 670,000 beautiful dogs are euthanized in the nation’s shelters each year. To help stem the tide of veteran suicide and save unadopted animals, American Humane launched the “Shelter to Service” program, which rescues abandoned shelter dogs and trains them to become lifesaving service dogs for veterans coping with PTS and Traumatic Brain Injury.
- **Helping more vets get help:** American Humane provided 31 grants in just the last year to help veterans secure and maintain the health of trained service dogs.
- **Reaching out to those in need:** Our new national PSA campaign, starring NHL star Matt Martin, offers veterans a free expert guide to help them obtain life-saving service dogs. These TV and radio spots aired 60,000 times, reaching millions of people and winning a Silver Medal in the “Mercury Excellence Awards.”
- **Creating national service dog standards:** To provide veterans with expertly trained service animals who can help them cope with the invisible wounds of war, American Humane worked with the nation’s leading experts in service dog training, government affairs, veteran advocacy, mental health services, and the transportation and restaurant industries to develop the first national standards for training PTS and TBI service dogs. These standards will help save lives, and in conjunction with a national registry, will help improve access for veterans to restaurants, hotels, taxis, airplanes, and other public services.
- **Urging Congress to do more for veterans:** Service dogs are not only costly but can take an unacceptable 18-24 months to obtain. Our new “Pups4Patriots” legislation directs the V.A. to provide more, highly trained, lifesaving service dogs to veterans struggling to cope with Post-Traumatic Stress and Traumatic Brain Injury, using the first set of national standards developed by American Humane. When passed, the Pups4Patriots Act will get more healing leashes into the hands of America’s veterans.

NOTE 1. ORGANIZATION (CONTINUED)

- **Honoring America’s four-legged military heroes:** Five courageous canines were awarded American Humane’s Lois Pope LIFE K-9 Medal of Courage, the nation’s highest award for military dogs. The internationally covered ceremony on Capitol Hill included 300 congressional staff and top U.S. military leaders, including Marine Lieutenant General Beaudreault, TSA Administrator David Pekoske and retired Marine Colonel Scott Campbell.

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 improve and verify the treatment of animals on our nation’s farms and ranches utilizing evidence and science-based welfare standards, and to educate consumers and people involved in the food supply chain about the significance and benefits of the humane treatment of farm animals.

This program certifies the humane treatment of more animals in food production than any other. Farm animal welfare standards are regularly reviewed by the program’s Scientific Advisory Committee, an international group of animal science experts, veterinarians, and ethicists. Third-party audits are conducted annually by independent auditors, and are based on objective, measurable, science-based criteria. The program covers more than 8,000 farms and ranches throughout the United States and Canada. The American Humane Certified seal is now found on many products in grocery stores, including dairy, chicken, turkey, beef, pork, and eggs.

American Humane Research

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

American Humane released the results of its groundbreaking ***Canines and Childhood Cancer study***, launched with the generous support of Zoetis. This first-of-its-kind study, conducted in collaboration with children’s hospitals across the country, demonstrated with scientific rigor the benefits that animal-assisted therapy has for the families of children with cancer. The results were published in the Journal of Pediatric Oncology Nursing and were reported by CNN and hundreds of other media.

NOTE 1. ORGANIZATION (CONTINUED)

American Humane Pet Transportation

In a major effort to help improve the safety and comfort of animals being transported by air, American Humane was approached by United Airlines to conduct a comprehensive investigation and analysis of the key factors affecting the well-being of pets flying via commercial airliner. American Humane will produce expert recommendations with the input of an independent Scientific Advisory Committee comprised of renowned leaders in animal science, veterinary care, animal behavior, and animal ethics.

