

International Fund for Animal Welfare, Inc.

Financial Statements

For the Years Ended June 30, 2024 and 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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.

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.

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, 2025

International Fund for Animal Welfare, Inc.
Statements of Financial Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Cash and cash equivalents	\$ 2,392,849	\$ 4,388,130
Due from affiliates, net	881,582	1,011,051
Prepaid expenses and other current assets	3,210,604	3,795,227
Contributions receivable, net	1,340,164	1,881,362
Cash and cash equivalents limited as to use	-	464,076
Certificate of deposit	81,554	-
Certificate of deposit limited as to use	7,918,446	8,000,000
Investments at fair value	21,057,396	18,121,207
Investments in affiliate at cost	2	2
Right-of-use asset	1,853,982	2,498,773
Fixed assets, net	<u>14,354,201</u>	<u>14,878,125</u>
 Total assets	 <u>\$ 53,090,780</u>	 <u>\$ 55,037,953</u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 2,665,495	\$ 2,942,714
Accrued compensation	2,112,831	2,141,803
Accrued expenses	1,785,982	1,603,164
Due to affiliates, net	356,717	751,358
Interest rate swap	87,790	158,994
Charitable gift annuities payable	510,310	483,655
Right-of-use liability	1,788,606	2,552,013
Notes payable	<u>7,809,166</u>	<u>8,276,666</u>
 Total liabilities	 <u>17,116,897</u>	 <u>18,910,367</u>
Net assets:		
Without donor restrictions	32,131,923	30,844,905
With donor restrictions	<u>3,841,960</u>	<u>5,282,681</u>
 Total net assets	 <u>35,973,883</u>	 <u>36,127,586</u>
 Total liabilities and net assets	 <u>\$ 53,090,780</u>	 <u>\$ 55,037,953</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, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:						
Contributions and grants	\$ 14,485,875	\$ 4,980,587	\$ 19,466,462	\$ 15,725,620	\$ 7,010,271	\$ 22,735,891
Bequests	4,199,030	52,878	4,251,908	4,961,645	30,000	4,991,645
Contributed goods and services	13,432,240	-	13,432,240	30,632,560	-	30,632,560
Investment return, net	3,013,702	148,579	3,162,281	2,842,310	127,004	2,969,314
Other income	297,839	179,175	477,014	196,724	298,164	494,888
Grants from affiliates	10,200,000	342,313	10,542,313	5,196,244	1,080,733	6,276,977
Unrealized gain on interest rate swap	71,204	-	71,204	402,321	-	402,321
Satisfaction of purpose restrictions and time restrictions	7,144,253	(7,144,253)	-	10,349,089	(10,349,089)	-
Total revenue, gains and other support	52,844,143	(1,440,721)	51,403,422	70,306,513	(1,802,917)	68,503,596
Expenses:						
Program	41,053,267	-	41,053,267	63,599,330	-	63,599,330
Fundraising	6,609,692	-	6,609,692	8,021,743	-	8,021,743
Management and general	3,894,166	-	3,894,166	3,878,017	-	3,878,017
Total expenses	51,557,125	-	51,557,125	75,499,090	-	75,499,090
Change in net assets	1,287,018	(1,440,721)	(153,703)	(5,192,577)	(1,802,917)	(6,995,494)
Net assets, beginning of year	30,844,905	5,282,681	36,127,586	36,037,482	7,085,598	43,123,080
Net assets, end of year	\$ 32,131,923	\$ 3,841,960	\$ 35,973,883	\$ 30,844,905	\$ 5,282,681	\$ 36,127,586

