

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

FINANCIAL STATEMENTS

JUNE 30, 2021



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

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2021 AND 2020**

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7501 WISCONSIN AVENUE | SUITE 1200 WEST  
BETHESDA, MD 20814  
202.331.9880 PHONE | 202.331.9890 FAX

## **REPORT OF INDEPENDENT AUDITORS**

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

We have audited the accompanying financial statements of the American Humane Association, DBA American Humane - First to Serve (American Humane), which comprise the statements of financial position as of June 30, 2021 and 2020, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Humane as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*CalibreCPAGroup, PLLC*

Bethesda, MD  
November 8, 2021

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

**STATEMENTS OF FINANCIAL POSITION**

JUNE 30, 2021 AND 2020

	2021	2020
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,556,650	\$ 4,953,573
Investments	12,741,735	8,410,786
Accounts receivable	1,111,269	704,862
Grants and contributions receivable	1,455,157	2,686,204
Prepayments and deposits	289,161	379,648
Total current assets	20,153,972	17,135,073
<b>NON-CURRENT ASSETS</b>		
Accounts receivable, net of current portion	27,200	141,775
Grants and contributions receivable, net of current portion	400,000	1,040,000
Beneficial interests in charitable trusts	6,524,475	5,491,807
Investments held for endowment	1,712,355	1,480,941
Property and equipment, net	1,940,984	386,069
Total non-current assets	10,605,014	8,540,592
Total assets	\$ 30,758,986	\$ 25,675,665
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 661,977	\$ 642,271
Accrued expenses and other liabilities	1,420,187	805,668
Deferred revenue	839,750	233,850
Deferred lease liability	60,972	51,006
Refundable advance	1,163,177	1,086,370
Obligations under charitable gift annuities	141,570	129,126
Total current liabilities	4,287,633	2,948,291
<b>NON-CURRENT LIABILITIES</b>		
Deferred lease liability, net of current portion	147,695	210,399
Obligations under charitable gift annuities, net of current portion	1,256,518	1,192,030
Total non-current liabilities	1,404,213	1,402,429
Total liabilities	5,691,846	4,350,720
<b>NET ASSETS</b>		
Without donor restrictions	13,420,844	8,745,421
With donor restrictions	11,646,296	12,579,524
Total net assets	25,067,140	21,324,945
Total liabilities and net assets	\$ 30,758,986	\$ 25,675,665

See accompanying notes to financial statements.

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

**STATEMENTS OF ACTIVITIES**

YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
Contributions and sponsorships	\$ 39,741,852	\$ 1,629,820	\$ 41,371,672	\$ 40,094,564	\$ 5,218,177	\$ 45,312,741
Grants	2,176,683	-	2,176,683	2,525,573	-	2,525,573
Royalties and rights fees	2,730,961	-	2,730,961	2,977,698	-	2,977,698
Services fees	3,233,916	-	3,233,916	2,363,197	-	2,363,197
Conferences and seminars	37,136	-	37,136	140,400	-	140,400
Miscellaneous income	17,750	-	17,750	6,434	-	6,434
Net investment return						
Distributions from perpetual trusts	258,986	-	258,986	266,849	-	266,849
Other, net of fees	2,194,864	238,391	2,433,255	119,401	22,897	142,298
Change in value of split interest agreements	(71,890)	-	(71,890)	(45,988)	-	(45,988)
Gain (loss) on interests in perpetual trusts	-	1,042,749	1,042,749	-	(144,469)	(144,469)
Net assets released from restrictions	<u>3,844,188</u>	<u>(3,844,188)</u>	<u>-</u>	<u>5,012,535</u>	<u>(5,012,535)</u>	<u>-</u>
Total support and revenue	<u>54,164,446</u>	<u>(933,228)</u>	<u>53,231,218</u>	<u>53,460,663</u>	<u>84,070</u>	<u>53,544,733</u>
<b>EXPENSES</b>						
Program services						
Humane Conservation	4,861,948	-	4,861,948	3,794,471	-	3,794,471
Humane Hollywood	8,648,192	-	8,648,192	9,117,678	-	9,117,678
Humane Rescue	8,414,896	-	8,414,896	6,031,276	-	6,031,276
Center for Military Affairs	10,343,178	-	10,343,178	12,544,991	-	12,544,991
Farm Animal Program	6,162,688	-	6,162,688	5,853,621	-	5,853,621
Other program services	<u>5,082,983</u>	<u>-</u>	<u>5,082,983</u>	<u>9,249,897</u>	<u>-</u>	<u>9,249,897</u>
Total program services	<u>43,513,885</u>	<u>-</u>	<u>43,513,885</u>	<u>46,591,934</u>	<u>-</u>	<u>46,591,934</u>
Supporting services						
Philanthropic services and fundraising	3,864,710	-	3,864,710	2,692,096	-	2,692,096
General administration	<u>2,110,428</u>	<u>-</u>	<u>2,110,428</u>	<u>1,745,045</u>	<u>-</u>	<u>1,745,045</u>
Total supporting services	<u>5,975,138</u>	<u>-</u>	<u>5,975,138</u>	<u>4,437,141</u>	<u>-</u>	<u>4,437,141</u>
Total expenses	<u>49,489,023</u>	<u>-</u>	<u>49,489,023</u>	<u>51,029,075</u>	<u>-</u>	<u>51,029,075</u>
CHANGE IN NET ASSETS	4,675,423	(933,228)	3,742,195	2,431,588	84,070	2,515,658
NET ASSETS						
Beginning of year	<u>8,745,421</u>	<u>12,579,524</u>	<u>21,324,945</u>	<u>6,313,833</u>	<u>12,495,454</u>	<u>18,809,287</u>
End of year	<u>\$ 13,420,844</u>	<u>\$ 11,646,296</u>	<u>\$ 25,067,140</u>	<u>\$ 8,745,421</u>	<u>\$ 12,579,524</u>	<u>\$ 21,324,945</u>

See accompanying notes to financial statements.