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:

- **Doubling our global reach** with twice as many animal advocacy and humane education messages as the previous year, carried via some 150,000 newspapers, television and radio broadcasts, and web media worldwide.
- **Major news stories on helping animals** were carried by prominent national publications, newspapers, magazines and news stations including the international Associated Press, ABC News, CBS News, CNN, The TODAY Show, the BBC World Service, FOX NEWS, The New York Times, The Los Angeles Times, The Weather Channel, The Hill, The Huffington Post, PEOPLE Magazine, and thousands of others.
- **The national television broadcast** of the seventh annual **American Humane Hero Dog Awards** on Hallmark Channel with its 88 million subscribers scored its highest ratings ever. The winning American Hero Dog, Abigail, suffered horrific abuse yet went on to help others and became a national symbol of love, overcoming, and forgiveness.
- **Our weekly show**, “Loving Animals” with Dr. Robin Ganzert on Pet Life Radio, is reaching millions with a star-studded lineup of animal welfare experts and celebrity guests supporting the humane movement, including Alison Sweeney, Beth Stern, Jillian Michaels, Denise Richards, Naomi Judd, Barbara Niven, Carson Kressley, and Danielle Fishel.
- **Our award-winning national television and radio PSAs** are reaching hundreds of millions of people each year with lifesaving information, messages of compassion, and practical ways the public can support humane farming, humane conservation of the world’s remarkable and endangered creatures, veterans needing service dogs, and animals caught in disasters and cruelty cases.
- **Teaching kids to be kind:** Partnering with the publishers of the iconic *Chicken Soup for the Soul* library, American Humane developed the *Humane Heroes* series of free eBooks and an accompanying national curriculum for elementary, middle and high-school students that seek to instill the love and value of animals into young people, teach them about conservation and how to be advocates for animals through the stories of rescue, rehabilitation and humane conservation work being done at leading zoological institutions.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Cash and Cash Equivalents

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

Investments

Investment purchases are initially recorded at cost or, if contributed to American Humane, at their fair values on the date of contribution. Investments are reported at their fair values in the statement of financial position, and unrealized gains and losses are included in the statement of activities. Net investment return consists of American Humane's interest and dividend income, and realized and unrealized capital gains and losses generated from American Humane's investments, less investment management and custodial fees.

Accounts Receivable

Accounts receivable represent amounts due resulting from the performance of services provided to other organizations. The allowance method is used to determine uncollectible accounts and is based on account by account determination, prior years' experience and management's analysis of subsequent collections. Management has determined that substantially all receivable balances are collectible; therefore, no allowance for doubtful accounts has been recorded at June 30, 2018 and 2017.

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates applicable to the years in which the promises are received.

Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions have been substantially met. The allowance for uncollectible promises to give is determined by management based upon historical experience, an assessment of the current economic environment, and analysis of subsequent events. As of June 30, 2018 and 2017, management determined that no allowance was necessary.

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, 2018; as such, no impairment losses were recorded during the year.

Net Assets Without Donor Restrictions

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

Net Assets With Donor Restrictions

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

American Humane reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Net assets with perpetual donor restrictions consist of assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of American Humane.

The restrictions stipulate that resources be maintained permanently but permit American Humane to expend the income generated in accordance with the provisions of the agreement.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Revenue is recognized when earned. Contract service revenue is recognized as services are rendered. Grant revenue from cost-reimbursable grants is recognized when qualifying reimbursable expenses are incurred. Conference and meeting revenues are recognized during the year in which the conference or meeting is held. As of June 30, 2018 and 2017, deferred revenue represents the portion of revenue collected during the fiscal year that applies to subsequent years' activities.

Contributions and Grants

Contributions and grants received are reported as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions.

Support, including investment income which is restricted by the donor, is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Bequests

American Humane, if informed that it has been named beneficiary under certain wills, does not include bequest amounts in the financial statements relating to potential distributions if they may be revoked or amended during the makers' lifetimes. The donation is recognized once the will has gone through probate and American Humane has been notified of the award.

Donated Property and Equipment, Goods and Services

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use 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 for Public Service Announcements, which are measured and reported at fair value.

