AMERICAN HUMANE ASSOCIATION

FINANCIAL STATEMENTS

JUNE 30, 2014

CALIBRE
CPA GROUP
Bethesda, MD

AMERICAN HUMANE ASSOCIATION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

CONTENTS

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
American Humane Association

We have audited the accompanying financial statements of the American Humane Association (the Association), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the year ended June 30, 2014, 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 the American Humane Association as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the year ended June 30, 2014, in accordance with accounting principles generally accepted in the United States of America.

Calibre CPA Group, PLLC

Bethesda, MD
October 8, 2014

American Humane Association

Statements of Financial Position

June 30, 2014 and 2013

	2014	2013
Assets		
Assets		
Cash and cash equivalents	$ 1,736,442	$ 1,505,554
Investments	1,974,620	1,614,980
Accounts receivable, net	497,466	492,958
Grants and contributions receivable, net	1,663,661	2,543,445
Prepayments and deposits	477,344	313,578
Property and equipment, net	262,501	206,303
Beneficial interests in charitable trusts	5,873,727	5,376,734
Investments held for endowment	1,050,603	822,709
Total assets	$ 13,536,364	$ 12,876,261
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 362,556	$ 455,370
Accrued expenses and other liabilities	1,061,249	537,522
Deferred revenue	294,237	340,094
Line of credit	-	725,000
Deferred lease liability	272,309	234,334
Obligations under split-interest agreements	1,266,612	997,307
Total liabilities	3,256,963	3,289,627
Net assets		
Unrestricted	510,396	551,740
Temporarily restricted	3,065,556	2,992,289
Permanently restricted	6,703,449	6,042,605
Total net assets	10,279,401	9,586,634
Total liabilities and net assets	$ 13,536,364	$ 12,876,261

See accompanying notes to financial statements.

American Humane Association

Statement of Activities

Year Ended June 30, 2014
(With comparative totals for year ended June 30, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total
Support and revenue					
Contributions and sponsorships	$ 3,998,160	$ 1,804,774	$ 175,380	$ 5,978,314	$ 7,398,672
Government grants	-	-	-	-	655,029
Other grants	2,949,486	-	-	2,949,486	2,872,841
Royalty income	1,277,899	-	-	1,277,899	1,085,728
Services fees	1,352,583	-	-	1,352,583	916,854
Conferences and seminars	84,510	-	-	84,510	150,310
Rental and miscellaneous income	155,720	-	-	155,720	108,767
Net investment return					
Distributions from perpetual trusts	188,870	-	-	188,870	188,961
Other	132,888	53,469	-	186,357	22,686
Change in value of split interest agreements	3,603	11,529	-	15,132	10,349
Gain on interests in perpetual trusts	-	-	489,918	489,918	230,037
Net assets released from restrictions	1,800,959	(1,796,505)	(4,454)	-	-
Total support and revenue	11,944,678	73,267	660,844	12,678,789	13,640,234
Expenses					
Program services					
Humane Heartland	1,266,134	-	-	1,266,134	1,168,266
Humane Hollywood	5,958,121	-	-	5,958,121	5,612,711
Humane Intervention	1,031,177	-	-	1,031,177	1,566,600
Humane Research and Therapy	947,068	-	-	947,068	2,029,021
Total program services	9,202,500	-	-	9,202,500	10,376,598
Supporting services					
Philanthropic services and fundraising	2,035,090	-	-	2,035,090	1,901,571
General administration	748,432	-	-	748,432	987,618
Total supporting services	2,783,522	-	-	2,783,522	2,889,189
Total expenses	11,986,022	-	-	11,986,022	13,265,787
Change in net assets	(41,344)	73,267	660,844	692,767	374,447
Net assets					
Beginning of year	551,740	2,992,289	6,042,605	9,586,634	9,212,187
End of year	$ 510,396	$ 3,065,556	$ 6,703,449	$ 10,279,401	$ 9,586,634

See accompanying notes to financial statements.

