AMERICAN HUMANE ASSOCIATION

FINANCIAL STATEMENTS

JUNE 30, 2013

CALIBRE
CPA GROUP
PLLC

AMERICAN HUMANE ASSOCIATION

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

CONTENTS

CALIBRE
CPA GROUP
PLLC

CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS ADVISORS

7501 WISCONSIN AVENUE
SUITE 1200 WEST
BETHESDA, MD 20814

202.331.9880 PHONE
202.331.9890 FAX

566 WEST LAKE STREET
SUITE 300
CHICAGO, IL 60661

312.920.9400 PHONE
312.920.9494 FAX

www.calibrecpa.com

A member of
KS International

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, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the year ended June 30, 2013, 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, 2013 and 2012, and the changes in its net assets and its cash flows for the year ended June 30, 2013 in accordance with accounting principles generally accepted in the United States of America.

Calibre CPA Group, PLLC

Bethesda, MD
October 18, 2013

American Humane Association

Statements of Financial Position

June 30, 2013 and 2012

	2013	2012
Assets		
Assets		
Cash and cash equivalents	$ 1,505,554	$ 265,663
Investments	1,614,980	1,938,422
Accounts receivable, net	492,958	1,283,902
Grants and contributions receivable, net	2,543,445	2,079,570
Prepayments and deposits	313,578	566,516
Property and equipment, net	206,303	213,611
Beneficial interests in charitable trusts	5,376,734	5,138,703
Investments held for endowment	822,709	772,069
Total assets	$ 12,876,261	$ 12,258,456
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 455,370	$ 1,355,464
Accrued expenses and other liabilities	537,522	665,278
Deferred revenue	340,094	595,078
Line of credit	725,000	120,017
Deferred lease liability	234,334	25,740
Obligations under split-interest agreements	997,307	284,692
Total liabilities	3,289,627	3,046,269
Net assets		
Unrestricted	551,740	798,355
Temporarily restricted	2,992,289	2,601,264
Permanently restricted	6,042,605	5,812,568
Total net assets	9,586,634	9,212,187
Total liabilities and net assets	$ 12,876,261	$ 12,258,456

See accompanying notes to financial statements.

American Humane Association

Statement of Activities

Year Ended June 30, 2013
(With comparative totals for year ended June 30, 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
Support and revenue					
Contributions and sponsorships	$ 4,692,893	$ 2,523,442	$ -	$ 7,216,335	$ 7,645,851
Government grants	655,029	-	-	655,029	3,686,015
Other grants	2,872,841	-	-	2,872,841	3,595,017
Royalty income	1,085,728	-	-	1,085,728	666,371
Services fees	916,854	-	-	916,854	1,295,216
Conferences and seminars	150,310	-	-	150,310	457,841
Gain on sale of property and equipment	-	-	-	-	729,017
Rental income	108,767	-	-	108,767	-
Net investment return					
Distributions from perpetual trusts	188,961	-	-	188,961	164,548
Other	22,611	75	-	22,686	(93,876)
Change in value of split interest agreements	2,355	7,994	-	10,349	(24,251)
Gain (loss) on interests in perpetual trusts	-	-	230,037	230,037	(203,726)
Net assets released from restrictions	2,140,486	(2,140,486)	-	-	-
Total support and revenue	12,836,835	391,025	230,037	13,457,897	17,918,023
Expenses					
Program services					
Humane Heartland	1,084,412	-	-	1,084,412	936,480
Humane Hollywood	5,612,711	-	-	5,612,711	5,731,918
Humane Intervention	1,617,682	-	-	1,617,682	1,229,894
Humane Policy and Research	1,879,456	-	-	1,879,456	6,404,458
Total program services	10,194,261	-	-	10,194,261	14,302,750
Supporting services					
Philanthropic services and fundraising	1,901,571	-	-	1,901,571	2,411,195
General administration	987,618	-	-	987,618	746,080
Total supporting services	2,889,189	-	-	2,889,189	3,157,275
Total expenses	13,083,450	-	-	13,083,450	17,460,025
Change in net assets	(246,615)	391,025	230,037	374,447	457,998
Net assets					
Beginning of year	798,355	2,601,264	5,812,568	9,212,187	8,754,189
End of year	$ 551,740	$ 2,992,289	$ 6,042,605	$ 9,586,634	$ 9,212,187

See accompanying notes to financial statements.

