

**AMERICAN HUMANIST ASSOCIATION AND AFFILIATED ENTITIES**

**Consolidated Financial Statements Together with  
Report of Independent Public Accountants**

**For the Year Ended December 31, 2017**



**DECEMBER 31, 2017**

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

The Board of Directors  
American Humanist Association

We have audited the accompanying financial statements of American Humanist Association (the Organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows 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 Organization 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.

Sterling, VA  
May 8, 2018

Potomac CPAs + Consultants, LLC

**AMERICAN HUMANIST ASSOCIATION AND AFFILIATED ENTITIES**  
**Statement of Financial Position**  
**For the Year Ended December 31, 2017 with Comparative 2016 Total**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 914,666	\$ 599,387
Investments	3,330,236	3,168,723
Accounts receivable, net	568,624	297,937
Prepaid Expenses	30,900	19,035
Cash and securities set aside for annuity payment obligations	1,334,642	1,135,375
Cash surrender value of life insurance policy	8,241	8,465
Property and equipment net of accumulated depreciation	4,119,333	4,000,728
Other Assets	204,954	181,039
<b>Total Assets</b>	<b>\$ 10,511,596</b>	<b>\$ 9,410,689</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 277,854	\$ 333,921
Accrued expenses and other liabilities	84,641	82,807
Payment obligations under annuity contracts	275,878	357,543
Other Liabilities	88,377	96,357
<b>Total Liabilities</b>	<b>726,750</b>	<b>870,628</b>
<b>Net Assets</b>		
Unrestricted net assets	8,628,843	7,868,070
Temporarily restricted net assets	818,676	334,664
Permanently restricted net assets	337,327	337,327
<b>Total Net Assets</b>	<b>9,784,846</b>	<b>8,540,061</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 10,511,596</b>	<b>\$ 9,410,689</b>

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

**AMERICAN HUMANIST ASSOCIATION AND AFFILIATED ENTITIES**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended December 31, 2017 with Comparative 2016 Total**

	<u>2017</u>	<u>2016</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>		
<b>Revenue, Gains and Support</b>		
Contributions	\$ 1,717,377	\$ 1,367,166
Bequests	246,091	285,387
Membership	452,737	398,074
Humanist magazine	48,408	55,775
Conference and seminars	77,098	100,395
Publication sales	8,821	18,861
Grants	123,491	15,000
Legal settlements	109,981	49,699
Management fees	16,500	26,056
Professional fees	29,503	33,637
Other income	12,939	8,350
Interest and dividends	85,121	136,759
Net unrealized gain (loss) on investments	533,938	78,290
Net realized gain on investments	135,658	68,400
Net realized gain on the sale of building	-	1,172,107
Change in valuation of annuity payment obligation	38,012	(81,132)
Net assets released from restrictions	14,683	1,246,005
<b>Total Revenue and Support</b>	<u>3,650,358</u>	<u>4,978,829</u>
<b>Expenses</b>		
Program Services: Education and public awareness	2,448,556	2,255,935
Fundraising	330,685	301,816
Management and general administrative	110,344	101,457
<b>Total Expenses</b>	<u>2,889,585</u>	<u>2,659,208</u>
<b>Change in Unrestricted Net Assets</b>	<u>760,773</u>	<u>2,319,621</u>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>		
Dividends	3,213	4,971
Contributions	467,236	79,729
Net realized gain on investments	3,622	1,726
Net unrealized gain (loss) on investments	24,624	14,807
Net assets released from restrictions	(14,683)	(1,246,005)
<b>Change in Temporarily Restricted Net Assets</b>	<u>484,012</u>	<u>(1,144,772)</u>
<b>CHANGE IN NET ASSETS</b>		
Changes in Net Assets	1,244,785	1,174,849
Net Assets, Beginning of Year	8,540,061	7,365,212
<b>Net Assets, End of Year</b>	<u>\$ 9,784,846</u>	<u>\$ 8,540,061</u>

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

**AMERICAN HUMANIST ASSOCIATION AND AFFILIATED ENTITIES**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2017 with Comparative 2016 Total**

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities</b>		
<b>Changes in net assets</b>	<b>\$ 1,244,785</b>	<b>\$ 1,174,849</b>
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	60,221	25,174
Realized and Unrealized (gain) loss on investments	(697,842)	(163,223)
Change in valuation of annuity obligations	(42,441)	81,032
(Increase) decrease in accounts receivable	(270,687)	(170,006)
(Increase) decrease in other assets	(35,780)	13,903
Increase (decrease) in accounts payable	(56,067)	233,455
Increase (decrease) in accrued expenses and other liabilities	(6,146)	(2,276)
<b>Net Cash from Operating Activities</b>	<b>196,043</b>	<b>1,192,908</b>
 <b>Cash Flows from Investing Activities</b>		
(Acquisition) / disposition of fixed assets	(178,826)	(3,640,436)
(Increase) decrease in cash surrender value of life insurance policy	224	166
Increase (decrease) in cash balances in investment accounts	14,500	(37,782)
Stock donations	12,249	-
Proceeds from sales of investment securities	1,012,230	6,406,169
Purchase of investment securities	(701,917)	(4,065,556)
<b>Net Cash from Investing Activities</b>	<b>158,460</b>	<b>(1,337,439)</b>
 <b>Cash Flows from Financing Activities</b>		
Donated annuity contracts	10,000	-
Payments to annuitants	(49,224)	(53,087)
<b>Net Cash from Financing Activities</b>	<b>(39,224)</b>	<b>(53,087)</b>
 Net Change in Cash and Cash Equivalents	<b>315,279</b>	<b>(197,618)</b>
Cash and Cash Equivalents, Beginning of Year	<b>599,387</b>	<b>797,005</b>
Cash and Cash Equivalents, End of Year	<b>\$ 914,666</b>	<b>\$ 599,387</b>