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, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ (153,703)	\$ (6,995,494)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	472,557	438,608
Right-of-use asset amortization	896,624	877,012
Non-cash rent expense	51,244	117,028
Gain on disposal of right of use asset and liability	(124,057)	-
Loss on disposal of fixed assets	97,394	36,205
Foreign currency loss (gain) of lease liability remeasurement	16,206	(45,584)
Unrealized gain on interest rate swap	(71,204)	(402,321)
Net unrealized and realized gain on investments	(2,239,773)	(2,075,662)
Contributions designated or restricted for long-term investment	(150,397)	(75,050)
Changes in operating assets and liabilities:		
Due to/from affiliates	206,062	1,993,925
Prepaid expenses and other current assets	584,623	1,067,382
Contributions receivable	541,198	1,001,489
Accounts payable	(277,222)	413,338
Accrued compensation	(28,972)	272,167
Accrued expenses	182,818	(301,416)
Charitable gift annuities payable	26,655	(34,021)
Right-of-use liability	(958,633)	(981,673)
Net cash used in operating activities	(928,580)	(4,694,067)
Cash flows from investing activities:		
Purchases of fixed assets	(517,262)	(927,460)
Purchases of investments	(18,674,506)	(18,964,713)
Proceeds from sale and maturities of investments	17,978,094	22,025,253
Net cash (used in) provided by investing activities	(1,213,674)	2,133,080
Cash flows from financing activities:		
Proceeds from contributions designated or restricted for long-term investment	150,397	75,050
Principal payments on notes payable	(467,500)	(452,500)
Net cash used in financing activities	(317,103)	(377,450)
Net decrease in cash and cash equivalents	(2,459,357)	(2,938,437)
Cash and cash equivalents, and cash and cash equivalents limited to use, beginning of year	4,852,206	7,790,643
Cash and cash equivalents, and cash and cash equivalents limited to use, end of year	\$ 2,392,849	\$ 4,852,206
Cash and cash equivalents	2,392,849	4,388,130
Cash and cash equivalents limited as to use	-	464,076
	\$ 2,392,849	\$ 4,852,206
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 170,712	\$ 192,083
Non cash transactions:		
Right-of-use asset acquired through operating leases	\$ 1,209,246	\$ 3,462,242
Lease liability assumed through operating leases	\$ 1,173,845	\$ 3,375,785
Depreciation expense allocated to affiliates	\$ 471,234	\$ 422,607
Interest expense allocated to affiliates	\$ 307,363	\$ 307,363

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, 2024 and 2023

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, 2024 and 2023

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) 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 statement of activities and change in net assets as satisfaction of purpose restrictions 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 a 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.

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

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 follows:

- **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 endowment 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 sources for strategically significant institutional opportunities.

At June 30, 2024 and 2023, the Organization maintained cash and equivalents and certificate of deposit totaling \$7,918,446 and \$8,464,076, 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, 2024 and 2023

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 ending June 30, 2024 and 2023, there was appropriation from endowment with donor restrictions of \$28,255 and \$29,244, 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.

The Organization's financial instruments consist mainly of cash and cash equivalents, certificates of deposits, marketable securities, real estate securities, corporate bonds, U.S. government and agency securities and an interest rate swap.

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 2. Significant Accounting Policies (continued)

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, 2024 and 2023, 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:

U.S. government and agency securities, mutual funds, corporate stocks, and corporate bonds: The fair value of U.S. 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 is 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, 2024 and 2023, are \$9,400,000 and \$8,700,000, respectively. As of June 30, 2024 and 2023, the Organization has conditional advances totaling \$296,896 and \$350,135, 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 2.99% and 4.52% at June 30, 2024 and from 2.80% and 4.87% at June 30, 2023. As of June 30, 2024 and 2023, management has determined that no allowance for uncollectible promises to give is necessary.

Leases: The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization recognizes leases on its statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition 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, 2024 and 2023

Note 2. Significant Accounting Policies (continued)

The Organization made an accounting policy election available not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease, or July 1, 2022. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date.

The Organization has made an accounting policy election to not separate any lease and nonlease components in its contracts and account for them as a single lease component for its real estate. The nonlease components typically represent additional services transferred to the Organization, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

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 Organization internal policy is to capitalize fixed assets in excess of ten thousand dollars. The cost and accumulated depreciation on assets sold or retired are removed from the accounts and gains and losses are reflected in the statements of activities and changes in net assets.

Costs relating to internally developed software are accounted for in accordance with FASB ASC 350-40, *Internal-Use Software*. Cost 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, 2024 and 2023.

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, 2024 and 2023, the charitable gift annuity investment accounts had a fair value of \$1,095,179 and \$949,408, respectively, and are included in investments at fair value on the statements of financial position.

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 2. Significant Accounting Policies (continued)

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 and satisfaction of purpose restrictions and time 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 and included in satisfaction of purpose restrictions and time restrictions on the statement of activities. 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.

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 \$13,432,240 and \$30,632,560 for the years ended June 30, 2024 and 2023, 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 \$112,952 and \$140,349 for the years ended June 30, 2024 and 2023, respectively. These amounts are included in management and general expenses 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 year ended June 30, 2024 and June 30, 2023, respectively. The Organization operates an online store selling IFAW branded merchandise, which generated unrelated business income but did not generate profit during the fiscal year ended June 30, 2024 and 2023.

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 2. Significant Accounting Policies (continued)

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, 2024 and 2023, 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 taxing authorities. As of June 30, 2024 and 2023, 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, 2024 and 2023, 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, public information costs 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, 2024 and 2023, the Organization expensed \$2,251,706 and \$1,951,597, respectively.

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

Subsequent events: The Organization has evaluated subsequent events through February 26, 2025, the date in which the financial statements were available to be issued.

