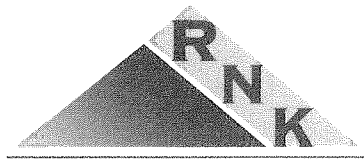


ANIMAL WELFARE INSTITUTE  
Financial Statements for the  
Years Ended June 30, 2011 and 2010  
and Independent Auditors' Report

ANIMAL WELFARE INSTITUTE  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Animal Welfare Institute  
Washington, DC

We have audited the accompanying balance sheets of Animal Welfare Institute as of June 30, 2011 and 2010 and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of Animal Welfare Institute's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Animal Welfare Institute as of June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

August 1, 2011

**ROSENBERG, NEUWIRTH & KUCHNER**  
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

2 PENN PLAZA • FLOOR 4 • NEW YORK, NEW YORK 10121 • TEL (212) 330-6000 • FAX (212) 643-1951

ANIMAL WELFARE INSTITUTE

BALANCE SHEETS

	<u>June 30,</u>	
	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents (including \$2,099,731 and \$945,215 in money market funds in 2011 and 2010, respectively) (Notes 1 and 6)	\$ 2,587,918	\$ 1,014,754
Contributions and accounts receivable (Note 1)	6,440	544,318
Investment in securities (Note 1)	6,389,480	5,330,586
TOTAL CURRENT ASSETS	8,983,838	6,889,658
FIXED ASSETS (Notes 1 and 2)	5,910,634	6,002,732
OTHER ASSETS	-	5,650
	<u>14,894,472</u>	<u>\$ 12,898,040</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 41,344	\$ 25,791
TENANT SECURITY PAYABLE	10,490	11,100
NET ASSETS:		
Unrestricted (Note 1)	14,347,573	\$ 12,285,880
Temporarily restricted (Notes 1 and 3)	395,065	475,269
Permanently restricted (Notes 1 and 4)	100,000	100,000
	<u>14,842,638</u>	<u>12,861,149</u>
	<u>\$ 14,894,472</u>	<u>\$ 12,898,040</u>

See notes to financial statements

ANIMAL WELFARE INSTITUTE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended June 30,	
	<u>2011</u>	<u>2010</u>
CHANGES IN UNRESTRICTED NET ASSETS:		
REVENUES:		
Contributions - Foundations and trusts	\$ 346,540	\$ 301,000
- Legacies and bequests (Note 1)	2,269,323	797,072
- Memberships and other (Note 1)	2,233,383	1,627,775
Tenants net rental income (Note 7)	59,880	70,713
Sale of publications and reports	789	824
Dividend income	125,446	129,544
Interest income	26,669	24,529
Realized and unrealized loss on securities	1,194,986	564,624
	<u>6,257,016</u>	<u>3,516,081</u>
NET ASSETS RELEASED FROM RESTRICTIONS:		
Satisfaction of program restrictions:		
Roger L Stevens Publication Fund	80,204	-
Public education and projects	66,534	85,967
	<u>6,403,754</u>	<u>3,602,048</u>
Total unrestricted revenues and other support		
	<u>6,403,754</u>	<u>3,602,048</u>
EXPENSES: (Note 1)		
Program service	4,101,228	3,765,525
Management and general	199,663	133,287
Fundraising	41,170	48,364
	<u>4,342,061</u>	<u>3,947,176</u>
Total expenses		
	<u>4,342,061</u>	<u>3,947,176</u>
Increase (Decrease) in unrestricted net assets	<u>2,061,693</u>	<u>(345,128)</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Grants and contributions	66,534	49,065
Net assets released from restrictions	(146,738)	(85,967)
	<u>(80,204)</u>	<u>(36,902)</u>
Decrease in temporarily restricted net assets		
	<u>(80,204)</u>	<u>(36,902)</u>
INCREASE (DECREASE) IN NET ASSETS	1,981,489	(382,030)
NET ASSETS - beginning of year	<u>12,861,149</u>	<u>13,243,179</u>
NET ASSETS - end of year	<u>\$ 14,842,638</u>	<u>\$ 12,861,149</u>