During the years ended June 30, 2018 and 2017, donated goods and services recognized in the financial statements totaled \$16,060,636 and \$13,824,380, respectively.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

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

Advertising Costs

American Humane uses advertising to promote its programs among the constituencies it serves. The production costs of advertising are expensed as incurred. During the years ended June 30, 2018 and 2017, advertising costs totaled \$108,109 and \$353,945, 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.

American Humane's investments are made primarily by investment managers engaged by American Humane, and the investments are monitored by management with the assistance of an outside investment advisor. Though the market values of investments are subject to fluctuation on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of American Humane.

Credit risk associated with accounts receivable and promises to give is considered to be limited because of high historical collection rates and because a substantial portion of the amounts outstanding are due from individuals, foundations and corporations supportive of American Humane's mission.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting for Uncertain Tax Positions

American Humane is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC), qualifies for the charitable contribution deduction under 170(b)(1)(A)(vi), and has been classified as an organization other than a private foundation under Section 509(a) of the IRC. However, income not directly related to American Humane's tax-exempt purpose is subject to taxation as unrelated business income. American Humane had no significant taxable income or income tax expense during the current fiscal year.

American Humane believes it has conducted its operations in accordance with, and has properly maintained, its tax-exempt status. American Humane's tax returns for fiscal years 2015 through 2018 are subject to examination by the Internal Revenue Service (IRS), generally for three years after they were filed.

Reclassifications

Certain amounts previously reported as of and for the year ended June 30, 2017 have been reclassified to conform to the 2018 presentation.

NOTE 3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table represents American Humane's financial assets available to meet cash needs for general expenditures within one year of June 30, 2018.

Total assets at end of year		\$ 20,380,212
Less nonfinancial assets		
Prepaid expenses and deposits	\$ 507,614	
Net property and equipment	571,985	
Beneficial interest in charitable trust assets	<u>5,659,641</u>	<u>6,739,240</u>
Total financial assets at end of year		13,640,972
Less amounts unavailable for general expenditures within one year		
Restricted by donor with time or purpose restrictions	4,839,094	
Donor-restricted endowment funds and unexpended earnings thereon	1,275,787	
Accounts receivable due in more than one year	217,625	
Investments held to fund charitable gift annuities	<u>1,249,821</u>	<u>7,582,327</u>
Total financial assets available for general expenditures within one year		<u>\$ 6,058,645</u>

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

NOTE 4. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Due in less than one year	\$ 4,464,885	\$ 2,783,590
Due in one to five years	<u>300,000</u>	<u>1,000,000</u>
	<u>\$ 4,764,885</u>	<u>\$ 3,783,590</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 (ASC) to determine the fair values of all assets and liabilities required to be measured at fair value. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability, (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. A hierarchy prioritizes the observable and unobservable inputs used to measure fair value into three broad levels, as described below:

Level 1 - Observable inputs such as quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, or model-derived valuations in which all significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 - Unobservable inputs are used when little or no market data is available.

In determining fair value, American Humane utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

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, 2018.

- 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 June 30, 2018. Charitable trust assets are composed primarily of exchange traded securities.

NOTE 5. FAIR VALUE DISCLOSURES (CONTINUED)

- Obligations under split interest agreements: Liabilities under charitable gift annuities are recognized for present value of future cash flows expected to be paid to the donor. These liabilities are adjusted during the term of the annuities for payments and change in life expectancies.

Assets 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, 2018 and 2017:

