

International Fund for Animal Welfare, Inc.

Financial Statements
For the Years Ended June 30, 2021 and 2020

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RSM US LLP

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 statements of financial position as of June 30, 2021 and 2020, the related statements of activities and changes in net assets and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2021 and 2020, and the change 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.

RSM US LLP

Boston, Massachusetts
February 21, 2022

International Fund for Animal Welfare, Inc.
Statements of Financial Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 5,733,008	\$ 5,254,823
Due from affiliates, net	1,256,899	1,271,729
Investments at fair value	26,180,020	22,461,204
Prepaid expenses and other current assets	2,862,368	3,933,357
Contributions receivable, net	862,164	1,444,497
Cash and cash equivalents limited as to use	2,534,119	3,451,106
Certificate of deposit limited as to use	8,000,000	8,000,000
Investments in affiliate at cost	2	2
Fixed assets, net	<u>15,333,706</u>	<u>16,139,104</u>
 Total assets	 <u>\$ 62,762,286</u>	 <u>\$ 61,955,822</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 1,845,321	\$ 1,733,444
Accrued compensation	1,841,911	1,684,470
Accrued expenses	2,163,753	1,796,258
Due to affiliates, net	1,944	1,338,411
Interest rate swap	1,340,985	1,832,345
Charitable gift annuities payable	395,151	390,640
Notes payable	<u>12,230,709</u>	<u>12,648,209</u>
 Total liabilities	 <u>19,819,774</u>	 <u>21,423,777</u>
Commitments and contingencies		
Net assets:		
Without donor restrictions	39,674,614	37,653,441
With donor restrictions	<u>3,267,898</u>	<u>2,878,604</u>
 Total net assets	 <u>42,942,512</u>	 <u>40,532,045</u>
 Total liabilities and net assets	 <u>\$ 62,762,286</u>	 <u>\$ 61,955,822</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, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:						
Contributions and grants	\$ 11,254,316	\$ 5,094,458	\$ 16,348,774	\$ 12,224,939	\$ 6,077,274	\$ 18,302,213
Bequests	4,668,359	50,000	4,718,359	4,992,514	-	4,992,514
Contributed goods and services	23,404,859	-	23,404,859	24,221,573	-	24,221,573
Investment return, net	6,215,810	224,506	6,440,316	897,749	40,992	938,741
Other income	182,466	65,141	247,607	60,733	160,852	221,585
Grants from affiliates	6,250,000	356,670	6,606,670	7,196,246	522,144	7,718,390
Unrealized gain (loss) on interest rate swap	491,360	-	491,360	(344,460)	-	(344,460)
Satisfaction of purpose restrictions and time restrictions	5,401,481	(5,401,481)	-	6,609,867	(6,609,867)	-
Total revenue, gains and other support	57,868,651	389,294	58,257,945	55,859,161	191,395	56,050,556
Expenses:						
Program	46,184,891	-	46,184,891	48,966,801	-	48,966,801
Fundraising	6,244,165	-	6,244,165	5,361,578	-	5,361,578
Management and general	3,418,422	-	3,418,422	3,476,367	-	3,476,367
Total expenses	55,847,478	-	55,847,478	57,804,746	-	57,804,746
Change in net assets	2,021,173	389,294	2,410,467	(1,945,585)	191,395	(1,754,190)
Net assets, beginning of year	37,653,441	2,878,604	40,532,045	39,599,026	2,687,209	42,286,235
Net assets, end of year	\$ 39,674,614	\$ 3,267,898	\$ 42,942,512	\$ 37,653,441	\$ 2,878,604	\$ 40,532,045

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,410,467	\$ (1,754,190)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	479,138	476,085
Loss (gain) on disposal of fixed assets	68,262	(11,649)
Unrealized (gain) loss on interest rate swap	(491,360)	344,460
Net unrealized and realized gain on investments	(5,940,380)	(310,552)
Contributions restricted for long-term investment	(25)	(3,100)
Changes in operating assets and liabilities:		
Due to/from affiliates	(708,683)	941,606
Prepaid expenses and other current assets	1,070,989	(1,708,563)
Contributions receivable	582,333	225,625
Accounts payable	307,540	(1,331,032)
Accrued compensation	157,441	233,157
Accrued expenses	367,494	336,353
Charitable gift annuities payable	4,511	(20,637)
Net cash used in operating activities	<u>(1,692,273)</u>	<u>(2,582,438)</u>
Cash flows from investing activities:		
Purchases of fixed assets	(550,619)	(315,095)
Proceeds from sale of fixed assets	-	18,884
Purchases of investments	(9,975,329)	(17,739,155)
Proceeds from sale and maturities of investments	12,196,893	18,785,647
Net cash provided by investing activities	<u>1,670,945</u>	<u>750,281</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment	25	3,100
Principal payments on notes payable	(417,500)	(402,500)
Proceeds from issuance of notes payable	-	3,066,543
Net cash (used in) provided by financing activities	<u>(417,475)</u>	<u>2,667,143</u>
Net (decrease) increase in cash and cash equivalents	(438,803)	834,986
Cash and cash equivalents, and cash and cash equivalents limited to use, beginning of year	<u>8,705,929</u>	<u>7,870,943</u>
Cash and cash equivalents, and cash and cash equivalents limited to use, end of year	<u>\$ 8,267,127</u>	<u>\$ 8,705,929</u>
Cash and cash equivalents	5,733,008	5,254,823
Cash and cash equivalents limited as to use	<u>2,534,119</u>	<u>3,451,106</u>
	<u>\$ 8,267,127</u>	<u>\$ 8,705,929</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ 198,823</u>	<u>\$ 277,508</u>
Non cash transactions:		
Acquisition of property and equipment included in accounts payable	\$ -	\$ 195,663
Depreciation expense allocated to affiliates	\$ 612,954	\$ 607,699
Interest expense allocated to affiliates	\$ 381,646	\$ 326,718

