

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

FINANCIAL STATEMENTS

JUNE 30, 2019

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

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

CONTENTS

	PAGE
Report of Independent Auditors	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8



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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, 2019 and 2018, 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, 2019 and 2018, 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
October 22, 2019

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

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,984,749	\$ 2,282,192
Investments	6,971,582	4,082,371
Accounts receivable	1,198,936	1,018,112
Grants and contributions receivable	2,549,737	4,464,885
Prepayments and deposits	839,371	507,614
Total current assets	13,544,375	12,355,174
NON-CURRENT ASSETS		
Accounts receivable, net of current portion	233,750	217,625
Grants and contributions receivable, net of current portion	680,000	300,000
Beneficial interests in charitable trusts	5,636,276	5,659,641
Investments held for endowment	1,473,320	1,275,787
Property and equipment, net	498,424	571,985
Total non-current assets	8,521,770	8,025,038
Total assets	\$ 22,066,145	\$ 20,380,212
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 700,803	\$ 506,628
Accrued expenses and other liabilities	786,870	656,319
Deferred revenue	236,950	306,210
Deferred lease liability	50,677	30,626
Obligations under charitable gift annuities	121,296	112,271
Total current liabilities	1,896,596	1,612,054
NON-CURRENT LIABILITIES		
Deferred lease liability, net of current portion	252,862	303,539
Obligations under charitable gift annuities, net of current portion	1,107,400	1,095,839
Total non-current liabilities	1,360,262	1,399,378
Total liabilities	3,256,858	3,011,432
NET ASSETS		
Without donor restrictions	6,313,833	5,594,258
With donor restrictions	12,495,454	11,774,522
Total net assets	18,809,287	17,368,780
Total liabilities and net assets	\$ 22,066,145	\$ 20,380,212

See accompanying notes to financial statements.

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

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions and sponsorships	\$ 29,932,071	\$ 5,134,567	\$ 35,066,638	\$ 21,934,916	\$ 4,534,251	\$ 26,469,167
Grants	2,746,410	-	2,746,410	2,855,614	-	2,855,614
Royalty income	2,237,461	-	2,237,461	2,211,972	-	2,211,972
Services fees	3,738,209	-	3,738,209	3,142,815	-	3,142,815
Conferences and seminars	286,898	-	286,898	84,550	-	84,550
Rental and miscellaneous income	25,287	-	25,287	6,022	-	6,022
Net investment return						
Distributions from perpetual trusts	263,486	-	263,486	211,447	-	211,447
Other, net of fees	326,028	48,687	374,715	128,858	40,651	169,509
Change in value of split interest agreements	21,271	136	21,407	10,837	687	11,524
Gain (loss) on interests in perpetual trusts	-	(23,501)	(23,501)	-	183,898	183,898
Net assets released from restrictions	4,438,957	(4,438,957)	-	4,238,112	(4,238,112)	-
Total support and revenue	<u>44,016,078</u>	<u>720,932</u>	<u>44,737,010</u>	<u>34,825,143</u>	<u>521,375</u>	<u>35,346,518</u>
EXPENSES						
Program services						
Humane Conservation	5,407,315	-	5,407,315	6,845,377	-	6,845,377
Humane Hollywood	9,987,602	-	9,987,602	5,521,711	-	5,521,711
Humane Rescue	2,595,446	-	2,595,446	3,151,939	-	3,151,939
Center for Military Affairs	5,366,284	-	5,366,284	6,694,950	-	6,694,950
Farm Animal Program	8,610,673	-	8,610,673	4,752,754	-	4,752,754
Other program services	7,576,286	-	7,576,286	2,673,582	-	2,673,582
Total program services	<u>39,543,606</u>	<u>-</u>	<u>39,543,606</u>	<u>29,640,313</u>	<u>-</u>	<u>29,640,313</u>
Supporting services						
Philanthropic services and fundraising	2,638,425	-	2,638,425	1,771,983	-	1,771,983
General administration	1,114,472	-	1,114,472	1,071,189	-	1,071,189
Total supporting services	<u>3,752,897</u>	<u>-</u>	<u>3,752,897</u>	<u>2,843,172</u>	<u>-</u>	<u>2,843,172</u>
Total expenses	<u>43,296,503</u>	<u>-</u>	<u>43,296,503</u>	<u>32,483,485</u>	<u>-</u>	<u>32,483,485</u>
CHANGE IN NET ASSETS	719,575	720,932	1,440,507	2,341,658	521,375	2,863,033
NET ASSETS						
Beginning of year	5,594,258	11,774,522	17,368,780	3,252,600	11,253,147	14,505,747
End of year	<u>\$ 6,313,833</u>	<u>\$ 12,495,454</u>	<u>\$ 18,809,287</u>	<u>\$ 5,594,258</u>	<u>\$ 11,774,522</u>	<u>\$ 17,368,780</u>

See accompanying notes to financial statements.