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

AMERICAN HUMANIST ASSOCIATION AND AFFILIATED ENTITIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

**NOTE 1: ORGANIZATION**

The consolidated financial statements include the accounts of the American Humanist Association, the Humanist Foundation, the Humanist Society, and the Center for Freethought. All intercompany transactions and accounts have been eliminated. The consolidated financial statements do not include the operations and accounts of local chapters of the American Humanist Association that are organized and operated as separate entities.

The American Humanist Association (AHA) was organized under the laws of the State of Illinois as a not for profit corporation in 1943. The mission of the American Humanist Association is to be a clear, democratic voice for Humanism in the United States, to increase public awareness and acceptance of Humanism, to establish, protect and promote the position of Humanists in our society, and to develop and advance Humanist thought and action.

The Humanist Foundation (HF) was incorporated under the Revised Iowa Nonprofit Corporations Act in 2012 for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. HF is the endowment fund that supports the activities of AHA - its sole member. Prior to its incorporation in 2012, HF operated as the Humanist Foundation of the American Humanist Association - a component of AHA.

The Humanist Society (the Society) was established in 1939 to promote a scientific, humanistic life stance.

The Center for Freethought Equality (CFE) was incorporated in 2004 under the Nonprofit Corporation Act of the District of Columbia for educational purposes within the meaning of Section 501(c)(4) of the Internal Revenue Code. CFE is an educational philosophic organization in support of the life stance of humanism that will present a Humanist perspective to the general public. In 2014, the Center for Freethought Equality changed its name from the Center for Humanism Activism of the American Humanist Association in order to improve its outreach efforts.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of presentation

The consolidated financial statements are prepared on the accrual basis of accounting and include the accounts of the entities listed in Note 1, collectively referred to as “the Organization”.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although actual results could differ from these estimates, management does not believe that such differences will be material.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Tax status

The American Humanist Association and The Humanist Society are exempt from the payment of income taxes on their exempt activities under Section 501(c)(3) of the Internal Revenue Code and are both classified as other than private foundations within the meaning of Section 509(a)(1) of the Internal Revenue Code. Both entities are also exempt from District of Columbia taxes.

The Humanist Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as a Type II supporting organization under section 509(a)(3) of the Code.

The Center for Freethought Equality is exempt from Federal income taxes under Section 501(c)(4) of the Internal Revenue Code and is also exempt from District of Columbia income taxes.

The Organization adopted the accounting standard related to uncertain income tax positions. The standard requires that an uncertain income tax position must be more likely than not (greater than 50% likelihood of realization) before it is recognized in the financial statements. Furthermore, the standard requires that the amount recognized be the same as that which would be determined as a result of a review by tax authorities having all relevant information. During the year ended December 31, 2017 and 2016, management did not identify any uncertain income tax positions. At a minimum, the December 31, 2014 through 2016 tax years are open for examination by taxing authorities.

Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents consist primarily of cash on hand, deposits in banks and investment companies, and highly liquid investments with an original maturity of 90 days or less and certificates of deposits with maturities of less than one year.

Fair value of financial instruments

The organizations financial instruments consist of cash and cash equivalents, accounts receivable, investments in marketable securities, cash surrender value of life insurance policies, accounts payable, accrued expenses, notes payable and annuity payment obligations.

Receivables, cash surrender value of life insurance policies are reported at their net realizable value, which approximates fair value. Investments in marketable securities are reported at their fair value. All other financial instruments are stated at cost, which approximates fair value.

Accounts receivable

Grants and other receivable are carried at original pledge amount or invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts. The Organizations estimate uncollectible amounts by identifying troubled accounts and using historical experience applied to outstanding accounts receivable.



**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Investments

Investments are measured and reported at fair value. The fair value of debt securities, institutional mutual funds, and equity securities with a readily determinable fair value is based on quotations obtained from national security exchanges.

Property and equipment

Property, equipment, and leasehold improvements are reported at cost net of accumulated depreciation. Management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered. If the sum of the undiscounted expected future cash flows is less than the carrying amount of an asset, the Organizations recognize an impairment loss based on the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets or the lease term. The useful lives range five to 40 years. Maintenance and repair costs are expensed as incurred.