See notes to financial statements

ANIMAL WELFARE INSTITUTE  
STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 1,981,489	\$ (382,030)
Noncash charge for depreciation	96,569	95,321
Realized and unrealized gain on securities	(1,194,986)	(564,624)
Noncash contributions received	(6,195)	(9,879)
Changes in assets and liabilities:		
Decrease (Increase) in accounts receivable	537,878	(536,203)
Decrease in other assets	5,650	2,119
Increase (Decrease) in accounts payable and accrued expenses	15,553	(2,932)
Decrease in tenant security deposit	(610)	(100)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>1,435,348</u>	<u>(1,398,328)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of building and building improvements	(4,471)	(16,530)
Net Sale of securities	142,287	451,417
NET CASH PROVIDED BY INVESTING ACTIVITIES	137,816	434,887
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,573,164	(963,441)
CASH AND CASH EQUIVALENTS - beginning of year	<u>1,014,754</u>	<u>1,978,195</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 2,587,918</u>	<u>\$ 1,014,754</u>

See notes to financial statements

ANIMAL WELFARE INSTITUTE  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2011

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries	\$ 1,467,078	\$ 56,820	\$ 15,408	\$ 1,539,306
Payroll taxes and employment insurance	111,636	4,314	1,170	117,120
Employee benefits	157,274	8,201	1,552	167,027
Retirement Plan	33,472	1,277	351	35,100
Advertising	40,974	-	7,902	48,876
Animal Welfare Institute Quarterlies	124,116	-	1,038	125,154
Printing and publications (except for Quarterlies)	223,304	568	1,307	225,179
Research, writing and editing	16,816	-	-	16,816
Grants	323,842	-	-	323,842
Conferences, meetings and travel	482,635	2,002	1,433	486,070
Postage, mailing and addressing costs (except for Quarterlies)	54,921	260	207	55,388
Telephone, duplicating and office supplies	141,857	4,528	7,385	153,770
Professional services	212,065	66,398	-	278,463
Membership and subscriptions	14,270	2,524	-	16,794
Acquisition of books and other educational materials	1,002	-	-	1,002
Consultants	497,657	641	-	498,298
Internet and computer services	61,108	-	-	61,108
Occupancy costs	84,128	43,712	295	128,135
Miscellaneous	-	2,174	-	2,174
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	4,048,155	193,419	38,048	4,279,622
Depreciation	53,073	6,244	3,122	62,439
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Total expenses	\$ 4,101,228	\$ 199,663	\$ 41,170	\$ 4,342,061
	<hr/>	<hr/>	<hr/>	<hr/>

See notes to financial statements

ANIMAL WELFARE INSTITUTE  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2010

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries	\$ 1,450,311	\$ 45,322	\$ 15,107	\$ 1,510,740
Payroll taxes and employment insurance	101,881	3,184	1,061	106,126
Employee benefits	152,805	4,775	1,592	159,172
Retirement Plan	39,667	1,240	413	41,320
Advertising	34,431	25	8,148	42,604
Animal Welfare Institute Quarterlies	133,876	-	1,309	135,185
Printing and publications (except for Quarterlies)	145,359	-	2,754	148,113
Research, writing and editing	21,435	-	-	21,435
Grants	277,726	-	-	277,726
Conferences, meetings and travel	420,671	2,112	276	423,059
Postage, mailing and addressing costs (except for Quarterlies)	46,975	305	4,201	51,481
Telephone, duplicating and office supplies	152,477	15,549	3,621	171,647
Professional services	189,175	16,000	-	205,175
Membership and subscriptions	7,134	2,907	-	10,041
Acquisition of books and other educational materials	2,756	-	-	2,756
Consultants	442,622	-	-	442,622
Internet services	39,585	-	-	39,585
Occupancy costs	65,492	30,896	284	96,672
Miscellaneous	375	2,235	861	3,471
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	3,724,753	124,550	39,627	3,888,930
Depreciation	40,772	8,737	8,737	58,246
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 3,765,525</u>	<u>\$ 133,287</u>	<u>\$ 48,364</u>	<u>\$ 3,947,176</u>