American Humane Association

Statement of Functional Expenses

Year Ended June 30, 2014
(With comparative totals for year ended June 30, 2013)

	2014									2013
	Program Services					Supporting Services				
	Humane Heartland	Humane Hollywood	Humane Intervention	Humane Research and Therapy	Total	Philanthropic Services and Fundraising	General Administration	Total	Total Expenses	Total Expenses
Salaries	$ 428,655	$ 2,453,567	$ 355,984	$ 304,158	$ 3,542,364	$ 784,013	$ 344,619	$ 1,128,632	$ 4,670,996	$ 4,273,912
Benefits	89,066	451,399	73,280	63,114	676,859	151,380	72,913	224,293	901,152	794,255
Professional services	145,785	1,035,064	79,432	236,955	1,497,236	333,723	169,049	502,772	2,000,008	1,881,362
Subcontractors	246,163	68,556	-	-	314,719	-	-	-	314,719	1,224,666
Tradeshows and events	55,323	304,317	3,468	74,772	437,880	151,682	2,345	154,027	591,907	1,145,506
Supplies	3,651	28,464	26,590	18,819	77,524	12,002	1,983	13,985	91,509	96,542
Postage	2,009	9,710	2,732	5,560	20,011	112,769	4,665	117,434	137,445	177,443
Telecommunications	11,612	55,532	8,479	6,877	82,500	13,293	3,481	16,774	99,274	116,629
Equipment lease and repairs	3,483	57,994	35,222	2,251	98,950	5,969	6,460	12,429	111,379	80,494
Occupancy	64,024	452,215	61,873	49,370	627,482	109,417	63,843	173,260	800,742	760,142
Travel	57,468	526,514	128,895	97,051	809,928	90,483	37,374	127,857	937,785	841,376
Printing	3,031	26,360	4,543	12,631	46,565	101,195	3,291	104,486	151,051	175,212
Grant distributions	-	17,000	54,518	-	71,518	-	-	-	71,518	93,783
Outreach, promotion	20,359	88,700	13,765	17,033	139,857	42,320	3,474	45,794	185,651	116,093
List purchases	-	-	-	-	-	-	-	-	-	1,617
Dues and subscriptions	10,493	15,332	5,293	10,880	41,998	24,802	4,517	29,319	71,317	59,761
Taxes, licenses and fees	2,672	24,118	16,453	3,278	46,521	66,180	13,276	79,456	125,977	149,903
Miscellaneous	61	87,613	214	23,792	111,680	510	1,872	2,382	114,062	40,953
Donated goods and services	119,432	219,732	119,519	18,570	477,253	31,126	9,863	40,989	518,242	1,113,831
Depreciation and amortization	2,847	35,934	40,917	1,957	81,655	4,226	5,407	9,633	91,288	122,307
Total expenses	$ 1,266,134	$ 5,958,121	$ 1,031,177	$ 947,068	$ 9,202,500	$ 2,035,090	$ 748,432	$ 2,783,522	$ 11,986,022	$ 13,265,787

See accompanying notes to financial statements.

American Humane Association

Statement of Cash Flows

Year Ended June 30, 2014
(With comparative amounts for year ended June 30, 2013)