Net Assets

The Organization's net assets and changes therein are classified and reported as follows:

Unrestricted net assets - Unrestricted net assets include gifts, pledges, and trusts as well as income and gains that are not subject to donor-imposed stipulations and include amounts designated by the Board of Directors for specific purposes.

Temporarily restricted net assets - Temporarily restricted net assets include gifts, pledges, and trusts as well as income and gains that can be expended, but for which restrictions have not yet been met. Such restrictions include purpose restrictions wherein donors have specified the purpose for which the net assets are to be spent or time restriction. When restrictions are fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted - Permanently restricted net assets include gifts, pledges, and trusts subject to donor-imposed stipulations to be invested in perpetuity, and only the income may be available for program operations.

Contributions, bequests and grants

Contributions and bequests are reported as revenue in the year the donor notifies the Organizations of his or her intent to make the donation. Grants are recognized as revenue during the period that the Organizations met all the grant requirements.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Contributions received in connection with annuity agreements

Contributions received from donors in connection with annuity payment obligations are reported as unrestricted contributions revenues net of the liability recorded for the estimated future payments to be made to the respective donors. The liability amount is reported based on the estimated future payments to each annuitant by taking into account the annuitant's age and life expectancy. As annuity contracts expire due to death of annuitants, the unpaid balance on the annuity contracts is recognized as period income in the unrestricted fund.

Membership dues

Membership dues are reported as income in the period that the dues are received.

Advertising Costs

Advertising costs are reported as expense when incurred.

Functional allocation of expenses

The Organizations summarize the cost of providing and managing their various programs and supporting activities on a functional basis in the accompanying consolidated statement of activities. Accordingly, certain costs are allocated among the benefiting program and supporting services based on specific identification or reasonable allocation methodologies.

**NOTE 3: FAIR VALUE MEASUREMENT**

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset or liability and a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to the Organizations assumptions (unobservable inputs).

AMERICAN HUMANIST ASSOCIATION AND AFFILIATED ENTITIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2017 AND 2016

**NOTE 3: FAIR VALUE MEASUREMENT (continued)**

The three levels of the hierarchy are as follows:

- Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets.
- Level 2 Other observable inputs, either directly or indirectly, including:
- Quoted prices for similar assets/liabilities in active markets;
  - Quoted prices for identical or similar assets in non-active markets;
  - Inputs other than quoted prices that are observable for the asset/liability; and
  - Inputs that are derived principally from or corroborated by other observable market data.
- Level 3 Unobservable inputs that cannot be corroborated by observable market data.

The Organizations measure cash and cash equivalents and investment in marketable securities at fair value. In accordance with the fair value hierarchy described above, the following table shows the fair value of the Organizations financial assets that are required to be measured at fair value at December 31, 2017 and 2016:

<b>December 31, 2017</b>	<b>FHA Endowment Fund</b>	<b>Designated for future operations</b>	<b>Designated for payment of annuities</b>	<b>Unrestricted Securities</b>	<b>Fair Value [Level 1]</b>
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 914,666
Investments					
Mutual funds	-	-	-	-	-
Equity securities	76,046	164,386	701,467	1,609,373	2,551,272
Exchange-traded funds	-	214	-	-	214
Bonds	16,748	-	156,198	358,847	531,793
Dynamic asset allocation overlay	-	-	344,206	785,910	1,130,116
Real asset securities	6,837	-	63,962	147,038	217,837
Money market funds	-	-	-	-	-
Alternative fund	-	-	57,225	145,585	202,810
Cash balances in investment	-	5,145	11,584	14,107	30,836
Total investments	99,631	169,745	1,334,642	3,060,860	4,664,878
Total cash and investments	\$ 99,631	\$ 169,745	\$ 1,334,642	\$ 3,060,860	\$ 5,579,544

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**NOTE 3: FAIR VALUE MEASUREMENT (continued)**

<b>December 31, 2016</b>	<b>FHA Endowment Fund</b>	<b>Designated for future operations</b>	<b>Designated for payment of annuities</b>	<b>Unrestricted Securities</b>	<b>Fair Value [Level 1]</b>
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 599,387
Investments					
Mutual funds	22,331	-	662,678	1,583,869	2,268,878
Equity securities	61,726	150,212	415,615	1,048,169	1,675,722
Exchange-traded funds	-	1,102	-	-	1,102
Bond funds	-	-	-	-	-
Corporate bonds	-	-	-	-	-
Preferred equity securities	-	-	-	-	-
Money market funds	-	-	-	-	-
Alternative fund	-	-	53,556	288,504	342,060
Cash balances in investment	-	8,452	3,526	4,358	16,336
Total investments	84,057	159,766	1,135,375	2,924,900	4,304,098
Total cash and investments	\$ 84,057	\$ 159,766	\$ 1,135,375	\$ 2,924,900	\$ 4,903,485

**NOTE 4: INVESTMENT IN MARKETABLE SECURITIES**

Net unrealized gains on investments were as follows:

<b>2017</b>	<b>FHA Endowment Fund</b>	<b>Designated for future operations</b>	<b>Designated for payment of annuities</b>	<b>Unrestricted Securities</b>	<b>Total</b>
Investments at fair value	\$ 99,631	\$ 169,745	\$ 1,334,642	\$ 3,060,860	\$ 4,664,878
Investments at cost or donated value	82,977	115,275	1,120,942	2,653,134	3,972,328
Unrealized gain	\$ 16,654	\$ 54,470	\$ 213,700	\$ 407,726	\$ 692,550

<b>2016</b>	<b>FHA Endowment Fund</b>	<b>Designated for future operations</b>	<b>Designated for payment of annuities</b>	<b>Unrestricted Securities</b>	<b>Total</b>
Investments at fair value	\$ 84,057	\$ 159,766	\$ 1,135,375	\$ 2,924,900	\$ 4,304,098
Investments at cost or donated value	81,196	136,753	1,060,040	2,869,994	4,147,983
Unrealized gain	\$ 2,861	\$ 23,013	\$ 75,335	\$ 54,906	\$ 156,115

AMERICAN HUMANIST ASSOCIATION AND AFFILIATED ENTITIES  
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**NOTE 4: INVESTMENT IN MARKETABLE SECURITIES (continued)**

Net investment income including net realized and unrealized gain on marketable securities were as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 88,334	\$ 141,730
Realized gains	139,280	70,126
Unrealized gains / (losses)	558,562	93,097
Total investment income	<u>786,176</u>	<u>304,953</u>
Less: investment expenses	<u>(24,703)</u>	<u>(24,979)</u>
Net investment income	<u>\$ 761,473</u>	<u>\$ 279,974</u>

**NOTE 5: PROPERTY AND EQUIPMENT**

Property and equipment at December 31 comprised:

	<u>2017</u>	<u>2016</u>
Land	2,532,769	2,532,769
Building	1,333,192	1,333,192
Building improvements	152,629	20,850
Furniture, equipment & software	361,082	314,035
Total	<u>4,379,672</u>	<u>4,200,846</u>
Accumulated depreciation and amortization	<u>(260,339)</u>	<u>(200,118)</u>
Net book value	<u>4,119,333</u>	<u>4,000,728</u>

**NOTE 6: NOTE PAYABLE**

In December 2010, AHA obtained an unsecured revolving credit facility with a maximum principal amount of \$100,000 from a commercial bank. The interest rate on borrowings under the credit facility was established at the highest Prime Rate published in the Money Rates section of The Wall Street Journal for the last day of the preceding calendar month. At December 31, 2017 and 2016, AHA did not owe any balance against the credit line.

**NOTE 7: ANNUITY AGREEMENTS**

At December 31, 2017, The Humanist Foundation was a party to Annuity Agreements (Agreements) it executed with fifteen (15) donors to the Humanist Endowment Fund. By the terms of the individual Agreements, each donor made a one-time contribution to the Endowment Fund with the understanding that AHA will use the funds for its educational and charitable activities pursuant to the Agreement of Trust of the American Humanist Association. As a consideration for the contribution from the donor, the Foundation agreed to make periodic annuity payments to the donor over the life of the donor.

AMERICAN HUMANIST ASSOCIATION AND AFFILIATED ENTITIES  
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**NOTE 7: ANNUITY AGREEMENTS (continued)**

By the terms of the individual Agreements, the Foundation is discharged from its payment obligations upon the death of the annuitant. The total amount of contributions received from annuitants relative to the fifteen (15) unexpired annuity contracts as of December 31, 2017 and 2016 were \$656,875 and \$846,875, respectively.

The periodic payment amount for each annuitant and the frequency of the payment were determined at the time the Foundation received the initial contribution from the donor. Both the periodic payment amount and the frequency of payment for each annuitant were based on an actuarial computation that took into account the donor's age and life expectancy; the expected rate of return on the trust amount; and a payout percentage that is below the expected rate of return.

In 2009, the Foundation established an investment sub-account and transferred a portion of its investment portfolio to the sub-account in order to fund the annuity payment obligations. At December 31, 2017, the fair value of the cash and marketable securities in the sub-account was \$1,334,642. The fair value of the cash and securities in the sub-account as of December 31, 2016 was \$1,135,375.

In 2017, the Foundation re-determined its estimate of its annuity payment obligations based on the age and related life expectancy of each annuitant as of December 31, 2017 and decreased its previous estimate by \$42,441. The estimated payment obligation relative to the 13 active annuity contracts on December 31, 2017 and 13 contracts in 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Estimated Payment obligations on unexpired annuity contracts, beginning of year	\$ 357,543	\$ 329,598
Change in valuation of annuity payment obligations	(42,441)	81,032
New annuity contracts	10,000	-
Less annuity payments	(49,224)	(53,087)
Estimated payment obligation on active contracts, end of year	<u>\$ 275,878</u>	<u>\$ 357,543</u>

**NOTE 8: VOLUNTARY BOARD-APPROVED SEGREGATION OF UNRESTRICTED NET ASSETS**

At December 31, 2017 and 2016, the Board of Directors of the American Humanist Association has designated the amounts, below, from its unrestricted net assets for the following purposes:

	<u>2017</u>	<u>2016</u>
Payment of annuity contracts	<u>1,058,764</u>	<u>858,964</u>
Total	<u>\$ 1,058,764</u>	<u>\$ 858,964</u>

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**NOTE 8: VOLUNTARY BOARD-APPROVED SEGREGATION OF UNRESTRICTED NET ASSETS  
 (continued)**

The designations are voluntary and may be reversed by the governing boards at any time and, accordingly, the designated portions of net assets are not considered restricted.