	June 30, 2018			
	Total	Level 1	Level 2	Level 3
Investments				
Cash and cash equivalents	\$ 345,140	\$ 345,140	\$ -	\$ -
Mutual and exchange-traded funds				
Equities	2,594,934	2,594,934	-	-
Fixed income	2,009,835	2,009,835	-	-
Non-traditional	408,249	408,249	-	-
	<u>\$ 5,358,158</u>	<u>\$ 5,358,158</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in charitable trusts	<u>\$ 5,659,641</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,659,641</u>
Obligations under charitable gift annuities	<u>\$ 1,208,110</u>	<u>\$ -</u>	<u>\$ 1,208,110</u>	<u>\$ -</u>
	June 30, 2017			
	Total	Level 1	Level 2	Level 3
Investments				
Cash and cash equivalents	\$ 450,519	\$ 450,519	\$ -	\$ -
Mutual and exchange-traded funds				
Equities	1,598,684	1,598,684	-	-
Fixed income	1,865,810	1,865,810	-	-
Non-traditional	248,227	248,227	-	-
	<u>\$ 4,163,240</u>	<u>\$ 4,163,240</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in charitable trusts	<u>\$ 5,475,056</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,475,056</u>
Obligations under charitable gift annuities	<u>\$ 1,176,478</u>	<u>\$ -</u>	<u>\$ 1,176,478</u>	<u>\$ -</u>

NOTE 5. FAIR VALUE DISCLOSURES (CONTINUED)

American Humane's beneficial interest in charitable trusts as of June 30, 2018 includes approximately \$10,000 representing a remainder interest in one trust whose total assets have an estimated fair value of \$554,000. American Humane's interest in the trust is 2.25% and has been adjusted for the life expectancy of those holding life interests. The remaining amount of approximately \$5.65 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, 2018 and 2017:

	Perpetual Trusts	Remainder Trusts	Total
Balance at June 30, 2016	\$ 5,154,624	\$ 115,829	\$ 5,270,453
Change in value	311,174	1,428	312,602
Distributions received	<u>-</u>	<u>(107,999)</u>	<u>(107,999)</u>
Balance at June 30, 2017	5,465,798	9,258	5,475,056
Change in value	<u>183,898</u>	<u>687</u>	<u>184,585</u>
Balance at June 30, 2018	<u>\$ 5,649,696</u>	<u>\$ 9,945</u>	<u>\$ 5,659,641</u>

NOTE 6. NET INVESTMENT RETURN

Net investment return consisted of the following for the years ended June 30, 2018 and 2017:

	2018	2017
Interest and dividend income	\$ 136,136	\$ 106,581
Unrealized gains (losses)	(6,831)	109,483
Realized gains	81,573	3,739
Investment fees	<u>(41,369)</u>	<u>(31,511)</u>
	169,509	188,292
Distributions from perpetual trusts	<u>211,447</u>	<u>221,702</u>
	<u>\$ 380,956</u>	<u>\$ 409,994</u>

NOTE 7. ANNUITY AND TRUST AGREEMENTS

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

Charitable Gift Annuities

American Humane has an unrestricted beneficial interest in various charitable gift annuities. In accordance with the gift agreements, American Humane pays a specified amount of earnings to named beneficiaries over their lifetimes. American Humane is Trustee for these trusts. Generally, the assets received under the charitable gift annuities are recorded at fair value and a corresponding liability is reflected equal to the net present value of future payments using a discount rate commensurate with the risks involved. The liability under these annuity agreements as of June 30, 2018 and 2017, was \$1,208,110 and \$1,176,478, respectively, and required amounts included in investments to fund the liability were \$1,249,821 and \$1,216,967, 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, 2018 and 2017, the net present values of beneficial interests in charitable trusts were included in the statements of financial position as follows:

	<u>2018</u>	<u>2017</u>
Remainder trusts		
Gross amounts receivable	\$ 12,458	\$ 11,781
Less: discount	<u>(2,513)</u>	<u>(2,523)</u>
	9,945	9,258
Perpetual trusts		
Fair value of assets held in perpetual trusts	<u>5,649,696</u>	<u>5,465,798</u>
	<u>\$ 5,659,641</u>	<u>\$ 5,475,056</u>

During 2018 and 2017, American Humane received distributions from remainder trusts in the amounts of \$-0- and \$107,999, respectively. The income distributions from perpetual trusts for the years ended June 30, 2018 and 2017 totaled \$211,447 and \$221,702, 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 94,054	\$ 93,358
Leasehold improvements	49,947	49,182
Vehicles	1,002,061	857,555
Computer hardware and software	<u>857,090</u>	<u>825,940</u>
	2,003,152	1,826,035
Less: accumulated depreciation	<u>(1,431,167)</u>	<u>(1,245,052)</u>
	<u>\$ 571,985</u>	<u>\$ 580,983</u>

