

International Fund for Animal Welfare, Inc.

Financial Statements
For the Years Ended June 30, 2023 and 2022

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RSM US LLP

Independent Auditor's Report

Board of Directors
International Fund for Animal Welfare, Inc.

Opinion

We have audited the accompanying financial statements of International Fund for Animal Welfare, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2023 and 2022, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter—Accounting Standard Adoption

As discussed in Note 2 to the financial statements, the Organization has changed its method of accounting for leases during the year ended June 30, 2023, due to the adoption of Financial Accounting Standards Board's Accounting Standards Codification Topic 842, Leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

RSM US LLP

Boston, Massachusetts
February 26, 2024

International Fund for Animal Welfare, Inc.
Statements of Financial Position
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 4,388,130	\$ 6,472,769
Due from affiliates, net	1,011,051	1,851,886
Prepaid expenses and other current assets	3,795,227	5,001,476
Contributions receivable, net	1,881,362	2,882,851
Cash and cash equivalents limited as to use	464,076	1,317,874
Certificate of deposit limited as to use	8,000,000	8,000,000
Investments at fair value	18,121,207	19,106,085
Investments in affiliate at cost	2	2
Right-of-use asset, net	2,498,773	-
Fixed assets, net	<u>14,878,125</u>	<u>14,848,085</u>
 Total assets	 <u>\$ 55,037,953</u>	 <u>\$ 59,481,028</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 2,942,714	\$ 2,529,376
Accrued compensation	2,141,803	1,869,636
Accrued expenses	1,603,164	2,129,904
Due to affiliates, net	751,358	20,875
Interest rate swap	158,994	561,315
Charitable gift annuities payable	483,655	517,676
Lease liability	2,552,013	-
Notes payable	<u>8,276,666</u>	<u>8,729,166</u>
 Total liabilities	 <u>18,910,367</u>	 <u>16,357,948</u>
Net assets:		
Without donor restrictions	30,844,905	36,037,482
With donor restrictions	<u>5,282,681</u>	<u>7,085,598</u>
 Total net assets	 <u>36,127,586</u>	 <u>43,123,080</u>
 Total liabilities and net assets	 <u>\$ 55,037,953</u>	 <u>\$ 59,481,028</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, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:						
Contributions and grants	\$ 15,725,620	\$ 7,010,271	\$ 22,735,891	\$ 18,602,618	\$ 11,776,623	\$ 30,379,241
Bequests	4,961,645	30,000	4,991,645	2,832,595	100,000	2,932,595
Contributed goods and services	30,632,560	-	30,632,560	28,635,297	-	28,635,297
Paycheck Protection Program loan forgiveness	-	-	-	3,103,762	-	3,103,762
Investment return (loss), net	2,842,310	127,004	2,969,314	(2,722,775)	(92,558)	(2,815,333)
Other income	196,724	298,164	494,888	191,433	242,796	434,229
Grants from affiliates	5,196,244	1,080,733	6,276,977	5,300,000	974,531	6,274,531
Unrealized gain on interest rate swap	402,321	-	402,321	779,670	-	779,670
Satisfaction of purpose restrictions and time restrictions	10,349,089	(10,349,089)	-	9,183,692	(9,183,692)	-
Total revenue, gains and other support	70,306,513	(1,802,917)	68,503,596	65,906,292	3,817,700	69,723,992
Expenses:						
Program	63,599,330	-	63,599,330	57,370,569	-	57,370,569
Fundraising	8,021,743	-	8,021,743	8,289,119	-	8,289,119
Management and general	3,878,017	-	3,878,017	3,883,736	-	3,883,736
Total expenses	75,499,090	-	75,499,090	69,543,424	-	69,543,424
Change in net assets	(5,192,577)	(1,802,917)	(6,995,494)	(3,637,132)	3,817,700	180,568
Net assets, beginning of year	36,037,482	7,085,598	43,123,080	39,674,614	3,267,898	42,942,512
Net assets, end of year	\$ 30,844,905	\$ 5,282,681	\$ 36,127,586	\$ 36,037,482	\$ 7,085,598	\$ 43,123,080