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

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

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

See accompanying notes to financial statements.

**AMERICAN HUMANE ASSOCIATION,
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STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	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	\$ 337,049	\$ 2,495,010	\$ 407,330	\$ 445,251	\$ 641,899	\$ 454,281	\$ 4,780,820	\$ 589,565	\$ 544,810	\$ 1,134,375	\$ 5,915,195
Benefits	64,066	429,031	77,537	84,828	122,434	87,411	865,307	112,571	103,948	216,519	1,081,826
Professional services	569,793	282,998	161,641	478,552	280,909	1,042,757	2,816,650	326,165	226,169	552,334	3,368,984
Subcontractors	119,454	237,858	-	44,363	594,663	7,665	1,004,003	8,764	-	8,764	1,012,767
Events	48,925	16,343	12,263	147,944	26,787	367,338	619,600	78,578	4,161	82,739	702,339
Travel	148,836	354,239	123,488	211,019	117,944	110,562	1,066,088	44,513	33,193	77,706	1,143,794
Depreciation and amortization	8,442	21,806	137,740	8,876	7,507	5,356	189,727	5,649	858	6,507	196,234
Dues and subscriptions	7,298	9,302	3,210	4,516	10,695	5,487	40,508	63,418	3,753	67,171	107,679
Equipment lease and repairs	1,740	21,383	50,729	5,612	2,504	2,126	84,094	2,872	12,964	15,836	99,930
Grant distributions	-	-	66,386	91,091	-	72,500	229,977	1,500	-	1,500	231,477
Occupancy	49,237	455,002	119,591	46,921	74,091	50,575	795,417	61,780	94,453	156,233	951,650
Outreach and promotion	210,572	77,100	35,685	155,214	52,061	25,853	556,485	7,872	1,838	9,710	566,195
Postage	12,999	11,015	5,330	8,883	9,176	13,099	60,502	167,716	3,355	171,071	231,573
Printing	22,946	8,558	19,334	23,124	11,593	32,638	118,193	160,536	705	161,241	279,434
Supplies	10,961	21,761	60,531	15,682	7,239	9,786	125,960	5,264	3,248	8,512	134,472
Taxes, licenses and fees	4,038	19,566	37,139	14,159	3,504	4,510	82,916	47,578	4,958	52,536	135,452
Telecommunications	9,783	86,100	15,615	10,828	14,711	12,766	149,803	9,745	8,444	18,189	167,992
Donated goods and services	5,216,465	973,634	1,813,650	4,873,710	2,773,741	364,141	16,015,341	25,465	19,830	45,295	16,060,636
Other expenses	2,773	1,005	4,740	24,377	1,296	4,731	38,922	52,432	4,502	56,934	95,856
Total expenses	\$ 6,845,377	\$ 5,521,711	\$ 3,151,939	\$ 6,694,950	\$ 4,752,754	\$ 2,673,582	\$ 29,640,313	\$ 1,771,983	\$ 1,071,189	\$ 2,843,172	\$ 32,483,485

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,440,507	\$ 2,863,033
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	184,669	196,234
Gain on disposal of property and equipment	-	(1,075)
Net gains on investments	(231,039)	(74,742)
Change in value of beneficial interest in charitable trusts	23,365	(184,585)
Change in value of obligations under charitable gift annuities	20,586	31,632
Change in operating assets		
Accounts receivable	(196,949)	(270,676)
Grants and contributions receivable	1,535,148	(981,295)
Prepayments and deposits	(331,757)	185,691
Change in operating liabilities		
Accounts payable	194,175	75,895
Accrued expenses and other liabilities	130,551	(10,622)
Deferred revenue	(69,260)	87,252
Deferred lease liability	(30,626)	(11,159)
Net cash provided by operating activities	2,669,370	1,905,583
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	3,921,594	1,757,807
Proceeds from sales of property and equipment	-	2,200
Purchases of investments	(6,777,299)	(2,877,983)
Purchases of property and equipment	(111,108)	(188,361)
Net cash used for investing activities	(2,966,813)	(1,306,337)
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	(297,443)	599,246
CASH AND CASH EQUIVALENTS		
Beginning of year	2,282,192	1,682,946
End of year	\$ 1,984,749	\$ 2,282,192

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 1. ORGANIZATION

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

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

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

American Humane carries out its mission through the following programs:

American Humane Conservation

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

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

- **Helping protect a third 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 60 zoological facilities around the world, promoting the safety and humane treatment of more than 315,000 animals living in these facilities.

