



Animal Welfare Institute

**Financial Statements
(Together with Independent Auditors' Report)**

June 30, 2024 and 2023

Animal Welfare Institute
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
June 30, 2024 and 2023

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Animal Welfare Institute
Washington, DC

Opinion

We have audited the financial statements of Animal Welfare Institute (the "Organization"), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 Organization as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Organization's ability to continue as a going concern for one year after the date that the financial statements are issued.

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Philadelphia, PA 19103

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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 audits.
- 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 audits 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 Animal Welfare Institute'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 Animal Welfare Institute'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 audits.

CBIZ CPAs P.C.¹

Philadelphia, Pennsylvania
September 27, 2024

**ANIMAL WELFARE INSTITUTE
STATEMENTS OF FINANCIAL POSITION**

| | June 30, | |
|--|----------------------|----------------------|
| | 2024 | 2023 |
| <u>ASSETS</u> | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents (including \$1,851,547 and \$2,156,366 in money market funds in 2024 and 2023, respectively) | \$ 2,699,717 | \$ 3,291,776 |
| Contribution receivable | 4,854 | 9,640 |
| Accrued interest receivable | 64,360 | 32,950 |
| Certificates of deposit | 1,999,178 | 1,740,933 |
| Investment in securities | 19,017,230 | 16,587,592 |
| Prepaid expenses | 42,955 | 37,738 |
| TOTAL CURRENT ASSETS | 23,828,294 | 21,700,629 |
| | | |
| Fixed assets, net | 4,357,479 | 4,451,886 |
| Intangible asset, net - website cost | 6,846 | 9,584 |
| TOTAL ASSETS | \$ 28,192,619 | \$ 26,162,099 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| CURRENT LIABILITIES: | | |
| Accounts payable, accrued expenses, and tenant security deposits payable | \$ 621,415 | \$ 523,927 |
| NET ASSETS: | | |
| Without donor restrictions | 27,138,046 | 25,530,354 |
| With donor restrictions: | | |
| Restricted for time and purpose | 333,158 | 7,818 |
| Perpetual in nature | 100,000 | 100,000 |
| TOTAL NET ASSETS | 27,571,204 | 25,638,172 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 28,192,619 | \$ 26,162,099 |

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

**ANIMAL WELFARE INSTITUTE
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

| | Years Ended June 30, | |
|--|-----------------------------|----------------------|
| | 2024 | 2023 |
| NET ASSETS WITHOUT DONOR RESTRICTIONS: | | |
| REVENUES: | | |
| Contributions - Foundations and trusts | \$ 820,502 | \$ 1,203,672 |
| - Legacies and bequests | 2,966,529 | 6,490,532 |
| - Memberships and other | 2,485,819 | 2,720,479 |
| - Contributed services | 519,190 | - |
| Tenants rental income | 118,593 | 151,229 |
| Sale of publications and reports | 6,933 | 15,211 |
| Dividend income | 512,922 | 275,036 |
| Interest income | 163,104 | 85,354 |
| Realized and unrealized gain on securities | 1,444,476 | 1,247,452 |
| Other income | 6,541 | 1,443 |
| | 9,044,609 | 12,190,408 |
| Total Revenue | 9,044,609 | 12,190,408 |
| NET ASSETS RELEASED FROM DONOR RESTRICTIONS | 343,845 | 177,629 |
| TOTAL REVENUES AND SUPPORT WITHOUT DONOR RESTRICTIONS | 9,388,454 | 12,368,037 |
| EXPENSES: | | |
| Program services | 7,127,996 | 5,664,418 |
| Management and general | 588,893 | 455,265 |
| Fundraising | 63,873 | 44,334 |
| | 7,780,762 | 6,164,017 |
| Total Expenses | 7,780,762 | 6,164,017 |
| CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS | 1,607,692 | 6,204,020 |
| NET ASSETS WITH DONOR RESTRICTIONS: | | |
| Contributions | 669,185 | 105,493 |
| Net assets released from restrictions | (343,845) | (177,629) |
| | 325,340 | (72,136) |
| CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS | 325,340 | (72,136) |
| INCREASE IN NET ASSETS | 1,933,032 | 6,131,884 |
| NET ASSETS - beginning of year | 25,638,172 | 19,506,288 |
| NET ASSETS - end of year | \$ 27,571,204 | \$ 25,638,172 |