	2014	2013
Cash flows from operating activities		
Change in net assets	$ 692,767	$ 374,447
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization expense	91,288	122,307
Bad debt expense	104,773	17,525
Net (gains) losses on investments	(118,621)	19,134
Change in value of beneficial interest in charitable trusts	(496,993)	(238,031)
Change in value of obligations under split-interest agreements	269,305	712,615
(Increase) decrease in operating assets		
Accounts receivable	(109,281)	773,419
Grants and contributions receivable	879,784	(463,875)
Prepayments and deposits	(163,766)	252,938
Increase (decrease) in operating liabilities		
Accounts payable	(92,814)	(900,094)
Accrued expenses and other liabilities	523,727	(127,756)
Deferred revenue	(45,857)	(254,984)
Deferred lease liability	37,975	208,594
Net cash provided by operating activities	1,572,287	496,239
Cash flows from investing activities		
Proceeds from sales of investments	842,167	1,033,147
Purchases of investments	(1,311,080)	(779,479)
Purchases of property and equipment	(147,486)	(114,999)
Net cash provided by (used for) investing activities	(616,399)	138,669
Cash flows from financing activities		
Borrowing under line of credit	800,000	4,666,587
Repayment of line of credit	(1,525,000)	(4,061,604)
Net cash provided by (used for) financing activities	(725,000)	604,983
Net increase in cash and cash equivalents	230,888	1,239,891
Cash and cash equivalents		
Beginning of year	1,505,554	265,663
End of year	$ 1,736,442	$ 1,505,554
Supplemental Disclosure: Interest paid during the year	$ 613	$ 22,095

See accompanying notes to financial statements.

NOTE 1. ORGANIZATION

American Humane Association (the Association) is the country's first national humane organization and the only charity dedicated to protecting children and animals. Since 1877 the organization has been at the forefront of virtually every major advance in protecting our most vulnerable, including children, pets and farm animals.

The mission of American Humane Association is to ensure the welfare, wellness and well-being of children and animals, and to unleash the full potential of the bond between humans and animals to the mutual benefit of both. Our goal is to measurably, demonstrably and significantly increase the number of children and animals who are protected from harm – and the number of humans and animals whose lives are enriched – through direct action, thought leadership, policy innovation, and expansion of proven, effective programs.

The Association carries out its mission through the following programs:

Humane Heartland

The American Humane Certified® farm animal welfare program is the oldest, largest, and fastest-growing monitoring, auditing, and certification program in the country ensuring the humane treatment of farm animals. The purpose of the program is to ensure the humane treatment of animals on our nation's farms and ranches utilizing evidence-based scientific standards, and to ensure that the public is educated on the issue of farm animal welfare.

This program certifies the humane treatment of animals in U.S. food production, and achieved a significant milestone in this fiscal year in the national agriculture sector. American Humane Association's farm animal welfare program grew from certifying the humane treatment of 400 million farm animals in 2012 to certifying *nearly one billion farm animals* at the close of the fiscal year. In fact, this program has grown 900% over the past three years in terms of number of animals impacted through the farm animal welfare program. This landmark is significant since American Humane Association now certifies the humane treatment of nearly 10% of the animals in U.S. food production. The humane certification and audit standards are defined by an international group of scientific experts, and the audits are conducted through an independent third party ISO 9000 certified animal welfare auditing service on over 8,100 farms and ranches throughout the United States. The American Humane Certified® seal is now found on many products in grocery stores, to include dairy, chicken, turkey, eggs, cheese and pastry products. An outreach initiative with chefs provides an online "humane table" featuring recipes using humanely raised products.

NOTE 1. ORGANIZATION (CONTINUED)

American Humane Association developed a third grade school curriculum on raising farm animals humanely, which is available in our humane education initiatives.

Humane Hollywood

The “No Animals Were Harmed®” certification program has safeguarded over half a million animals on thousands of productions worldwide in the last five years alone. 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 met 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.
- Supports compliant productions with respect to any improper allegations of animal mistreatment or abuse, throughout the life of the project within our scope 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 Association’s Guidelines for the Safe Use of Animals in Filmed Media (Guidelines) with specially trained Certified Animal Safety Representatives.

