THE HUMANE LEAGUE

(A Pennsylvania Nonprofit Corporation)

ANNUAL FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2017

THE HUMANE LEAGUE
(A Pennsylvania Nonprofit Corporation)

December 31, 2017

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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE difference

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
The Humane League
Rockville, MD

We have audited the accompanying financial statements of The Humane League (a Pennsylvania nonprofit corporation) (the Organization), which comprise the statement of financial position as of December 31, 2017, 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.

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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, 2017, 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.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
August 29, 2018

THE HUMANE LEAGUE
(A Pennsylvania Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 1,975,838
Pledges and grants receivable	1,158,115
Other receivables	699,066
Prepaid expense	56,644
Total Current Assets	3,889,663
NONCURRENT ASSETS	
Investments	4,860,791
Property and equipment (net)	4,809
Total Noncurrent Assets	4,865,600
TOTAL ASSETS	$ 8,755,263
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and other accrued liabilities	$ 4,225
Credit card payable	15,714
Accrued salaries	45,974
Total Current Liabilities	65,913
TOTAL LIABILITIES	65,913
NET ASSETS	
Unrestricted	6,540,814
Temporarily restricted	2,148,536
Total Net Assets	8,689,350
TOTAL LIABILITIES AND NET ASSETS	$ 8,755,263

See the accompanying notes to financial statements.

THE HUMANE LEAGUE
(A Pennsylvania Nonprofit Corporation)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Total
Support and Revenues			
Contributions	$ 4,520,366	$ -	$ 4,520,366
Local grants and contracts	-	2,000,000	2,000,000
Program fees and other income	27,395	-	27,395
In-kind contributions	186,484	-	186,484
Special events	91,233	-	91,233
Net assets released from restrictions	2,279,501	(2,279,501)	-
Total Support and Revenues	7,104,979	(279,501)	6,825,478
Expenses			
Program services	3,432,750	-	3,432,750
Management and general	475,498	-	475,498
Fundraising	490,428	-	490,428
Total Expenses	4,398,676	-	4,398,676
Total Revenues in Excess of Expenses	2,706,303	(279,501)	2,426,802
Other Revenues (Expenses)			
Interest and dividends	61,854	-	61,854
Gain (loss) on disposal of asset	12,966	-	12,966
Realized gain (loss) on investments	417,125	-	417,125
Unrealized gain (loss) on investments	5,020	-	5,020
Total Other Revenues (Expenses)	496,965	-	496,965
CHANGE IN NET ASSETS	3,203,268	(279,501)	2,923,767
NET ASSETS, BEGINNING OF YEAR	3,337,546	2,428,037	5,765,583
NET ASSETS, END OF YEAR	$ 6,540,814	$ 2,148,536	$ 8,689,350

See the accompanying notes to financial statements.

THE HUMANE LEAGUE
(A Pennsylvania Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services	Supporting Services		
	Program Expenses	Management and General	Fundraising	Total Expenses
Salaries	$ 1,402,857	$ 213,227	$ 197,592	$ 1,813,676
Payroll taxes	109,059	18,398	13,582	141,039
Employee benefits	145,330	38,202	19,862	203,394
Total Salaries and Related Expenses	1,657,246	269,827	231,036	2,158,109
Advertising	467,689	8,760	1,660	478,109
Bank charges	1,629	6,341	36,848	44,818
Depreciation	-	3,484	-	3,484
Campaigns	52,993	3,805	1,985	58,783
Grants to others	74,347	-	500	74,847
Insurance	-	5,910	-	5,910
Dues and subscriptions	28,143	5,174	18,071	51,388
Miscellaneous	1,881	184	1,763	3,828
Occupancy	10,076	-	-	10,076
Office expense	2,176	4,265	13,928	20,369
Postage	7,850	1,108	5,850	14,808
Printing	26,106	687	13,445	40,238
Professional fees	667,461	78,128	66,958	812,547
Events	36,961	2,396	39,877	79,234
Technology	13,579	7,692	2,312	23,583
Telephone	276	3,116	-	3,392
In kind expenditures	86,738	62,504	37,242	186,484
Travel	297,599	12,117	18,953	328,669
Total Expenses	$ 3,432,750	$ 475,498	$ 490,428	$ 4,398,676

See the accompanying notes to financial statements.