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

ANIMAL WELFARE INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|---|-----------------------------|-----------------------------------|--------------------|---------------------|
| Salaries | \$ 2,636,096 | \$ 264,023 | \$ 29,320 | \$ 2,929,439 |
| Payroll taxes and unemployment insurance | 207,599 | 20,264 | 2,277 | 230,140 |
| Employee benefits | 362,766 | 42,233 | 3,996 | 408,995 |
| Retirement plan | 99,899 | 9,960 | 1,108 | 110,967 |
| Advertising | 73,272 | 580 | - | 73,852 |
| AWI Quarterlies | 280,312 | - | 2,825 | 283,137 |
| Printing and publications (except for AWI Quarterlies) | 55,839 | 2,989 | 15,845 | 74,673 |
| Research, writing and editing | 58,554 | 228 | 13 | 58,795 |
| Grants | 1,341,890 | - | - | 1,341,890 |
| Conferences, meetings and travel | 266,199 | 8,911 | 436 | 275,546 |
| Postage, mailing and addressing costs (except for AWI Quarterlies) | 37,104 | 1,274 | 2,456 | 40,834 |
| Telephone, duplicating and office supplies | 87,089 | 23,270 | 610 | 110,969 |
| Professional services | 358,966 | 41,839 | 544 | 401,349 |
| Contributed services expense | 516,264 | 2,926 | - | 519,190 |
| Membership and subscriptions | 106,452 | 19,428 | 1,377 | 127,257 |
| Consultants | 376,645 | 4,500 | 500 | 381,645 |
| Internet services | 81,228 | 6,519 | 725 | 88,472 |
| Schweitzer Award | 15,856 | - | - | 15,856 |
| Occupancy costs | 108,713 | 57,158 | 1,208 | 167,079 |
| Bank, investment, and other fees | 1,352 | 32,405 | 12 | 33,769 |
| | | | | |
| Total expenses before depreciation and amortization | 7,072,095 | 538,507 | 63,252 | 7,673,854 |
| Depreciation and amortization | 55,901 | 50,386 | 621 | 106,908 |
| Total expenses | <u>\$ 7,127,996</u> | <u>\$ 588,893</u> | <u>\$ 63,873</u> | <u>\$ 7,780,762</u> |

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

ANIMAL WELFARE INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

| | Program Services | Management and General | Fundraising | Total |
|---|---------------------|---------------------------|------------------|---------------------|
| Salaries | \$ 2,013,784 | \$ 172,799 | \$ 20,303 | \$ 2,206,886 |
| Payroll taxes and unemployment insurance | 161,232 | 13,834 | 1,625 | 176,691 |
| Employee benefits | 191,421 | 22,592 | 1,930 | 215,943 |
| Retirement plan | 46,163 | 3,961 | 465 | 50,589 |
| Advertising | 51,606 | 770 | 2,533 | 54,909 |
| AWI Quarterlies | 308,366 | - | 3,133 | 311,499 |
| Printing and publications (except for AWI Quarterlies) | 225,734 | 4,298 | 7,170 | 237,202 |
| Research, writing and editing | 25,049 | 630 | - | 25,679 |
| Grants | 1,270,250 | - | - | 1,270,250 |
| Conferences, meetings and travel | 305,337 | 5,318 | 361 | 311,016 |
| Postage, mailing and addressing costs (except for AWI Quarterlies) | 14,790 | 322 | 12 | 15,124 |
| Telephone, duplicating and office supplies | 71,554 | 14,388 | 482 | 86,424 |
| Professional services | 198,363 | 50,676 | 181 | 249,220 |
| Membership and subscriptions | 93,564 | 9,150 | 3,065 | 105,779 |
| Consultants | 488,429 | 5,853 | 658 | 494,940 |
| Internet services | 72,220 | 5,339 | 627 | 78,186 |
| Schweitzer Award | 2,000 | - | - | 2,000 |
| Occupancy costs | 60,913 | 47,976 | 614 | 109,503 |
| Bank, investment, and other fees | 1,051 | 41,478 | - | 42,529 |
| | | | | |
| Total expenses before depreciation and amortization | 5,601,826 | 399,384 | 43,159 | 6,044,369 |
| Depreciation and amortization | 62,592 | 55,881 | 1,175 | 119,648 |
| Total expenses | <u>\$ 5,664,418</u> | <u>\$ 455,265</u> | <u>\$ 44,334</u> | <u>\$ 6,164,017</u> |

