

**International Fund for
Animal Welfare, Inc.**

Financial Statements

For the Years Ended June 30, 2017 and 2016

Independent Auditor's Report

Board of Directors
International Fund for Animal Welfare, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of International Fund for Animal Welfare, Inc., which comprise the statement of financial position as of June 30, 2017, the related statements of activities and changes in net assets, 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 International Fund for Animal Welfare, Inc. as of June 30, 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.

Other Matter

The financial statements of International Fund for Animal Welfare, Inc., as of and for the year ended June 30, 2016, were audited by other auditors, whose report, dated February 16, 2017, expressed an unmodified opinion on those statements.

RSM US LLP

Boston, Massachusetts
February 8, 2018

International Fund for Animal Welfare, Inc.
Statements of Financial Position
June 30, 2017 and 2016

	Note	2017	2016
Assets			
Cash and cash equivalents	B	\$ 2,594,398	\$ 1,988,063
Investments at fair value	B, D	22,236,691	20,586,487
Investments limited as to use	B, D, I	12,513,917	13,704,249
Due from affiliates, net	B, C	744,516	722,167
Prepaid expenses and other current assets	E	1,483,280	1,594,771
Investments in affiliate at cost	D	2	2
Pledges receivable, net - current	B, F	170,000	173,333
Pledges receivable, net - noncurrent	B, F	7,516	174,007
Fixed assets, net	B, G	<u>16,672,646</u>	<u>17,017,797</u>
 Total assets		 <u>\$ 56,422,966</u>	 <u>\$ 55,960,876</u>
Liabilities and Net Assets			
Liabilities:			
Accounts payable		\$ 992,027	\$ 1,474,796
Accrued compensation		1,115,018	1,069,653
Accrued expenses	H	1,120,464	803,338
Interest rate swap	B, I	1,747,929	2,582,631
Charitable gift annuities payable	B	465,902	483,034
Note payable - current	I	377,500	362,500
Note payable - noncurrent	I	<u>10,374,166</u>	<u>10,751,666</u>
 Total liabilities		 <u>16,193,006</u>	 <u>17,527,618</u>
 Commitments and contingencies	 I, N		
Net assets:			
Unrestricted	B	38,831,309	36,586,466
Temporarily restricted	B, K	800,776	1,256,967
Permanently restricted	B, K	<u>597,875</u>	<u>589,825</u>
 Total net assets		 <u>40,229,960</u>	 <u>38,433,258</u>
 Total liabilities and net assets		 <u>\$ 56,422,966</u>	 <u>\$ 55,960,876</u>

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

International Fund for Animal Welfare, Inc.
Statements of Activities and Changes in Net Assets
For the years ended June 30, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:								
Contributions	\$ 6,640,611	\$ 2,235,491	\$ 8,050	\$ 8,884,152	\$ 5,792,243	\$ 3,055,340	\$ 8,000	\$ 8,855,583
Bequests	1,625,861	-	-	1,625,861	1,524,907	-	-	1,524,907
Contributed goods and services (Note B)	40,177,787	-	-	40,177,787	50,995,638	-	-	50,995,638
Interest and dividend income	636,739	25,055	-	661,794	638,381	-	-	638,381
Other income	7,361	-	-	7,361	7,889	-	-	7,889
Grants from affiliates (Note C)	10,550,000	385,287	-	10,935,287	8,566,000	113,404	-	8,679,404
Net unrealized and realized gain/(loss) on investments	1,792,088	57,129	-	1,849,217	(136,724)	-	-	(136,724)
Unrealized gain/(loss) on interest rate swap (Note I)	834,702	-	-	834,702	(505,468)	-	-	(505,468)
Satisfaction of purpose restrictions (Note L)	3,159,153	(3,159,153)	-	-	3,599,377	(3,599,377)	-	-
Total revenue, gains and other support	65,424,302	(456,191)	8,050	64,976,161	70,482,243	(430,633)	8,000	70,059,610
Expenses (Notes J & M):								
Program	56,713,100	-	-	56,713,100	67,023,365	-	-	67,023,365
Fund-raising	4,212,434	-	-	4,212,434	3,523,363	-	-	3,523,363
Management and general	2,253,925	-	-	2,253,925	2,062,100	-	-	2,062,100
Total expenses	63,179,459	-	-	63,179,459	72,608,828	-	-	72,608,828
Change in net assets	2,244,843	(456,191)	8,050	1,796,702	(2,126,585)	(430,633)	8,000	(2,549,218)
Net assets at beginning of year	36,586,466	1,256,967	589,825	38,433,258	38,713,051	1,687,600	581,825	40,982,476
Net assets at end of year	\$ 38,831,309	\$ 800,776	\$ 597,875	\$ 40,229,960	\$ 36,586,466	\$ 1,256,967	\$ 589,825	\$ 38,433,258

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

International Fund for Animal Welfare, Inc.
Statements of Cash Flows
For the years ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 1,796,702	\$ (2,549,218)
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:		
Depreciation and amortization	270,891	259,270
Unrealized (gain)/loss on interest rate swap	(834,702)	505,469
Net unrealized and realized (gain)/loss on investments	(1,849,217)	136,724
Contributions restricted for long-term investment	(8,050)	(8,000)
Changes in operating assets and liabilities:		
Due to/from affiliates	548,372	853,914
Prepaid expenses and other current assets	111,491	258,502
Pledges receivable	169,824	(27,199)
Accounts payable	(482,769)	346,847
Accrued compensation	45,365	112,247
Accrued expenses	317,126	(243,938)
Charitable gift annuities payable	(17,132)	(19,387)
Net cash provided/(used) by operating activities	<u>67,901</u>	<u>(374,769)</u>
Cash flows from investing activities:		
Purchases of fixed assets	(550,207)	(438,607)
Proceeds from insurance settlement	53,746	-
Loss on Impairment	-	23,917
Purchases of investments	(3,779,283)	(4,085,142)
Proceeds from sale and maturities of investments	<u>5,168,628</u>	<u>4,819,353</u>
Net cash provided in investing activities	<u>892,884</u>	<u>319,521</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment	8,050	8,000
Principle payments on note payable	<u>(362,500)</u>	<u>(347,500)</u>
Net cash used in financing activities	<u>(354,450)</u>	<u>(339,500)</u>
Net increase/(decrease) in cash and cash equivalents	606,335	(394,748)
Cash and cash equivalents at beginning of year	<u>1,988,063</u>	<u>2,382,811</u>
Cash and cash equivalents at end of year	<u>\$ 2,594,398</u>	<u>\$ 1,988,063</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 503,933	\$ 529,614
Non cash transactions:		
Depreciation expense allocated to affiliates	\$ 570,718	\$ 609,725