American Humane Association

Statement of Functional Expenses

Year Ended June 30, 2013
(With comparative totals for year ended June 30, 2012)

	2013									2012
	Program Services					Supporting Services				
	Humane Heartland	Humane Hollywood	Humane Intervention	Humane Policy and Research	Total	Philanthropic Services and Fundraising	General Administration	Total	Total Expenses	Total Expenses
Salaries	$ 393,167	$ 2,010,345	$ 491,568	$ 320,614	$ 3,215,694	$ 651,612	$ 406,606	$ 1,058,218	$ 4,273,912	$ 6,741,984
Benefits	73,960	356,585	94,253	65,815	590,613	126,226	77,416	203,642	794,255	1,270,866
Professional services	185,725	721,124	166,743	301,229	1,374,821	349,250	157,291	506,541	1,881,362	2,271,813
Subcontractors	222,999	54,024	7,155	139,233	423,411	2,833	158,106	160,939	584,350	914,761
Tradeshows and events	52,043	921,441	8,436	3,425	985,345	154,040	6,121	160,161	1,145,506	1,050,007
Supplies	2,041	38,467	31,186	9,239	80,933	12,733	2,876	15,609	96,542	79,273
Postage	3,042	20,033	7,064	4,316	34,455	138,852	4,136	142,988	177,443	136,773
Telecommunications	10,869	60,915	15,002	8,713	95,499	17,113	4,017	21,130	116,629	220,032
Equipment lease and repairs	1,798	33,928	32,753	1,685	70,164	6,023	4,307	10,330	80,494	111,576
Occupnacy	36,475	443,294	64,381	31,931	576,081	103,609	80,452	184,061	760,142	627,109
Travel	53,831	447,877	184,563	49,873	736,144	81,376	23,856	105,232	841,376	1,154,328
Printing	3,624	32,178	13,501	3,928	53,231	119,109	2,872	121,981	175,212	277,728
Grant distributions	-	50,000	43,783	640,316	734,099	-	-	-	734,099	1,753,547
Outreach, promotion	8,100	80,952	2,704	2,907	94,663	20,593	837	21,430	116,093	132,952
List purchases	-	-	-	-	-	1,617	-	1,617	1,617	4,885
Dues and subscriptions	5,347	16,420	4,715	9,074	35,556	22,098	2,107	24,205	59,761	55,840
Taxes, licenses and fees	2,701	28,588	14,094	12,836	58,219	61,929	29,755	91,684	149,903	126,390
Miscellaneous	1,150	8,261	23,638	989	34,038	3,066	3,849	6,915	40,953	5,197
Donated goods and services	6,300	230,873	396,358	266,200	899,731	19,360	12,403	31,763	931,494	362,436
Depreciation and amortization	21,240	57,406	15,785	7,133	101,564	10,132	10,611	20,743	122,307	162,528
Total expenses	$ 1,084,412	$ 5,612,711	$ 1,617,682	$ 1,879,456	$ 10,194,261	$ 1,901,571	$ 987,618	$ 2,889,189	$ 13,083,450	$ 17,460,025

See accompanying notes to financial statements.

American Humane Association

Statement of Cash Flows

Year Ended June 30, 2013
(With comparative amounts for year ended June 30, 2012)

	2013	2012
Cash flows from operating activities		
Change in net assets	$ 374,447	$ 457,998
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation and amortization expense	122,307	162,528
Net gain on sale of property and equipment	-	(729,017)
Bad debt expense	17,525	-
Net (gains) losses on investments	19,134	115,286
Change in value of beneficial interest in charitable trusts	(238,031)	919,168
Change in value of obligations under split-interest agreements	712,615	55,712
(Increase) decrease in operating assets		
Accounts receivable	773,419	(1,609,910)
Grants and contributions receivable	(463,875)	(307,530)
Prepayments and deposits	252,938	(358,730)
Increase (decrease) in operating liabilities		
Accounts payable	(900,094)	(440,383)
Accrued expenses and other liabilities	(127,756)	(106,285)
Deferred revenue	(254,984)	(78,738)
Deferred lease liability	208,594	25,740
Net cash provided by (used for) operating activities	496,239	(1,894,161)
Cash flows from investing activities		
Proceeds from sales of investments	1,033,147	4,063,057
Purchases of investments	(779,479)	(4,068,705)
Proceeds from sales of property and equipment	-	2,489,546
Purchases of property and equipment	(114,999)	-
Net cash provided by investing activities	138,669	2,483,898
Cash flows from financing activities		
Borrowing under line of credit	4,666,587	13,318,867
Repayment of line of credit	(4,061,604)	(13,662,934)
Net cash provided by (used for) financing activities	604,983	(344,067)
Net increase in cash and cash equivalents	1,239,891	245,670
Cash and cash equivalents		
Beginning of year	265,663	19,993
End of year	$ 1,505,554	$ 265,663
Supplemental Disclosure: Interest paid during the year	$ 22,095	$ 4,049

See accompanying notes to financial statements.