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, 2021 and 2020

Note 1. The Organization

The International Fund for Animal Welfare, Inc., (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 protects animals and the places they call home

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 (Board). 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 (the 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, activities and change in net assets, and cash flows of these affiliates have not been consolidated with those of the Organization in the accompanying financial statements.

The Organization has a wholly owned subsidiary located in Hong Kong.

International Fund for Animal Welfare Limited (the Company), incorporated in Hong Kong on April 29, 2005 has not conducted any operations since the date of incorporation. The company had no financial activity for the year ended June 30, 2021 and immaterial financial activity for the year ended June 30, 2020.

International Fund for Animal Welfare, Inc.

Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

Note 1. The Organization (continued)

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

The Company was established to provide a corporate structure during the representative office application process. On October 29, 2020, the Board resolved to close the Company as it was no longer needed for strategic purposes and would only add fiscal and administrative burdens. The Organization has completed the deregistration process for the Company.

Note 2. Significant Accounting Policies

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). The accompanying financial statements are presented on the accrual basis and in accordance with the reporting principles of not-for-profit accounting. The financial statements are prepared in accordance with FASB Accounting Standards Codification (ASC) 958, *Financial Statements for Not-For-Profit Organizations*. This standard provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA).

UPMIFA is a model act approved by the Uniform Law Commission (ULC; formerly known as the National Conference of Commissioners on Uniform State Laws) that serves as a guideline for states to use in enacting legislation. This standard also requires disclosures about the Organization's endowment funds, whether or not the Organization is subject to UPMIFA.

The revenue, expenses, and net assets of the Organization are classified into two categories of net assets. Changes in each of these categories are reported in the statements of activities and changes in net assets. These classifications are related to the existence or absence of donor-imposed restrictions as follows:

- **Net Assets Without Donor Restrictions** – represent the portion of net assets of the Organization that is neither restricted by donor-imposed stipulations or time restrictions. Net assets without donor restrictions include expendable funds available to support operations.
- **Net Assets With Donor Restrictions** – represent the portion of net assets whose use by the Organization is limited by donor-imposed stipulations that require that they be held in perpetuity or whose use may expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those donor stipulations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released to net assets without donor restrictions and are reported in the statement of activities and change in net assets as satisfaction of program and time restrictions. These net assets also include unappropriated cumulative investment return on endowment, which are subject to prudent appropriation by the Board in accordance with donor use restrictions and provisions of Massachusetts General Law (MGL)

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. The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any such losses in such accounts. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal. The Organization maintains cash and cash equivalents, limited as to use as part of collateral for the secured note payable.

International Fund for Animal Welfare, Inc.

Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

Note 2. Significant Accounting Policies (continued)

Investments at fair value: Investments are carried at fair value as determined by quoted market prices. Purchases and sales of investment securities are recorded on trade dates basis. Gain or loss on sale of securities is computed using specific identification of cost. Investment income and realized and unrealized gains or losses from investments are reflected in the statements of activities and change in net assets within investment return, net.

Net investment return from investments without donor restrictions is reported as revenue without donor restrictions. Net investment return from investments of net assets held in perpetuity are reported as increases (decreases) in net assets with donor restrictions. Net investment return from net assets held in perpetuity is classified as with donor restrictions remain in net assets with donor restrictions until appropriated by the Board and expended.

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 statements of financial position and statements of activities and changes in net assets.

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 Board designated follows:

- **Operating Reserve Fund** – intended to provide an internal source of funds for unseen situations
- **Capital Reserve Fund** – maintained (as needed) to provide financial resources in support of capital acquisitions
- **Strategic Reserve Fund** – intended to provide unrestricted financial resources to support the Organization's long range strategic objectives
- **Donor Endowed Fund** – maintained to provide financial resources to the Organization in accordance with donor intentions

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". IFAW maintains operating reserves sufficient to safeguard against unforeseen threats to annual operating budgets. The level of operating reserves may vary by entity. Strategic reserve appropriations provide funding to support annual budgeted expenditures, as well as potential funding source for strategically significant institutional opportunities.

International Fund for Animal Welfare, Inc.

Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

Note 2. Significant Accounting Policies (continued)

At June 30, 2021 and 2020, the Organization maintained cash and equivalents and certificate of deposit totaling \$10,534,119 and \$11,451,106 respectively, which are designated for repayment of the Organization's term loan. See Note 9.