The program coverage is significant for intense animal action seen in filmed media. The No Animals Were Harmed® Certified Animal Safety Representatives monitored 78.3% of all intense animal action representing 1,343 production days for U.S. based SAG-AFTRA productions. The Certified Animal Safety Representatives monitored 46.85% of animal action for a total of 4,610 production days for U.S. based SAG-AFTRA productions. The program issued 614 ratings and awarded 475 “No Animals Were Harmed®” end-credit certifications.
In January 2014, with the support of industry leaders, the No Animals Were Harmed® program implemented a fee-for-service business model, in order to close the gap between the cost of running our program and our grant awards from Industry Advancement and Cooperative Fund – SAG and Industry Cooperative Fund - AFTRA. The production community has embraced our new fees demonstrating the value they place on our work and mission to protect animal actors. Throughout the year, we began preparing for the diamond jubilee – our 75 year legacy of the No Animals Were Harmed® program – with the completion of a book, *Animal Stars: Behind The Scenes With Your Favorite Animal Actors*, featuring tales of Hollywood’s legendary animal actors, co-authored by our CEO and President, Robin Ganzert, to be published by New World Library. The launch of the book will coincide with the Fourth Annual American Humane Association Hero Dog Awards™ in the Fall of 2014.

NOTE 1. ORGANIZATION (CONTINUED)

Humane Hollywood educated millions with the American Humane Association Hero Dog Awards™, a program initiative designed to inspire and entertain 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 Third Annual American Humane Association Hero Dog Awards™ featuring Joey Lawrence, Betty White, Jennifer Coolidge and many more was presented on the Hallmark Channel, with their 87.5 million subscribers. More than 3 million votes were cast by the public coast-to-coast to determine the top American Hero Dog of the year – Therapy Dog and Pit Bull Elle.

Humane Intervention

Our famed Red Star® teams rescue and shelter animals in crisis and provide lifesaving tips and disaster preparation training to protect children, families and communities before, during and after disasters. The purpose of Humane Intervention programs are to provide intervention for communities in crisis and to help build more humane communities nationwide through initiatives like grants, shelter support and humane education.

In just the past ten years, Red Star® Animal Emergency Services teams with their nearly 200 highly trained volunteer first-responders nationwide have rescued, cared for and/or assisted some 80,000 animals. Among our Red Star® responses in 2013, our legendary team deployed to Moore, OK following the tornado outbreak in May 2013. American Humane Association's Red Star team managed the temporary animal shelter which housed over 200 displaced animals for more than 30 days, conducted rescue missions in the field, and concluded their response by holding a community adopt-a-thon where animals who weren't reclaimed were placed in new homes. In 2014, the Red Star team was also recognized for their work in Moore, OK by the National Association for Search and Rescue (NASAR) – an association of human emergency rescuers.

Emergency field responses during FY2014 included responding twice to assist with the care of hundreds of dogs following a large dog-fighting raid in the Southeast United States; field rescue missions in Colorado in response to historic flooding in Boulder County in September of 2013; deployed to New Jersey after the first of the year to provide assistance to nearly 200 animals in what remains an ongoing case involving an animal shelter; deployed twice to the Pine Ridge Indian Reservation to assist with relocation efforts of adoptable dogs; responded to Fayette County, TN to rescue, care for and shelter 18 horses and a mule in a case of horrendous alleged animal cruelty – some of the animals were in such critical condition that they required IV fluids, blood transfusions and oxygen therapy. The team provided the animals in the Fayette County, TN case with round-the-clock care for about two weeks. Other emergency field responses in FY2014 included deploying to Arkansas after the tornadoes in late April, 2014, and again to assist with an alleged cat hoarder investigation in Pennsylvania.

NOTE 1. ORGANIZATION (CONTINUED)

A new Red Star Animal Emergency Service disaster response vehicle was built for the Northeast, and was presented to the region in an event featuring the ringing of the closing bell at the New York Stock Exchange on December 27, 2013. The Red Star team maintains a fleet of disaster response vehicles and boats, including an 82 foot tractor trailer and rig that serves as a mobile command unit and veterinary medical and triage unit. In 2014, the new Northeast rescue unit went on a disaster preparedness tour as a part of our partnership with Banfield Pet Hospitals. Events were held in New Jersey, Pennsylvania and Virginia.