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

**STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED JUNE 30, 2021

	Program Services						Supporting Services				Total Expenses
	Humane Conservation	Humane Hollywood	Humane Rescue	Center for Military Affairs	Farm Animal Program	Other Program Services	Total	Philanthropic Services and Fundraising	General Administration	Total	
Salaries	\$ 358,030	\$ 2,224,690	\$ 476,331	\$ 327,323	\$ 582,421	\$ 435,933	\$ 4,404,728	\$ 1,023,423	\$ 854,188	\$ 1,877,611	\$ 6,282,339
Benefits	80,720	417,165	107,781	71,537	131,481	96,886	905,570	229,188	191,756	420,944	1,326,514
Professional services	192,883	306,032	167,817	299,192	146,464	643,163	1,755,551	431,875	290,231	722,106	2,477,657
Subcontractors	9,198	523,258	1,875	261,189	720,903	72,174	1,588,597	-	-	-	1,588,597
Events	32,076	3,135	3,173	82,364	4,123	13,109	137,980	96,241	11,542	107,783	245,763
Travel	19,778	304,765	60,676	85,242	9,609	45,417	525,487	18,647	43,888	62,535	588,022
Depreciation and amortization	3,609	26,114	104,080	6,878	6,773	5,223	152,677	8,867	17,398	26,265	178,942
Dues and subscriptions	7,332	8,291	7,694	3,009	6,876	5,775	38,977	89,277	4,152	93,429	132,406
Equipment lease and repairs	220	34,621	27,370	1,013	694	498	64,416	1,741	11,196	12,937	77,353
Grant distributions	8,000	-	81,585	5,000	-	42,000	136,585	-	-	-	136,585
Occupancy	38,339	313,381	121,420	26,126	78,968	55,106	633,340	109,476	194,057	303,533	936,873
Outreach and promotion	107,987	33,591	81,919	219,983	23,560	45,189	512,229	31,226	10,950	42,176	554,405
Postage	16,803	21,565	15,380	16,721	10,856	11,278	92,603	62,341	8,033	70,374	162,977
Printing	25,927	23,350	23,767	45,969	18,704	29,160	166,877	235,685	8,074	243,759	410,636
Supplies	5,033	13,416	28,378	22,267	5,172	8,798	83,064	28,249	7,800	36,049	119,113
Taxes, licenses and fees	632	41,130	8,565	6,673	1,447	1,384	59,831	94,890	2,869	97,759	157,590
Telecommunications	5,258	38,167	17,340	3,748	6,471	9,027	80,011	17,215	7,800	25,015	105,026
Bad debts	140,000	-	-	-	-	243,766	383,766	-	-	-	383,766
Donated goods and services	3,800,858	4,305,559	7,070,207	8,846,324	4,405,274	3,287,811	31,716,033	1,331,387	435,038	1,766,425	33,482,458
List purchases	-	-	-	-	-	-	-	36,371	-	36,371	36,371
Other expenses	9,265	9,962	9,538	12,620	2,892	31,286	75,563	18,611	11,456	30,067	105,630
<b>Total expenses</b>	<b>\$ 4,861,948</b>	<b>\$ 8,648,192</b>	<b>\$ 8,414,896</b>	<b>\$ 10,343,178</b>	<b>\$ 6,162,688</b>	<b>\$ 5,082,983</b>	<b>\$ 43,513,885</b>	<b>\$ 3,864,710</b>	<b>\$ 2,110,428</b>	<b>\$ 5,975,138</b>	<b>\$ 49,489,023</b>

See accompanying notes to financial statements.

**AMERICAN HUMANE ASSOCIATION,  
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**STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED JUNE 30, 2020