The Organization has interpreted MGL as requiring net investment return of net assets held in perpetuity to be retained in net assets with donor restrictions until appropriated by the Board and expended. The Organization's spending policy on donor restricted endowed funds follows the goals of the institutional financial reserves policy (approximately 4% of twelve-quarter average asset values). MGL allows the Board to appropriate as much of the investment return, net on endowment net assets with donor restrictions as is prudent. Annual appropriations are made, as needed, and are approved by the Board through the annual budgeting process. This includes underwater endowment, as the Organization's policy does not prohibit the spending from underwater endowment funds if it is necessary although it has been management's practice not to do so. The Board 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

During the years ending June 30, 2021 and 2020 there was appropriation of \$27,545 and \$26,645, respectively, which are included as a component of program expenses on the statements of activities and changes in net assets.

Fair value measurement: In accordance with FASB 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.

International Fund for Animal Welfare, Inc.

Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

Note 2. Significant Accounting Policies (continued)

The Organization's financial instruments consist mainly of cash and cash equivalents, certificates of deposits, marketable securities, real estate 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, 2021 and 2020, 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 and agency securities, corporate stocks, and corporate bonds: The fair value of US government and 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 reported at fair valued according to their classification as over-the-counter ("OTC"). OTC derivatives consist of an 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 or SOFR swap curve.

Real Estate Securities: Real estate securities include publicly traded real estate mutual fund securities, which was valued based on quoted market prices.

Contributions receivable, net: Unconditional promises to give and contributions receivable 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, that is those with a measurable performance barrier or other barrier or and a right of return, are not recognized until they become unconditional, that is, at the time when conditions on which they depend are substantially met. Conditional promises to give at June 30, 2021 and 2020 were \$3,600,000 and \$3,400,000, respectively. As of June 30, 2021 and 2020, the Organization had conditional advances totaling \$514,105 and \$215,269, respectively and is included in accrued expenses on the statements of financial position. The present value of estimated future cash flows is measured utilizing a rate of return commensurate with the risk involved ranging from 1.35% and 1.38% at June 30, 2021 and at June 30, 2020, respectively. As of June 30, 2021 and 2020, management has determined that no allowance for uncollectible promises to give is necessary.

Fixed assets, net: 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 and intangibles 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.

International Fund for Animal Welfare, Inc.

Notes to the Financial Statements

For the Years Ended June 30, 2021 and 2020

Note 2. Significant Accounting Policies (continued)

Costs relating to internally developed software are accounted for in accordance with FASB ASC 350-40, *Internal-Use Software* 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.

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. There were no impairment indicators identified during the years ended June 30, 2021 and 2020, respectively.

Charitable gift annuities payable: 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, 2021 and 2020, the charitable gift annuity investment accounts had a fair value of \$644,275 and \$537,762, respectively and are included in investments at fair value on the statements of financial position.

Revenues gains and other support: Revenues are considered available to use without restrictions unless specified by donor imposed restrictions or by law. Contributions, bequests and grants from affiliates, including unconditional promises to give, are recognized as revenues and receivables when donors' commitments are verifiably made. Conditional promises to give, that is those with a measurement performance barrier or other barrier and a right of return or release of funds, are recognized when the conditions are substantially met. Contribution intentions are not recognized. Amounts received with stipulations by donors for specific purposes are reported as revenue with donor restrictions that increases the net asset class. Expirations of donor 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. Revenues with donor restrictions received in the same year in which the restrictions are met are reported as increases to revenue with donor restrictions and as net assets released from restrictions. Endowment 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.

Revenues related to federal grant awards are recorded under ASC 958-605, *Not-for-Profit Entities: Revenue Recognition* when the funds are utilized by the Organization to carry out the activity stipulated by the grant or contract. Such contracts can be terminated by the grantor, or refunding can be required under certain circumstances, and carry performance and/or limited documentation barriers. For this reason, the Organization's federal grant awards are considered conditional and are recognized once said conditions are met.

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 2. Significant Accounting Policies (continued)

Contributed goods and services: The fair value of contributed goods and services, which meet the criteria of the provisions of FASB ASC 958-605, 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 \$23,404,859 and \$24,221,573 for the years ended June 30, 2021 and 2020, 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 \$98,588 and \$77,971 for the years ended June 30, 2021 and 2020, respectively. These amounts are included in management and general expenditures on the statements of activities and changes in net assets.

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 Code. There was no unrelated business income for the year ended June 30, 2020. For the period ended June 30, 2021 the Organization opened an online store selling IFAW branded merchandise, which generated unrelated business income but no profit was generated from this effort.

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 IRS Form 990 tax returns, as required, and all other applicable returns in jurisdictions when it is required. For the years ended June 30, 2021 and 2020, 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, 2021 and 2020, the Organization was not subject to any examination by the taxing authority. Management believes that the Organization is no longer subject to United States income tax examinations for returns three years from the returns filed date.

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP 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, 2021 and 2020 and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from the estimates included in the financial statements.

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 allocation rates established by management using appropriate inputs based on expense type. Certain joint costs have been allocated to program, fundraising or management and general expenses based on estimates of time worked by employees and professionals on each activity, these expenses include salaries and related benefits, and information technology. Depreciation and amortization expenses are allocated based on actual usage or by reasonable basis by fixed asset. Additionally for public information costs, which are allocated based on content of packages mailed or advertisements displayed.

Advertising: The Organization expenses advertising costs as incurred, during the fiscal year ended June 30, 2021 and 2020 the organization expensed \$1,002,024 and \$504,690, respectively.

Liquidity: In order to provide information about liquidity, assets are sequenced according to their nearest of conversion to cash and liabilities according to the nearness of their estimated maturity.