**NOTE 9: TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS**

At December 31, 2017 and 2016, temporarily and permanently restricted net assets comprised of:

	<u>2017</u>	<u>2016</u>
<b>Temporarily Restricted</b>		
Gamm Fund - for operations	169,530	152,085
Feminist Humanist Alliance	5,277	5,252
FHA Endowment Fund	99,631	84,057
Education Center	413,560	-
Other Funds	130,678	93,270
Total Temporarily Restricted Net Asset	<u>\$ 818,676</u>	<u>\$ 334,664</u>
<b>Permanently Restricted</b>		
Fahnestock Trust - corpus to be maintained in perpetuity	<u>\$ 337,327</u>	<u>\$ 337,327</u>
Total Permanently Restricted	<u>\$ 337,327</u>	<u>\$ 337,327</u>

**NOTE 10: RETIREMENT PLAN**

All employees of the AHA and CFE are eligible to participate in the 403(b) and 401(k) retirement plans, respectively. Voluntary contributions by employees may be made up to the legal limit. Both AHA and CFE offer a match of up to 1% of gross salary per pay period along with a discretionary base contribution.

**NOTE 11: THE HUMANIST INSTITUTE AGREEMENT**

Effective December 31, 2017, The Humanist Institute was dissolved and the sum of Two Hundred Fifty Thousand Dollars (\$250,000.00) was conveyed to the Humanist Foundation, an Iowa corporation, which is the Endowment Fund of the American Humanist Association, with the restriction that commencing one year after the transfer of such funds, 5% of the current value of that Fund as of December 31<sup>st</sup> of each preceding year shall be transferred to the American Humanist Association's budget for purpose of serving the AHA Education Department's needs.

AMERICAN HUMANIST ASSOCIATION AND AFFILIATED ENTITIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2017 AND 2016

**NOTE 12: RELATED PARTY TRANSACTIONS**

During 2017 and 2016, AHA had the following related party transactions with its affiliates:

	<u>2017</u>	<u>2016</u>
Management fees charged to HS	\$ 24,000	\$ 18,000
Management fees charged to CFE	6,000	6,000
Contributions to CFE	76,500	73,258
Contributions received from HF	-	400,000
Year-end receivable balance from CFE	6,299	6,831
Year-end receivable balance from HS	-	15,966
Year-end receivable balance from HF	8,833	25,865

**NOTE 13: CONCENTRATIONS**

Cash in financial institutions

The Organizations maintain demand deposits with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government.

Investments

The Association and the Foundation invest funds in professional managed portfolio of marketable securities. Such investments are exposed to interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the consolidated statement of financial position.

The investment portfolio for The Foundation is managed by one investment firm and the investment portfolio includes stock funds that are actively managed by the firm.

**NOTE 14: SUBSEQUENT EVENTS**

In preparing these financial statements, the Corporations have evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued, May 8, 2018.



SUPPLEMENTARY INFORMATION

**AMERICAN HUMANIST ASSOCIATION AND AFFILIATED ENTITIES**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2017 with Comparative 2016 Total**

	2017				2016
	Program Services	Management and General	Fundraising	Total	Total
Salaries and Fringe Benefits	\$ 1,043,648	\$ 46,656	\$ 135,768	\$ 1,226,072	\$ 1,289,144
Promotion and Advertising	221,938	10,027	30,326	262,291	263,323
Conference & Meetings	172,328	7,815	23,947	204,090	216,565
Humanist Magazine	77,982	3,562	11,184	92,728	95,703
Professional Services	103,583	4,522	11,969	120,074	100,310
Travel & Entertainment	35,186	1,582	4,705	41,473	37,868
Facilities Expense	81,826	3,737	11,735	97,298	99,369
Litigation Expense	17,180	785	2,464	20,429	45,410
Books & Merchandise	7,756	350	1,047	9,153	8,978
Equipment Lease & Maintenance	19,960	912	2,863	23,735	18,196
Dues & Support	27,056	1,235	3,871	32,162	84,999
Internet & Telephone Expenses	31,254	1,416	4,328	36,998	68,767
Database Expenses	70,567	3,176	9,468	83,211	50,456
Postage and Freight	37,746	1,716	5,307	44,769	42,402
Free Mind Production	22,552	1,030	3,234	26,816	26,655
Investment Expenses	20,775	949	2,979	24,703	24,979
Bank Charges	22,225	1,012	3,153	26,390	23,121
Office Supplies	19,204	877	2,754	22,835	15,175
AHA Board/Election	24,133	1,102	3,461	28,696	46,412
Scholarship and Support	-	-	-	-	13,200
Miscellaneous	11,130	508	1,596	13,234	2,549
Capital Campaign Expenses	306,704	14,008	43,986	364,698	37,329
Annuity Administration Fee	2,152	98	309	2,559	2,839
Depreciation Expense	50,671	2,312	7,238	60,221	25,174
Grants	6,973	318	1,000	8,291	-
Annual AHA Funding	11,838	541	1,698	14,077	14,800
Printing Expense	145	5	2	152	1,766
Tax Expense	2,044	93	293	2,430	3,719
<b>Total</b>	<b>\$ 2,448,556</b>	<b>\$ 110,344</b>	<b>\$ 330,685</b>	<b>\$ 2,889,585</b>	<b>\$ 2,659,208</b>