	Program Services						Supporting Services				Total Expenses
	Humane Conservation	Humane Hollywood	Humane Rescue	Center for Military Affairs	Farm Animal Program	Other Program Services	Total	Philanthropic Services and Fundraising	General Administration	Total	
Salaries	\$ 575,488	\$ 2,674,321	\$ 481,135	\$ 414,684	\$ 565,382	\$ 751,133	\$ 5,462,143	\$ 1,116,546	\$ 833,242	\$ 1,949,788	\$ 7,411,931
Benefits	106,105	450,712	88,628	76,704	105,368	137,772	965,289	205,714	153,804	359,518	1,324,807
Professional services	811,783	288,978	130,731	473,290	220,292	1,066,354	2,991,428	319,269	250,158	569,427	3,560,855
Subcontractors	44,645	402,661	-	349,327	395,905	61,780	1,254,318	-	-	-	1,254,318
Events	17,766	12,338	2,123	112,711	31,072	369,669	545,679	150,788	8,020	158,808	704,487
Travel	209,639	318,995	88,067	132,588	58,195	130,000	937,484	89,300	29,806	119,106	1,056,590
Depreciation and amortization	3,274	27,028	107,412	8,041	5,788	8,823	160,366	9,531	14,238	23,769	184,135
Dues and subscriptions	5,845	9,788	4,979	2,791	9,540	5,994	38,937	91,232	4,042	95,274	134,211
Equipment lease and repairs	535	18,267	19,285	2,378	952	2,647	44,064	2,478	12,567	15,045	59,109
Grant distributions	12,000	-	106,843	-	-	2,000	120,843	35,000	-	35,000	155,843
Occupancy	40,581	434,236	103,505	27,172	61,703	81,112	748,309	122,457	158,632	281,089	1,029,398
Outreach and promotion	32,472	33,983	95,605	174,083	20,812	33,691	413,646	57,087	2,414	59,501	473,147
Postage	12,302	8,805	8,237	10,072	3,957	10,125	53,498	82,174	3,292	85,466	138,964
Printing	8,590	15,227	8,503	23,581	11,313	37,786	105,000	249,154	5,349	254,503	359,503
Supplies	4,355	20,712	29,314	24,506	4,300	8,728	91,915	11,638	4,721	16,359	108,274
Taxes, licenses and fees	1,730	25,724	8,633	13,981	2,081	4,016	56,165	89,019	4,328	93,347	149,512
Telecommunications	8,369	54,275	16,067	5,959	8,121	17,260	110,051	13,044	12,088	25,132	135,183
Bad debts	-	-	-	-	-	-	-	-	223,000	223,000	223,000
Donated goods and services	1,885,551	4,315,106	4,718,023	10,681,094	4,329,560	6,486,329	32,415,663	31,849	18,553	50,402	32,466,065
Other expenses	13,441	6,522	14,186	12,029	19,280	11,678	77,136	15,816	6,791	22,607	99,743
<b>Total expenses</b>	<b>\$ 3,794,471</b>	<b>\$ 9,117,678</b>	<b>\$ 6,031,276</b>	<b>\$ 12,544,991</b>	<b>\$ 5,853,621</b>	<b>\$ 9,249,897</b>	<b>\$ 46,591,934</b>	<b>\$ 2,692,096</b>	<b>\$ 1,745,045</b>	<b>\$ 4,437,141</b>	<b>\$ 51,029,075</b>

See accompanying notes to financial statements.



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

**STATEMENTS OF CASH FLOWS**

YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 3,742,195	\$ 2,515,658
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	178,942	184,135
Loss on disposal of property and equipment	206	2,494
Bad debts and losses on uncollectible contributions receivable	383,766	223,000
Net (gains) loss on investments	(2,175,825)	7,268
Change in value of beneficial interest in charitable trusts	(1,032,668)	144,469
Change in value of obligations under charitable gift annuities	71,890	45,988
Change in operating assets		
Accounts receivable	(291,832)	586,049
Grants and contributions receivable	1,487,281	(719,467)
Prepayments and deposits	90,487	459,723
Change in operating liabilities		
Accounts payable	19,706	(58,532)
Accrued expenses and other liabilities	614,519	18,798
Refundable advance	76,807	1,086,370
Deferred revenue	605,900	(3,100)
Deferred lease liability	(52,738)	(42,134)
Net cash provided by operating activities	3,718,636	4,450,719
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	161,261	611,104
Proceeds from sales of property and equipment	25,000	-
Purchases of investments	(2,547,799)	(3,014,453)
Purchases of property and equipment	(1,759,063)	(74,275)
Net cash used for investing activities	(4,120,601)	(2,477,624)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Liabilities assumed under charitable gift annuities	164,150	168,081
Payments to charitable gift annuitants	(159,108)	(121,609)
Borrowing under line of credit	-	250,000
Repayment of line of credit	-	(250,000)
Net cash provided by financing activities	5,042	46,472
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(396,923)	2,019,567
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	4,953,573	2,934,006
End of year	\$ 4,556,650	\$ 4,953,573

See accompanying notes to financial statements.

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

**NOTES TO FINANCIAL STATEMENTS**

YEARS ENDED JUNE 30, 2021 AND 2020

**NOTE 1. ORGANIZATION**

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

American Humane carries out its mission through the following programs:

**American Humane Conservation**

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

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

- **Helping protect species in zoological settings worldwide:** American Humane now helps protect the welfare and humane treatment of 400,000 animals at 62 leading zoological facilities around the world. Fewer than one percent of zoos and aquariums have earned our prestigious Humane Certified™ seal of approval.
- **Global expansion:** Major institutions around the world are lining up to become American Humane Certified and we now certify major zoological facilities in 18 U.S. states and 12 countries in North and Central America, the Caribbean, Europe, and Asia.
- **Award-winning conservation film launched:** To counter the “Sixth Mass Extinction” now taking place and rally a new generation of advocates for the preservation of Earth’s precious animals, American Humane created its first documentary film, “Escape from Extinction,” narrated by Oscar-winning actress Dame Helen Mirren. The film is galvanizing animal lovers around the world and was named the “Best Environmental Documentary” of 2020 at DOC LA.

## NOTE 1. ORGANIZATION (CONTINUED)

- **Raised public awareness for humane conservation:** Hundreds of millions of people have been reached through our education videos and national TV and radio PSAs about the vital role of zoos and aquariums in conservation.

### American Humane Hollywood

American Humane’s “**No Animals Were Harmed**®” certification program was - and is - the *First to Serve*® in the protection of animals in film and television, safeguarding millions of animals on tens of thousands of productions worldwide for more than 80 years. Since 1940, our program has been at the forefront of animal welfare in filmed entertainment. We are the only industry-sanctioned organization with oversight of animals in filmed production and the sole entity to award the internationally recognized *No Animals Were Harmed*® end-credit certification to productions that meet our rigorous standard of care.