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 2. Significant Accounting Policies (continued)

Recent accounting pronouncements: In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in ASC 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. In June 2020, the FASB issued ASU 2020-05 to defer the effective date of ASU 2016-02 for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required 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 the pending adoption of the new standard on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit entities. The ASU will require a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The ASU will also require enhanced disclosure, including disaggregation of nonfinancial assets recognized by category and qualitative information about each category. The amendments in this ASU will be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021, and interim periods beginning after June 15, 2022. Early adoption is permitted. The Organization is currently evaluating the impact this ASU will have on its financial statements.

Recently adopted accounting pronouncements: In August 2018, the FASB issues ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework- Changes to the Disclosure requirements for the Fair Value Measurement*. This ASU modifies the disclosure requirements in addition to the removal of the disclosure related to transfers between level 1 and level 2 of the fair value hierarchy, the policy for timing transfers between levels, the valuation process of level 3 fair value measurements, and a roll forward for level 3 investments. Furthermore, entities are no longer required to estimate and disclose the timing of liquidity events for investments measured at fair value. Instead the requirement to disclose such events applies only when they have communicated to the reporting entities by investees or announced publicly. The ASU is effective for fiscal year beginning after December 15, 2019. The adoption of this ASU did not have a significant impact on the financial statements.

Subsequent Events: The Organization has evaluated subsequent events through the report date, the date in which the financial statements were available to be issued. See note 19

Reclassifications: Certain reclassifications have been made to the financial statements as of June 30, 2020 in order to conform to the presentation as of June 30, 2021 with no change to net assets

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 3. Related Party Transactions

All amount due to and due from affiliate entities are presented in the statements of net position. This is the result of expenses paid by the Organization on behalf of the affiliate less reimbursement of expenses paid by the affiliate on behalf of the Organization.

The following amounts were due from affiliates resulting from reimbursement of expenses paid by the Organization on behalf of the affiliates:

	<u>2021</u>	<u>2020</u>
IFAW Internationaler Tierschutz-Fonds gGmbH (Germany)	\$ 343,836	\$ 198,924
International Fund for Animal Welfare (IFAW) (United Kingdom)	327,624	821,703
International Fund for Animal Welfare NPC (South Africa)	240,001	-
Stichting IFAW (International Fund for Animal Welfare) (Netherlands)	183,412	188,495
International Fund for Animal Welfare Inc./Fonds international pour la protection des animaux inc. (Canada)	82,007	23,023
International Fund for Animal Welfare (Australia) Pty Ltd	76,026	-
International Fund for Animal Welfare (IFAW) Limited (Malawi)	3,993	-
Fonds international pour la protection des animaux (IFAW France)	-	39,584
	<u>\$ 1,256,899</u>	<u>\$ 1,271,729</u>

The following amounts were due to affiliates resulting from reimbursement of expenses paid by the affiliates on behalf of the Organization:

	<u>2021</u>	<u>2020</u>
Fonds international pour la protection des animaux (IFAW France)	\$ 1,944	\$ -
International Fund for Animal Welfare (Australia) Pty Ltd.	-	1,191,913
International Fund for Animal Welfare Limited (Zambia)	-	134,185
International Fund for Animal Welfare NPC (South Africa)	-	12,313
	<u>\$ 1,944</u>	<u>\$ 1,338,411</u>

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 3. Related Party Transactions (continued)

The Organization received grants from its affiliates in the following amounts during the year ended June 30:

	2021			2020		
	Without donor restrictions	With donor restrictions	Total Total	Without donor restrictions	With donor restrictions	Total Total
International Fund for Animal Welfare (IFAW) (United Kingdom)	\$ 4,700,000	\$ 176,539	\$ 4,876,539	\$ 5,391,374	\$ 150,175	\$ 5,541,549
Stichting IFAW (International Fund for Animal Welfare) (Netherlands)	300,000	45,471	345,471	580,000	299,624	879,624
IFAW Internationaler Tierschutz-Fonds gGmbH (Germany)	1,250,000	45,035	1,295,035	497,210	2,790	500,000
International Fund for Animal Welfare Inc./Fonds international pour la protection des animaux inc. (Canada)	-	4,434	4,434	-	-	-
International Fund for Animal Welfare (Australia) Pty Ltd.	-	51,385	51,385	250,000	47,217	297,217
Fonds international pour la protection des animaux (IFAW France)	-	33,806	33,806	477,662	22,338	500,000
	<u>\$ 6,250,000</u>	<u>\$ 356,670</u>	<u>\$ 6,606,670</u>	<u>\$ 7,196,246</u>	<u>\$ 522,144</u>	<u>\$ 7,718,390</u>

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 during the year ended June 30:

	2021	2020
International Fund for Animal Welfare (United Kingdom)	\$ 82,899	\$ 78,139
Fonds international pour la protection des animaux (IFAW France)	48,916	18,113
International Fund for Animal Welfare NPC (South Africa)	1,040	12,606
International Fund for Animal Welfare (Australia) Pty. Ltd.	100,928	2,014,984
International Fund for Animal Welfare Inc./Fonds international pour la protection des animaux Inc. (Canada)	1,937	10,000
IFAW Internationaler Tierschutz-Fonds gGmbH (Germany)	20,099	4,126
International Fund for Animal Welfare Limited (Zambia)	292,708	797,832
International Fund for Animal Welfare (IFAW) Limited (Malawi)	939,932	327,550
	<u>\$ 1,488,459</u>	<u>\$ 3,263,351</u>

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 3. Related Party Transactions (continued)

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 the year ended June 30:

	<u>2021</u>	<u>2020</u>
Program	\$ 8,361,027	\$ 9,492,995
Fundraising	2,109,975	2,261,852
Management and general	<u>2,858,279</u>	<u>2,928,525</u>
	<u>\$ 13,329,281</u>	<u>\$ 14,683,372</u>

Included within reimbursed expenses is depreciation and amortization expense of \$612,954 and \$607,699 in fiscal years 2021 and 2020, respectively.

