



Financial Statements
December 31, 2019

The Humane League

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Independent Auditor's Report

The Board of Directors
The Humane League
Rockville, MD

We have audited the financial statements of The Humane League (a Pennsylvania nonprofit corporation) (the Organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, cash flows, and functional expenses for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 Humane League as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

San Ramon, California
August 20, 2020

The Humane League
Statement of Financial Position
December 31, 2019

Assets	
Current Assets	
Cash and cash equivalents	\$ 3,830,867
Grants receivable	7,140,220
Pledge receivables	855,933
Prepaid expense	53,998
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Total current assets	11,881,018
Noncurrent Assets	
Investments	6,764,264
Property and equipment (net)	4,746
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Total noncurrent assets	6,769,010
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Total assets	\$ 18,650,028
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Liabilities and Net Assets	
Current Liabilities	
Accounts payable and other accrued liabilities	\$ 43,193
Credit card payable	6,207
Accrued salaries	139,217
	<hr/>
Total liabilities	188,617
	<hr/>
Net Assets	
Without donor restrictions	11,810,249
With donor restrictions	6,651,162
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Total net assets	18,461,411
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Total liabilities and net assets	\$ 18,650,028
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The Humane League
Statement of Activities
December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions	\$ 6,113,349	\$ -	\$ 6,113,349
Local grants and contracts	1,557,603	2,790,000	4,347,603
Other income	4,634	-	4,634
In-kind contributions	37,758	-	37,758
Net assets released from restrictions	5,810,595	(5,810,595)	-
	<u>13,523,939</u>	<u>(3,020,595)</u>	<u>10,503,344</u>
Expenses			
Program services	6,736,160	-	6,736,160
Management and general	1,178,780	-	1,178,780
Fundraising	1,305,557	-	1,305,557
	<u>9,220,497</u>	<u>-</u>	<u>9,220,497</u>
Total revenues in excess of expenses	<u>4,303,442</u>	<u>(3,020,595)</u>	<u>1,282,847</u>
Other Revenues (Expenses)			
Interest and dividends	106,794	-	106,794
Unrealized gain (loss) on investments	1,249,801	-	1,249,801
	<u>1,356,595</u>	<u>-</u>	<u>1,356,595</u>
Change in Net Assets	5,660,037	(3,020,595)	2,639,442
Net Assets, Beginning of Year	<u>6,150,212</u>	<u>9,671,757</u>	<u>15,821,969</u>
Net Assets, End of Year	<u>\$ 11,810,249</u>	<u>\$ 6,651,162</u>	<u>\$ 18,461,411</u>

The Humane League
Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services	Supporting Services		Total Expenses
	Program Expenses	Management and General	Fundraising	
Salaries	\$ 2,764,001	\$ 787,260	\$ 483,838	\$ 4,035,099
Payroll taxes	207,851	63,555	38,963	310,369
Employee benefits	267,448	99,184	51,695	418,327
Total salaries and related expenses	3,239,300	949,999	574,496	4,763,795
Advertising	330,311	-	134,916	465,227
Bank charges	6,533	5,337	5,111	16,981
Grants to others	1,776,686	-	-	1,776,686
Campaigns	30,511	2,853	11,420	44,784
Charitable registration and other fees	-	795	47,293	48,088
Insurance	16,857	6,999	2,443	26,299
Dues and subscriptions	6,926	2,463	3,228	12,617
Miscellaneous	-	2,326	-	2,326
Office expense	11,947	1,973	1,334	15,254
Postage	1,056	633	10,000	11,689
Printing	47,000	3,551	29,894	80,445
Professional fees	740,225	57,492	363,440	1,161,157
Events	163,390	34,488	37,788	235,666
Technology	88,389	10,366	53,049	151,804
Depreciation	3,326	1,172	622	5,120
Promotional merchandise	146	52,552	34	52,732
Travel	273,557	45,781	30,489	349,827
Total expenses	<u>\$ 6,736,160</u>	<u>\$ 1,178,780</u>	<u>\$ 1,305,557</u>	<u>\$ 9,220,497</u>