THE HUMANE LEAGUE
(A Pennsylvania Nonprofit Corporation)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 2,923,767
Adjustments to reconcile change in net assets to net cash provided by operations	
Depreciation	3,484
(Gain) loss on disposal of capital assets	(12,966)
Net unrealized and realized (gain) loss on investments	(422,145)
Change in operating assets and liabilities	
(Increase) decrease in accounts receivable	(357,181)
(Increase) decrease in other assets	(56,644)
Increase (decrease) in accounts payable and accrued expenses	(6,542)
Increase (decrease) in accrued payroll expenses	(65,902)
Net Cash Flows From Operating Activities	2,005,871
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales of investments	241,160
Purchases of investments	(3,211,039)
Purchases of capital assets	(1,989)
Net Cash Flows From Investing Activities	(2,971,868)
NET CHANGE IN UNRESTRICTED CASH AND CASH EQUIVALENTS	(965,997)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,941,835
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,975,838
SUPPLEMENTAL DISCLOSURE OF NONCASH AMOUNTS	
In-kind donations	$ 186,484

See the accompanying notes to financial statements.

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 educate people about the well-being of animals and the need to prevent animal abuse as well as advocate a vegan diet. 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.

Financial Statement Presentation

The accompanying financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-210-50. Under ASC 958-210-50, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Organization is required to present a statement of cash flows. The Organization does not use fund accounting. Revenues are recognized when earned, and expenses are recognized when incurred in accordance with the accrual basis of accounting.

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, 2017, the amount in excess of Federal depository insurance coverage was approximately $1,717,000.

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 unrestricted 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 are restricted by the donor 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 unrestricted, temporarily restricted, or permanently restricted net assets 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 unrestricted contributions 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 temporarily restricted net assets to unrestricted net assets 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

A substantial number of volunteers have donated their time and experience to the Organization's program services and fundraising campaigns during the year. However, these donated services are not reflected in the financial statements since there is no readily determined method of valuing the services.

Donated services that were recognized included pro bono legal services valued at $149,242. The pro bono legal services were recognized in the financial statements as in-kind donation revenue and in-kind legal fees. The expenditures were allocated to both the Program and the Management and General functions. Donated supplies and materials in the amount of $37,242 for use in fundraising activities were also recorded.

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 - ACCOUNTS AND CONTRIBUTIONS RECEIVABLE

Accounts receivable represent amounts due to the Organization as follows:

Grants	$ 1,000,000
Pledges	158,115
Undeposited funds	696,866
Miscellaneous	2,200
Accounts Receivable	$ 1,857,181

Contributions receivable represent unconditional promises to give, which have been made by donors, but not received. One donor represents over 90% of the unconditional promise to give balance. Contributions receivable at December 31, 2017, were as follows:

Unrestricted promises to give	$ 158,115
Temporarily restricted promises to give	1,000,000
Net unconditional promises to give	$ 1,158,115

NOTE 3 - 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:

Realized gains on investments	$	12,966
Gains on investments		422,145
Interest and dividends		61,854
Total Investment Income	$	496,965

NOTE 4 - 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, 2017. The Organization did not have any liabilities measured at fair value on a recurring basis as of December 31, 2017.

	Level 1	Total
Assets		
Common stock	$ 116,407	$ 116,407
Equity ETP	3,425,671	3,425,671
Fixed income ETP	749,348	749,348
CDs and money market accounts	569,365	569,365
Total	$ 4,860,791	$ 4,860,791

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

NOTE 5 - EQUIPMENT

Property and equipment at December 31, 2017, consisted of the following:

Furniture and equipment	$ 8,293
Accumulated depreciation	(3,484)
Total Capital Assets	$ 4,809

Depreciation expense for the year ended December 31, 2017, was $3,484.

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable and other accruals are due as follows:

	Salaries	Programs	Total
Payable in less than one year	$ 45,974	$ 19,939	$ 65,913

NOTE 7 - NET ASSETS

Temporarily restricted net assets consisted of program funds held for the following various purposes:

Open Wing Alliance effort to end cage confinement of hens	$	1,952,604
International programs		195,932
Total	$	2,148,536

NOTE 8 – 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:

2018	$	76,000
2019		80,000
2020		63,000
	$	219,000

NOTE 9 - 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 29, 2018, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.