In the past year, American Humane Association's Second Chance Fund provided medical and emergency fund grants to local shelters and rescue groups. The Fukushima humane intervention grant totaling $40,400 in FY2014 provided funding to support the hundreds of displaced animals still in temporary shelters in Fukushima, Japan following the devastating nuclear incident.

Humane Research and Therapy

American Humane Association's foundation is in providing evidence-based solutions for the humane movement for the benefit of children and animals, while promoting the power of the human-animal bond. Anchored by two research institutes – the Animal Welfare Research Institute and the Children's Innovation Institute – humane research and therapy bring participatory, preventive science to our communities with robust humane solutions impacting our most vulnerable in society. American Humane Association has been driven by science-based research and outcomes for over a century, and continues this effort in modern times through innovative research studies.

The pilot and clinical trial phases of the **"Canines and Childhood Cancer"** national research study examining and documenting the efficacy of animal-assisted therapy on children with cancer were completed. The study was presented in a Congressional Briefing on Capitol Hill on May 8, 2014 with worldwide news reporting on the innovative research initiative.
The **"Canines and Childhood Cancer"** study, launched by American Humane Association in partnership with Zoetis, is working in collaboration with children's hospitals across the country to investigate the impacts of animal-assisted therapy on pediatric oncology patients, their parents, and the therapy dogs who visit them. The Canines and Childhood Cancer study is a randomized, controlled trial that will examine specific health effects that animal-assisted therapy have on young cancer patients and their families. The therapeutic benefits of animal-assisted therapy for cancer patients have been shared anecdotally by doctors, patients, caregivers and animal handlers for years, and this research seeks to quantify the benefits.

The **"Canines and Childhood Cancer"** research team was invited to present this innovative study at the following scientific conferences: the International Association of Human-Animal Interaction Organizations (IAHAIO) in July 2013; the International Society for Anthrozoology (ISAZ) in July 2013; the Association of Pediatric Hematology/Oncology Nurses (APHON) in September 2013; the Colorado Veterinary Medical Association (CVMA) in September 2013; the American Academy of Pediatrics (AAP) in October 2013; the American Animal Hospital Association (AAHA) in March 2014; and the American Society of Pediatric Hematology/Oncology (ASPHO) in May 2014.

Note 1. Organization (continued)

Our Red Star® Animal Assisted Therapy teams are on the ground year-round providing life-healing comfort for children with cancer, communities struck by severe weather, and military families impacted by service. In the past year, Red Star® Animal Assisted Therapy deployed 62 Animal Assisted Therapy teams to 15 summer camps and military family retreats, impacting 1,100 children of our nation's military in partnership with the National Military Families Association's Operation Purple.

In addition, American Humane Association launched a partnership with The Weather Channel to introduce "Butler" The Weather Channel Therapy Dog, who with his AHA handler, will visit communities nationwide that have been impacted by severe weather. In the spring of 2014, we served the communities of Moore, OK, Vilonia, AR, and Pilger, NE, after they were devastated by tornados.

American Humane Association's Humane Scholars program provided research stipends for five student scientists to conduct meaningful research to improve animal welfare around the world. This program has grown from providing stipends to just four students in the program's first year in 2011 to 39 graduate-level students in the three years since then.

American Humane Association hosted a conference on "Human-Animal Bond through Technology," convening top thought leaders from industry and academia on the advancements through technology for the benefit of humane research models.

With the start of our Military Dogs Reunification program, and in just four months, American Humane Association has facilitated the transport of 14 retiring military working dogs and reunited them with their former handlers. It is estimated that each military working dog saves the lives of between 150-200 soldiers through the detection of IEDs and weapons caches. Through our partnership with Mission K9 Rescue, we ensure the safe return of military and contract working dogs after their selfless service to our nation is completed.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

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

Cash and Cash Equivalents

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investment purchases are initially recorded at cost, or if contributed to the Association, 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 the Association's interest and dividend income, and realized and unrealized capital gains and losses generated from the Association'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, 2014 and 2013.