NOTE 1. ORGANIZATION

American Humane 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:

<u>Humane Heartland</u>: 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 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 US 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. 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 7,000 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.

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

<u>Humane Hollywood</u>: The "No Animals Were Harmed®" certification program monitored the treatment of 100,000 animal actors on more than 2,000 film and entertainment productions around the globe achieving a stunning 99.98% safety rate for the animals. Animal actors, and their human counterparts, are grateful for the protections afforded by the only officially sanctioned animal welfare program in the entertainment industry.

NOTE 1. ORGANIZATION (CONTINUED)

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 77.5% of all intense animal action representing 2,138 production days for US based SAG-AFTRA productions. The Certified Animal Safety Representatives monitored 48.10% of total animal action for a total of 4,447 production days for US based SAG-AFTRA productions. The program issued 535 ratings, and awarded 383 "No Animals Were Harmed®" end credit certifications.

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 Second Annual American Humane Association Hero Dog Awards™ featuring Kristin Chenoweth and Betty White was featured on the Hallmark Channel, with their 87.5 million subscribers, and Hallmark Movie Channel. More than 3 million votes were cast by the public coast-to-coast to determine the top American Hero Dog of the year – Military War Dog Gabe who served in Iraq and Afghanistan.

<u>Humane Intervention</u>: 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 initiatives, to include Red Star™ Animal Emergency Services and Red Star™ Animal Assisted Therapy, is to provide humane intervention to communities in crisis.

In just the past five years, Red Star™ Animal Emergency Services teams with their 200 highly trained volunteers nationwide have rescued and cared for some 70,000 animals. In just the past year, Red Star™ Animal Emergency Services responded to a large-scale hoarding and cruelty case in Memphis, TN, and disaster responses in Colorado Springs, CO, the Northeast following Superstorm Sandy and Moore, OK following the tornado outbreak. The Superstorm Sandy disaster response included the delivery of more than 80,000 pounds of supplies to area residents and animal shelters valued at over $182,000 including emergency medical and relief supplies, and Red Star™ coordinated the delivery of an additional 400,000 pounds of supplies to the

impacted areas for a value of $527,000 in donated goods. Following the Moore, Oklahoma tornado, American Humane Association's Red Star™ team managed the temporary animal shelter for those displaced animals for over 30 days, and held a community adopt-a-thon where approximately 250 animals were placed in new homes or reunited with their owners.
The Red Star™ team held an educational tour on the west coast in March, visiting area schools and communities in California, Oregon and Washington State, to include participation in the California Ag Day in Sacramento. The purpose of the tour was to provide education for community disaster preparation. In FY2013 alone, 933 individuals were trained through Red Star™ courses held nationwide.

A new Red Star™ Animal Emergency Service disaster response vehicle was built for the Florida region, and was unveiled in March 2013 in Palm Beach County. The Red Star™ team maintains a fleet of disaster response vehicles and boats, to include an 82 foot tractor trailer and rig that serves as a mobile command unit and veterinary surgical and triage unit.

Our Red Star™ Animal Assisted Therapy teams are on the ground year-round providing life-healing comfort for children with cancer, the aged, the infirm, and military families impacted by service. In the past five years, AHA's animal assisted therapy programs have: improved the lives of 60,000 children, including at summer camps for children of military families; assessed 800 animals for therapy work and trained 600 handlers; and, made more than 500,000 visits in 15 states across the country.

In the past year, Red Star™ Animal Assisted Therapy deployed 64 Animal Assisted Therapy teams to 15 summer camps for children of our nation's military and military family retreats in partnership with the National Military Families Association's Operation Purple.
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 $35,000 dollars provided funding to support the hundreds of displaced animals still in temporary shelters in Fukushima, Japan following the devastating nuclear incident.

Humane Policy and Research: 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 policy solutions bring participatory, preventive science to our communities with robust humane solutions impacting our most vulnerable in society. American Humane Association has long been driven by science-based research and outcomes for over a century, and continues this effort in modern times through innovative research studies.