NOTE 1. ORGANIZATION (CONTINUED)

- **Global expansion:** American Humane Conservation is already a worldwide program, certifying major zoological facilities in 14 U.S. states and 12 countries in North America, Central 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 developed a new national curriculum to accompany its “Humane Heroes” series of books for elementary, middle, and high school students. The curriculum focuses on the vital work being done by Humane Certified™ zoos and aquariums to protect and preserve species around the world.

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 nearly 80 years. Since 1940, our program has been at the forefront of animal welfare in filmed entertainment. We are the only industry-sanctioned organization with oversight of animals in filmed production and the sole entity to award the internationally recognized *No Animals Were Harmed®* end-credit certification to productions that meet our rigorous standard of care.

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

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

Our Certified Animal Safety Representatives 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 increased the number of Certified Animal Safety Representatives by another 12 percent. Our representatives worked to protect animal actors during filming in 31 countries and monitored 40 percent more international production days than the previous year.

American Humane Rescue

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

NOTE 1. ORGANIZATION (CONTINUED)

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 more than 200,000 animals.
- **Saving lives in the aftermath of Hurricanes Florence and Michael:** When these monster storms struck, we helped rescue, care for and feed lost and displaced animals, including cats, dogs, horses, goats, roosters and an exhausted steer found swimming in the floodwaters. In one instance, our team saved a group of dogs who had been left in a flooded house and were desperately clinging to life by floating on whatever they could find.
- **Delivering meals to shelter animals:** American Humane and Chicken Soup for the Soul Pet Food delivered tons of nutritious free meals to hungry, frightened and abandoned animals in shelters in the last year.
- **Preparing communities:** Our rescue team trained 500 animal responders to help protect and save animals in need in 14 states and the District of Columbia.
- **Helping animals in the California “Camp Fire”:** Responding to the deadliest and most destructive wildfire in California’s history, our rescue team sheltered lost, frightened, and displaced animals, and delivered thousands of pounds of free emergency food in the crisis.
- **Bringing hope where little exists:** American Humane led an army of volunteers to an underserved Louisiana shelter to help some 300 animals who had been abandoned or were in desperate need of medical care their owners could not afford. The clinic offered free veterinary care and medicines provided by Zoetis to 230 dogs, 45 cats, and six horses.
- **Protecting communities in crisis:** American Humane continued to work with The Weather Channel and other major media to provide millions with disaster preparedness and emergency response tips.
- **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 to help abused, injured, and abandoned animals. Our Meacham Fund provided capital support grants to local organizations supporting 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.

NOTE 1. ORGANIZATION (CONTINUED)

- **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 helped bring 38 of these heroes home and reunited them with their battle buddies.
- **Saving lives on each end of a healing leash:** To help stem the tide of veteran suicide and help dogs find forever homes, American Humane's "Pups4Patriots™" program identifies qualified dogs, including those in shelters, and trains them to become lifesaving service dogs for veterans coping with post-traumatic stress and traumatic brain injury.
- **Helping more vets get help:** American Humane provided 11 grants in the last year to help veterans secure and maintain the health of trained service dogs.
- **Honoring America's four-legged military heroes:** Five courageous canines were awarded American Humane's Lois Pope LIFE K-9 Medal of Courage, the nation's highest award for military dogs. The internationally covered ceremony on Capitol Hill included 300 congressional staff and top U.S. military leaders.

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, ducks and eggs.

American Humane Hero Dog Awards®

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

NOTE 1. ORGANIZATION (CONTINUED)