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 are 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, 2014 and 2013, management determined that no allowance was necessary. All promises to give are due within one year.

Property and Equipment

Property and equipment additions are recorded at cost, or if donated, at the estimated fair value at the date of receipt. The Association 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 is removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

The Association 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 statement of activities, to its estimated fair value. Management has determined that no long-lived assets were impaired during the year ended June 30, 2014; as such, no impairment losses were recorded during the year.

Unrestricted Net Assets

Unrestricted net assets are available for use in general operations.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of amounts that are subject to donor restrictions that may or will be met by expenditures or actions of the Association and/or the passage of time, and certain income earned on permanently restricted net assets.

The Association 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets

Permanently restricted net assets 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 the Association.

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

Revenue Recognition

Revenue is recognized when earned. Contract service revenue is recognized as services are rendered. Grant revenue under 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, 2014, the Association recorded deferred revenue which represents the portion of revenue collected during the fiscal year that applies to subsequent year's activity.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Grants

Contributions and grants received are recorded as unrestricted, temporarily restricted or permanently restricted support, 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 unrestricted net assets 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 temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Bequests

The Association, 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 the Association 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 and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service. Volunteers also contribute significant amounts of time to the Association's program service activities, and are measured at fair value whenever the recognition criteria have been met. During the years ended June 30, 2014 and 2013, donated goods and services recognized in the financial statements totaled $518,242 and $1,113,831, respectively.

Functional Allocation of Expenses

The Association allocates the costs of conducting its programs and supporting services activities among the programs and supporting services benefited.

Advertising Costs

The Association 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, 2014 and 2013, total advertising costs totaled $106,347 and $30,580, respectively.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Association 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. The Association has not experienced any losses in such accounts.

The Association's investments are made primarily by investment managers engaged by the Association, 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 the Association.

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 the Association's mission.

Accounting for Uncertain Tax Positions

The Association 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 the Association's tax-exempt purpose is subject to taxation as unrelated business income. The Association had no significant taxable income or income tax expense during the current fiscal year.

The Association believes it has conducted its operations in accordance with, and has properly maintained, its tax exempt status. The Association's tax returns for fiscal years 2011 through 2014 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Reclassifications

Certain amounts previously reported as of and for the year ended June 30, 2013 have been reclassified to conform with the 2014 presentation.

NOTE 3. FAIR VALUE DISCLOSURES

The Association follows the methods of fair value measurement described in the Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification to determine the fair values of all assets and liabilities required to be measured at fair value. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability, i.e., the "exit price," in an orderly transaction between market participants at the measurement date. 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, the Association 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, 2014.

- Cash and cash equivalents: The carrying amount is a reasonable estimate of fair value.
- Domestic and international equity securities: Valued at the closing price reported on the active markets on which the individual securities are traded.
- Fixed income mutual 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 the Association's share of underlying trust assets as reported by the Trustees at June 30, 2014. Charitable trust assets are composed primarily of exchange traded securities.

NOTE 3. FAIR VALUE DISCLOSURES (CONTINUED)

Assets 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, 2014 and 2013:

	June 30, 2014			
	Total	Level 1	Level 2	Level 3
Investments				
Cash and cash equivalents	$ 71,900	$ 71,900	$ -	$ -
Corporate bonds and notes	412,677	-	412,677	-
Mutual and exchange-traded funds				
Equities	1,652,118	1,652,118	-	-
Fixed income	507,296	507,296	-	-
Non-traditional	381,232	381,232	-	-
	$ 3,025,223	$ 2,612,546	$ 412,677	$ -
Beneficial interest in charitable trusts	$ 5,873,727	$ -	$ -	$ 5,873,727

	June 30, 2013			
	Total	Level 1	Level 2	Level 3
Investments				
Cash and cash equivalents	$ 2,174,387	$ 2,174,387	$ -	$ -
Domestic equities	109,944	109,944	-	-
International equities	46,299	46,299	-	-
Fixed income	107,059	107,059	-	-
	$ 2,437,689	$ 2,437,689	$ -	$ -
Beneficial interest in charitable trusts	$ 5,376,734	$ -	$ -	$ 5,376,734