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

**AMERICAN HUMANIST ASSOCIATION AND AFFILIATED ENTITIES**  
**Statement of Financial Position**  
**For the Year Ended December 31, 2017**

	<b>American Humanist Association</b>	<b>Humanist Foundation</b>	<b>Humanist Society</b>	<b>Center for Freethought Equality</b>	<b>Total</b>	<b>Elimination</b>	<b>Consolidated</b>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 432,066	\$ 403,758	\$ 36,832	\$ 42,010	\$ 914,666	\$ -	\$ 914,666
Investments	-	3,330,236	-	-	3,330,236	-	3,330,236
Accounts receivable, net	283,421	286,011	1,071	4,420	574,923	(6,299)	568,624
Prepaid Expenses	24,400	-	-	6,500	30,900	-	30,900
Cash and securities set aside for annuity payment obligations	-	1,334,642	-	-	1,334,642	-	1,334,642
Cash surrender value of life insurance policy	-	8,241	-	-	8,241	-	8,241
Property and equipment net of accumulated depreciation	24,497	4,094,396	-	440	4,119,333	-	4,119,333
Other Assets	-	204,954	-	-	204,954	-	204,954
<b>Total Assets</b>	<b>\$ 764,384</b>	<b>\$ 9,662,238</b>	<b>\$ 37,903</b>	<b>\$ 53,370</b>	<b>\$ 10,517,895</b>	<b>\$ (6,299)</b>	<b>\$ 10,511,596</b>
<b>LIABILITIES AND NET ASSETS</b>							
<b>Liabilities</b>							
Accounts payable	\$ 179,546	\$ 88,225	\$ 991	\$ 15,391	\$ 284,153	\$ (6,299)	\$ 277,854
Accrued expenses and other liabilities	80,053	-	-	4,588	84,641	-	84,641
Payment obligations under annuity contracts	-	275,878	-	-	275,878	-	275,878
Other Liabilities	4,354	82,650	-	1,373	88,377	-	88,377
<b>Total Liabilities</b>	<b>263,953</b>	<b>446,753</b>	<b>991</b>	<b>21,352</b>	<b>733,049</b>	<b>(6,299)</b>	<b>726,750</b>
<b>Net Assets</b>							
Unrestricted net assets	328,170	8,236,692	31,963	32,018	8,628,843	-	8,628,843
Temporarily restricted net assets	172,261	641,466	4,949	-	818,676	-	818,676
Permanently restricted net assets	-	337,327	-	-	337,327	-	337,327
<b>Total Net Assets</b>	<b>500,431</b>	<b>9,215,485</b>	<b>36,912</b>	<b>32,018</b>	<b>9,784,846</b>	<b>-</b>	<b>9,784,846</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 764,384</b>	<b>\$ 9,662,238</b>	<b>\$ 37,903</b>	<b>\$ 53,370</b>	<b>\$ 10,517,895</b>	<b>\$ (6,299)</b>	<b>\$ 10,511,596</b>

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

**AMERICAN HUMANIST ASSOCIATION AND AFFILIATED ENTITIES**  
**Statement of Financial Position**  
**For the Year Ended December 31, 2016**