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

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the years ended June 30, 2017 and 2016

A. The Organization

The International Fund for Animal Welfare, Inc., incorporated in Massachusetts (hereafter referred to as the "Organization"), is part of a worldwide group of nonprofit organizations, which collectively comprise the International Fund for Animal Welfare ("IFAW"). IFAW has offices in fifteen countries and supports animal welfare and conservation projects in more than forty countries around the world. The mission of IFAW is:

IFAW rescues and protects animals around the world.

B. Accounting Policies

The financial statements of the Organization do not include the accounts of the following affiliates:

- International Fund for Animal Welfare (Australia) Pty Ltd
- International Fund for Animal Welfare Inc./Fonds international pour la protection des animaux inc. (Canada)
- Fonds international pour la protection des animaux (IFAW France)
- Fonds international pour la protection des animaux (IFAW) (France Endowment Fund)
- IFAW Internationaler Tierschutz-Fonds gGmbH (Germany)
- International Fund for Animal Welfare (IFAW) Limited (Malawi)
- Stichting IFAW (International Fund for Animal Welfare) (Netherlands)
- International Fund for Animal Welfare NPC (South Africa)
- International Fund for Animal Welfare (IFAW) (United Kingdom)
- International Fund for Animal Welfare IFAW in Action (United Kingdom)
- IFAW Commerce Limited (United Kingdom)
- International Fund for Animal Welfare Limited (Zambia)

All affiliated entities maintain separate Boards of Directors or Trustees. However, the Board membership and senior management are essentially common to all affiliates. All affiliates operate as separate and independent entities to undertake activities that may or may not be consistent with all the requirements of Section 501(c)(3) of the Internal Revenue Code governing certain tax-exempt entities.

Although grants are made within the affiliated group, the Organization does not enjoy the rights of ownership of the assets and revenues of these affiliates, nor is it subject to their liabilities. The Organization does not hold a majority ownership interest in its affiliates nor does the Organization have control of a majority of the board appointments of the affiliated group. Accordingly, the financial position, results of operations and cash flows of these affiliates have not been consolidated with those of the Organization in the accompanying financial statements.

International Fund for Animal Welfare, Inc.

Notes to the Financial Statements

For the years ended June 30, 2017 and 2016

Basis of Presentation

The Organization prepares its financial statements in accordance with generally accepted accounting standards and principles (“U.S. GAAP”) established by the Financial Accounting Standards Board (“FASB”). References to U.S. GAAP in these footnotes are to the FASB Accounting Standards Codification (“ASC”). The accompanying financial statements are presented on the accrual basis and in accordance with the reporting principles of not-for-profit accounting. The statements have been prepared to present transactions according to the existence or absence of donor-imposed restrictions. Net assets are classified in the financial statements as follows:

- **Unrestricted Net Assets** - Net assets that are not subject to donor imposed stipulations.
- **Temporarily Restricted Net Assets** - Net assets subject to donor imposed stipulations that may or will be satisfied through the actions of the Organization and/or the passage of time. Temporarily restricted net assets also include, under Massachusetts law, funds not yet appropriated by the Board of Trustees, generally representing cumulative interest, dividends, appreciation and reinvested gains on permanently restricted endowment funds, which are subject to prudent appropriation by the Board in accordance with donor use restrictions and provisions of Massachusetts law.
- **Permanently Restricted Net Assets** - Net assets subject to donor imposed stipulations that the Organization permanently maintain certain contributed assets. Generally, donors of such assets permit the Organization to use all or part of the income earned from permanently restricted net assets for general operations or for specific purposes. Income is appropriated annually based on the institutional reserve policy.

Cash and Cash Equivalents

Cash equivalents are comprised of highly liquid investments with a maturity of less than three months at the time of purchase.

Investments at fair value

Investments are carried at fair value as determined by quoted market prices. Purchases and sales of investment securities are reflected on a trade date basis. Gain or loss on sale of securities is computed using specific identification of cost.

Investment income and gains (losses) from unrestricted investment net assets are reported as unrestricted revenue. Investment income and gains (losses) on investments of temporarily restricted net assets are reported as increases (decreases) in temporarily restricted net assets. Investment income and gains (losses) on investments of permanently restricted net assets are reported as increases (decreases) in temporarily restricted net assets unless permanently restricted by the donor, in which case they are recorded as increases (decreases) in permanently restricted net assets. The gains classified as temporarily restricted remain in temporarily restricted net assets until appropriated by the Board and expended.

As a practical expedient, the Organization is permitted under US GAAP to estimate the fair value of an investment at the measurement date using the reported net asset value (“NAV”) without further adjustment unless the entity expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with US GAAP.

The Organization performs additional procedures including due diligence reviews on its investments in investment companies and other procedures with respect to the NAV provided by investment companies to ensure conformity with US GAAP. The Organization has assessed factors including but not limited to managers compliance with fair value measurement standard, price transparency and valuation procedures in place, the ability to redeem at NAV at the measurement date and existence of certain redemption restrictions at the measurement date.

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the years ended June 30, 2017 and 2016

The Organization utilizes a pooled income fund basis of managing its investment portfolio.