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ (6,995,494)	\$ 180,568
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	438,608	493,096
Non-cash lease expense	12,367	-
Loss on disposal of fixed assets	36,205	-
Foreign currency gain on lease liability remeasurement	(45,584)	-
Unrealized gain on interest rate swap	(402,321)	(779,670)
Forgiveness of Paycheck Protection Program loan	-	(3,103,762)
Net unrealized and realized (gain) loss on investments	(2,075,662)	3,323,017
Contributions restricted for long-term investment	(75,050)	(25)
Changes in operating assets and liabilities:		
Due to/from affiliates	1,993,925	(12,870)
Prepaid expenses and other current assets	1,067,382	(2,139,108)
Contributions receivable	1,001,489	(2,020,687)
Accounts payable	413,338	684,055
Accrued compensation	272,167	27,725
Accrued expenses	(301,416)	3,370
Charitable gift annuities payable	(34,021)	122,525
Net cash used in operating activities	<u>(4,694,067)</u>	<u>(3,221,767)</u>
Cash flows from investing activities:		
Purchases of fixed assets	(927,460)	(570,660)
Purchases of investments	(18,964,713)	(24,005,193)
Proceeds from sale and maturities of investments	22,025,253	27,756,111
Net cash provided by investing activities	<u>2,133,080</u>	<u>3,180,258</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment	75,050	25
Principal payments on notes payable	(452,500)	(435,000)
Net cash used in financing activities	<u>(377,450)</u>	<u>(434,975)</u>
Net decrease in cash and cash equivalents	(2,938,437)	(476,484)
Cash and cash equivalents, and cash and cash equivalents limited to use, beginning of year	<u>7,790,643</u>	<u>8,267,127</u>
Cash and cash equivalents, and cash and cash equivalents limited to use, end of year	<u>\$ 4,852,206</u>	<u>\$ 7,790,643</u>
Cash and cash equivalents	\$ 4,388,130	\$ 6,472,769
Cash and cash equivalents limited as to use	<u>464,076</u>	<u>1,317,874</u>
	<u>\$ 4,852,206</u>	<u>\$ 7,790,643</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ 192,083</u>	<u>\$ 210,857</u>
Non cash transactions:		
Right-of-use asset acquired through operating leases	<u>\$ 3,462,242</u>	<u>\$ -</u>
Lease liability assumed through operating leases	<u>\$ 3,375,785</u>	<u>\$ -</u>
Depreciation expense allocated to affiliates	<u>\$ 422,607</u>	<u>\$ 563,186</u>
Interest expense allocated to affiliates	<u>\$ 307,363</u>	<u>\$ 300,634</u>

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, 2023 and 2022

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 (Belgium) AISBL
- 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)
- International Fund for Animal Welfare (Zimbabwe) Trust

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.

International Fund for Animal Welfare, Inc.

Notes to the Financial Statements

For the Years Ended June 30, 2023 and 2022

Note 2. Significant Accounting Policies

Basis of presentation: The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States (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. Included in net assets are gifts without donor restrictions designated by the board of directors to provide-term support for Animal Rescue. 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)
- **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 statements of activities and changes in net assets as satisfaction of purpose and time restrictions.

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.

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 changes in net assets within investment return (loss), net.

International Fund for Animal Welfare, Inc.

Notes to the Financial Statements

For the Years Ended June 30, 2023 and 2022

Note 2. Significant Accounting Policies (continued)

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 and 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
- **Animal Rescue Fund** – Board designated funds to support long-term support for Animal Rescue initiatives
- **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.

At June 30, 2023 and 2022, the Organization maintained cash and equivalents and certificate of deposit totaling \$8,464,076 and \$9,317,874, respectively, which are designated for repayment of the Organization's term loan. See Note 9.

International Fund for Animal Welfare, Inc.

Notes to the Financial Statements

For the Years Ended June 30, 2023 and 2022

Note 2. Significant Accounting Policies (continued)

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 ended June 30, 2023 and 2022, there was appropriation of \$29,244 and \$27,739, respectively, which are included as satisfaction of purposes restrictions and time restrictions 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 standard'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, 2023 and 2022

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, 2023 and 2022, 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, mutual funds, and corporate bonds: The fair value of US government and agency securities, corporate stocks, mutual funds, 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 were 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 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, 2023 and 2022, were \$8,700,000 and \$10,100,000, respectively. As of June 30, 2023 and 2022, the Organization had conditional advances totaling \$350,135 and \$544,707, respectively, and are 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 2.8% and 4.87% at June 30, 2023 and from 1.35% and 3.01% at June 30, 2022. As of June 30, 2023 and 2022, 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, 2023 and 2022

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. Costs incurred in the planning stage 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, 2023 and 2022, 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, 2023 and 2022, the charitable gift annuity investment accounts had a fair value of \$949,408 and \$835,249, 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 discretion barriers. For this reason, the Organization's federal grant awards are considered conditional and are recognized once said conditions are met. The Organization has not elected a simultaneous release policy, thus, Federal grant awards with restrictions are released from restriction when qualifying expenditures are incurred.

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2023 and 2022

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. The Organization did not monetize any contributed goods and services unless otherwise noted. Contributed goods and services did not have donor restrictions. Included in revenue and program expenses were contributed professional media placement and display services totaling \$30,632,560 and \$28,635,297 for the years ended June 30, 2023 and 2022, 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 \$140,349 and \$102,975 for the years ended June 30, 2023 and 2022, 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 taxable unrelated business income for the fiscal years ended June 30, 2023 and 2022, respectively. The Organization operates an online store selling IFAW branded merchandise, which generated unrelated business but did not generate a profit during the fiscal years ended June 30, 2023 and 2022, respectively.

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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, 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 years ended June 30, 2023 and 2022, the Organization expensed \$1,951,597 and \$2,244,844, respectively.