The Humane League
Statement of Cash Flows
Year Ended December 31, 2019

Operating Activities		
Change in net assets		\$ 2,639,442
Adjustments to reconcile change in net assets to net cash from operations		
Depreciation		5,120
Net unrealized and realized (gain) loss on investments		(1,249,801)
Change in operating assets and liabilities		
(Increase) decrease in accounts receivable		1,543,277
(Increase) decrease in other assets		(47,465)
Increase (decrease) in accounts payable and accrued expenses		38,540
Increase (decrease) in accrued payroll expenses		42,066
		<u>2,971,179</u>
Net Cash from Operating Activities		<u>2,971,179</u>
Investing Activities		
Proceeds from sales of investments		74,168
Purchases of investments		(622,572)
		<u>(548,404)</u>
Net Cash Flows from Investing Activities		<u>(548,404)</u>
Net Change in Cash and Cash Equivalents		2,422,775
Cash and Cash Equivalents, Beginning of Year		<u>1,408,092</u>
Cash and Cash Equivalents, End of Year		<u><u>\$ 3,830,867</u></u>
Supplemental Disclosure of Noncash Amounts		
In-kind donations		<u><u>\$ 37,758</u></u>

Note 1 - - Summary of Significant Accounting Policies

Organization

The Humane League (the Organization) was incorporated in the Commonwealth of Pennsylvania in 2005 as a nonprofit corporation. The Organization's mission is to end the abuse of animals raised for food. Their focus is educating companies and institutions about making more compassionate policy decisions as well as engaging in reform campaigns to encourage the adoption of higher standard welfare policies with regards to farm animals. The Organization is supported primarily through public contributions and grants.

Cash and Cash Equivalents

Cash and cash equivalents for the purposes of the statement of cash flows consist of cash held in checking and money market accounts and certificates of deposit with maturities of less than 90 days and available for current operations. The Organization maintains cash balances in financial institutions which are insured up to \$250,000. At December 31, 2019, the amount in excess of Federal depository insurance coverage was approximately \$3,579,000.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are recorded in the appropriate classification of net assets. If the restrictions are met either by passage of time or by use in the reporting period in which the income and gains are recognized, the income is recorded as increases in the without donor restrictions net assets. Investments are classified as short or long term based upon the Organization's intent to use for current operations.

Contributions and Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that have donor restrictions are reported as increases in the appropriate classification of net assets as temporarily or permanently restricted. When a restriction expires through either the passage of time or use, the assets are reclassified as assets released from restrictions in the statement of activities.

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. No significant amounts have been uncollectible therefore the provision for such losses is zero.

Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions.

Property and Equipment

The Organization capitalizes property and equipment purchased or donated with a fair value over \$1,000. Lesser amounts are expensed when purchased. Donations of property and equipment are recorded as contributions at their estimated fair value, if known. Such donations are reported as contributions without donor restrictions 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 contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in services. The Organization reclassifies items with donor restrictions to without donor restrictions at that time. Routine maintenance and repairs are charged to expense as incurred. Depreciation is computed on the straight-line method based on the assets' estimated useful lives ranging from three to thirty years.

Donated Services, Goods, and Facilities

Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising and development activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received.

No significant contributions of such goods or services were received during the year ended December 31, 2019.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Income Taxes

The Organization is a nonprofit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and classified by the Internal Revenue Service (IRS) as other than a private organization. Contributions received qualify as tax deductible gifts as provided in Section 170(b)(1)(A)(vi). The Organization is also exempt from State franchise and income taxes under various state regulations. Accordingly, no provision for income taxes has been reflected in these financial statements. The Organization's Federal Form 990, Return of Organization Exempt From Income Tax, is subject to examination by the IRS for three years, and by the various State tax authorities ranging from three to four years, after they were filed. The Organization is not aware of any such examinations at this time.

The Organization has adopted FASB ASC Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

Allocation of Functional Expenses

The costs of providing the various programs, fundraising, and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and fundraising activities benefited.