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. As such it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statements of activities.

At June 30, 2017 and 2016, the Organization maintained investments in trust totaling \$12,513,917 and \$13,704,249 respectively, which were restricted to use for repayment of the Organization's term loan. See Note I.

As part of its financial management strategy, the Organization holds certain cash and investment assets, which it seeks to use to support its programs and operations and provide for long-term capital growth. The primary objective of the investment program is to ensure that sufficient funds are available to support the Organization's ongoing operational needs and to build capital to provide long-term financial stability and sustainability. In the case of planned giving assets, the objective is to provide funds to meet commitments to donors and maximize the long-term benefit to the Organization.

The Organization's Institutional Investment Policy Statement supports the goals and objectives of reserve funds as detailed in the Institutional Financial Reserves Policy. The worldwide affiliated IFAW entities are financially and operationally interdependent and the policy establishes discrete funds to support specific goals and objectives for IFAW at the global level. As such, individual IFAW entities may vary with respect to nature and quantities of reserves. Financial reserves have been established as follows:

1. Operating reserve fund – intended to provide an internal source of funds for unseen situations
2. Capital reserve fund: maintained (as needed) to provide financial resources in support of capital acquisitions
3. Strategic reserve fund – intended to provide unrestricted financial resources to support the organization's long range strategic objectives
4. Donor endowed fund – maintained to provide financial resources to the Organization in accordance with donor intentions

IFAW intends to maintain global operating reserves of approximately two months of operating expenditures and global strategic reserves sufficient to generate approximately 1-2% of annual budgeted expenditures.

The objectives of the reserve funds are to provide the Organization and IFAW at the global level with investment income to support ongoing programs and operations as well as financial stability. Assets will be invested with due care, skill and diligence. The investment approach used will be that of a 'prudent investor'.

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the years ended June 30, 2017 and 2016

Endowment

The Organization's endowment consists of approximately 50 individual donor-restricted endowment balances for a variety of purposes. The net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

The Organization has interpreted The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Organization classified as permanently restricted net assets:

- The original value of the gifts donated to the permanent endowment
- The original value of subsequent gifts to the permanent endowment
- Accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a decision to appropriate or accumulate endowment funds:

- The purposes of the Organization and the donor-restricted funds
- General economic conditions
- The expected total return from income and appreciation of investments
- Other resources of the Organization
- Investment policies of the Organization

The Organization's spending policy on donor restricted endowed funds follow the goals of the global reserve policy.

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the years ended June 30, 2017 and 2016

At June 30, 2017, the Organization's endowment net asset composition by fund type was as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$ -	\$ 71,819	\$ 597,875	\$ 669,694
Total funds	<u>\$ -</u>	<u>\$ 71,819</u>	<u>\$ 597,875</u>	<u>\$ 669,694</u>
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment assets, beginning of year	\$ -	\$ 3,121	\$ 589,825	\$ 592,946
Investment income, net of fees	-	25,055	-	25,055
Net appreciation	-	57,129	-	57,129
Contributions	-	-	8,050	8,050
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(13,486)</u>	<u>-</u>	<u>(13,486)</u>
Endowment assets, end of year	<u>\$ -</u>	<u>\$ 71,819</u>	<u>\$ 597,875</u>	<u>\$ 669,694</u>

At June 30, 2016, the Organization's endowment net asset composition by fund type was as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$ -	\$ 3,121	\$ 589,825	\$ 592,946
Total funds	<u>\$ -</u>	<u>\$ 3,121</u>	<u>\$ 589,825</u>	<u>\$ 592,946</u>
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment assets, beginning of year	\$ -	\$ -	\$ 581,825	\$ 581,825
Investment income, net of fees	-	22,086	-	22,086
Net appreciation	-	3,782	-	3,782
Contributions	-	-	8,000	8,000
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(22,747)</u>	<u>-</u>	<u>(22,747)</u>
Endowment assets, end of year	<u>\$ -</u>	<u>\$ 3,121</u>	<u>\$ 589,825</u>	<u>\$ 592,946</u>

International Fund for Animal Welfare, Inc.

Notes to the Financial Statements

For the years ended June 30, 2017 and 2016

Fair Value of Financial Instruments

In accordance with the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 820-10, *Fair Value Measurements*, the Organization categorizes the financial assets and liabilities carried at fair value in its statements of financial position based upon the provision's three-level valuation hierarchy. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable valuation inputs (Level 3). If the inputs used to measure a financial asset or liability cross different levels of the hierarchy, categorization is based on the lowest level input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the overall fair value measurement of a financial asset or liability requires judgment, and considers factors specific to the asset or liability. The three levels are described below:

- Level 1 - Financial assets and liabilities whose values are based on unadjusted quoted prices for similar assets and liabilities in an active market. The Organization uses a market approach technique to value its financial instruments.
- Level 2 - Financial assets and liabilities whose values are based on quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, 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 in the market and significant to the overall fair value measurement. These inputs reflect management's judgment about the assumptions that a market participant would use in pricing the asset or liability, and are based on the best available information, some of which is internally developed.

The Organization's financial instruments consist mainly of cash and cash equivalents, marketable securities, bond funds and an interest rate swap.

The Organization has various processes and controls in place to ensure that fair value is reasonably estimated. While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. During the years ended June 30, 2017 and 2016, there were no changes to the Organization's valuation techniques that had, or are expected to have, a material impact on its financial position or changes in net assets.

The following is a description of the valuation methodologies used for instruments measured at fair value:

US government & agency securities, corporate stocks, and corporate bonds: The fair value of US government & agency securities, corporate stocks and corporate bonds is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Derivative financial instruments: Derivatives are fair valued according to their classification as over-the-counter ("OTC"). OTC derivatives consist of the interest rate swap. This derivative is fair valued using an option adjusted discounted cash flow model using third party services and are considered Level 2 under the fair value hierarchy. Observable market inputs include yield curves such as the LIBOR swap curve.