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

**ANIMAL WELFARE INSTITUTE
STATEMENTS OF CASH FLOWS**

| | Years Ended June 30, | |
|--|-----------------------------|--------------|
| | 2024 | 2023 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Changes in net assets | \$ 1,933,032 | \$ 6,131,884 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization expense | 106,908 | 119,648 |
| Loss on disposal of fixed asset | 1,072 | - |
| Realized and unrealized gain on securities | (1,444,476) | (1,247,452) |
| Increase in accrued interest receivable | (31,410) | (32,950) |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in contribution receivable | 4,786 | (9,640) |
| Increase in prepaid expenses | (5,217) | (15,253) |
| Increase in accounts payable, accrued expenses, and tenant security deposit payable | 97,488 | 394,893 |
| | 662,183 | 5,341,130 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of building improvements | (10,835) | (10,000) |
| Purchase of certificates of deposit | (2,250,000) | (809,975) |
| Proceeds from sale of certificates of deposit | 2,000,000 | - |
| Proceeds from sale of securities | 4,349,302 | 2,975,012 |
| Purchase of securities | (5,342,709) | (9,759,174) |
| | (1,254,242) | (7,604,137) |
| NET CASH USED IN INVESTING ACTIVITIES | | |
| CHANGES IN CASH AND CASH EQUIVALENTS | (592,059) | (2,263,007) |
| CASH AND CASH EQUIVALENTS - beginning of year | 3,291,776 | 5,554,783 |
| CASH AND CASH EQUIVALENTS - end of year | \$ 2,699,717 | \$ 3,291,776 |

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

**ANIMAL WELFARE INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Animal Welfare Institute (“AWI” or the “Organization”) is a nonprofit organization incorporated in 1951 under the laws of the state of Delaware. The general objective of AWI is to alleviate suffering inflicted on animals by humans.

The Organization has received a determination letter from the Internal Revenue Service that it is exempt from federal income tax, pursuant to Section 501(c)(3) of the Internal Revenue Code.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting and Use of Estimates

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America (“U.S. GAAP”).

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, revenues, and expenses as well as the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from those estimates.

B. Basis of Presentation

The Organization’s financial statements are presented in accordance with Financial Accounting Standards Board (“FASB”) guidance on reporting information regarding its financial position and activities for not-for-profit organizations. Under that guidance, the Organization is required to report information regarding its net assets and revenues, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- Without donor restrictions – Net assets that are not subject to donor-imposed stipulations, including board-designated funds functioning as endowment.
- With donor restrictions – Net assets subject to donor-imposed stipulations, including stipulations that will be met either by actions of the Organization or the passage of time, stipulations that they be maintained permanently by the Organization, and net assets from endowments not yet appropriated for spending. When time and purpose restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions. Endowment earnings and donor restricted contributions whose restrictions are met in the same reporting period are reported as without donor restrictions revenues and support.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled, the stipulated time period has elapsed, or endowment earnings are appropriated) are reported as net assets released from restrictions.

**ANIMAL WELFARE INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with an original maturity of three months or less when purchased to be cash equivalents.

D. Certificates of Deposit

Certificates of deposit are recorded at cost plus interest earned but not paid. Interest income is reflected on the statements of activities and changes in net assets as net assets without donor restrictions unless restricted by donor or law.

E. Investments

Investments are carried at fair value. Unrealized gains and losses are recognized as changes in net assets in the period in which they occur, and investment income is recognized as revenue in the period earned. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy provides observable and unobservable inputs used to measure fair value into three levels as described in Note 4.

F. Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line basis over the estimated useful lives of the related assets. Fixed assets are capitalized by AWI for all items \$5,000 or more with a useful life greater than two years. Repairs and maintenance are charged to expense when incurred.

G. Contributions and Grants

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional contributions and promises to give, those with a measurable performance or other barrier and a right of return, are not recognized as support until the conditions on which they depend are substantially met. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as revenues and support without donor restrictions.

Bequests are recognized as revenue once the probate process is complete and amounts are determined to be uncontested.

H. Contributed Services

AWI records donated services in the accompanying financial statements when such services require specialized skills, are susceptible to objective measurement or valuation and the services would normally have been paid for had they not been donated.

Donated services are recognized in the accompanying financial statements as revenue and related expense for the services received based on the fair value of the services.

**ANIMAL WELFARE INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Rental Income

AWI receives revenue from leasing excess office space, which is recorded in accordance with lease agreements. See Note 10 for tenant rental income.

J. Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities and changes in net assets. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that are consistently applied. The expenses that are allocated include occupancy, which are allocated on a square footage basis, as well as salaries and wages, employee benefits and payroll taxes, which are based on time and effort within each functional area. Shared organizational expenses, for example, postage and shipping, bank charges, office and computer expenses, telephone, etc. are allocated based on time and effort within each functional area.

K. Income Taxes

The Organization follows FASB Accounting Standards Codification (“ASC”) Topic 740, which provides standards for establishing and classifying any tax provisions for uncertain tax positions. The Organization has determined that it has no uncertain tax positions that require either recognition or disclosure in the financial statements. The Organization has not incurred any expenses related to income tax penalties or interest charges. It is management's policy to charge these expenses to operations when assessed.

L. Advertising Costs

Advertising costs, which amounted to \$73,852 and \$54,909 for the years ended June 30, 2024 and 2023, respectively, are expensed in the fiscal year they are incurred.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR GENERAL EXPENDITURES

The Organization regularly monitors liquidity required to meet its operating needs, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, contribution receivable, accrued interest receivable, certificates of deposit, government money market mutual funds and marketable securities. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities, as well as services undertaken to support those activities, to be general expenditures.

**ANIMAL WELFARE INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

**NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR GENERAL EXPENDITURES
(CONTINUED)**

As of June 30, 2024 and 2023, the Organization’s financial assets available for general expenditures within one year of the statement of financial position date are comprised of the following:

| | <u>June 30, 2024</u> | <u>June 30, 2023</u> |
|--|----------------------|----------------------|
| Cash and cash equivalents | \$ 2,699,717 | \$ 3,291,776 |
| Contribution receivable | 4,854 | 9,640 |
| Accrued interest receivable | 64,360 | 32,950 |
| Certificates of deposit | 1,999,178 | 1,740,933 |
| Government money market mutual funds | 7,372,508 | 6,523,315 |
| Marketable securities | 11,644,722 | 10,064,277 |
| Less: net assets with donor restrictions | <u>(433,158)</u> | <u>(107,818)</u> |
| | <u>\$ 23,352,181</u> | <u>\$ 21,555,073</u> |

NOTE 4 – INVESTMENTS – FAIR VALUE MEASUREMENTS

Fair Value Measurements

| | Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1) | |
|-------------------------------|--|----------------------|
| | <u>June 30, 2024</u> | <u>June 30, 2023</u> |
| Equity Securities | \$ 7,677,044 | \$ 6,366,531 |
| Mutual Funds | 10,071,720 | 9,106,270 |
| | <u>17,748,764</u> | <u>15,472,801</u> |
| | (Level 2) | |
| U.S. Treasury Notes and Bills | 920,197 | 809,029 |
| Corporate Bonds | 348,269 | 305,762 |
| | <u>1,268,466</u> | <u>1,114,791</u> |
| | <u>\$ 19,017,230</u> | <u>\$ 16,587,592</u> |

FASB ASC 820-10 established 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: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

**ANIMAL WELFARE INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 4 – INVESTMENTS – FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Measurements (Continued)

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

Equity Securities

Equity securities are valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds

Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price.

U.S. Treasury Notes and Bills

U.S. Treasury notes and bills are valued using pricing models maximizing the use of observable inputs for similar securities.

Corporate Bonds

Corporate bonds are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Investments are subject to market volatility which could substantially change their fair values in the near term.

NOTE 5 – FIXED ASSETS

Estimated useful lives and accumulated depreciation consists of the following as of June 30:

| | <u>Estimated Useful Lives</u> | <u>2024</u> | <u>2023</u> |
|-------------------------------------|-----------------------------------|---------------------|---------------------|
| Land | | \$ 2,350,000 | \$ 2,350,000 |
| Buildings, Improvements & Equipment | 5-40 | 3,469,941 | 3,462,680 |
| Less: Accumulated depreciation | | <u>(1,462,462)</u> | <u>(1,360,794)</u> |
| | | <u>\$ 4,357,479</u> | <u>\$ 4,451,886</u> |

Depreciation expense for the years ended June 30, 2024 and 2023 was \$104,170 and \$104,850 respectively.

**ANIMAL WELFARE INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 6 – CONTRIBUTED SERVICES

The Organization received pro bono legal services from various law firms throughout the year for the purpose of carrying out the Organization’s programs and activities. For the years ended June 30, 2024 and 2023, the Organization recognized revenue and related expense of \$519,190 and \$-0-, respectively, for the contributed services received by the various legal firms. The contributed services were measured at fair value via the chargeable hourly rate of each firm that provided donated services, multiplied by the hours of service provided for each project.