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2023 and 2022

Note 2. Significant Accounting Policies (continued)

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.

Recently adopted 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 Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position 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 July 2018, the FASB also issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method allowing the standard to be applied at the adoption date. In November 2021, the FASB issued ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*, which allows lessees that are not public business entities to make the ASC 842 risk-free discount rate accounting policy election by class of underlying asset, rather than at the entity-wide level.

The Organization adopted the standard as of July 1, 2022, using the alternative modified retrospective transition approach in accordance with ASU 2018-11, *Leases (Topic 842): Targeted Improvements*. The Organization elected the practical expedients permitted under the standard that provide no need to reassess whether any expired or existing contracts contain a lease, the related lease classification for such expired or expiring leases and the initial direct costs for existing leases. Under the alternative modified retrospective transition approach, the reported results for the year ended June 30, 2023, reflect the application of ASC 842 guidance, whereas comparative periods and their respective disclosures prior to the adoption of ASC 842 are presented using the legacy guidance of ASC 840.

The Organization elected the practical expedients permitted under ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*, and has applied a risk-free discount rate by class of underlying asset.

Adoption of Topic 842 resulted in the recording of right-of-use assets and lease liabilities related to the Organization's operating leases of \$2,982,798 and \$3,069,255, respectively, on July 1, 2022. The adoption of the new lease standard did not materially impact the Organization's consolidated statements of operations or consolidated cash flows. See Note 11 for the impact of adoption on the financial statements as of the adoption date and for the year ended June 30, 2023.

Reclassifications: The composition and fair value hierarchy of investments in the 2022 financial statements have been reclassified to conform with their 2023 presentation.

Subsequent events: The Organization has evaluated subsequent events through February 26, 2024, the date in which the financial statements were available to be issued.

Note 3. Related Party Transactions

All amounts due to and due from affiliate entities are presented in the statements of financial 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.

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2023 and 2022

Note 3. Related Party Transactions (continued)

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

	<u>2023</u>	<u>2022</u>
International Fund for Animal Welfare (Australia) Pty Ltd.	\$ 857,120	\$ 641,534
International Fund for Animal Welfare Inc./Fonds international pour la protection des animaux inc. (Canada)	113,441	80,608
Stichting IFAW (International Fund for Animal Welfare) (Netherlands)	23,603	80,813
International Fund for Animal Welfare NPC (South Africa)	15,887	4,963
International Fund for Animal Welfare IFAW in Action (United Kingdom)	1,000	-
Fonds international pour la protection des animaux (IFAW France)	-	497,437
International Fund for Animal Welfare (IFAW) (United Kingdom)	-	295,378
IFAW Internationaler Tierschutz-Fonds gGmbH (Germany)	-	251,153
	<u>\$ 1,011,051</u>	<u>\$ 1,851,886</u>

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

	<u>2023</u>	<u>2022</u>
Fonds international pour la protection des animaux (IFAW France)	\$ 444,688	\$ -
IFAW Internationaler Tierschutz-Fonds gGmbH (Germany)	106,595	-
International Fund for Animal Welfare (Belgium) AISBL	71,927	-
International Fund for Animal Welfare (IFAW) (United Kingdom)	66,767	-
International Fund for Animal Welfare Limited (Zambia)	58,271	5,553
International Fund for Animal Welfare (IFAW) Limited (Malawi)	3,110	4,856
Fonds international pour la protection des animaux (IFAW) (France Endowment Fund)	-	10,466
	<u>\$ 751,358</u>	<u>\$ 20,875</u>

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

	<u>2023</u>			<u>2022</u>		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
International Fund for Animal Welfare (IFAW) (United Kingdom)	\$ 4,979,220	\$ 271,414	\$ 5,250,634	\$ 5,300,000	\$ 220,831	\$ 5,520,831
Stichting IFAW (International Fund for Animal Welfare) (Netherlands)	95,000	317,629	412,629	-	66,920	66,920
Fonds international pour la protection des animaux (IFAW France)	-	391,648	391,648	-	68,440	68,440
IFAW Internationaler Tierschutz-Fonds gGmbH (Germany)	121,972	38,028	160,000	-	88,400	88,400
International Fund for Animal Welfare (Australia) Pty Ltd.	-	42,139	42,139	-	504,609	504,609
International Fund for Animal Welfare Inc./Fonds international pour la protection des animaux inc. (Canada)	-	19,875	19,875	-	25,331	25,331
International Fund for Animal Welfare (Belgium) AISBL	52	-	52	-	-	-
	<u>\$ 5,196,244</u>	<u>\$ 1,080,733</u>	<u>\$ 6,276,977</u>	<u>\$ 5,300,000</u>	<u>\$ 974,531</u>	<u>\$ 6,274,531</u>

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2023 and 2022

Note 3. Related Party Transactions (continued)

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 years ended June 30:

	<u>2023</u>	<u>2022</u>
Fonds international pour la protection des animaux (IFAW France)	\$ 891,404	\$ 34,294
International Fund for Animal Welfare (Zimbabwe) Trust	412,951	79,000
IFAW Internationaler Tierschutz-Fonds gGmbH (Germany)	316,429	112,088
Stichting IFAW (International Fund for Animal Welfare) (Netherlands)	257,075	210,552
International Fund for Animal Welfare (IFAW) (United Kingdom)	104,692	112,026
International Fund for Animal Welfare (Belgium) AISBL	79,185	-
International Fund for Animal Welfare Limited (Zambia)	60,385	280,137
International Fund for Animal Welfare (Australia) Pty. Ltd.	54,804	119,016
International Fund for Animal Welfare (IFAW) Limited (Malawi)	30,190	653,558
Fonds international pour la protection des animaux (IFAW) (France Endowment Fund)	-	10,466
	<u>\$ 2,207,115</u>	<u>\$ 1,611,137</u>

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 years ended June 30:

	<u>2023</u>	<u>2022</u>
Program	\$ 10,286,513	\$ 8,878,092
Fundraising	2,756,294	2,618,864
Management and general	<u>3,209,259</u>	<u>3,074,576</u>
	<u>\$ 16,252,066</u>	<u>\$ 14,571,532</u>

Included within reimbursed expenses is depreciation and amortization expense of \$422,606 and \$563,186 in fiscal years 2023 and 2022, respectively.

Note 4. Investments

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

	<u>2023</u>	<u>2022</u>
US Government and agency securities	\$ 1,841,077	\$ 1,851,043
Corporate common stocks	12,672,888	13,035,699
Corporate bonds	2,548,184	3,033,233
Mutual funds	607,007	628,811
Real estate securities	452,051	557,299
	<u>\$ 18,121,207</u>	<u>\$ 19,106,085</u>

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2023 and 2022

Note 4. Investments (continued)

The Organization owns a 1/6th interest in IFAW Internationaler Tierschutz-Fonds gmbH (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.

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:

2023	Level 1	Level 2	Level 3	Cost	Total
Assets					
US government and agency securities	\$ 1,841,077	\$ -	\$ -	\$ -	\$ 1,841,077
Corporate common stocks	12,672,888	-	-	-	12,672,888
Corporate bonds	-	2,548,184	-	-	2,548,184
Mutual funds	607,007	-	-	-	607,007
Real estate securities	452,051	-	-	-	452,051
Total assets recorded at fair value	15,573,023	2,548,184	-	-	18,121,207
Cash and cash equivalents (a)	-	-	-	4,388,130	4,388,130
Cash and cash equivalents limited as to use (a)	-	-	-	464,076	464,076
Certificates of deposits limited as to use (a)	-	-	-	8,000,000	8,000,000
Total cash and investments	\$ 15,573,023	\$ 2,548,184	\$ -	\$ 12,852,206	\$ 30,973,413
Liabilities					
Interest rate swap	\$ -	\$ 158,994	\$ -	\$ -	\$ 158,994
Total liabilities recorded at fair value	\$ -	\$ 158,994	\$ -	\$ -	\$ 158,994
2022					
Assets					
US government and agency securities	\$ 1,851,043	\$ -	\$ -	\$ -	\$ 1,851,043
Corporate common stocks	13,035,699	-	-	-	13,035,699
Corporate bonds	-	3,033,233	-	-	3,033,233
Mutual funds	628,811	-	-	-	628,811
Real estate securities	557,299	-	-	-	557,299
Total assets recorded at fair value	16,072,852	3,033,233	-	-	19,106,085
Cash and cash equivalents (a)	-	-	-	6,472,769	6,472,769
Cash and cash equivalents limited as to use (a)	-	-	-	1,317,874	1,317,874
Certificates of deposits limited as to use (a)	-	-	-	8,000,000	8,000,000
Total cash and investments	\$ 16,072,852	\$ 3,033,233	\$ -	\$ 15,790,643	\$ 34,896,728
Liabilities					
Interest rate swap	\$ -	\$ 561,315	\$ -	\$ -	\$ 561,315
Total liabilities recorded at fair value	\$ -	\$ 561,315	\$ -	\$ -	\$ 561,315

(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, 2023 and 2022

Note 6. Prepaid Expenses and Other Current Assets

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

	<u>2023</u>	<u>2022</u>
Accrued bequests	\$ 402,648	\$ 2,647
Grants receivable	576,874	961,782
Employee retention credit (Note 15)	-	1,935,104
Prepaid expenses	2,220,389	1,684,217
Other current assets	595,316	417,726
	<u>\$ 3,795,227</u>	<u>\$ 5,001,476</u>

Note 7. Contributions Receivable, Net

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

	<u>2023</u>	<u>2022</u>
In one year or less	\$ 1,245,559	\$ 1,515,746
Between one year and five years	666,000	1,432,000
	1,911,559	2,947,746
Less: Discount to present value	<u>(30,197)</u>	<u>(64,895)</u>
Contributions receivable, net	<u>\$ 1,881,362</u>	<u>\$ 2,882,851</u>

As of June 30, 2023 and 2022, two donors accounted for 81% and three donors accounted for 80% of the contribution receivable, net balance, respectively.