Note 4. Investments

Investments, at fair value, are comprised of the following at June 30:

	<u>2021</u>	<u>2020</u>
US Government and agency securities	\$ 3,032,406	\$ 3,303,312
Corporate common stocks	17,903,338	15,238,451
Corporate bonds	3,079,150	2,185,983
Mutual funds	1,361,870	1,054,612
Real estate securities	<u>803,256</u>	<u>678,846</u>
	<u>\$ 26,180,020</u>	<u>\$ 22,461,204</u>

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.

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 5. Fair Value Measurements

In accordance with ASC 820-10, the following table summarizes the fair value of financial and nonfinancial assets and liabilities measured on a recurring basis, by level, at June 30:

2021	Level 1	Level 2	Level 3	Cost	Total
Assets					
US government and agency securities	\$ -	\$ 3,032,406	\$ -	\$ -	\$ 3,032,406
Corporate stocks	17,903,338	-	-	-	17,903,338
Corporate bonds	-	3,079,150	-	-	3,079,150
Mutual funds	1,361,870	-	-	-	1,361,870
Real estate securities	803,256	-	-	-	803,256
Total assets recorded at fair value	20,068,464	6,111,556	-	-	26,180,020
Cash and cash equivalents (a)	-	-	-	5,733,008	5,733,008
Cash and cash equivalents limited as to use (a)	-	-	-	2,534,119	2,534,119
Certificates of deposits limited as to use (a)	-	-	-	8,000,000	8,000,000
Total cash and investments	\$ 20,068,464	\$ 6,111,556	\$ -	\$ 16,267,127	\$ 42,447,147
Liabilities					
Interest rate swap	\$ -	\$ 1,340,985	\$ -	\$ -	\$ 1,340,985
Charitable gift annuities payable	-	395,151	-	-	395,151
Total liabilities recorded at fair value	\$ -	\$ 1,736,136	\$ -	\$ -	\$ 1,736,136
2020					
Assets					
US government and agency securities	\$ -	\$ 3,303,312	\$ -	\$ -	\$ 3,303,312
Corporate stocks	15,238,451	-	-	-	15,238,451
Corporate bonds	-	2,185,983	-	-	2,185,983
Mutual funds	1,054,612	-	-	-	1,054,612
Real estate securities	678,846	-	-	-	678,846
Total assets recorded at fair value	16,971,909	5,489,295	-	-	22,461,204
Cash and cash equivalents (a)	-	-	-	5,254,823	5,254,823
Cash and cash equivalents limited as to use (a)	-	-	-	3,451,106	3,451,106
Certificates of deposits limited as to use (a)	-	-	-	8,000,000	8,000,000
Total cash and investments	\$ 16,971,909	\$ 5,489,295	\$ -	\$ 16,705,929	\$ 39,167,133
Liabilities					
Interest rate swap	\$ -	\$ 1,832,345	\$ -	\$ -	\$ 1,832,345
Charitable gift annuities payable	-	390,640	-	-	390,640
Total liabilities recorded at fair value	\$ -	\$ 2,222,985	\$ -	\$ -	\$ 2,222,985

(a) These financial instruments have been included for reconciliation purposes and are not at fair value measurement

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 6. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets at June 30 are as follows:

	<u>2021</u>	<u>2020</u>
Accrued bequests	\$ 353,819	\$ 1,871,051
Grants receivable	1,103,288	516,965
Prepaid expenses	1,309,776	1,330,866
Other current assets	<u>95,485</u>	<u>214,475</u>
	<u>\$ 2,862,368</u>	<u>\$ 3,933,357</u>

Note 7. Contributions Receivable, Net

Unconditional promises to give and contributions at June 30 are expected to be collected as follows:

	<u>2021</u>	<u>2020</u>
In one year or less	\$ 581,374	\$ 901,091
Between one year and five years	<u>294,000</u>	<u>568,000</u>
	875,374	1,469,091
Less: Discount to present value	<u>(13,210)</u>	<u>(24,594)</u>
Contributions receivable, net	<u>\$ 862,164</u>	<u>\$ 1,444,497</u>

As of June 30, 2021 and 2020, three donors accounted for 68% and two donors accounted for 61% of the contribution receivable, net balance, respectively.