The Association's beneficial interest in charitable trusts as of June 30, 2014 includes approximately $118,000 representing a remainder interest in three different trusts whose total assets have an estimated fair value of $1.2 million. The Association's interest in the three trusts ranges from 2.25% to 33.33%, and has been adjusted for the life expectancy of those holding life interests. The remaining amount of approximately $5.8 million includes the Association's interest in 17 perpetual trusts having total assets of $67.7 million.

NOTE 3. FAIR VALUE DISCLOSURES (CONTINUED)

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, 2014 and 2013:

Balance at June 30, 2012	$5,138,703
Increase in value of beneficial interest in charitable trusts	238,031
Balance at June 30, 2013	$5,376,734
Increase in value of beneficial interest in charitable trusts	496,993
Balance at June 30, 2014	$5,873,727

The increase in value included in the statement of activities attributable to the change in value relating to assets still held at June 30, 2014 and June 30, 2013 was $496,993 and $238,031, respectively.

NOTE 4. NET INVESTMENT RETURN

Net investment return consisted of the following for the years ended June 30, 2014 and 2013:

	2014	2013
Interest and dividend income	$ 67,736	$ 3,477
Unrealized gains	66,646	4,811
Realized gains	51,975	14,398
	186,357	22,686
Distributions from perpetual trusts	188,870	188,961
	$ 375,227	$ 211,647

NOTE 5. ANNUITY AND TRUST AGREEMENTS

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

NOTE 5. ANNUITY AND TRUST AGREEMENTS (CONTINUED)

Charitable Gift Annuities

The Association has an unrestricted beneficial interest in various charitable gift annuities. In accordance with the gift agreements, the Association pays a specified amount of earnings to named beneficiaries over their lifetimes. The Association 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, 2014 and 2013, was $1,266,612 and $997,307, 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 the Association'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 the Association; however, the Association will never receive the assets of the trust. As of June 30, 2014 and 2013, the net present values of beneficial interests in charitable trusts were included in the statement of financial position as follows:

	2014	2013
Remainder and lead trusts		
Gross amounts receivable	$ 155,335	$ 144,836
Less discount	(37,608)	(38,638)
	117,727	106,198
Perpetual trusts		
Fair value of assets held in perpetual trusts	5,756,000	5,270,536
	$5,873,727	$5,376,734

During 2014, the Association received no distributions from the remainder or lead trusts. The income distributions from perpetual trusts for 2014 were $188,870 and are available to the Association for unrestricted use.

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2014 and 2013:

	2014	2013
Furniture and equipment	$ 200,612	$ 200,612
Leasehold improvements	131,578	131,578
Vehicles	522,901	400,851
Computer hardware and software	618,853	593,416
	1,473,944	1,326,457
Less accumulated depreciation	(1,211,443)	(1,120,154)
	$ 262,501	$ 206,303

NOTE 7. LINE OF CREDIT

The Association entered into a line of credit in July 2012 in the amount of $1,000,000. Borrowings under this line of credit bear interest at 0.25% plus the Prime Rate as published by *The Wall Street Journal* (3.5% at June 30, 2014). 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. The original maturity date was July 13, 2013; the loan was modified to extend the maturity date until December 31, 2014. As of June 30, 2014 there is no outstanding balance on this line of credit.