NOTE 9. LINE OF CREDIT

On April 18, 2016, American Humane entered into a line of credit with TD Bank, N.A. in the amount of \$1,000,000 with a maturity date of April 18, 2018. The line of credit was renewed in 2017 with a maturity date of April 18, 2019. Borrowings under this line of credit bear interest at 0.25% plus the Prime Rate as published by The Wall Street Journal (5.0% total at June 30, 2018). Borrowings under the line are collateralized by a money market account. The line of credit agreement contains covenants, which include a requirement to maintain a balance in the pledged money market account of at least 100% of the outstanding balance drawn against the line of credit. As of June 30, 2018, there was no outstanding balance on the line of credit.

NOTE 10. ENDOWMENT**General**

American Humane's Endowment Fund was established by action of American Humane's Board of Directors (the Board) to be maintained in perpetuity. The Endowment Fund may include both donor restricted endowment funds as well as funds designated by the Board to function as endowments. The endowment funds may be established for either specific purposes or general operating use. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board has interpreted the Washington D.C. Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, American Humane classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the

NOTE 10. ENDOWMENT (CONTINUED)

original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified net assets with perpetual donor restrictions is classified as net assets with temporary donor restrictions until those amounts are appropriated for expenditure by American Humane in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, American Humane considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of American Humane and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of American Humane.
- Investment policies of American Humane.

Changes in Endowment Net Assets

Changes in endowment net assets for the year ended June 30, 2018 and 2017 were as follows:

	2018		Total
	With Temporary Donor Restrictions	With Perpetual Donor Restrictions	
Endowment net assets, beginning of year	<u>\$ 148,687</u>	<u>\$ 1,024,449</u>	<u>\$ 1,173,136</u>
Appropriation for expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Investment return			
Net appreciation	19,539	-	19,539
Interest income, net of fees	<u>21,112</u>	<u>-</u>	<u>21,112</u>
Total investment return	<u>40,651</u>	<u>-</u>	<u>40,651</u>
Contributions	<u>-</u>	<u>20,435</u>	<u>20,435</u>
Reclassifications	<u>-</u>	<u>41,565</u>	<u>41,565</u>
Endowment net assets, end of year	<u>\$ 189,338</u>	<u>\$ 1,086,449</u>	<u>\$ 1,275,787</u>

NOTE 10. ENDOWMENT (CONTINUED)

	2017		
	With Temporary Donor Restrictions	With Perpetual Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 84,646	\$ 1,018,449	\$ 1,103,095
Appropriation for expenditure	-	-	-
Investment return			
Net appreciation	51,844	-	51,844
Interest income, net of fees	12,197	-	12,197
Total investment return	64,041	-	64,041
Contributions	-	6,000	6,000
Endowment net assets, end of year	\$ 148,687	\$ 1,024,449	\$ 1,173,136

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 11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2018 and 2017 consist of the following:

	<u>June 30, 2017</u>	<u>Additions and Reclassifications</u>	<u>Released</u>	<u>June 30, 2018</u>
Temporary donor restrictions				
Contributions restricted for future periods	\$ 182,585	\$ 118,473	\$ (182,585)	\$ 160,038
Contributions restricted for specific programs	4,422,370	4,312,213	(4,055,527)	4,679,056
Unexpended earnings on endowments	148,687	40,651	-	189,338
Beneficial interest in charitable trusts	<u>9,258</u>	<u>687</u>	<u>-</u>	<u>9,945</u>
Total temporary donor restrictions	<u>4,762,900</u>	<u>4,472,024</u>	<u>(4,238,112)</u>	<u>5,038,377</u>
Perpetual donor restrictions				
Beneficial interest in perpetual trusts	5,465,798	183,898	-	5,649,696
Endowment funds with various income restrictions	<u>1,024,449</u>	<u>62,000</u>	<u>-</u>	<u>1,086,449</u>
Total perpetual donor restrictions	<u>6,490,247</u>	<u>245,898</u>	<u>-</u>	<u>6,736,145</u>
Total	<u>\$ 11,253,147</u>	<u>\$ 4,717,922</u>	<u>\$ (4,238,112)</u>	<u>\$ 11,774,522</u>
	<u>June 30, 2016</u>	<u>Additions and Reclassifications</u>	<u>Released</u>	<u>June 30, 2017</u>
Temporary donor restrictions				
Contributions restricted for future periods	\$ 140,029	\$ 182,585	\$ (140,029)	\$ 182,585
Contributions restricted for specific programs	4,655,096	2,620,669	(2,853,395)	4,422,370
Unexpended earnings on endowments	84,646	64,041	-	148,687
Beneficial interest in charitable trusts	<u>115,829</u>	<u>1,428</u>	<u>(107,999)</u>	<u>9,258</u>
Total temporary donor restrictions	<u>4,995,600</u>	<u>2,868,723</u>	<u>(3,101,423)</u>	<u>4,762,900</u>
Perpetual donor restrictions				
Beneficial interest in perpetual trusts	5,154,624	311,174	-	5,465,798
Endowment funds with various income restrictions	<u>1,018,449</u>	<u>6,000</u>	<u>-</u>	<u>1,024,449</u>
Total perpetual donor restrictions	<u>6,173,073</u>	<u>317,174</u>	<u>-</u>	<u>6,490,247</u>
Total	<u>\$ 11,168,673</u>	<u>\$ 3,185,897</u>	<u>\$ (3,101,423)</u>	<u>\$ 11,253,147</u>

During the year ended June 30, 2018, \$41,565 was reclassified from net assets with temporary donor restrictions to net assets with perpetual donor restrictions.

NOTE 12. COMMITMENTS

Retirement Plans

American Humane maintains tax-deferred retirement plans qualified under Sections 403(b) and 401(a) of the Internal Revenue Code. The plans cover substantially all full-time employees of American Humane. Employees may contribute a portion of their gross salaries to the 403(b) plan up to the maximum amount established by the Internal Revenue Service. American Humane contributed to the 401(a) plan one-half of the amounts contributed by each employee electing to participate in the 403(b) plan, up to a maximum employer contribution of 6% of gross wages. The 401(a) plan was terminated effective April 30, 2016, with no further employer contributions to be made to the plan subsequent to that date.

All employer contributions are now being made to the 403(b) plan, effective May 1, 2016.

Employer contributions become fully vested after four years of service. During the years ended June 30, 2018 and 2017, American Humane contributed \$154,602 and \$126,502, respectively, to the plan.

On November 13, 2014, American Humane established a deferred compensation plan agreement. American Humane did not make any contributions during the years ended June 30, 2018 and 2017.

Operating Lease Commitments

American Humane leases office space, equipment, and storage facilities under operating lease agreements that expire at various dates through June 30, 2022. Offices are located in Washington, DC, Studio City, CA, and Palm Beach, FL. The office lease agreements generally contain renewal options and also require American Humane to pay its pro-rata share of increases in real estate taxes and operating expenses associated with the leased space. Rent expense related to all operating leases for the years ended June 30, 2018 and 2017 was \$801,939 and \$783,912, respectively.

Future minimum lease payments under all operating leases as of June 30, 2018 are due as follows:

Year Ending June 30,	2019	\$ 700,333
	2020	708,358
	2021	526,927
	2022	<u>521,065</u>
		<u>\$ 2,456,683</u>

NOTE 13. SUBSEQUENT EVENT REVIEW

American Humane has performed an evaluation of subsequent events through September 29, 2018, which is the date the financial statements were available to be issued, and has considered any relevant matters in the preparation of the financial statements and footnotes. This review and evaluation revealed no new material event or transaction which would require an additional adjustment to or disclosure in the accompanying financial statements.