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 8. Fixed Assets, Net

The following is a summary of fixed assets, net at June 30:

	Depreciable lives	2021	2020
Land and improvements	Not applicable	\$ 2,807,006	\$ 2,807,006
Buildings and improvements	3 - 40 years	17,220,577	17,202,193
Equipment:			
Computer	3 - 5 years	8,936,027	8,947,149
Furniture and fixtures	3 - 5 years	1,384,355	1,402,691
Vehicles, watercraft	5 years	1,971,918	1,664,078
Intangible asset	15 years	6,512	6,512
Construction in progress	Not applicable	50,199	170,000
		32,376,594	32,199,629
Less: Accumulated depreciation and amortization		(17,042,888)	(16,060,525)
		<u>\$ 15,333,706</u>	<u>\$ 16,139,104</u>

Depreciation expense was \$479,138 and \$476,085 for the years ended June 30, 2021 and 2020, respectively.

Note 9. Notes Payable

In June 2013, the Organization retired certain variable rate demand revenue bonds (originally secured to finance the Organization's International Operation Center) and associated line of credit, and refinanced with a variable rate secured term loan (the loan). This loan was obtained through Bank of America (BoA) for a term of 7 years at an interest rate of LIBOR + .90 percentage points (90 basis points). During June 2020 the loan was modified and extended 6 years to June 2026 at an interest rate of Prime Rate + 1.50 percentage. The interest rate at June 30, 2021 and 2020 was 2.5%, respectively. The Organization maintains certificate of deposits and cash equivalents pledged as collateral for the loan totaling \$10,534,119 and \$11,451,106 at June 30, 2021 and 2020, respectively. Total outstanding liabilities were \$9,581,666 and \$9,164,166 at June 30, 2021 and 2020, respectively.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law and is meant to address the economic fallout from the COVID-19 pandemic. In connection with the CARES Act, the Organization received a Small Business Administration (SBA) Paycheck Protection Plan (PPP) loan through BoA for \$3,066,543 in May 2020. The Organization determined they qualified for the PPP loan because the Organization has less than 500 employees. The loan is unsecured, bears interest at a fixed 1%, and defers payments until October 2021. The loan matures in May 2022. Under the provisions of the CARES Act, this loan will be forgiven if certain conditions are met related to the use of the proceeds and maintenance of employment with the Organization employees. The Organization has elected to account for the loan as debt. Subsequent to June 30, 2021 the Organization was granted forgiveness by the SBA which has been disclosed in Note 19 and future principle payments have not been included in the following schedule.

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 9. Notes Payable (continued)

Future principal repayments are scheduled as follows:

2022	\$ 435,000
2023	452,500
2024	467,500
2025	485,000
2026	<u>\$ 7,324,166</u>
Total principal payments	<u>\$ 9,164,166</u>

The BoA loan contains certain covenants stipulating that the Organization maintain an unrestricted net surplus of not less than \$1 or no less than 100 days' cash on hand, which includes investments.

The Organization maintains a 20-year interest rate swap agreement with BoA, which expires in October 2026 which is show on the statement of financial position. The terms of the interest rate swap agreement stipulate that the Organization will pay BoA 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, 2021 and 2020 was \$1,340,985 and \$1,832,345 respectively.

Note 10. 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 by an independent trustee. Contributions totaled \$952,054 and \$938,360 in fiscal years 2021 and 2020, 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 are 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 \$82,304 and \$13,072 as of June 30, 2021 and 2020, respectively. The plan's assets and the Organization's related liability is \$728,948 and \$537,293 as of June 30, 2021 and 2020, respectively.

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 11. Net Assets

Net assets with donor restrictions consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Subject to appropriation and expenditure when a specific event occurs and subject to the passage of time		
Landscape Conservation	\$ 1,219,199	\$ 60,811
Wildlife Rescue	86,261	109,403
Wildlife Crime	73,511	358,895
Marine Conservation	202,749	481,509
International Policy	61,334	691,182
Marine Mammal Rescue and Research	104,000	69,764
Disaster Response and Risk Reduction	539,246	322,428
	<u>2,286,300</u>	<u>2,093,992</u>
Subject to the Organization spending policy and appropriation:		
Investments in perpetuity (including original gifts totaling \$615,085 and \$615,085 as of June 30, 2021 and 2020) and the net investment return from which is expendable to support:		
Seals and whales	539,700	431,408
Companion animal activities	441,898	353,204
	<u>981,598</u>	<u>784,612</u>
	<u>\$ 3,267,898</u>	<u>\$ 2,878,604</u>

The Organization has Board Designated Reserves as of June 30:

	<u>2021</u>	<u>2020</u>
Strategic reserves	\$ 24,500,835	\$ 20,952,647
Capital reserves	11,325,104	11,924,166
	<u>35,825,939</u>	<u>32,876,813</u>

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 12. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows for the year ended June 30:

	<u>2021</u>	<u>2020</u>
Purpose-imposed restriction:		
Landscape Conservation	\$ 1,604,718	\$ 2,008,512
Wildlife Rescue	173,045	1,818,972
Wildlife Crime	1,810,202	1,158,299
Marine Conservation	319,685	270,994
Disaster Response and Risk Reduction	303,656	518,411
International Policy	803,177	620,617
Marine Mammal Rescue and Research	<u>359,453</u>	<u>187,417</u>
	5,373,936	6,583,222
Endowment appropriation	<u>27,545</u>	<u>26,645</u>
	<u>\$ 5,401,481</u>	<u>\$ 6,609,867</u>