	<b>American Humanist Association</b>	<b>Humanist Foundation</b>	<b>Humanist Society</b>	<b>Center for Freethought Equality</b>	<b>Total</b>	<b>Elimination</b>	<b>Consolidated</b>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 367,052	\$ 177,653	\$ 40,018	\$ 14,664	\$ 599,387	\$ -	\$ 599,387
Investments	-	3,168,723	-	-	3,168,723	-	3,168,723
Accounts receivable, net	278,280	13,850	1,507	27,097	320,734	(22,797)	297,937
Prepaid Expenses	19,035	-	-	-	19,035	-	19,035
Cash and securities set aside for annuity payment obligations	-	1,135,375	-	-	1,135,375	-	1,135,375
Cash surrender value of life insurance policy	-	8,465	-	-	8,465	-	8,465
Property and equipment net of accumulated depreciation	12,992	3,987,059	-	677	4,000,728	-	4,000,728
Other Assets	-	181,039	-	-	181,039	-	181,039
<b>Total Assets</b>	<b>\$ 677,359</b>	<b>\$ 8,672,164</b>	<b>\$ 41,525</b>	<b>\$ 42,438</b>	<b>\$ 9,433,486</b>	<b>\$ (22,797)</b>	<b>\$ 9,410,689</b>
<b>LIABILITIES AND NET ASSETS</b>							
<b>Liabilities</b>							
Accounts payable	\$ 211,370	\$ 124,453	\$ 12,899	\$ 7,996	\$ 356,718	\$ (22,797)	\$ 333,921
Accrued expenses and other liabilities	79,587	-	-	3,220	82,807	-	82,807
Payment obligations under annuity contracts	-	357,543	-	-	357,543	-	357,543
Other Liabilities	3,256	91,716	-	1,385	96,357	-	96,357
<b>Total Liabilities</b>	<b>294,213</b>	<b>573,712</b>	<b>12,899</b>	<b>12,601</b>	<b>893,425</b>	<b>(22,797)</b>	<b>870,628</b>
<b>Net Assets</b>							
Unrestricted net assets	373,947	7,435,660	28,626	29,837	7,868,070	-	7,868,070
Temporarily restricted net assets	9,199	325,465	-	-	334,664	-	334,664
Permanently restricted net assets	-	337,327	-	-	337,327	-	337,327
<b>Total Net Assets</b>	<b>383,146</b>	<b>8,098,452</b>	<b>28,626</b>	<b>29,837</b>	<b>8,540,061</b>	<b>-</b>	<b>8,540,061</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 677,359</b>	<b>\$ 8,672,164</b>	<b>\$ 41,525</b>	<b>\$ 42,438</b>	<b>\$ 9,433,486</b>	<b>\$ (22,797)</b>	<b>\$ 9,410,689</b>

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

**AMERICAN HUMANIST ASSOCIATION AND AFFILIATED ENTITIES**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended December 31, 2017**

	<b>American Humanist Association</b>	<b>Humanist Foundation</b>	<b>Humanist Society</b>	<b>Center for Freethought Equality</b>	<b>Total</b>	<b>Elimination</b>	<b>Consolidated</b>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>							
<b>Revenue, Gains and Support</b>							
Contributions	\$ 1,277,560	\$ 344,895	\$ (4,373)	\$ 175,795	\$ 1,793,877	\$ (76,500)	\$ 1,717,377
Bequests	225,778	20,313	-	-	246,091	-	246,091
Membership	452,737	-	-	-	452,737	-	452,737
Humanist magazine	48,408	-	-	-	48,408	-	48,408
Conference and seminars	77,098	-	-	-	77,098	-	77,098
Publication sales	8,821	-	-	-	8,821	-	8,821
Grants	295,676	-	8,491	-	304,167	(180,676)	123,491
Legal settlements	109,938	43	-	-	109,981	-	109,981
Management fees	46,500	-	-	-	46,500	(30,000)	16,500
Professional fees	-	-	29,503	-	29,503	-	29,503
Other income	2,975	4,194	5,720	50	12,939	-	12,939
Interest and dividends	14,633	70,392	29	67	85,121	-	85,121
Net unrealized gain (loss) on investments	-	533,938	-	-	533,938	-	533,938
Net realized gain on investments	-	135,658	-	-	135,658	-	135,658
Change in valuation of annuity payment obligation	-	38,012	-	-	38,012	-	38,012
Net assets released from restrictions	670	14,013	-	-	14,683	-	14,683
<b>Total Revenue and Support</b>	<b>2,560,794</b>	<b>1,161,458</b>	<b>39,370</b>	<b>175,912</b>	<b>3,937,534</b>	<b>(287,176)</b>	<b>3,650,358</b>
<b>Expenses</b>							
Program Services: Education and public awareness	2,192,078	303,111	30,303	165,234	2,690,726	(242,170)	2,448,556
Fundraising	314,379	43,471	4,346	2,488	364,684	(33,999)	330,685
Management and general administrative	100,114	13,844	1,384	6,009	121,351	(11,007)	110,344
<b>Total Expenses</b>	<b>2,606,571</b>	<b>360,426</b>	<b>36,033</b>	<b>173,731</b>	<b>3,176,761</b>	<b>(287,176)</b>	<b>2,889,585</b>
<b>Change in Unrestricted Net Assets</b>	<b>(45,777)</b>	<b>801,032</b>	<b>3,337</b>	<b>2,181</b>	<b>760,773</b>	<b>-</b>	<b>760,773</b>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>							
Dividends	-	3,213	-	-	3,213	-	3,213
Contributions	163,732	298,555	4,949	-	467,236	-	467,236
Net realized gain on investments	-	3,622	-	-	3,622	-	3,622
Net unrealized gain (loss) on investments	-	24,624	-	-	24,624	-	24,624
Net assets released from restrictions	(670)	(14,013)	-	-	(14,683)	-	(14,683)
<b>Change in Temporarily Restricted Net Assets</b>	<b>163,062</b>	<b>316,001</b>	<b>4,949</b>	<b>-</b>	<b>484,012</b>	<b>-</b>	<b>484,012</b>
Changes in Net Assets	117,285	1,117,033	8,286	2,181	1,244,785	-	1,244,785
Net Assets, Beginning of Year	\$ 383,146	\$ 8,098,452	\$ 28,626	\$ 29,837	\$ 8,540,061	\$ -	\$ 8,540,061
<b>Net Assets, End of Year</b>	<b>\$ 500,431</b>	<b>\$ 9,215,485</b>	<b>\$ 36,912</b>	<b>\$ 32,018</b>	<b>\$ 9,784,846</b>	<b>\$ -</b>	<b>\$ 9,784,846</b>