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

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

Despite the coronavirus pandemic, which shut production down worldwide for six months, our Certified Animal Safety Representatives successfully protected 50,000 animals in more than 200 films and episodic series, supervising nearly 2,000 production days of action on everything from indie films to the biggest box-office blockbusters.

### American Humane Rescue

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

## NOTE 1. ORGANIZATION (CONTINUED)

Here are just some of the dramatic and heartwarming victories we achieved:

- **Saved animals during the pandemic:** American Humane took a leadership role in supporting shelter pets abandoned during the pandemic, providing one million meals, as well as critically needed supplies and medicines through its “Feed The Hungry Covid-19 Fund.”
- **Rescued animals in the California wildfires:** While the massive wildfires that destroyed 319,000 acres and thousands of homes in northern California were still burning, American Humane Rescue rushed to provide lifesaving shelter, food, water, medicines, supplies, and veterinary care to the animal victims left in the ashes.
- **Combated cruelty:** Responding to a gruesome case of animal cruelty, our team took part in the rescue and rehabilitation of dozens of Collies and Collie mixes left starving and riddled with disease in frigid temperatures, giving them second chances at life.
- **Helped those who need it most:** American Humane conducted free veterinary clinics to help animals in some of the most resource-poor areas of the country, bringing spay and neuter services and lifesaving vaccines provided free of charge by Zoetis Petcare to dogs and cats whose families cannot afford to give them medical care.
- **Trained more rescuers:** Outmaneuvering the restrictions of the pandemic, our American Humane Rescue team redoubled their efforts in preparing for the future, creating virtual trainings to prepare more than 300 animal emergency responders, and helping ensure that whenever animals are in need, help is never far away.

### American Humane’s Lois Pope LIFE Center for Military Affairs

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

- **Brought Battle Buddies back together:** After a lifetime of serving our country and protecting our troops, far too many retired military dogs are separated from their handlers and left overseas. American Humane has already brought 44 of these heroes home and reunited them with their battle buddies.
- **Saved lives on each end of the leash:** To help stem the tide of veteran suicide and find forever homes for animals in need of them, American Humane helped provide another dozen U.S. veterans struggling with PTS and TBI free, highly trained service dogs through its “Pups4Patriots<sup>™</sup>” program, bringing the total so far to 163.
- **Created more training centers across the country:** Responding to the need, American Humane expanded the number of Pups4Patriots locations from one to eight, significantly increasing the number of service of teams in training.

**NOTE 1. ORGANIZATION (CONTINUED)**

- **Urged Congress to do more for veterans:** Service dogs are not only costly but can take an unacceptable 18-24 months to obtain. The “PAWS Act” will train and pair vets suffering from post-deployment mental health issues with service dogs.
- **Galvanized support for American’s four-legged military heroes:** American Humane’s annual “Pups4Patriots gala” raised funds for our veterans with the help of internationally renowned philanthropists and veterans’ advocates, including Lois Pope, Jean and Martin Shafiroff, Herb and Sharon Jablin, Sharon Bush and Bob Murry, Janet Swanson, Judith Miller, and DAV Gold Coast Chapter 133, among many others.

**American Humane Farm Animal Program**

The **American Humane Farm Animal Program** was - and is - the *First to Serve*<sup>®</sup> in the protection of farm animals. Our American Humane Certified<sup>™</sup> farm animal welfare certification program is the oldest, largest, and fastest-growing auditing and certification effort in the country. The purpose of this vital program is to help improve and verify the treatment of animals on our nation’s farms and ranches utilizing evidence and science-based welfare standards, and to educate consumers and people involved in the food supply chain about the significance and benefits of the humane treatment of farm animals.

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

**American Humane Hero Dog Awards<sup>®</sup>**

The American Humane Hero Dog Awards were created to celebrate the extraordinary acts of heroism performed by our best friends. This popular, yearly national campaign draws hundreds of courageous canines from across the country, more than a million votes by the American public, and four billion media impressions, including features by the TODAY show and PEOPLE magazine - all culminating in a celebrity-studded, national television broadcast to 80 million homes on Hallmark Channel.

## NOTE 1. ORGANIZATION (CONTINUED)

### Public Education, Prevention, and Outreach

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

- **Reaching the world with our humane messages**, reaching millions of people, encouraging them to be kind to animals and providing them with tools to create a more compassionate world.
- **Generating major news stories on helping animals** carried by prominent national publications, newspapers, magazines and news stations.
- **Touching millions through the national television broadcast** of the tenth annual **American Humane Hero Dog Awards** on Hallmark Channel with its 80 million+ subscribers. This annual campaign highlights the life-changing, life-saving power of the bond between animals and people.
- **Our award-winning national television and radio PSAs and billboard campaigns** are reaching hundreds of millions of people each year with lifesaving information, messages of compassion, and practical ways the public can support humane farming, humane conservation of the world's remarkable and endangered creatures, veterans needing service dogs, and animals caught in disasters and cruelty cases. To prevent pet abandonment during the COVID-19 pandemic, American Humane ran billboards across the country reminding people that "Pets Spread Love, not COVID."
- **Teaching kids to be kind:** For the 106<sup>th</sup> annual "Be Kind to Animals Week®", the oldest commemorative week in U.S. history, American Humane unveiled a comprehensive new web portal featuring free, humane-themed math and language arts lesson for kids from Pre-K to Grade 5, along with downloadable Be Kind to Animals posters, a pledge with simple ways to protect the animals in our lives, and a fascinating historical retrospective - all of which were sent to teachers and classrooms across the country. Building a better world for all of us begins with teaching the next generation to respect and value living beings and this robust campaign was designed to do just that for millions of future members of the Compassion Movement.
- **Award-winning campaigns:** American Humane won the American Business Awards' Silver and Bronze medals for our public information efforts on behalf of our nationwide Hero Dog Awards and Feed the Hungry COVID-19 campaigns.