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the years ended June 30, 2017 and 2016

Cash and cash equivalents and certificates of deposit - Cash and cash equivalents and certificates of deposit are reported at cost and amortized cost, which approximates fair value. These balances are included in the fair value hierarchy amounts to permit reconciliation of the fair value hierarchy amounts to amounts presented in the statements of financial position.

In accordance with ASC 820-10, the fair value of financial and nonfinancial assets and liabilities were determined using the following inputs at June 30, 2017:

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Investments Measured at NAV (a)
Assets					
Cash and cash equivalents	\$ 2,594,398	\$ 2,594,398	\$ -	\$ -	\$ -
US government & agency securities	13,286,012	13,286,012	-	-	-
Corporate stocks:					
Domestic	15,234,984	15,234,984	-	-	-
Corporate bond funds:					
Domestic	294,055	-	294,055	-	-
International	-	-	-	-	-
Alternative investments	1,935,557	-	-	-	1,935,557
Certificates of deposit	4,000,000	4,000,000	-	-	-
Total assets recorded at fair value	<u>\$ 37,345,006</u>	<u>\$ 35,115,394</u>	<u>\$ 294,055</u>	<u>\$ -</u>	<u>\$ 1,935,557</u>
Liabilities					
Interest rate swap	<u>\$ 1,747,929</u>	<u>\$ -</u>	<u>\$ 1,747,929</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities recorded at fair value	<u>\$ 1,747,929</u>	<u>\$ -</u>	<u>\$ 1,747,929</u>	<u>\$ -</u>	<u>\$ -</u>

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the years ended June 30, 2017 and 2016

In accordance with ASC 820-10, the fair value of financial and nonfinancial assets and liabilities were determined using the following inputs at June 30, 2016:

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Investments Measured at NAV (a)
Assets					
Cash and cash equivalents	\$ 1,988,063	\$ 1,988,063	\$ -	\$ -	\$ -
US government & agency securities	15,076,414	15,076,414	-	-	-
Corporate stocks:					
Domestic	12,906,207	12,906,207	-	-	-
Corporate bond funds:					
Domestic	218,796	-	218,796	-	-
International	7,044	-	7,044	-	-
Alternative investments	2,082,275	-	-	-	2,082,275
Certificates of deposit	4,000,000	4,000,000	-	-	-
Total assets recorded at fair value	<u>\$ 36,278,799</u>	<u>\$ 33,970,684</u>	<u>\$ 225,840</u>	<u>\$ -</u>	<u>\$ 2,082,275</u>
Liabilities					
Interest rate swap	<u>\$ 2,582,631</u>	<u>\$ -</u>	<u>\$ 2,582,631</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities recorded at fair value	<u>\$ 2,582,631</u>	<u>\$ -</u>	<u>\$ 2,582,631</u>	<u>\$ -</u>	<u>\$ -</u>

a) In accordance with ASC Subtopic 820-10, *Fair Value Measurements*, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified within the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy amounts to amounts presented in the statements of financial position.

Cash and Certificates of Deposit are included in the above table to permit reconciliation of the fair value hierarchy amounts to amounts presented in the statements of financial position.

The Organization uses the net asset value (“NAV”) to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company. The following tables list investments in investment companies by major category at June 30, 2017 and 2016.

2017	Fair Value	Commitments	Redemption Frequency	Redemption Notice Period
Alternative Investment (a)	\$ 1,935,557	None	Monthly	15 days
2016	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative Investment (a)	\$ 2,082,275	None	Monthly	15 days

International Fund for Animal Welfare, Inc.

Notes to the Financial Statements

For the years ended June 30, 2017 and 2016

(a) The Fund's objective is to generate net returns in excess of the FTSE EPRA/NAREIT Developed Index through the creation and active management of a portfolio of publicly traded equity securities issued by real estate investment trusts ("REIT") and other publicly held real estate companies primarily in North America, Europe, Australia and Asia.

Revenues and Net Assets

Revenues are considered available for unrestricted use unless specifically restricted by the donor or by law. Amounts received that are restricted by donors for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets. Restricted revenues received in the same year in which the restrictions are met are reported as increases to restricted revenue and as net assets released from restrictions. Permanently restricted net assets include the principal amount of revenue accepted with the stipulation from the donor that the principal be maintained in perpetuity and only the income from the investment be expended for general purposes or a purpose specified by the donor.

Federal grant awards are considered temporarily restricted when received and are subsequently relieved when funds are expended for the intended purpose. As such, they are recognized as revenue earned to the extent of qualifying expenses incurred or as such amounts are accrued.

Gifts

Gifts are reported at their estimated fair values at the date of gift. Gifts are classified as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Charitable Gift Annuity

The Organization administers a charitable gift annuity program, under which donors make contributions in exchange for a promise to receive a fixed amount over a specified period of time, usually the life of the donor or beneficiary. During the term of the annuity agreement, the Organization acts as a custodian of these funds whereby the asset and the net present value of the related liability are reflected in the statements of financial position. After the term of the annuity agreement, the remaining asset belongs to the Organization. At June 30, 2017 and 2016, the charitable gift annuity investment accounts had a fair value of \$846,089 and \$809,825, respectively.

Contributed Goods and Services

The fair value of contributed goods and services, which meet the criteria of the provisions of FASB ASC 958-605 *Not-for-Profit Entities: Revenue Recognition*, are recognized in the statements of activities and changes in net assets when provided by individuals or organizations whose skills would need to be purchased if not provided by donation. Contributed goods and services are valued at the estimated market value required to obtain such goods and services. Included in revenue and program expenses were contributed professional media placement and display services totaling \$40,177,787 and \$50,995,638 for the years ended June 30, 2017 and 2016, respectively.

Foreign Currency Transactions

Realized foreign exchange gains and losses are treated as other income or expense depending on their nature. Foreign exchange losses amounted to \$93,861 and \$88,157 for the years ended June 30, 2017 and 2016, respectively. These amounts are included in Management and general expenditures on the Statement of activities and changes in net assets.

