

THE HUMANE LEAGUE

Financial Statements

For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)



**and
Report Thereon**



THE HUMANE LEAGUE
TABLE OF CONTENTS
For the Year Ended December 31, 2022

	<i>Page</i>
Independent Auditors' Report.....	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7-13

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Humane League

Opinion

We have audited the financial statements of The Humane League, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Humane League as of December 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Humane League and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Humane League's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Humane League's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Humane League's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matter

Report on Summarized Comparative Information

We have previously audited The Humane League's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Washington, DC
June 23, 2023

THE HUMANE LEAGUE
STATEMENT OF FINANCIAL POSITION
December 31, 2022
(With Summarized Financial Information as of December 31, 2021)

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 1,874,972	\$ 5,707,768
Grants and contribution receivable	1,634,568	2,149,016
Prepaid expense and other assets	354,628	187,023
Investments	16,637,325	17,262,894
TOTAL ASSETS	\$ 20,501,493	\$ 25,306,701
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 2,188,502	\$ 145,512
Accrued payroll expenses	340,904	201,208
TOTAL LIABILITIES	2,529,406	346,720
Net Assets		
Without donor restrictions	16,828,151	20,945,492
With donor restrictions	1,143,936	4,014,489
TOTAL NET ASSETS	17,972,087	24,959,981
TOTAL LIABILITIES AND NET ASSETS	\$ 20,501,493	\$ 25,306,701

The accompanying notes are an integral part of these financial statements.

THE HUMANE LEAGUE

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
OPERATING SUPPORT AND REVENUE				
Grants and contracts	\$ 9,490,753	\$ 902,500	\$ 10,393,253	\$ 5,505,051
Contributions	4,951,184	-	4,951,184	6,462,836
Other income	12,688	-	12,688	11,560
Donated goods and services	35,553	-	35,553	3,262
Net assets released from restrictions:				
Satisfaction of program restrictions	2,993,098	(2,993,098)	-	-
Satisfaction of time restrictions	779,955	(779,955)	-	-
	18,263,231	(2,870,553)	15,392,678	11,982,709
TOTAL OPERATING REVENUE AND SUPPORT				
OPERATING EXPENSES				
Program services	15,556,227	-	15,556,227	7,850,220
Management and general	3,207,819	-	3,207,819	1,543,406
Fundraising	1,992,573	-	1,992,573	1,378,684
	20,756,619	-	20,756,619	10,772,310
TOTAL OPERATING EXPENSES				
Change in Net Assets From Operations	(2,493,388)	(2,870,553)	(5,363,941)	1,210,399
NONOPERATING ITEMS				
Investment income	434,173	-	434,173	293,298
Realized and unrealized (loss) gain on investments	(2,058,126)	-	(2,058,126)	1,188,316
Forgiveness of note payable	-	-	-	949,075
	(4,117,341)	(2,870,553)	(6,987,894)	3,641,088
CHANGE IN NET ASSETS				
NET ASSETS, BEGINNING OF YEAR	20,945,492	4,014,489	24,959,981	21,318,893
NET ASSETS, END OF YEAR	\$ 16,828,151	\$ 1,143,936	\$ 17,972,087	\$ 24,959,981

The accompanying notes are an integral part of these financial statements.

THE HUMANE LEAGUE

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

	Supporting Services			2022 Total	2021 Total
	Program Services	Management and General	Fundraising		
Salaries and benefits	\$ 6,413,837	\$ 1,878,773	\$ 1,101,905	\$ 9,394,515	\$ 5,933,499
Grants and awards	7,484,566	-	-	7,484,566	3,127,790
Professional fees	294,510	638,429	641,679	1,574,618	711,637
Advertising	449,234	8,989	5,724	463,947	400,706
Events	132,010	284,638	18,474	435,122	48,074
Technology	361,740	45,042	21,727	428,509	183,323
Education and training	84,926	244,394	2,309	331,629	73,151
Travel	160,287	41,794	24,627	226,708	25,561
Supplies	114,423	40,302	12,339	167,064	47,988
Printing and shipping	40,471	10,935	65,161	116,567	89,328
Charitable registration and other fees	7,682	3,929	97,335	108,946	88,489
Insurance	10,966	6,638	1,293	18,897	31,058
Miscellaneous	1,575	3,956	-	5,531	10,698
Depreciation	-	-	-	-	1,008
TOTAL EXPENSES	\$ 15,556,227	\$ 3,207,819	\$ 1,992,573	\$ 20,756,619	\$ 10,772,310

The accompanying notes are an integral part of these financial statements.