## **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Accounting**

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

### **Cash and Cash Equivalents**

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

### **Investments**

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

### **Accounts Receivable**

Accounts receivable represent amounts due resulting from the performance of services provided to other organizations. The allowance method is used to determine uncollectible accounts and is based on account by account determination, prior years' experience and management's analysis of subsequent collections. Management has determined that substantially all receivable balances are collectible; therefore, no allowance for doubtful accounts has been recorded at June 30, 2021 and 2020.

### **Promises to Give**

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

Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions have been substantially met. The allowance for uncollectible promises to give is determined by management based upon historical experience, an assessment of the current economic environment, and analysis of subsequent events. The allowance for doubtful accounts was \$140,000 at June 30, 2021 and \$200,000 at June 30, 2020.

## **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Property and Equipment**

Property and equipment additions are recorded at cost or, if donated, at the estimated fair value at the date of receipt. American Humane capitalizes all property and equipment additions over \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to forty years. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense accounts when incurred.

### **Impairment of Long-Lived Assets**

American Humane reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the asset is reduced - by a charge reflected in the statements of activities - to its estimated fair value. Management has determined that no long-lived assets were impaired during the year ended June 30, 2021 and 2020; as such, no impairment losses were recognized during those years.

### **Net Assets Without Donor Restrictions**

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

### **Net Assets with Donor Restrictions**

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

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

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



## **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition** - Revenue is derived from both exchange transactions and contribution transactions. Revenue from exchange transactions is recognized when control of promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Revenue from royalties and service fees are recognized over time as sales are made and services are provided. All other revenue from exchange transactions is recognized at the point in time when goods and services are delivered. Unconditional contributions are recognized upon receipt of cash or other assets, or when a donor promises to transfer cash or other assets in the future. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return or release, are not recognized until the conditions on which they depend have been substantially met.

### **Contributions and Grants**

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

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

### **Bequests**

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

### **Donated Property and Equipment, Goods and Services**

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted support. American Humane reports expirations of donor restrictions when the donated or acquired assets are placed in service. Volunteers contribute significant amounts of time to American Humane's program service activities and are measured at fair value whenever the recognition criteria have been met. American Humane also receives significant airtime and billboard space for Public Service Announcements, which are measured and reported at fair value. During the years ended June 30, 2021 and 2020, donated goods and services recognized in the financial statements totaled \$33,482,458 and \$32,466,065, respectively.

## **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Functional Allocation of Expenses**

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

### **Advertising Costs**

American Humane uses advertising to promote its programs among the constituencies it serves. The production costs of advertising are expensed as incurred. During the years ended June 30, 2021 and 2020, advertising costs totaled \$237,509 and \$218,916, respectively.

### **Use of Estimates**

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

### **Financial Instruments and Concentrations of Credit Risk**

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

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

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

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Accounting for Uncertain Tax Positions

American Humane is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC), qualifies for the charitable contribution deduction under 170(b)(1)(A)(vi), and has been classified as an organization other than a private foundation under Section 509(a) of the IRC. However, income not directly related to American Humane's tax-exempt purpose is subject to taxation as unrelated business income. American Humane had no significant taxable income or income tax expense during the years ended June 30, 2021 and 2020.

American Humane believes it has conducted its operations in accordance with, and has properly maintained, its tax-exempt status. American Humane's tax returns for fiscal years 2018 through 2021 are subject to examination by the Internal Revenue Service (IRS), generally for three years after they were filed.

## NOTE 3. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The following table represents American Humane's financial assets available to meet cash needs for general expenditures within one year of June 30, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Total assets at end of year	\$ 30,758,986	\$ 25,675,665
Less nonfinancial assets		
Prepaid expenses and deposits	(289,161)	(379,648)
Net property and equipment	(1,940,984)	(386,069)
Beneficial interest in charitable trust assets	<u>(6,524,475)</u>	<u>(5,491,807)</u>
Total financial assets at end of year	22,004,366	19,418,141
Less amounts unavailable for general expenditures within one year		
Restricted by donor with time or purpose restrictions	(3,409,466)	(5,606,776)
Donor-restricted endowment funds and unexpended earnings	(1,712,355)	(1,480,941)
Accounts receivable due in more than one year	(27,200)	(141,775)
Cash held as security for line of credit	(1,000,000)	(1,000,000)
Investments held to fund charitable gift annuities	<u>(1,571,237)</u>	<u>(1,423,758)</u>
Total financial assets available for general expenditures within one year	<u>\$ 14,284,108</u>	<u>\$ 9,764,891</u>

As part of American Humane's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. American Humane invests cash in excess of its current requirements in a portfolio of investments designed to maximize long-term earnings with acceptable risk to investment principal.

#### NOTE 4. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Due in less than one year	\$ 1,455,157	\$ 2,686,204
Due in one to five years	<u>400,000</u>	<u>1,040,000</u>
	<u>\$ 1,855,157</u>	<u>\$ 3,726,204</u>

#### NOTE 5. FAIR VALUE DISCLOSURES

American Humane follows the methods of fair value measurement described in the Fair Value Measurements and Disclosures topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification to determine the fair values of all assets and liabilities required to be measured at fair value. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. A hierarchy prioritizes the observable and unobservable inputs used to measure fair value into three broad levels, as described below:

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

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

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

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

Following is a description of the valuation methodologies used to measure fair value. There have been no changes in the methodologies used during the year ended June 30, 2021.