International Fund for Animal Welfare, Inc.

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For the years ended June 30, 2017 and 2016

Pledges

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not recorded as revenue until the conditions are substantially met. The present value of estimated future cash flows is measured utilizing a rate of return commensurate with the risk involved for the period during which the outstanding promises to give are expected to be collected. As of June 30, 2017 and 2016, management has determined that no allowance for uncollectible promises to give is necessary.

Fixed Assets

Fixed assets are recorded at cost and are depreciated using the straight-line method over the assets' estimated useful lives, ranging from three to forty years. Leasehold improvements are amortized over the shorter of the useful life of the related asset or the reasonably assured lease term. Expenditures for maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to expense as incurred. Major additions and betterments are capitalized. The cost and accumulated depreciation on assets sold or retired are removed from the accounts and gains and losses are reflected in the statements of activities and changes in net assets. Costs relating to internally developed software are accounted for in accordance with FASB ASC 350-40, *Internal-Use Software*. All costs incurred in the planning phase are expensed as incurred. Internal and external direct costs of material and services consumed in developing software and applications, and payroll and payroll-related costs for employees who are directly associated with and who devote time to application development projects are capitalized and are included in fixed assets in the statements of financial position. Costs incurred in the operating stage, including post implementation training, maintenance and other operating costs, are expensed as incurred.

Impairment of Long-Lived Assets

Long-lived assets are evaluated for impairment in accordance with the accounting guidance of FASB ASC 360-10-55, *Impairment or Disposal of Long Lived Assets*, when certain triggering events occur. If the carrying amount of the long-lived asset (or asset group) exceeds its fair value and the carrying amount is not recoverable, an impairment loss is recognized. An impairment loss is measured as the amount by which the long lived asset (or asset group) exceeds its fair value. No impairment loss was recognized during the year ended June 30, 2017. An impairment loss of \$23,917 was recorded relating to a failed generator during the year ended June 30, 2016.

Income Taxes

The Organization has been determined by the Internal Revenue Service ("IRS") to be exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code"). The Organization has been determined by the IRS not to be a "private foundation" within the meaning of Section 509(a) of the Code. There was no unrelated business income for the years ended June 30, 2017 and 2016.

Under FASB ASC 740, *Income Taxes*, an organization must recognize the financial statement effects of a tax position taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination. The Organization does not believe there are any material uncertain tax positions and, accordingly, it will not recognize the financial statement effects for unrecognized tax positions. The Organization has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Organization has filed Internal Revenue Service Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. For the years ended June 30, 2017 and 2016, there were no interest or penalties recorded or included in the statements of activities and changes in net assets. The Organization is subject to routine audits by a taxing authority. As of June 30, 2017 and 2016, the Organization was not subject to any examination by the

International Fund for Animal Welfare, Inc.

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taxing authority. Management believes that the Organization is no longer subject to United States income tax examinations for years prior to 2014.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of June 30, 2017 and 2016 and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from the estimates included in the financial statements.

Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentration of credit risk consist primarily of cash and cash equivalents in excess of FDIC insurance limits. At various times during the year, the Organization may have cash deposits at financial institutions in excess of FDIC insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

Functional Allocation of Expenses

The costs of providing the Organization's services have been summarized on a functional basis. Accordingly, certain costs have been allocated among programs and supporting services benefited utilizing predetermined allocation rates established by management.

Reclassifications

Certain reclassifications were made to the 2016 financial statements to conform to the 2017 financial statement presentation.

Subsequent Events

The Organization has performed an evaluation of subsequent events through February 8, 2018, which is the date the financial statements were available to be issued.

Recent accounting pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (FASB ASC 606)* ("ASU 2014-09"). This standard outlines a single comprehensive model for companies to use in accounting for revenues arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that revenues are recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use and obtain the benefits from the good or service. Transfer of control is not the same as transfer of risks and rewards as it is considered in current guidance. The Organization will also need to apply new guidance to determine whether revenues should be recognized over time or at a point in time. The FASB issued ASU 2015-14 to defer the effective date of ASU 2014-09 for all entities by one year. This standard will be effective for annual reporting periods beginning after December 15, 2018 using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09 or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. The FASB also issued ASU 2016-10 and 2016-12, which make various changes to technical guidance included in ASU 2014-09. The Organization has not yet selected a transition method and is currently evaluating the impact of the pending adoption of ASU 2014-09 on the financial statements.

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In January 2016, the FASB issued ASU 2016-01, “Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities”, which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 will be effective for the Organization for fiscal years beginning after December 15, 2018. The Organization elected to early adopt the portion of the amendment that no longer requires disclosure of the fair value of financial instruments that are not measured at fair value and as such, these disclosures are not included herein.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (“ASC 2016-02”). The guidance in ASU 2016-02 supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of its pending adoption of the new standard on the financial statements.

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. The amendments apply to reporting entities that elect to measure the fair value of an investment using the net asset value per share (or its equivalent) practical expedient. The amendments remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The Organization has elected to early adopt this standard within these financial statements.

In August 2016, FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments* (“ASU 2016-15”), which will make eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 will be effective for fiscal years beginning after December 15, 2019, and will require the adoption on a retrospective basis unless it is impracticable to apply, in which case it would be required to apply the amendments prospectively as of the earliest date practicable. The Organization is currently evaluating the impact of this ASU on the financial statements and disclosures.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities* (“ASU 2016-14”). The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB’s improvements to net asset classification requirements and the information presented about not-for-profit entity’s liquidity, financial performance, and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Early application is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year the ASU is first applied. The Organization has not yet evaluated the impact of this ASU on the financial statements.