NOTE 7 – CONCENTRATIONS

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to a concentration of credit risk include cash accounts with banks that may exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limit amount of \$250,000 per depositor.

The Organization had cash accounts that exceeded the FDIC insurance limit at June 30, 2024 and 2023 by approximately \$2,135,000 and \$2,382,000, respectively.

Concentration of Contributions

AWI received approximately 26% of its total contributions from three contributors in the fiscal year ended June 30, 2024 and 36% of its total contributions from two contributors in the fiscal year ended June 30, 2023.

| | Number of Contributors | 2024 | Number of Contributors | 2023 |
|------------|---------------------------|--------------|---------------------------|--------------|
| Foundation | 1 | \$ 550,000 | 1 | \$ 450,000 |
| Bequest | 2 | \$ 1,200,000 | 1 | \$ 3,277,852 |

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions, restricted in time and purpose, are available for the following purposes:

| | 2024 | 2023 |
|---------------------|------------|----------|
| Farm Animals | \$ 200,000 | \$ - |
| Marine | 115,000 | 1,990 |
| Rapid Response Fund | - | 100 |
| Homes for Horses | 12,500 | 70 |
| Special Projects | 5,658 | 5,658 |
| | \$ 333,158 | \$ 7,818 |

Net assets with donor restrictions in perpetuity were \$100,000 at both June 30, 2024 and 2023, although the income from such assets is expendable to support the operations of AWI.

The State of Delaware enacted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), the provisions of which apply to endowment funds existing on or established after that date. Based on its interpretation of the provisions of UPMIFA, AWI is required to act prudently when making decisions to spend or accumulate donor restricted endowment assets, and in doing so, to consider a number of factors including the duration and preservation of its donor restricted endowment funds. As a result of this interpretation, AWI classifies as with donor restrictions net assets in the original value of gifts donated to be held in perpetuity. The remaining unappropriated earnings are classified as with donor restrictions until they are appropriated.

**ANIMAL WELFARE INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Changes in net assets with donor restrictions in perpetuity for the years ended June 30, 2024 and 2023 are as follows:

| <u>2024</u> | With Donor Restrictions in Perpetuity Endowment | | |
|---|--|------------|------------|
| | Earnings | Corpus | Total |
| Endowment net assets, beginning of year | \$ - | \$ 100,000 | \$ 100,000 |
| Investment return: | | | |
| Investment income | 3,025 | - | 3,025 |
| Amounts appropriated for expenditure | (3,025) | - | (3,025) |
| Endowment net assets, June 30, 2024 | \$ - | \$ 100,000 | \$ 100,000 |

| <u>2023</u> | With Donor Restrictions in Perpetuity Endowment | | |
|---|--|------------|------------|
| | Earnings | Corpus | Total |
| Endowment net assets, beginning of year | \$ - | \$ 100,000 | \$ 100,000 |
| Investment return: | | | |
| Investment income | 2,767 | - | 2,767 |
| Amounts appropriated for expenditure | (2,767) | - | (2,767) |
| Endowment net assets, June 30, 2023 | \$ - | \$ 100,000 | \$ 100,000 |

Net assets released from restrictions were as follows during the years ended June 30:

| | 2024 | 2023 |
|---------------------|------------|------------|
| Ukraine | \$ - | \$ 74,241 |
| Companion Animals | - | 19,160 |
| Farm Animals | 204,685 | 6,135 |
| Marine | 116,990 | 18,150 |
| Rapid Response Fund | 100 | - |
| Homes for Horses | 22,070 | 35,601 |
| Special Projects | - | 24,342 |
| | \$ 343,845 | \$ 177,629 |

NOTE 9 – 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. AWI contributed \$110,967 and \$50,589 to the plan for the years ended June 30, 2024 and 2023, respectively.

NOTE 10 – TENANT RENTAL INCOME

AWI has various noncancelable operating lease agreements where AWI is the lessor. The agreements expire at various dates ranging from November 2024 to May 2025. Lease income for the years ended June 30, 2024 and 2023 was \$118,593 and \$151,229, respectively.

Minimum future rental income for the year ending June 30, 2025 is \$61,541.

Depreciation expense allocated to the leasing spaces rented to tenants for the years ended June 30, 2024 and 2023, was \$44,796 and \$45,091, respectively.

**ANIMAL WELFARE INSTITUTE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the statement of financial position through September 27, 2024, the date the financial statements were available to be issued.