Public Education, Prevention, and Outreach

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

- **Reaching the world with our humane messages**, reaching millions of people, encouraging them to be kind to animals and providing them with tools to create a more compassionate world.
- **Generating major news stories on helping animals** carried by prominent national publications, newspapers, magazines and news stations including the Associated Press, ABC News, CBS News, The TODAY Show, FOX NEWS, The New York Times, The Los Angeles Times, The Weather Channel, The Hill, PEOPLE Magazine, and thousands of other media.
- **Touching millions through the national television broadcast** of the eighth annual **American Humane Hero Dog Awards** on Hallmark Channel with its 88 million subscribers. This annual campaign highlights the life-changing, life-saving power of the bond between animals and people.
- **Our award-winning national television and radio PSAs and billboard campaigns** are reaching hundreds of millions of people each year with lifesaving information, messages of compassion, and practical ways the public can support humane farming, humane conservation of the world's remarkable and endangered creatures, veterans needing service dogs, and animals caught in disasters and cruelty cases.
- **Teaching kids to be kind:** Partnering with the publishers of the iconic *Chicken Soup for the Soul* library, American Humane developed a national companion curriculum for their *Humane Heroes* series of free eBooks for elementary, middle and high-school students. The series and new curricula seek to instill the love and value of animals into young people, teach them about conservation, and encourages them to be advocates for animals through stories of rescue, rehabilitation and humane conservation work being done at leading zoological institutions.
- **Recognition of Good Stewardship:** American Humane also earned much recognition for its good stewardship of funds and efficiency in turning charitable donations into effective action. American Humane was awarded four stars by Charity Navigator - its highest rating, has been named a "Top-Rated Charity" with an "A" rating by CharityWatch, was called a "Best Charity" to support by Consumer Reports, and is among the few U.S. charities to make the Better Business Bureau's "Wise Giving Alliance" list.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Cash and Cash Equivalents

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

Investments

Investment purchases are initially recorded at cost or, if contributed to American Humane, at their fair values on the date of contribution. Investments are reported at their fair values in the statements of financial position, and unrealized gains and losses are included in the 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, 2019 and 2018.

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, 2019 and 2018, 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, 2019; 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, 2019 and 2018, 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 and billboard space for Public Service Announcements, which are measured and reported at fair value.

During the years ended June 30, 2019 and 2018, donated goods and services recognized in the financial statements totaled \$25,307,608 and \$16,060,636, 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, 2019 and 2018, advertising costs totaled \$395,541 and \$108,109, 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 2016 through 2019 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, 2018 have been reclassified to conform to the 2019 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, 2019 and 2018.

	2019	2018
Total assets at end of year	\$ 22,066,145	\$ 20,380,212
Less nonfinancial assets		
Prepaid expenses and deposits	(839,371)	(507,614)
Net property and equipment	(498,424)	(571,985)
Beneficial interest in charitable trust assets	<u>(5,636,276)</u>	<u>(5,659,641)</u>
Total financial assets at end of year	15,092,074	13,640,972
Less amounts unavailable for general expenditures within one year		
Restricted by donor with time or purpose restrictions	(5,385,858)	(4,839,094)
Donor-restricted endowment funds and unexpended earnings thereon	(1,473,320)	(1,275,787)
Accounts receivable due in more than one year	(233,750)	(217,625)
Investments held to fund charitable gift annuities	<u>(1,248,027)</u>	<u>(1,249,821)</u>
Total financial assets available for general expenditures within one year	<u>\$ 6,751,119</u>	<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. American Humane invests cash in excess of its current requirements in a portfolio of investments designed to maximize long-term earnings with acceptable risk to investment principal. American Humane also has access to an available line of credit in the amount of \$1,000,000.

NOTE 4. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Due in less than one year	\$ 2,549,737	\$ 4,464,885
Due in one to five years	<u>680,000</u>	<u>300,000</u>
	<u>\$ 3,229,737</u>	<u>\$ 4,764,885</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, 2019.

- 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.

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, 2019 and 2018:

	June 30, 2019			
	Total	Level 1	Level 2	Level 3
Investments				
Cash and cash equivalents	\$ 1,012,241	\$ 1,012,241	\$ -	\$ -
Mutual and exchange-traded funds				
Equities	4,191,421	4,191,421	-	-
Fixed income	2,462,348	2,462,348	-	-
Non-traditional	778,892	778,892	-	-
	<u>\$ 8,444,902</u>	<u>\$ 8,444,902</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in charitable trusts	<u>\$ 5,636,276</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,636,276</u>
Obligations under charitable gift annuities	<u>\$ 1,228,696</u>	<u>\$ -</u>	<u>\$ 1,228,696</u>	<u>\$ -</u>
	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>

NOTE 5. FAIR VALUE DISCLOSURES (CONTINUED)

American Humane's beneficial interest in charitable trusts as of June 30, 2019 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 \$5.63 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, 2019 and 2018:

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

NOTE 6. NET INVESTMENT RETURN

Net investment return consisted of the following for the years ended June 30, 2019 and 2018:

	2019	2018
Interest and dividend income	\$ 211,513	\$ 136,136
Unrealized gains (losses)	140,592	(6,831)
Realized gains	90,447	81,573
Investment fees	<u>(67,837)</u>	<u>(41,369)</u>
	374,715	169,509
Distributions from perpetual trusts	<u>263,486</u>	<u>211,447</u>
	<u>\$ 638,201</u>	<u>\$ 380,956</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, 2019 and 2018, was \$1,228,696 and \$1,208,110, respectively, and required amounts included in investments to fund the liability were \$1,299,071 and \$1,249,821, 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, 2019 and 2018, the net present values of beneficial interests in charitable trusts were included in the statements of financial position as follows:

	<u>2019</u>	<u>2018</u>
Remainder trusts		
Gross amounts receivable	\$ 12,458	\$ 12,458
Less: discount	<u>(2,377)</u>	<u>(2,513)</u>
	10,081	9,945
Perpetual trusts		
Fair value of assets held in perpetual trusts	<u>5,626,195</u>	<u>5,649,696</u>
	<u>\$ 5,636,276</u>	<u>\$ 5,659,641</u>

The income distributions from perpetual trusts for the years ended June 30, 2019 and 2018 totaled \$263,486 and \$211,447, 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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 94,054	\$ 94,054
Leasehold improvements	49,947	49,947
Vehicles	1,014,851	1,002,061
Computer hardware and software	<u>955,408</u>	<u>857,090</u>
	2,114,260	2,003,152
Less: accumulated depreciation	<u>(1,615,836)</u>	<u>(1,431,167)</u>
	<u>\$ 498,424</u>	<u>\$ 571,985</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 April 2019 with no maturity date. Borrowings under this line of credit bear interest at 0.25% plus the Prime Rate as published by The Wall Street Journal (5.50% total at June 30, 2019). 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, 2019, 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 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 year ended June 30, 2019 and 2018 were as follows:

	2019		Total
	With Temporary Donor Restrictions	With Perpetual Donor Restrictions	
Endowment net assets, beginning of year	<u>\$ 189,338</u>	<u>\$ 1,086,449</u>	<u>\$ 1,275,787</u>
Appropriation for expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Investment return			
Net appreciation	18,546	-	18,546
Interest income, net of fees	<u>30,141</u>	<u>-</u>	<u>30,141</u>
Total investment return	<u>48,687</u>	<u>-</u>	<u>48,687</u>
Contributions	<u>-</u>	<u>148,846</u>	<u>148,846</u>
Endowment net assets, end of year	<u>\$ 238,025</u>	<u>\$ 1,235,295</u>	<u>\$ 1,473,320</u>

NOTE 10. ENDOWMENT (CONTINUED)

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

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, 2019 and 2018 consist of the following:

June 30, 2019	<u>June 30, 2018</u>	<u>Additions and Reclassifications</u>	<u>Released</u>	<u>June 30, 2019</u>
Temporary donor restrictions				
Contributions restricted for future periods	\$ 160,038	\$ 132,705	\$ (160,038)	\$ 132,705
Contributions restricted for specific programs	4,679,056	4,853,016	(4,278,919)	5,253,153
Unexpended earnings on endowments	189,338	48,687	-	238,025
Beneficial interest in charitable trusts	<u>9,945</u>	<u>136</u>	<u>-</u>	<u>10,081</u>
Total temporary donor restrictions	<u>5,038,377</u>	<u>5,034,544</u>	<u>(4,438,957)</u>	<u>5,633,964</u>
Perpetual donor restrictions				
Beneficial interest in perpetual trusts	5,649,696	(23,501)	-	5,626,195
Endowment funds with various income restrictions	<u>1,086,449</u>	<u>148,846</u>	<u>-</u>	<u>1,235,295</u>
Total perpetual donor restrictions	<u>6,736,145</u>	<u>125,345</u>	<u>-</u>	<u>6,861,490</u>
Total	<u>\$ 11,774,522</u>	<u>\$ 5,159,889</u>	<u>\$ (4,438,957)</u>	<u>\$ 12,495,454</u>
June 30, 2018	<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>

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, 2019 and 2018, American Humane contributed \$158,630 and \$154,602, respectively, to the plan.

On November 13, 2014, American Humane established a deferred compensation plan agreement under Internal Revenue Code Section 457. Contributions during the years ended June 30, 2019 and 2018 were \$10,000 and \$-0-, respectively.

Operating Lease Commitments

American Humane leases office space, equipment, and storage facilities under operating lease agreements that expire at various dates through June 30, 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, 2019 and 2018 was \$818,202 and \$801,939, respectively.

Future minimum lease payments under all operating leases as of June 30, 2019 are due as follows:

Year Ending June 30, 2020	\$ 708,358
2021	526,927
2022	<u>521,065</u>
	<u>\$ 1,756,350</u>

NOTE 13. SUBSEQUENT EVENTS REVIEW

American Humane has performed an evaluation of subsequent events through October 22, 2019, 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 material event or transaction which would require an adjustment to or disclosure in the accompanying financial statements.