- Cash and cash equivalents: The carrying amount is a reasonable estimate of fair value.
- Mutual and exchange - traded funds: Valued at the closing price reported on the active markets on which the individual securities are traded.

**NOTE 5. FAIR VALUE DISCLOSURES (CONTINUED)**

- Beneficial interests in charitable trusts: Fair value of charitable remainder trusts is calculated as the value of the underlying trust assets as reported by the Trustee, discounted using life expectancy tables. Fair value of perpetual trusts represents American Humane’s share of underlying trust assets as reported by the Trustees at year-end. Charitable trust assets are composed primarily of exchange traded securities.
- Obligations under split interest agreements: Liabilities under charitable gift annuities are recognized for present value of future cash flows expected to be paid to the donor. These liabilities are adjusted during the term of the annuities for payments and change in life expectancies.

Assets and liabilities measured at fair value on a recurring basis have been categorized into a hierarchy based on the observable and unobservable inputs used to determine fair value as of June 30, 2021 and 2020:

	June 30, 2021			
	Total	Level 1	Level 2	Level 3
Investments				
Cash and cash equivalents	\$ 2,299,243	\$ 2,299,243	\$ -	\$ -
Mutual and exchange-traded funds				
Equities	8,520,605	8,520,605	-	-
Fixed income	2,996,484	2,996,484	-	-
Non-traditional	637,758	637,758	-	-
	<u>\$ 14,454,090</u>	<u>\$ 14,454,090</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in charitable trusts	<u>\$ 6,524,475</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,524,475</u>
Obligations under charitable gift annuities	<u>\$ 1,398,088</u>	<u>\$ -</u>	<u>\$ 1,398,088</u>	<u>\$ -</u>
	June 30, 2020			
	Total	Level 1	Level 2	Level 3
Investments				
Cash and cash equivalents	\$ 566,400	\$ 566,400	\$ -	\$ -
Mutual and exchange-traded funds				
Equities	5,298,441	5,298,441	-	-
Fixed income	3,415,007	3,415,007	-	-
Non-traditional	611,879	611,879	-	-
	<u>\$ 9,891,727</u>	<u>\$ 9,891,727</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in charitable trusts	<u>\$ 5,491,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,491,807</u>
Obligations under charitable gift annuities	<u>\$ 1,321,156</u>	<u>\$ -</u>	<u>\$ 1,321,156</u>	<u>\$ -</u>

**NOTE 5. FAIR VALUE DISCLOSURES (CONTINUED)**

American Humane's beneficial interest in charitable trusts as of June 30, 2021 of approximately \$6.52 million includes American Humane's interest in 17 perpetual trusts having total assets of approximately \$79 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, 2021 and 2020:

	Perpetual Trusts	Remainder Trusts	Total
Balance at June 30, 2019	\$ 5,626,195	\$ 10,081	\$ 5,636,276
Change in value	<u>(144,469)</u>	<u>-</u>	<u>(144,469)</u>
Balance at June 30, 2020	5,481,726	10,081	5,491,807
Change in value	<u>1,042,749</u>	<u>(10,081)</u>	<u>1,032,668</u>
Balance at June 30, 2021	<u>\$ 6,524,475</u>	<u>\$ -</u>	<u>\$ 6,524,475</u>

**NOTE 6. NET INVESTMENT RETURN**

Net investment return consisted of the following for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 257,430	\$ 227,471
Unrealized gains (losses)	2,214,974	(22,289)
Realized gains	45,862	15,021
Investment fees	<u>(85,011)</u>	<u>(77,905)</u>
	2,433,255	142,298
Distributions from perpetual trusts	<u>258,986</u>	<u>266,849</u>
	<u>\$ 2,692,241</u>	<u>\$ 409,147</u>

## NOTE 7. ANNUITY AND TRUST AGREEMENTS

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

### Charitable Gift Annuities

American Humane has an unrestricted beneficial interest in various charitable gift annuities. In accordance with the gift agreements, American Humane pays a specified amount of earnings to named beneficiaries over their lifetimes. American Humane is Trustee for these trusts. Generally, the assets received under the charitable gift annuities are reported at fair value and a corresponding liability is reflected equal to the net present value of future payments using a discount rate commensurate with the risks involved. The liability under these annuity agreements as of June 30, 2021 and 2020 was \$1,398,088 and \$1,321,156, respectively, and required amounts included in investments to fund the liability were \$1,571,237 and \$1,423,758, respectively.

### Beneficial Interests in Charitable Trusts

Term and charitable remainder trusts provide for the payment of distributions to the grantor or other designated beneficiaries over the stipulated term or designated beneficiaries' lifetimes. At the end of the trusts' terms, the remaining assets are available for American Humane's use. Lead trusts provide for payment of distributions to the charity over the life of the residual beneficiary or the term of the trust. No residual amount is received by the charity at the termination of the trust. Perpetual trusts provide for the distribution of the net income of the trust to American Humane; however, American Humane will never receive the assets of the trust. As of June 30, 2021 and 2020, the net present values of beneficial interests in charitable trusts were included in the statements of financial position as follows:

	<u>2021</u>	<u>2020</u>
Remainder trusts		
Gross amounts receivable	\$ -	\$ 12,458
Less: discount	<u>-</u>	<u>(2,377)</u>
	-	10,081
Perpetual trusts		
Fair value of assets held in perpetual trusts	<u>6,524,475</u>	<u>5,481,726</u>
	<u>\$ 6,524,475</u>	<u>\$ 5,491,807</u>

The income distributions from perpetual trusts for the years ended June 30, 2021 and 2020 totaled \$258,986 and \$266,849, respectively, and are available to American Humane for unrestricted use.