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the years ended June 30, 2017 and 2016

C. Related Party Transactions

Due from/to Affiliates

At June 30, 2017 and 2016, the following amounts were due from affiliates resulting from reimbursement of expenses paid by the Organization on behalf of the affiliates:

	<u>2017</u>	<u>2016</u>
International Fund for Animal Welfare (IFAW) (United Kingdom)	\$ 5,295	\$ 122,904
Fonds international pour la protection des animaux (IFAW France)	189,770	193,404
IFAW Internationaler Tierschutz-Fonds gGmbH (Germany)	105,321	35,150
International Fund for Animal Welfare Inc./Fonds international pour la protection des animaux inc. (Canada)	92,103	38,748
Stichting IFAW (International Fund for Animal Welfare) (The Netherlands)	4,483	116,071
International Fund for Animal Welfare NPC (South Africa)	47,170	26,065
International Fund for Animal Welfare IFAW In Action (United Kingdom)	16,291	115,881
International Fund for Animal Welfare (Australia) Pty Ltd	284,083	73,944
	<u>\$ 744,516</u>	<u>\$ 722,167</u>

During 2017 and 2016, the Organization received grants from its affiliates in the following amounts:

	<u>2017</u>			<u>2016</u>		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
International Fund for Animal Welfare (IFAW) (United Kingdom)	\$ 10,380,769	\$ 74,162	\$ 10,454,931	\$ 8,201,000	\$ 87,677	\$ 8,288,677
Stichting IFAW (International Fund for Animal Welfare) (The Netherlands)	-	7,245	7,245	365,000	22,023	387,023
IFAW Internationaler Tierschutz-Fonds gGmbH (Germany)	150,000	82,189	232,189	-	3,700	3,700
International Fund for Animal Welfare Inc./Fonds international pour la protection des animaux inc. (Canada)		28,000	28,000	-	4	4
International Fund for Animal Welfare (Australia) Pty Ltd.	19,232	105,921	125,153			-
Fonds international pour la protection des animaux (IFAW France)		87,769	87,769	-		-
	<u>\$ 10,550,001</u>	<u>\$ 385,286</u>	<u>\$ 10,935,287</u>	<u>\$ 8,566,000</u>	<u>\$ 113,404</u>	<u>\$ 8,679,404</u>

International Fund for Animal Welfare, Inc.
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During 2017 and 2016, the Organization made grants to its affiliates, which are included in program expenses in the statements of activities and changes in net assets, in the following amounts:

	<u>2017</u>	<u>2016</u>
International Fund for Animal Welfare (United Kingdom)	\$ 147,634	\$ 179,691
International Fund for Animal Welfare IFAW in Action (United Kingdom)	10,000	25,000
International Fund for Animal Welfare NPC (South Africa)	10,000	10,000
International Fund for Animal Welfare (Australia) Pty. Ltd.	4,140	4,075
International Fund for Animal Welfare Inc./Fonds international pour la protection des animaux Inc. (Canada)	-	75,000
	<u>\$ 171,774</u>	<u>\$ 293,766</u>

Reimbursable Expenses

The Organization acts as an agent and pays for certain expenses on behalf of its affiliated organizations. These expenses are reimbursable from the affiliated organizations and are not recorded in the statements of activities and changes in net assets. The following amounts were reimbursed by the affiliated organizations during 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Program services	\$ 9,898,372	\$ 9,279,902
Fundraising	2,187,153	2,053,168
Management and general	2,966,248	2,808,704
	<u>\$ 15,051,773</u>	<u>\$ 14,141,774</u>

Included within reimbursed expenses is depreciation and amortization expense of \$570,718 and \$609,725 in fiscal years 2017 and 2016, respectively (see Note G).

Subsidiary Entities

The Organization has two wholly owned subsidiary entities located in Hong Kong

International Fund for Animal Welfare Limited, incorporated in Hong Kong on April 29, 2005 has not conducted any operations since the date of incorporation. The company has minimal financial activity which is immaterial to these financial statements.

Xinyu Management Consulting Company Limited, incorporated in Hong Kong on July 18, 2016, is a parent company to a Wholly Foreign-Owned Enterprise (WFOE) located in Beijing, China. The WFOE has been established to provide corporate management services, which have been minimal since its formation in fiscal year 2017 and is immaterial to these financial statements.

While the activity of these subsidiaries has been included in these statements, due to the overall immateriality, the statements have not been displayed as consolidated.

International Fund for Animal Welfare, Inc.
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D. Investments

Investments, at cost and fair value, are comprised of the following at June 30, 2017 and 2016:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
US Government and agency securities	\$ 14,655,892	\$ 13,286,012	\$ 14,716,625	\$ 15,076,414
Corporate common stocks	13,423,715	15,234,984	13,066,010	12,906,207
Corporate bonds	298,894	294,055	231,977	225,840
Alternative investments	2,044,261	1,935,557	2,199,045	2,082,275
Certificates of deposit	4,000,000	4,000,000	4,000,000	4,000,000
	\$ 34,422,762	\$ 34,750,608	\$ 34,213,657	\$ 34,290,736

Investments classified as alternative are publically traded REITs (Real Estate Investment Trusts).

The Organization owns a 1/6th interest in IFAW Internationaler Tierschutz-Fonds gGmbH (Germany), an affiliated organization at a cost of \$1. The Organization also owns a 1/6th interest in International Fund for Animal Welfare (Australia) Pty Ltd, an affiliated organization at a cost of \$1. The investments are reported at cost, as the Organization owns a minority interest and exercises no managerial or operational control over these entities.

Investment fees were \$98,783 and \$100,285 for the years ending June 30, 2017 and 2016.

E. Prepaid Expenses and Other Current Assets

	2017	2016
Accrued bequests	\$ 78,955	\$ 158,574
Contributions and grants receivable	223,733	383,840
Prepaid expenses	1,124,864	1,044,904
Other	55,728	7,453
	\$ 1,483,280	\$ 1,594,771

F. Pledges Receivable, Net

Pledges constitute unconditional written promises to contribute to the Organization in the future. Current pledges receivable are expected to be collected during the next twelve months and are recorded at their net realizable value. Long-term pledges receivable are expected to be collected subsequent to fiscal year 2017. Pledges receivable which are expected to be collected after one year are reported at their net present value using discount rates ranging from 1.0% - 2.5% at June 30, 2017 and 2016.