THE HUMANE LEAGUE
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2022
(With Summarized Financial Information for the Year Ended December 31, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (6,987,894)	\$ 3,641,088
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	-	1,008
Net realized and unrealized loss (gain) on investments	2,058,932	(1,188,316)
Decrease in discount for present value	(84,045)	(122,950)
Forgiveness of note payable	-	(949,075)
Changes in assets and liabilities:		
Grants and contribution receivable	598,493	2,894,257
Prepaid expense and other assets	(167,605)	(33,098)
Accounts payable and accrued expenses	2,042,990	90,460
Accrued payroll expenses	139,696	52,986
	<u>(2,399,433)</u>	<u>4,386,360</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	19,507,422	10,441,703
Purchases of investments	(20,898,250)	(14,089,338)
	<u>(1,390,828)</u>	<u>(3,647,635)</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
	<u>(2,399,433)</u>	<u>4,386,360</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	19,507,422	10,441,703
Purchases of investments	(20,898,250)	(14,089,338)
	<u>(1,390,828)</u>	<u>(3,647,635)</u>
NET CASH USED IN INVESTING ACTIVITIES		
	<u>(1,390,828)</u>	<u>(3,647,635)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,790,261)	738,725
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,924,257</u>	<u>5,185,532</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,133,996</u>	<u>\$ 5,924,257</u>
CASH AND CASH EQUIVALENTS REPORTED ON THE STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalents	1,874,972	5,707,768
Cash and cash equivalents held within investments	259,024	216,489
	<u>1,874,972</u>	<u>5,707,768</u>
	<u>259,024</u>	<u>216,489</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 2,133,996</u>	<u>\$ 5,924,257</u>
NONCASH FINANCING ACTIVITIES		
Forgiveness of note payable	<u>\$ -</u>	<u>\$ 949,075</u>

The accompanying notes are an integral part of these financial statements.

THE HUMANE LEAGUE

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2022

1. Organization and 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.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Cash and Cash Equivalents

The Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash and cash equivalents. Cash and cash equivalents that are specifically held for investment purposes are reported as investments.

Grants and Contribution Receivable

Unconditional grants and contributions that are expected to be collected within one year are recorded at their net realizable value. Unconditional grants and contributions that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates appropriate for the expected term of the promise to give. Amortization of the discount is included in contributions in the accompanying statement of activities. The Organization uses the allowance method to record potentially uncollectible receivables.

Investments

Investments consist of equities, exchange traded funds, corporate bonds, certificates of deposit and money market funds held for investment purposes. These investments are recorded in the accompanying statement of financial position at their fair value. 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.

Fair Value Measurement

In accordance with accounting standards for fair value measurement for those assets and liabilities that are measured at fair value on a recurring basis, the Organization has categorized its applicable financial instruments into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

THE HUMANE LEAGUE

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2022

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurement (continued)

If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument.

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Organization has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's assumptions about the assumptions a market participant would use in pricing the asset or liability.

As of December 31, 2022, the Organization's investments, as described in Note 3 of these financial statements, were measured at fair value on a recurring basis.

Net Assets

The net assets of the Organization are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for use at the discretion of the Board of Directors and/or management for the Organization's operations.
- Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. See Note 5 regarding the composition of net assets with donor restrictions.

Grants and Contributions

Grants and contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional amounts received that are designated for future periods or restricted for specific purposes by the donor are reported as support with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of a restriction is accomplished, the net assets are reclassified to without donor restriction and reported in the accompanying statement of activities as net assets released from restriction.

THE HUMANE LEAGUE

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2022

1. Organization and Summary of Significant Accounting Policies (continued)

Donated Goods and Services

Volunteers contribute significant amounts of time to the Organization's program services, administration, fundraising activities; however, the 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 goods or services were received during the year ended December 31, 2022.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting service based upon estimates deemed to justify the benefits received by each program and supporting service. Indirect costs are primarily allocated among the functional areas on the basis of direct salary and based on the Organization's approved allocation policy.