See notes to financial statements

ANIMAL WELFARE INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Animal Welfare Institute ("AWI") is a nonprofit organization incorporated in 1951 under the laws of Delaware. The general objective of AWI is to reduce animal suffering caused by people.

AWI is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code as a Section 501(c)(3) organization. AWI has also been designated as a publicly supported organization by the Internal Revenue Service. Consequently, AWI qualifies for the maximum charitable contribution deduction by donors.

Basis of Presentation

In accordance with FASB Accounting Standards Codification ("FASB ASC") 958-310, Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions.

In accordance with FASB ASC 958-210, AWI is required to report information regarding its financial position and activities according to three classes of net assets.

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, AWI considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash.

Fixed Assets

Depreciation of fixed assets is provided on a straight-line basis over the estimated useful life of the assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in Securities

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value on the balance sheets. Investment income or loss (gains and losses on investments, interest, and dividends) is reflected on the statement of activities and changes in net assets as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Fair Value Measurements

Fair Value Measurements Using:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Stocks and Mutual Funds	\$5,646,256	\$4,214,876
U.S. Treasury Notes and Bills	536,040	223,833
Corporate Bonds	<u>207,184</u>	<u>891,877</u>
	<u>\$6,389,480</u>	<u>\$5,330,586</u>

FASB ASC 820-10, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. AWI uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, AWI measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Expense Allocations

Certain expenses are allocated to program or support services based upon estimates determined by management.

Contributions

AWI reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets. When a donor restriction expires by the passage of time or its restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions receivable represent the amount committed by donors that have not been received by AWI. Contributions of services shall be recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Certain unpaid executives have made significant contributions of their time and have donated travel and administrative expenses to AWI. No amounts have been recorded on the financial statements for such volunteer services and expenses as no objective basis is available to measure the value thereof.

2. FIXED ASSETS

	<u>2011</u>	<u>2010</u>
Fixed assets consists of the following:		
Land, building and improvements	\$6,273,011	\$6,268,540
Less: Accumulated depreciation	<u>(362,377)</u>	<u>(265,808)</u>
	<u>\$5,910,634</u>	<u>\$6,002,732</u>

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Roger L. Stevens Publications Fund	<u>\$395,065</u>	<u>\$475,269</u>

4. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets of \$100,000 in 2011 and 2010 are restricted to investments in perpetuity, the income from which is expendable to support the operations of AWI.

5. 401(K) PLAN

AWI has a 401(k) Plan that covers substantially all employees. Contributions are made to the plan at the discretion of management. The Organization contributed \$35,100 and \$41,320 to the plan for the year ended June 30, 2011 and 2010, respectively.

6. CONCENTRATIONS

Concentrations of Credit Market Risk

Financial instruments that potentially expose AWI concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions. AWI's investments are in U.S. Treasury Notes and diversified stocks. Management believes that credit risk related to these are minimal

Contributions

AWI received approximately 78% of its total contributions from eight contributors in 2011 and 71% of its total contributions from four contributors in 2010.

7. TENANT NET RENTAL INCOME

Tenant net rental income consists of:

Rental income	<u>\$ 94,010</u>
Depreciation	<u>34,130</u>
Net rental income	<u>\$ 59,880</u>

8. SUBSEQUENT EVENTS

In preparing the accompanying financial statements, AWI has reviewed events that have occurred after June 30, 2011 through the date the financial statements were available to be issued on, August 1, 2011. During this period, AWI did not have any material subsequent events that are required to be disclosed in the financial statements.