Note 8. Fixed Assets, Net

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

	<u>Depreciable lives</u>	<u>2023</u>	<u>2022</u>
Land and improvements	Not applicable	\$ 2,807,006	\$ 2,807,006
Buildings and improvements	3 - 40 years	17,491,301	17,291,159
Equipment:			
Computer	3 - 5 years	9,133,222	9,071,883
Furniture and fixtures	3 - 5 years	1,525,420	1,457,316
Vehicles, watercraft	5 years	2,271,528	2,147,690
Intangible asset	15 years	6,512	6,512
Construction in progress	Not applicable	266,134	43,867
		33,501,123	32,825,433
Less: Accumulated depreciation and amortization		<u>(18,622,998)</u>	<u>(17,977,348)</u>
		<u>\$ 14,878,125</u>	<u>\$ 14,848,085</u>

Depreciation expense was \$438,608 and \$493,096 for the years ended June 30, 2023 and 2022, respectively.

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2023 and 2022

Note 9. Notes Payable

The Organization has a loan through Bank of America (BoA) that matures in June 2026. In response to the phase-out of LIBOR benchmark rates scheduled for June 2023, IFAW modified its loan in September 2022. The interest rate was changed from LIBOR + 90bp to SOFR + 78bp and the 2.5% floor was eliminated. SOFR is the daily Secured Overnight Financing Rate published by the Federal Reserve Bank of New York which has replaced LIBOR for most domestic US Dollar denominated financial products. The interest rate at June 30, 2023 and 2022 was 5.95% and 3.16%, respectively. The Organization maintains certificates of deposit and cash equivalents pledged as collateral for the loan totaling \$8,464,076 and \$9,317,874 at June 30, 2023 and 2022, respectively. Total outstanding liabilities were \$8,276,666 and \$8,729,166 at June 30, 2023 and 2022, 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 was unsecured, bore interest at a fixed 1%, and was deferred until October 2021. Prior to commencement of or repayment the Organization submitted a loan forgiveness application in early July 2021, which was granted by the SBA on July 21, 2021 for the entire amount of \$3,066,543 plus any accrued interest up until that date which amounted to \$37,219. The Organization elected to account for the loan as debt and subsequently recorded the forgiveness of debt during the year ended June 30, 2022.

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

Future principal repayments are scheduled as follows:

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 and is shown 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 floating rate of 70% of the 1M LIBOR Fallback Rate published by Bloomberg under ticker VUS0001M. 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 liability balance at June 30, 2023 and 2022, was \$158,994 and \$561,315, respectively.

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2023 and 2022

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 \$1,144,155 and \$986,651 in fiscal years 2023 and 2022, 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 \$89,479 and unrealized losses \$83,708 as of June 30, 2023 and 2022, respectively. The plan’s assets and the Organization’s related liability is \$630,124 and \$628,811 as of June 30, 2023 and 2022, respectively.

Note 11. Leases

The Company has obligations as a lessee for office space, warehouses, vehicles, and other equipment with initial noncancelable terms in excess of one year. The operating lease terms range out until Fall 2028, if the Organization is reasonably certain to exercise the renewal options, the optional periods are included in determining the lease term, and associated payments used to determine the operating lease liabilities. As of July 1, 2022, the risk-free rate utilized for the net present value calculation ranges from 2.79% to 12.923%. This rate was obtained from the corresponding government bonds rates for the respective right of use operating lease, which included the United States, United Arab Emirates, China and Kenya.

In accordance with both ASC Topic 840, Leases, and ASC Topic 842, Leases (Topic 840 was applied through June 30, 2022, at which time Topic 842 was adopted by the Organization), the Organization is recording rent expense for their operating leases on a straight-line basis over the terms of the lease regardless of actual cash payments. Rent expense for operating leases was as follows for the years ended June 30, 2023 and 2022:

	2023	2022
Operating lease cost	\$ 994,040	\$ 872,948

In accordance with ASC Topic 840, Leases, the Company had deferred rent payable of \$225,324 as of June 30, 2022, related to the operating leases, which was reflected as accrued expenses in the accompanying statement of financial position as of June 30, 2022. Effective July 1, 2022, as a result of the adoption of ASC Topic 842, Leases, the balance of deferred rent is presented net of right-of-use assets. In accordance with ASC Topic 840, Leases, the Organization had prepaid rent of \$138,867 as of June 30, 2022, related to operating leases, which was reflected as prepaid expenses in the accompanying statement of financial position for the year ended June 30, 2022. Effective July 1, 2022, as a result of the adoption of ASC Topic 842, Leases, prepaid rent totaling \$138,867 is presented net of right-of-use assets as of June 30, 2023, in the accompanying statement of financial position.