Note 13. Endowment Net Assets

The Organization's endowment consists of approximately 50 individual donor-restricted endowment funds 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 following is a summary of endowment net asset composition by type of fund at June 30, 2021 and 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2021:			
Donor Restricted Endowment Funds	\$ -	\$ 981,598	\$ 981,598
Total Funds	<u>\$ -</u>	<u>\$ 981,598</u>	<u>\$ 981,598</u>
June 30, 2020:			
Donor Restricted Endowment Funds	\$ -	\$ 784,612	\$ 784,612
Total Funds	<u>\$ -</u>	<u>\$ 784,612</u>	<u>\$ 784,612</u>

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 13. Endowment Net Assets (continued)

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, at June 30, 2019	\$ -	\$ 767,165	\$ 767,165
Investment return, net	-	40,992	40,992
Contributions	-	3,100	3,100
Appropriation of endowment assets for expenditure	-	(26,645)	(26,645)
Net assets, at June 30, 2020	\$ -	\$ 784,612	\$ 784,612
Investment return, net	-	224,506	224,506
Contributions	-	25	25
Appropriation of endowment assets for expenditure	-	(27,545)	(27,545)
Net assets, at June 30, 2021	\$ -	\$ 981,598	\$ 981,598

At June 30, 2021 and 2020 there were no underwater funds.

Note 14. Functional Allocation of Expenses

During the fiscal year ended June 30, 2021, the Organization incurred joint costs of \$6,400,006 for printing and publications and activities and communications that included fundraising expense appeals. Of these costs, \$583,725 was allocated to management and general expense, \$920,020 was allocated to fundraising expense and \$4,896,261 was allocated to program expense.

During the fiscal year ended June 30, 2020, the Organization incurred joint costs of \$5,632,450 for printing and publications and activities and communications that included fundraising expense appeals. Of these costs, \$536,652 was allocated to management and general expense, \$772,336 was allocated to fundraising expense and \$4,323,462 was allocated to program expense.

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 14. Functional Allocation of Expenses (continued)

The following tables below illustrate expenses by priority program area and functional basis for the year ended June 30:

	<u>2021</u>			
<u>Expenditures by Priority Campaigns and Projects</u>				
Wildlife Crime	\$	30,439,800		
Wildlife Rescue		3,271,466		
Landscape Conservation		6,414,652		
Marine Conservation		2,563,033		
Dissater Response and Risk Reduction		1,701,732		
Marine Mammal Rescue and Research		1,019,254		
International Policy		774,954		
<i>Total</i>		<u>\$ 46,184,891</u>		
<u>Mission Costs by Activity</u>				
			Management	
Campaigns and projects:	Program	Fundraising	and General	Total
Contracting and granting	\$ 7,224,970	\$ -	\$ -	\$ 7,224,970
Direct staffing	4,245,086	-	61,703	4,306,789
Donated services	23,404,339	-	-	23,404,339
Support staffing	834,863	-	95,394	930,257
Support costs	1,274,122	-	110,944	1,385,066
Total	<u>\$ 36,983,380</u>	<u>\$ -</u>	<u>\$ 268,041</u>	<u>\$ 37,251,421</u>
Multimedia outreach and influence:				
Production and placement	\$ 297,109	\$ -	\$ -	\$ 297,109
Digital marketing and fundraising	1,683,606	153,918	23,637	1,861,161
Direct staffing	1,157,489	29,778	4,573	1,191,840
Support staffing	228,418	9,790	43,613	281,821
Support costs	314,854	9,616	50,519	374,989
Total	<u>\$ 3,681,476</u>	<u>\$ 203,102</u>	<u>\$ 122,342</u>	<u>\$ 4,006,920</u>
Supporter awareness and advocacy:				
Outreach, production and distribution	\$ 3,922,173	\$ 3,404,205	\$ 591,601	\$ 7,917,979
Direct staffing	717,664	1,919,329	103,519	2,740,512
Donated services	-	520	-	520
Support staffing	337,717	283,704	1,074,671	1,696,092
Support costs	542,481	433,305	1,258,248	2,234,034
Total	<u>\$ 5,520,035</u>	<u>\$ 6,041,063</u>	<u>\$ 3,028,039</u>	<u>\$ 14,589,137</u>
Total mission costs	<u>\$ 46,184,891</u>	<u>\$ 6,244,165</u>	<u>\$ 3,418,422</u>	<u>\$ 55,847,478</u>

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 14. Functional Allocation of Expenses (continued)

	<u>2020</u>
<u>Expenditures by Priority Campaigns and Projects</u>	
Wildlife Crime	\$ 32,251,380
Wildlife Rescue	5,992,856
Landscape Conservation	3,985,449
Marine Conservation	3,729,925
Dissater Response and Risk Reduction	2,044,704
Marine Mammal Rescue and Research	540,886
International Policy	421,601
<i>Total</i>	<u>\$ 48,966,801</u>

Mission Costs by Activity

Campaigns and projects:

	Program	Fundraising	Management and General	Total
Contracting and granting	\$ 8,591,929	\$ -	\$ -	\$ 8,591,929
Direct staffing	4,644,061	11,284	110,343	4,765,688
Donated services	24,221,573	-	-	24,221,573
Support staffing	655,183	793	157,249	813,225
Support costs	1,516,281	969	210,670	1,727,920
Total	<u>\$ 39,629,027</u>	<u>\$ 13,046</u>	<u>\$ 478,262</u>	<u>\$ 40,120,335</u>