**NOTE 8. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land	\$ 639,770	\$ -
Buildings	933,819	-
Furniture and equipment	198,489	116,844
Leasehold improvements	42,443	62,096
Vehicles	1,079,290	1,014,851
Computer hardware and software	<u>1,000,791</u>	<u>986,401</u>
	3,894,602	2,180,192
Less: accumulated depreciation	<u>(1,953,618)</u>	<u>(1,794,123)</u>
	<u>\$ 1,940,984</u>	<u>\$ 386,069</u>

**NOTE 9. CONTRACT BALANCES**

The timing of billings, cash collections, and revenue recognition result in contract assets and contract liabilities associated with revenue from exchange transactions. Contract assets consist entirely of trade accounts receivable, which are recognized only to the extent it is probable that American Humane will collect substantially all of the consideration to which it is entitled in exchange for the goods or services that will be or have been transferred. Contract liabilities consist entirely of deferred revenue that results when American Humane receives advance payments from customers before revenue is recognized. Balances in these accounts as of the beginning and end of the years ended June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Accounts receivable			
Contract receivables	\$ 1,138,469	\$ 846,637	\$ 1,430,902
Due from employees	-	-	1,784
	<u>\$ 1,138,469</u>	<u>\$ 846,637</u>	<u>\$ 1,432,686</u>
Deferred revenue			
Rights fees and other	<u>\$ 839,750</u>	<u>\$ 233,850</u>	<u>\$ 236,950</u>



#### **NOTE 10. LINE OF CREDIT**

On April 18, 2016, American Humane entered into a line of credit with TD Bank, N.A. in the amount of \$1,000,000 with a maturity date of April 18, 2018. The line of credit was renewed in April 2019 with no maturity date. Borrowings under this line of credit bear interest at 0.25% plus the Prime Rate as published by The Wall Street Journal (3.25% total at June 30, 2021). Borrowings under the line are collateralized by a money market account. The line of credit agreement contains covenants, which include a requirement to maintain a balance in the pledged money market account of at least 100% of the outstanding balance drawn against the line of credit. As of June 30, 2021, there was no outstanding balance on the line of credit. In July 2021, the line of credit with TD Bank, N.A. was paid in full and terminated.

#### **NOTE 11. LOANS PAYABLE**

On April 20, 2020, American Humane received a Paycheck Protection Program (PPP) loan in the amount of \$1,086,370, made available under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Provided American Humane complies with applicable provisions of the CARES Act, the PPP loan is eligible to be forgiven in full. As of the date these financial statements were available to be issued, management believes American Humane has complied with the applicable provisions of the CARES Act and, even though the application for forgiveness has not yet been approved, that the entire amount of the PPP loan will be forgiven during the fiscal year ending June 30, 2022. Therefore, the full amount of the loan was recognized as contribution income during the year ended June 30, 2021 in accordance with the guidance for accounting for conditional contributions.

On April 6, 2021, American Humane received a second loan in the amount of \$1,163,177 under the Paycheck Protection Program (PPP) established as part of the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act (the Act). PPP loans and accrued interest are forgivable after a covered period (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, primarily payroll, benefits, rent and utilities. Any unforgiven portion of a PPP loan is payable over two to five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. Management of American Humane intends to use the loan proceeds for purposes consistent with the PPP requirements and will apply for forgiveness within 10 months of the end of the covered period.

## **NOTE 12. ENDOWMENT**

### **General**

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

### **Interpretation of Relevant Law**

The Board has interpreted the Washington D.C. Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, American Humane classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with perpetual donor restrictions is classified as net assets with temporary donor restrictions until those amounts are appropriated for expenditure by American Humane in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, American Humane considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

**NOTE 12. ENDOWMENT (CONTINUED)****Changes in Endowment Net Assets**

Changes in endowment net assets for the year ended June 30, 2021 and 2020 were as follows:

	2021		
	With Temporary Donor Restrictions	With Perpetual Donor Restrictions	Total
Endowment net assets, beginning of year	<u>\$ 245,646</u>	<u>\$ 1,235,295</u>	<u>\$ 1,480,941</u>
Appropriation for expenditure	<u>(6,977)</u>	<u>-</u>	<u>(6,977)</u>
Investment return			
Net appreciation	216,453	-	216,453
Interest income, net of fees	21,938	-	21,938
Total investment return	<u>238,391</u>	<u>-</u>	<u>238,391</u>
Contributions	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 477,060</u>	<u>\$ 1,235,295</u>	<u>\$ 1,712,355</u>

  

	2020		
	With Temporary Donor Restrictions	With Perpetual Donor Restrictions	Total
Endowment net assets, beginning of year	<u>\$ 238,025</u>	<u>\$ 1,235,295</u>	<u>\$ 1,473,320</u>
Appropriation for expenditure	<u>(15,276)</u>	<u>-</u>	<u>(15,276)</u>
Investment return			
Net appreciation	16,205	-	16,205
Interest income, net of fees	6,692	-	6,692
Total investment return	<u>22,897</u>	<u>-</u>	<u>22,897</u>
Contributions	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 245,646</u>	<u>\$ 1,235,295</u>	<u>\$ 1,480,941</u>

## **NOTE 12. ENDOWMENT (CONTINUED)**

### **Return Objectives and Risk Parameters**

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

### **Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, American Humane relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). American Humane targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

### **Spending Policy and How the Investment Objectives Relate to the Spending Policy**

American Humane has a policy of annually appropriating for distribution up to 5% of the beginning of the year principal and will therefore expect a portion of the endowment to be liquid. In establishing this policy, American Humane considered the long-term expected return on its endowment. Accordingly, over the long term, American Humane expects the current spending policy to allow its endowment to grow at an average of at least the CPI annually. This is consistent with American Humane's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. Appropriations may be made in the form of American Humane's expenditure budget on an annual basis.