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2023 and 2022

Note 11. Leases (continued)

As a result of the adoption of the new lease accounting guidance under ASC Topic 842, Leases, as of July 1, 2022, the Organization recognized a lease liability of \$3,069,255, which represents the remaining lease payments for operating leases of \$3,405,333 as of July 1, 2022, discounted using a risk-free rate equivalent to the corresponding government bond yields for the respective operating leases with maturities that align with that of the Organization's lease portfolio. As of July 1, 2022, the Organization also recognized a right-of-use asset of \$2,982,798, which is comprised of the following:

Undiscounted lease payments at adoption	\$ 3,405,333
Less: discount to present value at adoption	<u>(336,078)</u>
Net present value of lease payments at adoption	3,069,255
Add: prepayments on operating leases at adoption	138,867
Less: deferred rent at adoption	<u>(225,324)</u>
Right-of-use asset recognized at adoption	<u><u>\$ 2,982,798</u></u>

Future minimum undiscounted lease commitments, as determined under ASC Topic 842, Leases, for all non-cancelable leases are as follows as of June 30, 2023:

2024	\$ 1,014,163
2025	945,957
2026	544,064
2027	153,583
2028	123,240
Thereafter	<u>24,206</u>
Total lease payments	2,805,213
Less: discount to present value	<u>(253,201)</u>
Net present value of remaining lease payments	2,552,013
Less: current portion of lease obligations	<u>(873,869)</u>
Lease obligation, net of current portion	<u><u>\$ 1,678,144</u></u>

Future minimum lease commitments, as determined under ASC Topic 840, Leases, for all non-cancelable leases are as follows as of June 30, 2022:

2024	\$ 928,107
2025	<u>233,489</u>
	<u><u>\$ 1,161,596</u></u>

Right-of-use assets and lease liabilities consist of the following as of June 30, 2023:

	<u>Right-of-Use Asset</u>	<u>Lease Liability</u>
Recognized at July 1, 2022	\$ 2,982,798	\$ 3,069,255
Additions	392,987	392,987
Accretion of interest	117,028	117,028
Straight-line rent	(994,040)	-
Cash paid for leases	-	(981,673)
Foreign currency (gain) on remeasurement	-	(45,584)
Carrying value at June 30, 2023	<u><u>\$ 2,498,773</u></u>	<u><u>\$ 2,552,013</u></u>

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2023 and 2022

Note 11. Leases (continued)

The weighted average remaining lease term and discount rate for operating leases as of June 30, 2023, are as follows:

Weight-average remaining lease term - operating leases (years)	<u><u>3.1</u></u>
Weighted-average discount rate - operating leases	<u><u>4.1%</u></u>

Note 12. Net Assets

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

	<u>2023</u>	<u>2022</u>
Subject to appropriation and expenditure when a specific event occurs and subject to the passage of time		
Landscape Conservation	\$ 1,557,288	\$ 1,718,353
Animal Rescue	2,255,274	4,263,289
Marine Conservation	390,983	192,630
International Policy	45,000	50,000
	<u>4,248,545</u>	<u>6,224,272</u>

Subject to the Organization spending policy and appropriation:

Investments in perpetuity (including original gifts totaling \$690,160 and \$615,110 as of June 30, 2023 and 2022) and the net investment return from which is expendable to support:

Seals and whales	496,054	450,407
Animal Rescue	538,082	410,919
	<u>1,034,136</u>	<u>861,326</u>
	<u>\$ 5,282,681</u>	<u>\$ 7,085,598</u>

The Organization has Board Designated Reserves as of June 30:

	<u>2023</u>	<u>2022</u>
Strategic reserves	\$ 13,857,372	\$ 15,388,718
Capital reserves	10,470,758	11,325,104
Animal Rescue	2,044,272	1,804,889
	<u>\$ 26,372,402</u>	<u>\$ 28,518,711</u>

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2023 and 2022

Note 13. 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 years ended June 30:

	<u>2023</u>	<u>2022</u>
Purpose-imposed restriction:		
Landscape Conservation	\$ 2,333,282	\$ 3,178,981
Animal Rescue	5,961,883	3,192,668
Wildlife Crime	972,239	1,997,602
Marine Conservation	479,903	440,475
International Policy	572,538	346,227
	<u>10,319,845</u>	<u>9,155,953</u>
Endowment appropriation	<u>29,244</u>	<u>27,739</u>
	<u><u>\$ 10,349,089</u></u>	<u><u>\$ 9,183,692</u></u>

Note 14. 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, 2023 and 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2023:			
Donor Restricted Endowment Funds	\$ -	\$ 1,034,136	\$ 1,034,136
Board-Designated Endowment Funds	2,044,272	-	2,044,272
Total Funds	<u>\$ 2,044,272</u>	<u>\$ 1,034,136</u>	<u>\$ 3,078,408</u>
June 30, 2022:			
Donor Restricted Endowment Funds	\$ -	\$ 861,326	\$ 861,326
Board-Designated Endowment Funds	1,804,889	-	1,804,889
Total Funds	<u>\$ 1,804,889</u>	<u>\$ 861,326</u>	<u>\$ 2,666,215</u>