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

**AMERICAN HUMANIST ASSOCIATION AND AFFILIATED ENTITIES**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended December 31, 2016**

	<b>American Humanist Association</b>	<b>Humanist Foundation</b>	<b>Humanist Society</b>	<b>Center for Freethought Equality</b>	<b>Total</b>	<b>Elimination</b>	<b>Consolidated</b>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>							
<b>Revenue, Gains and Support</b>							
Contributions	\$ 1,115,208	\$ 155,332	\$ 924	\$ 168,960	\$ 1,440,424	\$ (73,258)	\$ 1,367,166
Bequests	76,107	209,280	-	-	285,387	-	285,387
Membership	398,074	-	-	-	398,074	-	398,074
Humanist magazine	55,775	-	-	-	55,775	-	55,775
Conference and seminars	100,395	-	-	-	100,395	-	100,395
Publication sales	18,861	-	-	-	18,861	-	18,861
Grants	415,000	-	-	-	415,000	(400,000)	15,000
Legal settlements	49,683	16	-	-	49,699	-	49,699
Management fees	50,056	-	-	-	50,056	(24,000)	26,056
Building Fund Liquidation	-	1,179,350	-	-	1,179,350	(1,179,350)	-
Professional fees	-	-	33,637	-	33,637	-	33,637
Other income	4,480	-	3,870	-	8,350	-	8,350
Interest and dividends	55,794	80,911	12	42	136,759	-	136,759
Net unrealized gain (loss) on investments	(27,200)	105,490	-	-	78,290	-	78,290
Net realized gain on investments	(28,819)	97,219	-	-	68,400	-	68,400
Net realized gain on sale of building	-	1,172,107	-	-	1,172,107	-	1,172,107
Change in valuation of annuity payment obligation	-	(81,132)	-	-	(81,132)	-	(81,132)
Net assets released from restrictions	1,231,205	14,800	-	-	1,246,005	-	1,246,005
<b>Total Revenue and Support</b>	<b>3,514,619</b>	<b>2,933,373</b>	<b>38,443</b>	<b>169,002</b>	<b>6,655,437</b>	<b>(1,676,608)</b>	<b>4,978,829</b>
<b>Expenses</b>							
Program Services: Education and public awareness	3,001,902	470,423	19,326	174,937	3,666,588	(1,410,653)	2,255,935
Fundraising	430,523	67,467	2,772	2,634	503,396	(201,580)	301,816
Management and general administrative	137,102	21,485	883	6,362	165,832	(64,375)	101,457
<b>Total Expenses</b>	<b>3,569,527</b>	<b>559,375</b>	<b>22,981</b>	<b>183,933</b>	<b>4,335,816</b>	<b>(1,676,608)</b>	<b>2,659,208</b>
<b>Change in Unrestricted Net Assets</b>	<b>(54,908)</b>	<b>2,373,998</b>	<b>15,462</b>	<b>(14,931)</b>	<b>2,319,621</b>	<b>-</b>	<b>2,319,621</b>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>							
Dividends	-	4,971	-	-	4,971	-	4,971
Contributions	(967)	80,696	-	-	79,729	-	79,729
Net realized gain on investments	-	1,726	-	-	1,726	-	1,726
Net unrealized gain (loss) on investments	-	14,807	-	-	14,807	-	14,807
Net assets released from restrictions	(1,231,205)	(14,800)	-	-	(1,246,005)	-	(1,246,005)
<b>Change in Temporarily Restricted Net Assets</b>	<b>(1,232,172)</b>	<b>87,400</b>	<b>-</b>	<b>-</b>	<b>(1,144,772)</b>	<b>-</b>	<b>(1,144,772)</b>
Changes in Net Assets	(1,287,080)	2,461,398	15,462	(14,931)	1,174,849	-	1,174,849
Net Assets, Beginning of Year	\$ 1,670,226	\$ 5,637,054	\$ 13,164	\$ 44,768	\$ 7,769,753	\$ (404,541)	\$ 7,365,212
<b>Net Assets, End of Year</b>	<b>\$ 383,146</b>	<b>\$ 8,098,452</b>	<b>\$ 28,626</b>	<b>\$ 29,837</b>	<b>\$ 8,944,602</b>	<b>\$ (404,541)</b>	<b>\$ 8,540,061</b>

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