Note 2 - Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$	3,830,867
Accounts receivable		-
Investments		6,764,264
		6,764,264
		\$ 10,595,131

As part of the Organization's liquidity management, it has a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 3 - Grants and Pledge Receivables

Grants and pledges receivable represent amounts due to the Organization as follows:

Unrestricted promises to give	\$	1,530,933
Temporarily restricted promises to give		6,605,750
		8,136,683
Less unamortized discount		(140,530)
		\$ 7,996,153
Receivable in less than one year	\$	5,136,683
Receivable in one to five years		3,000,000
		8,136,683
Less unamortized discount		(140,530)
		\$ 7,996,153

Grants and Pledges represent unconditional promises to give, which have been made by donors, but not received. One donor represents approximately 80 percent of the unconditional promise to give balance. Two contributors represented approximately 43 percent of total grants and contribution revenue.

Note 4 - - Investments

Investments are recorded at fair value on the statement of financial position. The following table summarizes the investment returns which are recorded in the statement of activities:

Unrealized gains on investments	\$ 1,249,801
Interest and dividends	<u>106,794</u>
 Total investment income	 <u>1,356,595</u>
 Investment expenses	 <u>(10)</u>
 Total investment income, net of expenses	 <u><u>\$ 1,356,585</u></u>

Note 5 - - Market Value of Financial Assets and Liabilities

The Organization determines the fair market values of certain financial instruments based on the fair value hierarchy established in FASB ASC 820-10-50, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

The following provides a summary of the hierarchical levels used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities may include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and other instruments whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes U.S. Government and agency mortgage-backed debt securities, corporate debt securities, derivative contracts, residential mortgages, and loans held for sale.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, retained residual interests in securitizations, residential MSRs, asset-backed securities (ABS), highly-structured or long-term derivative contracts, and certain collateralized debt obligations (CDO) where independent pricing information was not able to be obtained for a significant portion of the underlying assets.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following table presents the balances of the assets measured at fair value on a recurring basis as of December 31, 2019. The Organization did not have any liabilities measured at fair value on a recurring basis as of December 31, 2019.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Common stock	\$ 14,018	\$ -	\$ -	\$ 14,018
Equity ETP	5,567,706	-	-	5,567,706
Fixed income ETP	945,369	-	-	945,369
Mutual Funds	140,747	-	-	140,747
CDs and money market accounts	96,424	-	-	96,424
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 6,764,264</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,764,264</u>

The Organization did not have any assets or liabilities recorded at fair value on a non-recurring basis.

Note 6 - - Equipment

Property and equipment at December 31, 2019, consisted of the following:

Furniture and equipment	\$ 18,513
Accumulated depreciation	<u>(13,767)</u>
Total capital assets	<u>\$ 4,746</u>

Depreciation expense for the year ended December 31, 2019, was \$5,120.

Note 7 - - Accounts Payable

Accounts payable and other accruals are due as follows:

	<u>Salaries</u>	<u>Programs</u>	<u>Total</u>
Payable in Less Than One Year	<u>\$ 139,217</u>	<u>\$ 49,400</u>	<u>\$ 188,617</u>

Note 8 - - Net Assets

Net Assets with donor restrictions consisted of program funds held for the following various purposes:

Open Philanthropy Project - time restricted grant	\$ 5,859,470
Open Wing Alliance	625,046
Legal	39,613
Translation of Animal Liberation Manual	30,484
Veg Advocacy	25,000
Broiler Campaign	<u>71,549</u>
Total	<u><u>\$ 6,651,162</u></u>

Note 9 - - Contract Commitments

The Organization has entered into a management contract for strategic services and consulting. The agreement is from September 15, 2017 to September 14, 2020. The future minimum payments are as follows

	Year Ending December 31
2020	<u><u>\$ 63,000</u></u>

Note 10 - - Subsequent Events

The Organization's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date August 20, 2020 which is the date the financial statements were available to be issued.

Investments

Subsequent to year-end, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the world-wide coronavirus pandemic. The Organization is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The Organization's Financial Statements do not include adjustments to fair value that have resulted from these declines.

Paycheck Protection Program (PPP) Loan

The Organization applied for and was granted a \$942,400 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The loan accrues interest, but payments are not required to begin for six months to one year after the funding of the loan. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Organization intends to take measures to maximize the loan forgiveness but cannot reasonably determine the portion of the loan that will ultimately be forgiven.