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Note 14. Endowment Net Assets (continued)

Endowment activity is as follows for the years ended June 30, 2023 and 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, at June 30, 2021	\$ -	\$ 981,598	\$ 981,598
Investment return, net	(195,111)	(92,558)	(287,669)
Contributions/designations	2,000,000	25	2,000,025
Appropriation of endowment assets for expenditure	-	(27,739)	(27,739)
Net assets, at June 30, 2022	<u>1,804,889</u>	<u>861,326</u>	<u>2,666,215</u>
Investment return, net	239,383	127,004	366,387
Contributions/designations	-	75,050	75,050
Appropriation of endowment assets for expenditure	-	(29,244)	(29,244)
Net assets, at June 30, 2023	<u>\$ 2,044,272</u>	<u>\$ 1,034,136</u>	<u>\$ 3,078,408</u>

At June 30, 2023 and 2022, there were no underwater donor endowment funds.

Note 15. Contributions and Grants

Employee Retention Credit

During the fiscal year ended June 30, 2022, the Organization made claims for refundable credits under Employee Retention Credit (ERC) program of \$1,935,104 as provided under the CARES Act and subsequently amended by the Consolidated Appropriations Act, 2021. Under the terms of the program, the Organization must incur qualifying wages or health insurance costs and have either suspended operations under governmental orders or experienced specified declines in gross receipts as defined for tax exempt organizations by Code S.6033 regulations. If conditions are not met, any amount of credit received is refundable to the government and the Organization may be subject to fines and penalties.

The Organization determined it qualified for the ERC during June 30, 2022, and had accounted for the credit as contributions and grants within the statements of activities and corresponding amount within prepaid expenses and other current assets on the statements of financial position as of June 30, 2022. The credit, net of interest, was received during May 2023. Interest receivable and interest income of \$151,519 is included in prepaid expenses and other current assets and other income on the accompanying statements of financial position and statements of activities and changes in net assets, respectively, at June 30, 2023.

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Note 16. Contributed Goods and Services

Public Awareness

During the years ended June 30, 2023 and 2022, the Organization received free advertising through billboards which are generally located in China at airports, subway stations, along with public community locations. Within the United States, the Organization receives television commercials that are nationally broadcast. Both the billboards and commercials are solely utilized for education and awareness to support the Organization's program priorities. The Organization's policy is to only accept in-kind donated media and reviews the relationships accordingly for restrictions. The fair value of the media placement and display services is estimated by management based on similar services provided at similar dates, times, and markets for this media. Included in revenue without donor restriction and program expenses were contributed professional media placement and display services totaling \$30,632,560 and \$28,635,297 for the years ended June 30, 2023 and 2022, respectively.

Note 17. Functional Allocation of Expenses

During the fiscal year ended June 30, 2023, the Organization incurred joint costs of \$6,381,904 for printing and publications and activities and communications that included fundraising expense appeals. Of these costs, \$552,017 was allocated to management and general expense, \$935,513 was allocated to fundraising expense and \$4,894,374 was allocated to program expense.

During the fiscal year ended June 30, 2022, the Organization incurred joint costs of \$6,679,659 for printing and publications and activities and communications that included fundraising expense appeals. Of these costs, \$578,962 was allocated to management and general expense, \$1,175,080 was allocated to fundraising expense and \$4,925,617 was allocated to program expense.

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2023 and 2022

Note 17. Functional Allocation of Expenses (continued)

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

	<u>2023</u>				
<u>Expenditures by Priority Campaigns and Projects</u>					
Wildlife Crime	\$	25,570,746			
Animal Rescue		21,150,455			
Landscape Conservation		9,304,026			
Marine Conservation		3,219,023			
Community Engagement		498,374			
International Policy		3,856,706			
<i>Total</i>		<u>\$ 63,599,330</u>			
<u>Mission Costs by Activity</u>					
Campaigns and projects:		Program	Fundraising	Management and General	Total
Contracting and granting	\$	13,076,182	\$ -	\$ -	\$ 13,076,182
Direct staffing		5,865,610	201,216	52,726	6,119,552
Donated services		12,190,530	-	33	12,190,571
Support staffing		1,149,885	12,017	110,543	1,272,445
Support costs		2,215,163	18,497	123,498	2,357,150
Total	\$	34,497,370	\$ 231,730	\$ 286,800	\$ 35,015,900
Multimedia outreach and influence:					
Production and placement	\$	1,276,244	\$ -	\$ -	\$ 1,276,244
Digital marketing and fundraising		2,121,533	144,977	16,109	2,282,619
Direct staffing		1,101,282	97,076	616	1,198,974
Donated services		18,405,542	-	1,265	18,406,807
Support staffing		273,121	14,456	35,065	322,642
Support costs		470,221	22,251	37,935	530,407
Total	\$	23,647,943	\$ 278,760	\$ 90,990	\$ 24,017,693
Supporter awareness and advocacy:					
Outreach, production and distribution	\$	3,841,835	\$ 4,487,120	\$ 564,014	\$ 8,892,969
Direct staffing		750,568	1,855,171	85,739	2,691,478
Donated services		-	35,089	93	35,182
Support staffing		278,787	378,771	1,362,240	2,019,798
Support costs		582,827	755,102	1,488,141	2,826,070
Total	\$	5,454,017	\$ 7,511,253	\$ 3,500,227	\$ 16,465,497
Total mission costs	\$	63,599,330	\$ 8,021,743	\$ 3,878,017	\$ 75,499,090