Grant and Award Expense

Unconditional grants and awards given are recorded as expenses when approved by the Organization.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Grants and Contributions Receivables

As of December 31, 2022, the Organization was owed \$1,634,568 for unconditional grants and contributions, which were all due in less than one year and was considered fully collectible.

THE HUMANE LEAGUE

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2022

3. Investments and Fair Value Measurement

The following table summarizes the Organization's investments measured at fair value on a recurring basis as of December 31, 2022, aggregated by the fair value hierarchy level with which those measurements were made:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Equities:				
US	\$ 6,192,577	\$ 6,192,577	\$ -	\$ -
Fixed-income	4,176,773	4,176,773	-	-
International	1,442,242	1,442,242	-	-
Exchange-traded funds	2,192,961	2,192,961	-	-
Corporate bonds	419,953	-	419,953	-
Certificates of deposit	1,953,795	-	1,953,795	-
Total Investments				
Classified in the Fair Value Hierarchy	16,378,301	<u>\$ 14,004,553</u>	<u>\$ 2,373,748</u>	<u>\$ -</u>
Cash and cash equivalents	<u>259,024</u>			
Total Investments	<u>\$ 16,637,325</u>			

The Organization uses the following methods and significant assumptions to estimate fair value for assets measured at fair value:

Equities and exchange-traded funds – Measured using quoted market prices for identical assets in active markets.

Corporate bonds and certificates of deposit – Measured based on pricing models, such as matrix pricing, quoted prices of securities with similar characteristics, or discounted cash flows.

4. Liquidity and Availability of Resources

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Cash and cash equivalents	\$ 1,874,972
Grants and contributions receivable	1,634,568
Investments	<u>16,637,325</u>
Total Financial Assets	20,146,865

THE HUMANE LEAGUE

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2022

4. Liquidity and Availability of Resources (continued)

(continued)

Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>\$ (1,143,936)</u>
Financial Assets Available to Meet	
General Expenditures Within One Year	<u>\$ 19,002,929</u>

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.

5. Net Assets

Net Assets With Donor Restrictions

The Organization's holds net assets with donor restrictions for purpose and time that were available as follows as of December 31, 2022:

Subject to expenditure for specified purpose:	
Factory Farm and Food System Campaign	\$ 252,224
Translation of Animal Liberation Manual	<u>27,712</u>
Total Subject to Expenditure for Specified Purpose	<u>279,936</u>
Subject to passage of time:	<u>864,000</u>
Total Net Assets With Donor Restrictions	<u>\$ 1,143,936</u>

6. Concentrations and Contingencies

Concentration of Credit Risk

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, 2022, the amount in excess of Federal depository insurance coverage was approximately \$1,549,000.

Major Grantors

The Organization was owed approximately 53% from one donor, of the unconditional promise to give balance as of December 31, 2022, respectively. Management does not believe that its relationship with this donor will be discontinued in the foreseeable future.

THE HUMANE LEAGUE

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2022

7. Related Parties

The Humane League UK (THL-UK) and The Humane League Mexico (THL-MX), are international charity organizations incorporated under local regulations. These organizations are related to the Organization through common board members. There is no controlling financial interest between the organizations. During the year ended December 31, 2022, the Organization provided THL-UK and THL-MX grants in the amounts of \$1,973,587 and \$1,500,000, respectively.

8. Retirement Plan

The Organization maintains a defined contribution 401(k) savings plan for all employees. Employees may contribute elective deferrals of salary to the plan, and the Organization will match 100% of the elective deferral, up to 3% of an employee's salary. Employees are fully vested after 4 years of service. The Organization made contributions to the plan totaling \$223,170 for the year ended December 31, 2022.

9. Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is classified as a publicly supported organization under Section 509(a)(1) of the Internal Revenue Code. No provision for income taxes is required for the year ended December 31, 2022, as the Organization had no significant net unrelated business income.

The Organization performed an evaluation of uncertain tax positions for the year ended December 31, 2022, and determined that there are no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2022, the statute of limitations remained open with the U.S. federal jurisdiction and/or the various states and local jurisdictions in which the Organization files tax returns; however, there are currently no audits for any tax periods pending or in progress. It is the Organization's policy to recognize interest and penalties related to uncertain tax positions, if any, in income tax or interest expense. As of December 31, 2022, the Organization had no accruals for interest and/or penalties.

10. Summarized Prior Year Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

THE HUMANE LEAGUE

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2022

11. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 23, 2023, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these financial statements.