In the past year, American Humane Association has launched the following groundbreaking humane research studies:

- The first phase of **"Canines and Childhood Cancer"** a major national study examining and documenting the benefits of animal-assisted therapy on children with cancer.
- The first and second phases of **"Keeping Pets (Dogs and Cats) in Homes: A Three-Phase Retention Study"** aimed at keeping pets in homes and reducing the 3 – 4 million adoptable pets who are euthanized in shelters each year.

NOTE 1. ORGANIZATION (CONTINUED)

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 year, 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: American Pediatric Oncology Social Work (APOSW) in May 2013; American College of Veterinary Internal Medicine (ACVIM) in June 2013; International Association of Human Animal Interaction Organizations (IAHAIO) in July 2013; the International Society of Anthrozoology (ISAZ) in July 2013; and the Association of Pediatric Hematology/Oncology Nurses (APHON) in September 2013.

Pet relinquishment is the second greatest source of shelter intakes after stray/lost pets. Relinquishment contributes significantly to the euthanasia of 3 to 4 million healthy pets each year. Through humane research, American Humane Association aims to develop scientifically-based strategies for keeping many more pets—many who now prematurely exit homes in the first six months—in their homes. American Humane Association launched the *Keeping Pets (Dogs and Cats) in Homes: A Three Phase Retention Study* in 2012 to expand upon this work, focusing on high-risk animals, owners, geographic regions and length of ownership. Phase I of the study—determining why some adults in the U.S. do not currently own a dog or cat—was released in August 2012 with a report of results widely distributed to corporations, professionals, foundations and other stakeholders. Phase II of the study—determining the percentage of dogs and cats acquired from three shelters and three animal control agencies that remain in their homes six months following adoption and what happened to pets no longer in their homes – was released in May 2013, and was picked up by over 150 print and internet news outlets, including a citation by Smithsonian Magazine and two citations by the American Veterinary Medicine Association.

American Humane Association's Humane Scholars program provided research stipends for 21 student scientists to conduct meaningful research to improve animal welfare around the world. This program has grown from providing stipends to just 4 students in 2011 to now supporting the research efforts of 21 graduate level students.

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.

AHA supported the passage of the gas chamber ban in Pennsylvania, inspired by "Daniel," the emerging hero dog finalist in the 2012 Hero Dog Awards™, and provided a petition with over 20,000 signatures in support of the ban of gas chambers in Texas, which was also successful in passing.

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 cash and highly liquid financial instruments with original maturities of three months or less and which are not held for long-term purposes to be cash and 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 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, 2013 and 2012.

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, 2013 and 2012, 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.

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, 2013; 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.

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 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, 2013, the Association recorded deferred revenue which represents the portion of revenue collected during the fiscal year that applies to subsequent year's activity.

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 contribute significant amounts of time to the Association’s program services, administration, and fundraising and development activities; however, the financial statements generally do not reflect the value of these contributed services because they do not meet recognition criteria. The estimated fair value of contributed services not recognized in the financial statements for 2013 was approximately $182,000. However, during the years ended June 30, 2013 and 2012, donated goods and services recognized in the financial statements totaled $931,494 and $362,436, respectively.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2013 and 2012, total advertising costs totaled $30,580 and $65,928, respectively.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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, and such differences could be material.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2010 through 2013 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, 2012 have been reclassified to conform with the 2013 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, 2013.

- 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, 2013. 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, 2013 and 2012:

	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

	June 30, 2012			
	Total	(Level 1)	(Level 2)	(Level 3)
Investments				
Cash and cash equivalents	$ 2,460,022	$ 2,460,022	$ -	$ -
Domestic equities	152,592	152,592	-	-
International equities	40,486	40,486	-	-
Fixed Income	57,391	57,391	-	-
	$ 2,710,491	$ 2,710,491	$ -	$ -
Beneficial interest in charitable trusts	$ 5,138,703	$ -	$ -	$ 5,138,703

The Association's beneficial interest in charitable trusts as of June 30, 2013 includes approximately $106,000 representing a remainder interest in three different trusts whose total assets have an estimated fair value of $1.1 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 $5.3 million includes the Association's interest in 18 perpetual trusts having total assets of $56.7 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, 2013 and 2012:

Balance at June 30, 2012	$5,138,703
Increase in value of beneficial interest in charitable trust	238,031
Balance at June 30, 2013	$5,376,734

NOTE 3. FAIR VALUE DISCLOSURES (CONTINUED)

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

Balance at June 30, 2011	$6,057,870
Distributions	(702,222)
Decrease in value of beneficial interest in charitable trust	(216,946)
Balance at June 30, 2012	$5,138,703

The increase (decrease) in value included in the statement of activities attributable to the change in value relating to assets still held at June 30, 2013 and June 30, 2012 was $ 238,031 and $(216,946), respectively.