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Pledges receivable are due as follows:

	2017	2016
In one year or less	\$ 170,000	\$ 173,333
Between one year and five years	<u>10,000</u>	<u>181,667</u>
	180,000	355,000
Less: Discount to present value	<u>(2,484)</u>	<u>(7,660)</u>
Pledges receivable, net	<u>\$ 177,516</u>	<u>\$ 347,340</u>

G. Fixed Assets and Long-Lived Intangible Assets

Fixed assets consist of the following at June 30, 2017 and 2016:

	Depreciable lives	2017	2016
Land and improvements	Not applicable	\$ 2,807,006	\$ 2,807,006
Buildings and improvements	3 - 40 years	16,844,162	16,732,973
Equipment:			
Computer	3 - 5 years	8,678,430	8,414,998
Furniture and fixtures	3 - 5 years	1,389,376	1,413,525
Vehicles, watercraft	5 years	1,318,935	1,149,285
Construction in progress	Not applicable	<u>-</u>	<u>127,705</u>
		31,037,909	30,645,492
Less: Accumulated depreciation and amortization		<u>(14,365,263)</u>	<u>(13,627,695)</u>
		<u>\$ 16,672,646</u>	<u>\$ 17,017,797</u>

The above amounts are reflected net of fully depreciated assets (principally computer software, computer equipment and furniture & fixtures), with a cost of \$9,470,079 and \$9,009,113, which were still in service at June 30, 2017 and 2016, respectively.

Depreciation expense was \$270,891 and \$259,270 for the years ended June 30, 2017 and 2016, respectively.

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H. Accrued Expenses

At June 30, 2017 and 2016, accrued expenses were comprised of the following:

	2017	2016
Accrued 401(k) plan contributions	\$ 689,374	\$ 638,757
Accrued employee separation	151,885	22,297
Other accrued expenses	279,205	142,284
	<u>\$ 1,120,464</u>	<u>\$ 803,338</u>

I. Note Payable

- (a) In June 2013, the Organization retired certain variable rate demand revenue bonds (originally secured to finance the Organization’s international headquarters) and associated line of credit, and refinanced with a variable rate secured term loan. This loan was obtained through Bank of America for a term of 7 years at an interest rate of LIBOR + .90 percentage points (90 basis points). The Organization maintains restricted investments in trust as collateral for the loan. Future principle repayments are scheduled as follows:

2018	\$ 377,500
2019	390,000
2020	402,500
2021	<u>9,581,666</u>
Total principle payments	<u>\$ 10,751,666</u>

The Loan agreement contains certain covenants stipulating that the Organization maintain an unrestricted net surplus of not less than \$1.00 or no less than 100 days’ cash on hand, which includes investments. During fiscal year 2017 and 2016, the Organization was in compliance with these covenants.

- (b) The Organization maintains a 20-year interest rate swap agreement with Bank of America, which expires in October 2026. The terms of the interest rate swap agreement stipulate that the Organization will pay Bank of America interest based on a notional balance consistent with outstanding Loan proceeds at a fixed rate of 3.75% in exchange for the Organization receiving interest based upon a weekly floating rate of 70% of USD-LIBOR-BBA, which is aligned with the weekly BMA index. Though the Organization entered into the interest rate swap in order to hedge interest rate risk, the transaction does not qualify for hedge accounting treatment, and as such, fluctuations in the fair value of the interest rate swap have been recorded within the statements of activities and changes in net assets. The balance at June 30, 2017 and 2016 was \$1,747,929 and \$2,582,631 respectively.

J. Retirement Plans

The Organization maintains a defined contribution 401(k) plan (the “Plan”) that covers substantially all employees. Under the provisions of the Plan, the Organization makes mandatory contributions totaling 3% of eligible employees’ salaries, as well as matching contributions up to a maximum of 3% of eligible employees’ salaries. All amounts contributed to the Plan are held in a trust that is administered

International Fund for Animal Welfare, Inc.
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by an independent trustee. Contributions totaled \$744,818 and \$754,580 in fiscal years 2017 and 2016, respectively.

In addition, the Organization has a 457(b) deferred compensation plan for key individuals which was established during the year ended June 30, 2005. The plan is to be funded by the Organization annually. The assets relating to the plan is included in investments at fair value while the related liability is included in accrued expenses on the accompanying statements of financial position. The plan has cumulative unrealized gains of \$29,576 as of June 30, 2017 and unrealized losses of \$933 as of June 30, 2016. The plan's assets and the Organization's related liability is \$368,523 and \$290,794 as of June 30, 2017 and 2016, respectively.

K. Restricted Net Assets

Temporarily restricted net assets, as of June 30, 2017 and 2016 were as follows:

	2017	2016
Purpose-imposed restriction by program area:		
Landscape Conservation (formerly Elephants)	\$ 140,677	\$ 612,269
Community Animals (formerly Companion Animals)	55,122	74,220
Wildlife Rescue (formerly Animal Rescue)	433,158	53,215
Wildlife Crime (formerly Wildlife Crime & Consumer Awareness)	100,000	128,592
Education (formerly Animal Action & Education)	-	119,445
Marine Conservation (formerly Whales)	-	266,105
Time restriction:		
Income/appreciation from endowed funds	71,819	3,121
	<u>\$ 800,776</u>	<u>\$ 1,256,967</u>

Permanently restricted net assets, as of June 30, 2017 and 2016, are restricted to investments in perpetuity, the income from which is expendable to support:

	2017	2016
Purpose-imposed restriction:		
Seals and whales	\$ 330,250	\$ 322,200
Companion animal activities	254,513	254,513
Other	<u>13,113</u>	<u>13,113</u>
	<u>\$ 597,876</u>	<u>\$ 589,826</u>

L. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

International Fund for Animal Welfare, Inc.
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	2017	2016
Purpose-imposed restriction:		
Marine Conservation (formerly Whales)	\$ 282,581	\$ 322,175
Landscape Conservation (formerly Elephants)	630,556	1,499,765
Community Animals (formerly Companion Animals)	120,715	165,548
Wildlife Rescue (formerly Animal Rescue)	610,957	440,503
Wildlife Crime (Wildlife Crime & Consumer Awareness)	1,381,412	953,439
Education (Animal Action & Education)	119,446	195,200
	<u>\$ 3,145,667</u>	<u>\$ 3,576,630</u>
Endowment appropriation	<u>13,486</u>	<u>22,747</u>
	<u>\$ 3,159,153</u>	<u>\$ 3,599,377</u>

M. Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain joint costs have been allocated to program, fund-raising or management and general expenses based on estimates of time worked by employees and professionals on each activity, except for public information costs, which are allocated based on content of packages mailed or advertisements displayed.

During the fiscal year ended June 30, 2017, the Organization incurred joint costs of \$2,124,280 for printing and publications and activities and communications that included fund-raising expense appeals. Of these costs, \$134,094 was allocated to management and general expense, \$364,353 was allocated to fund-raising expense and \$1,625,833 was allocated to program expense.

During the fiscal year ended June 30, 2016, the Organization incurred joint costs of \$2,843,220 for printing and publications and activities and communications that included fund-raising expense appeals. Of these costs, \$107,338 was allocated to management and general expense, \$605,166 was allocated to fund-raising expense and \$2,067,716 was allocated to program expense.

The table on the following page illustrates expenses by priority program area and functional basis.

International Fund for Animal Welfare, Inc.
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	FY2017				FY2016			
<u>Program Expenditures by Priority Campaigns and Projects</u>								
Community Animals (formerly Companion Animals)				1,147,151				1,426,127
Education (formerly Animal Action & Education)				1,405,941				2,387,960
Landscape Conservation (formerly Elephants)				44,830,467				54,394,801
Marine Conservation (formerly Whales)				1,151,375				2,951,564
Wildlife Crime (formerly Wildlife Crime & Consumer Awareness)				6,032,060				3,673,413
Wildlife Rescue (formerly Animal Rescue)				2,146,106				2,189,500
<i>Total</i>				<u>56,713,100</u>				<u>67,023,365</u>
<u>Mission Costs by Activity</u>								
	Program	Fundraising	Management & General	Total	Program	Fundraising	Management & General	Total
Campaigns and projects:								
<i>Contracting and granting</i>	7,191,896	-	-	7,191,896	6,509,960	-	-	6,509,960
<i>Donated services</i>	40,173,046	-	-	40,173,046	50,398,652	6	5,088	50,403,746
<i>Direct staffing</i>	2,658,424	64,449	113,453	2,836,326	2,785,673	59,895	136,878	2,982,446
<i>Support staffing</i>	610,369	4,444	348,219	963,032	477,313	3,888	314,541	795,742
<i>Support costs</i>	1,470,595	5,931	399,038	1,875,564	1,175,586	4,749	338,806	1,519,141
<i>Total</i>	<u>52,104,329</u>	<u>74,824</u>	<u>860,711</u>	<u>53,039,864</u>	<u>61,347,184</u>	<u>68,538</u>	<u>795,313</u>	<u>62,211,035</u>
Multimedia outreach and influence:								
<i>Production and placement</i>	624,579	-	-	624,579	915,192	-	-	915,192
<i>Donated services</i>	4,741	-	-	4,741	574,149	-	-	574,149
<i>Direct staffing</i>	486,930	-	-	486,930	415,052	-	-	415,052
<i>Support staffing</i>	68,874	-	-	68,874	68,305	-	-	68,305
<i>Support costs</i>	141,682	-	-	141,682	148,509	-	-	148,509
<i>Total</i>	<u>1,326,806</u>	<u>-</u>	<u>-</u>	<u>1,326,806</u>	<u>2,121,208</u>	<u>-</u>	<u>-</u>	<u>2,121,208</u>
Supporter awareness and advocacy:								
<i>Outreach, production and distribution</i>	1,904,680	2,266,983	134,730	4,306,393	2,261,161	1,702,544	170,793	4,134,498
<i>Donated services</i>	-	-	-	-	9,432	293	8,018	17,743
<i>Direct staffing</i>	759,084	1,153,451	44,207	1,956,742	712,983	1,263,917	44,911	2,021,811
<i>Support staffing</i>	165,058	235,876	549,205	950,139	152,717	192,545	495,678	840,939
<i>Support costs</i>	453,143	481,300	665,072	1,599,516	418,680	295,526	547,388	1,261,594
<i>Total</i>	<u>3,281,965</u>	<u>4,137,611</u>	<u>1,393,214</u>	<u>8,812,790</u>	<u>3,554,973</u>	<u>3,454,825</u>	<u>1,266,787</u>	<u>8,276,585</u>
Total mission costs	<u>56,713,100</u>	<u>4,212,434</u>	<u>2,253,925</u>	<u>63,179,459</u>	<u>67,023,365</u>	<u>3,523,363</u>	<u>2,062,100</u>	<u>72,608,828</u>

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the years ended June 30, 2017 and 2016

N. Commitments and Contingencies

Leases

The Organization leases certain facilities under operating leases, which expire at various dates through 2025. The Organization is responsible for public liability insurance and property damage insurance with respect to the leased premises.

The future minimum rental payments required under operating leases are as follows:

	Operating Leases
2018	\$ 713,682
2019	828,523
2020	661,463
2021	677,999
2022	694,949
Thereafter	1,815,884
Minimum lease payments	<u>\$ 5,392,500</u>

Rental expense associated with non-cancelable operating leases amounted to \$463,363 and \$478,779 for the years ended June 30, 2017 and 2016, respectively.