NOTE 8. ENDOWMENT

General

The Association's Endowment Fund was established by action of the Association'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, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Association 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 the Association 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 the Association
- Investment policies of the Association

Changes in Endowment Net Assets

Changes in endowment net assets for the year ended June 30, 2014 and 2013 were as follows:

	2014		
	Temporarily Restricted	Permanently Retricted	Total
Endowment net assets, beginning of year	$ 50,640	$ 772,069	$ 822,709
Investment return			
Net appreciation	44,518	-	44,518
Interest income, net of fees	7,996	-	7,996
Total investment return	52,514	-	52,514
Contributions	-	175,380	175,380
Endowment net assets, end of year	$ 103,154	$ 947,449	$ 1,050,603

	2013		
	Temporarily Restricted	Permanently Retricted	Total
Endowment net assets, beginning of year	$ 50,565	$ 772,069	$ 822,634
Investment return			
Interest income, net of fees	75	-	75
Total investment return	75	-	75
Endowment net assets, end of year	$ 50,640	$ 772,069	$ 822,709

NOTE 8. ENDOWMENT (CONTINUED)

Return Objectives and Risk Parameters

The Endowment Fund is invested in perpetuity in accordance with an Endowment Policy adopted by the Board. The stated goal for the endowment is to generate a return which maintains purchasing power of the fund, as measured by the Consumer Price Index (CPI). Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Association 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). The Association 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

The Association has a policy of appropriating for distribution annually up to 5% of the beginning of the year principal and therefore will expect a portion of the endowment to be liquid. In establishing this policy, the Association considered the long-term expected return on its endowment. Accordingly, over the long term, the Association expects the current spending policy to allow its endowment to grow at an average of at least the CPI annually. This is consistent with the Association'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. Appropriation may be made in the form of the Association's expenditure budget on an annual basis.

NOTE 9. DESIGNATED NET ASSETS

The Association's Board of Directors has designated $3,000,000 of unrestricted net assets, when they become available, to be set aside to function as an operating reserve. As of June 30, 2014 and 2013, unrestricted net assets were insufficient to fund the operating reserve.

NOTE 10. RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2014 and 2013 consist of the following:

	2014	2013
Contributions receivable	$ 216,096	$ 153,669
Restricted funds for programs	2,731,733	2,732,422
Beneficial interest in charitable trusts	117,727	106,198
	$ 3,065,556	$ 2,992,289

Permanently restricted net assets as of June 30, 2014 and 2013 consist of the following:

	2014	2013
Beneficial interest in perpetual trusts	$ 5,756,000	$ 5,270,536
Endowment funds with various income restrictions	947,449	772,069
	$ 6,703,449	$ 6,042,605

During the year ended June 30, 2014, temporarily restricted net assets were released from restriction in the amount of $139,190 due to the passage of time and $1,657,315 due to the satisfaction of purpose restrictions.

NOTE 11. COMMITMENTS

Retirement Plans

The Association 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 the Association. Employees may contribute a portion of their gross salaries to the 403(b) plan up to the maximum amount established by the IRS. The Association contributes 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. Employer contributions become fully vested after four years of service. No employer contributions were made from February 2012 through June 2013, but were resumed in July 2013. During the years ended June 30, 2014 and 2013, the Association contributed $85,982 and $2,602, respectively, to the plan.

NOTE 11. COMMITMENTS (CONTINUED)

Operating Lease Commitments

The Association leases office space and certain office equipment under operating leases expiring between 2014 and 2022. At June 30, 2014, future minimum payments required under these leases were as follows:

Year Ending June 30,	2015	$ 630,363
	2016	508,939
	2017	454,368
	2018	463,354
	2019	476,832
	Thereafter	1,522,009
		$4,055,865

Rent expense for the years ended June 30, 2014 and 2013 was $693,783 and $669,551, respectively.

In July 2012, the Association entered into an agreement to sublease a portion of its DC office space for 36 months, with monthly rent of $8,167, subject to an annual adjustment of 5%. In May 2013, the Association entered into an agreement to sublease a portion of its LA office space for one year, with monthly rent of $4,500. In November 2013, the Association entered into an agreement to lease storage space in an adjacent building in Washington, D.C. through June 30, 2022, with monthly rent payments of $480 increasing annually by 3%.

NOTE 12. SUBSEQUENT EVENT REVIEW

The Association has performed an evaluation of subsequent events through October 8, 2014, 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.