During the year ended June 30, 2023, the Organization realigned the breakout of program priorities with the creation of Animal Rescue pillar which now encompasses the previous pillars of Wildlife Rescue, Marine Mammal Rescue and Research and Disaster Response and Risk Reduction. Community Engagement pillar was also created during the year ended June 30, 2023, as well. Prior year amounts have been reclassified to reflect this change.

International Fund for Animal Welfare, Inc.
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Note 17. Functional Allocation of Expenses (continued)

	<u>2022</u>				
<u>Expenditures by Priority Campaigns and Projects</u>					
Wildlife Crime	\$	27,082,614			
Animal Rescue		14,222,385			
Landscape Conservation		12,294,506			
Marine Conservation		2,082,710			
International Policy		1,688,354			
<i>Total</i>		<u>\$ 57,370,569</u>			
<u>Mission Costs by Activity</u>					
Campaigns and projects:		Program	Fundraising	Management and General	Total
Contracting and granting	\$	11,123,244	\$ -	\$ -	\$ 11,123,244
Direct staffing		4,922,101	-	59,101	4,981,202
Donated services		15,651,506	-	-	15,651,506
Support staffing		917,897	-	100,274	1,018,171
Support costs		1,605,853	-	136,489	1,742,342
Total		<u>\$ 34,220,601</u>	<u>\$ -</u>	<u>\$ 295,864</u>	<u>\$ 34,516,465</u>
Multimedia outreach and influence:					
Production and placement	\$	520,868	\$ -	\$ -	\$ 520,868
Digital marketing and fundraising		2,294,745	205,890	25,447	2,526,082
Direct staffing		1,194,408	97,045	487	1,291,940
Donated services		12,967,112	-	-	12,967,112
Support staffing		229,399	13,381	44,001	286,781
Support costs		357,928	14,517	59,702	432,147
Total		<u>\$ 17,564,460</u>	<u>\$ 330,833</u>	<u>\$ 129,637</u>	<u>\$ 18,024,930</u>
Supporter awareness and advocacy:					
Outreach, production and distribution	\$	3,818,656	\$4,902,877	\$ 582,840	\$ 9,304,373
Direct staffing		835,599	2,108,025	101,293	3,044,917
Donated services		-	16,678	-	16,678
Support staffing		266,253	309,675	1,160,736	1,736,664
Support costs		665,000	621,031	1,613,366	2,899,397
Total		<u>\$ 5,585,508</u>	<u>\$7,958,286</u>	<u>\$ 3,458,235</u>	<u>\$ 17,002,029</u>
Total mission costs		<u>\$ 57,370,569</u>	<u>\$8,289,119</u>	<u>\$ 3,883,736</u>	<u>\$ 69,543,424</u>

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Note 18. 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 scheduled 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>2023</u>	<u>2022</u>
Financial Assets at year end		
Cash and cash equivalents	\$ 4,388,130	\$ 6,472,769
Cash and cash equivalents limited as to use	464,076	1,317,874
Due from affiliates (net)	259,693	1,851,886
Investments at fair value	18,121,207	19,106,085
Other current assets	1,574,838	3,317,259
Contribution receivable, net	1,881,362	2,882,851
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	34,689,308	42,948,726
Less amounts not available to be used within one year		
Net assets subject to spending policy and appropriation	(1,034,136)	(861,326)
Cash and cash equivalents limited as to use	(464,076)	(1,317,874)
Certificate of deposit limited as to use	(8,000,000)	(8,000,000)
Charitable gift annuity investments	(949,408)	(835,249)
Deferred compensation investments	(630,124)	(628,811)
Board designated institutional reserves and quasi endowment	<u>(17,908,326)</u>	<u>(19,200,837)</u>
	(28,986,070)	(30,844,097)
Add amounts available to be used within one year		
Estimated withdrawal of assets limited as to use for debt service	467,500	452,500
Endowment and board designated institutional reserve appropriation within a year	<u>1,680,000</u>	<u>4,977,000</u>
	<u>2,147,500</u>	<u>5,429,500</u>
Financial assets available to meet general expenditures within one year	<u>\$ 7,850,738</u>	<u>\$ 17,534,129</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, 2023 and 2022, management believes the Organization has no liquidity issues.

Note 19. Risk and Uncertainties

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.