### NOTE 13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2021 and 2020 consist of the following:

	<u>June 30, 2020</u>	<u>Additions and Reclassifications</u>	<u>Released</u>	<u>June 30, 2021</u>
Temporary donor restrictions				
Contributions restricted for future periods	\$ 54,962	\$ 37,500	\$ (54,962)	\$ 37,500
Contributions restricted for specific programs	5,551,814	1,592,320	(3,772,168)	3,371,966
Unexpended earnings on endowments	245,646	238,391	(6,977)	477,060
Beneficial interest in charitable trusts	<u>10,081</u>	<u>-</u>	<u>(10,081)</u>	<u>-</u>
Total temporary donor restrictions	<u>5,862,503</u>	<u>1,868,211</u>	<u>(3,844,188)</u>	<u>3,886,526</u>
Perpetual donor restrictions				
Beneficial interest in perpetual trusts	5,481,726	1,042,749	-	6,524,475
Endowment funds with various income restrictions	<u>1,235,295</u>	<u>-</u>	<u>-</u>	<u>1,235,295</u>
Total perpetual donor restrictions	<u>6,717,021</u>	<u>1,042,749</u>	<u>-</u>	<u>7,759,770</u>
Total	<u>\$ 12,579,524</u>	<u>\$ 2,910,960</u>	<u>\$ (3,844,188)</u>	<u>\$ 11,646,296</u>
	<u>June 30, 2019</u>	<u>Additions and Reclassifications</u>	<u>Released</u>	<u>June 30, 2020</u>
Temporary donor restrictions				
Contributions restricted for future periods	\$ 132,705	\$ 54,962	\$ (132,705)	\$ 54,962
Contributions restricted for specific programs	5,253,153	5,163,215	(4,864,554)	5,551,814
Unexpended earnings on endowments	238,025	22,897	(15,276)	245,646
Beneficial interest in charitable trusts	<u>10,081</u>	<u>-</u>	<u>-</u>	<u>10,081</u>
Total temporary donor restrictions	<u>5,633,964</u>	<u>5,241,074</u>	<u>(5,012,535)</u>	<u>5,862,503</u>
Perpetual donor restrictions				
Beneficial interest in perpetual trusts	5,626,195	(144,469)	-	5,481,726
Endowment funds with various income restrictions	<u>1,235,295</u>	<u>-</u>	<u>-</u>	<u>1,235,295</u>
Total perpetual donor restrictions	<u>6,861,490</u>	<u>(144,469)</u>	<u>-</u>	<u>6,717,021</u>
Total	<u>\$ 12,495,454</u>	<u>\$ 5,096,605</u>	<u>\$ (5,012,535)</u>	<u>\$ 12,579,524</u>

## NOTE 14. COMMITMENTS

### Retirement Plans

American Humane maintains a tax-deferred retirement plan qualified under Sections 403(b) of the Internal Revenue Code. The plan covers substantially all full-time employees of American Humane. Employees may contribute a portion of their gross salaries to the 403(b) plan up to the maximum amount established by the Internal Revenue Service. American Humane contributes to the plan one-half of the amounts contributed by each employee electing to participate in the plan, up to a maximum employer contribution of 6% of gross wages. Employer contributions become fully vested after four years of service. During the years ended June 30, 2021 and 2020, American Humane contributed \$181,541 and \$163,109, respectively, to the plan.

On November 13, 2014, American Humane established a deferred compensation plan agreement under Internal Revenue Code Section 457. There were no contributions made under this arrangement during the years ended June 30, 2021 and 2020.

### Operating Lease Commitments

American Humane leases office space, equipment, and storage facilities under operating lease agreements that expire at various dates through June 30, 2030. Offices are located in Washington, D.C., Studio City, CA, and Palm Beach, FL. The office lease agreements generally contain renewal options and also require American Humane to pay its pro-rata share of increases in real estate taxes and operating expenses associated with the leased space. Rent expense related to all operating leases for the years ended June 30, 2021 and 2020 was \$637,213 and \$766,553, respectively.

Future minimum lease payments under all operating leases as of June 30, 2021 are due as follows:

Year Ending June 30,	
2022	\$ 589,242
2023	63,575
2024	62,483
2025	63,728
2026	64,997
Thereafter	<u>254,192</u>
	<u>\$ 1,098,217</u>

**NOTE 15. SIGNIFICANT UNCERTAINTIES**

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The extent of the impact of the pandemic on American Humane's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on American Humane's donors, customers, employees, and vendors, all of which, at present, cannot be determined. Accordingly, the extent to which the pandemic may impact American Humane's financial position, changes in net assets, and cash flows is uncertain, and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

**NOTE 16. SUBSEQUENT EVENTS REVIEW**

Subsequent events have been evaluated through November 8, 2021, which is the date the financial statements were available to be issued. This review and evaluation revealed no material event or transaction which would require an adjustment to or disclosure in the accompanying financial statements.