Multimedia outreach and influence:

Production and placement	\$ 408,639	\$ -	\$ -	\$ 408,639
Digital marketing and fundraising	1,954,305	87,909	31,100	2,073,314
Direct staffing	1,202,482	16,966	6,002	1,225,450
Support staffing	176,489	7,372	52,874	236,735
Support costs	374,470	9,010	69,686	453,166
Total	<u>\$ 4,116,385</u>	<u>\$ 121,257</u>	<u>\$ 159,662</u>	<u>\$ 4,397,304</u>

Supporter awareness and advocacy:

Outreach, production and distribution	\$ 3,580,917	\$2,262,240	\$ 540,797	\$ 6,383,954
Direct staffing	837,743	2,078,725	114,979	3,031,447
Support staffing	218,724	305,121	934,541	1,458,386
Support costs	584,005	581,189	1,248,126	2,413,320
Total	<u>\$ 5,221,389</u>	<u>\$5,227,275</u>	<u>\$ 2,838,443</u>	<u>\$ 13,287,107</u>

Total mission costs

	<u>\$ 48,966,801</u>	<u>\$5,361,578</u>	<u>\$ 3,476,367</u>	<u>\$ 57,804,746</u>
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International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2021 and 2020

Note 15. Commitments and Contingencies

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:

2022	\$ 986,468
2023	975,290
2024	953,653
2025	<u>249,297</u>
Minimum lease payments	<u>\$ 3,164,707</u>

Rental expense associated with non-cancelable operating leases amounted to \$980,921 and \$918,326 for the years ended June 30, 2021 and 2020, respectively. Certain leases also contain clauses for escalation in scheduled rent increases. Rent expense is provided on a straight line basis over the term of the related lease.

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Note 16. Availability and Liquidity

The Organization regularly monitors liquidity required to meet its operating needs. For purposes of analyzing resources available to meet general expenditures, such as operating expenses and schedule principal payments on debt, over a twelve-month period, the Organization considers all expenditures related to its ongoing activities. At June 30, the financial assets and liquidity resources available within one year for general expenditure comprise the following:

	<u>2021</u>	<u>2020</u>
Financial Assets at year end		
Cash and cash equivalents	\$ 5,733,008	\$ 5,254,823
Cash and cash equivalents limited as to use	2,534,119	3,451,106
Due from affiliates (net)	1,256,899	1,271,729
Investments at fair value	26,180,020	22,461,204
Other current assets	1,552,592	2,602,491
Contribution receivable, net	862,164	1,444,497
Certificate of deposit limited as to use	8,000,000	8,000,000
Investments in affiliate at cost	<u>2</u>	<u>2</u>
 Total financial assets	 46,118,804	 44,485,852
 Less amounts not available to be used within one year		
Net assets subject to spending policy and appropriation	(981,598)	(784,612)
Cash and cash equivalents limited as to use	(2,534,119)	(3,451,106)
Certificate of deposit limited as to use	(8,000,000)	(8,000,000)
Charitable gift annuity investments	(644,275)	(537,762)
Deferred compensation investments	(728,948)	(537,293)
Board designated institutional reserves	<u>(25,291,819)</u>	<u>(21,307,765)</u>
	(38,180,759)	(34,618,538)
 Add amounts available to be used within one year		
Estimated withdrawal of assets limited as to use for debt service	435,000	417,000
Endowment and board designated institutional reserve appropriation within a year	<u>4,522,000</u>	<u>2,185,000</u>
	<u>4,957,000</u>	<u>2,602,000</u>
 Financial assets available to meet general expenditures within one year	 <u>\$ 12,895,045</u>	 <u>\$ 12,469,314</u>

The Organization reviews its cash position on a regular basis to ensure that adequate funds are on hand to meet expense. If funds are needed for expenses, management has the ability to request certain amounts be undesignated by the Board from the institutional reserves. At June 30, 2021 and 2020, management believes the Organization has no liquidity issues.

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Note 17. Risk and Uncertainties

On January 30, 2020 the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. The coronavirus and the actions taken to mitigate the spread are expected to continue to have an adverse impact on the economies across the global in which the Organizations operates. It is unknown how long the adverse conditions associated with the coronavirus will last and the complete financial impact will be on the Organization. Additionally, it is reasonably possible that estimates made in the financial statements have been or will be impacted as a result of these conditions.

The Organization participates in a number of federal programs that are subject to financial and compliance audits. Management believes its programs have been conducted in accordance with the terms of the agreements and, thus, does not expect any significant impact if such programs are further audited by funders.

Note 18. Subsequent Events

Paycheck Protection Plan (PPP) – Based on the provisions of the CARES Act the Organization submitted a loan forgiveness application early July 2021, which was granted by the SBA on July 21st, 2021 for the entire amount of \$3,066,543 which includes any accrued interest up until that date. As a result, the Organization is no longer obligated for this debt and has been recorded in fiscal year 2022 as a forgiveness of debt.

As part of the provisions of the PPP program all loans issue, over two million dollars are subject to an audit but at this time, no intention by the SBA or federal government to perform such audit has been communicated to the Organization.

The Organization has performed an evaluation of subsequent events through February 21, 2022, which is the date the financial statements are available to be issued