NOTE 4. NET INVESTMENT RETURN

Net investment return consisted of the following for the years ended June 30, 2013 and 2012:

	2013	2012
Interest and dividend income	$ 3,477	$ 21,410
Unrealized gains	4,811	3,684
Realized gains (losses)	14,398	(118,970)
	22,686	(93,876)
Distributions from perpetual trusts	188,961	164,548
	$ 211,647	$ 70,672

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.

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, 2013 and 2012, was $997,307 and $284,692, respectively.

NOTE 5. ANNUITY AND TRUST AGREEMENTS (CONTINUED)

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, 2013 and 2012, the net present values of beneficial interests in charitable trusts were included in the statement of financial position as follows:

	2013	2012
Remainder and lead trusts		
Gross amounts receivable	$ 144,836	$ 139,651
Less discount	(38,638)	(41,477)
	106,198	98,204
Perpetual trusts		
Fair value of assets held in perpetual trusts	5,270,536	5,040,499
	$5,376,734	$5,138,703

During 2013, the Association received no distributions from the remainder or lead trusts. The income distributions from perpetual trusts for 2013 were $188,961 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, 2013 and 2012:

	2013	2012
Furniture and equipment	$ 200,612	$ 193,626
Leasehold improvements	131,578	137,808
Vehicles	400,851	286,666
Computer hardware and software	593,416	593,358
	1,326,457	1,211,458
Less accumulated depreciation	(1,120,154)	(997,847)
	$ 206,303	$ 213,611

On September 16, 2011, the Association sold its building and all office furniture located in Englewood, Colorado for $2,740,401.

NOTE 7. LINE OF CREDIT

The Association had a $930,000 line of credit with a financial institution was closed and paid off in full during July 2012. A new line was opened 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, 2013). 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, 2013. As of June 30, 2013, $725,000 was due on the line of credit. The Association was in compliance with all covenants at June 30, 2013.

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

NOTE 8. ENDOWMENT (CONTINUED)

Changes in Endowment Net Assets

Changes in endowment net assets for the year ended June 30, 2013 and 2012 were as follows:

	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

	2012		
	Temporarily Restricted	Permanently Retricted	Total
Endowment net assets, beginning of year	$ 136,100	$ 772,069	$ 908,169
Appropriated for expenditure	(64,788)	-	(64,788)
Investment return			
Interest income, net of fees	4,605	-	4,605
Net realized and unrealized losses on investments	(25,352)	-	(25,352)
Total investment return	(20,747)	-	(20,747)
Endowment net assets, end of year	$ 50,565	$ 772,069	$ 822,634

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.

NOTE 8. ENDOWMENT (CONTINUED)

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 percent 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, 2013 and 2012, unrestricted net assets were insufficient to fund the operating reserve.

NOTE 10. RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2013 and 2012 consist of the following:

	2013	2012
Contributions receivable	$ 153,669	$ 552,439
Restricted funds for programs	2,732,422	1,950,621
Beneficial interest in charitable trusts	106,198	98,204
	$ 2,992,289	$ 2,601,264

Permanently restricted net assets as of June 30, 2013 and 2012 consist of the following:

	2013	2012
Beneficial interest in perpetual trusts	$ 5,270,536	$ 5,040,499
Endowment funds with various income restrictions	772,069	772,069
	$ 6,042,605	$ 5,812,568

During the year ended June 30, 2013, temporarily restricted net assets were released from restriction in the amount of $680,713 due to the passage of time and $1,459,773 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. As of February 2012 employer contributions were suspended. During the years ended June 30, 2013 and 2012, the Association contributed $2,602 and $75,867, respectively, to the plan.

Operating Lease Commitments

The Association leases office space and certain office equipment under operating leases expiring between 2014 and 2022. At June 30, 2013, future minimum payments required under these leases were as follows:

Year Ending June 30,	2014	$ 606,933
	2015	624,510
	2016	502,910
	2017	448,158
	2018	456,957
	Thereafter	1,967,326
		$4,606,794

Rent expense for the years ended June 30, 2013 and 2012 was $669,551 and $513,260, 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.

NOTE 12. SUBSEQUENT EVENT REVIEW

The Association has performed an evaluation of subsequent events through October 18, 2013, 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.