In January 2025, the Organization received Stop Work notifications from certain federal agencies and from organizations in which they are sub-awardees as a result of an executive order titled Revaluating and Realigning United States Foreign Aid signed by President Trump. The executive order required a 90-day pause on all U.S. foreign development assistance programs in order to conduct a review. The Organization recognized revenue of approximately \$2.2 million for the year ended June 30, 2024. Approximately \$878 thousand remained in accounts receivable as of June 30, 2024, which has subsequently been collected in full. The Organization is currently evaluating this, and the other executive orders signed by President Trump to determine their impact on the Organization and its programs.

Note 3. Related Party Transactions

All amount 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, 2024 and 2023

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 as of June 30:

	2024	2023
International Fund for Animal Welfare Inc./Fonds international pour la protection des animaux inc. (Canada)	\$ 387,165	\$ 113,441
International Fund for Animal Welfare (Australia) Pty Ltd	170,606	857,120
Fonds international pour la protection des animaux (IFAW France)	120,008	-
Stichting IFAW (International Fund for Animal Welfare) (Netherlands)	104,567	23,603
International Fund for Animal Welfare NPC (South Africa)	72,723	15,887
International Fund for Animal Welfare (IFAW) (United Kingdom)	26,513	-
International Fund for Animal Welfare IFAW in Action (United Kingdom)	-	1,000
	\$ 881,582	\$ 1,011,051

The following amounts were due to affiliates resulting from reimbursement of expenses paid by the affiliates on behalf of the Organization as of June 30:

	2024	2023
IFAW Internationaler Tierschutz-Fonds gGmbH (Germany)	\$ 292,464	\$ 106,595
International Fund for Animal Welfare (Belgium) AISBL	64,253	71,927
Fonds international pour la protection des animaux (IFAW France)	-	444,688
International Fund for Animal Welfare (IFAW) (United Kingdom)	-	66,767
International Fund for Animal Welfare Limited (Zambia)	-	58,271
International Fund for Animal Welfare (IFAW) Limited (Malawi)	-	3,110
	\$ 356,717	\$ 751,358

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

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
International Fund for Animal Welfare (IFAW) (United Kingdom)	\$ 6,500,000	\$ -	\$ 6,500,000	\$ 4,979,220	\$ 271,414	\$ 5,250,634
International Fund for Animal Welfare (Australia) Pty Ltd.	1,650,000	86,525	1,736,525	-	42,139	42,139
IFAW Internationaler Tierschutz-Fonds gGmbH (Germany)	1,400,000	28,309	1,428,309	121,972	38,028	160,000
Fonds international pour la protection des animaux (IFAW France)	450,000	-	450,000	-	391,648	391,648
Stichting IFAW (International Fund for Animal Welfare) (Netherlands)	200,000	209,205	409,205	95,000	317,629	412,629
International Fund for Animal Welfare Inc./Fonds international pour la protection des animaux inc. (Canada)	-	18,274	18,274	-	19,875	19,875
International Fund for Animal Welfare (Belgium) AISBL	-	-	-	52	-	52
	\$ 10,200,000	\$ 342,313	\$ 10,542,313	\$ 5,196,244	\$ 1,080,733	\$ 6,276,977

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

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>2024</u>	<u>2023</u>
Fonds international pour la protection des animaux (IFAW France)	\$ 412,303	\$ 891,404
Stichting IFAW (International Fund for Animal Welfare) (Netherlands)	167,055	257,075
International Fund for Animal Welfare (Zimbabwe) Trust	156,735	412,951
International Fund for Animal Welfare (United Kingdom)	119,988	104,692
IFAW Internationaler Tierschutz-Fonds gGmbH (Germany)	108,850	316,429
International Fund for Animal Welfare (Australia) Pty. Ltd.	71,109	54,804
International Fund for Animal Welfare (Belgium) AISBL	62,381	79,185
International Fund for Animal Welfare Limited (Zambia)	10,506	60,385
International Fund for Animal Welfare (IFAW) Limited (Malawi)	8,426	30,190
International Fund for Animal Welfare Inc./Fonds international pour la protection des animaux inc. (Canada)	4,794	-
International Fund for Animal Welfare NPC (South Africa)	1,951	-
	<u>\$ 1,124,098</u>	<u>\$ 2,207,115</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 year ended June 30:

	<u>2024</u>	<u>2023</u>
Program	\$ 11,228,454	\$ 10,286,513
Fundraising	2,869,809	2,756,294
Management and general	4,197,017	3,209,259
	<u>\$ 18,295,280</u>	<u>\$ 16,252,066</u>

Included within reimbursed expenses is depreciation and amortization expense of \$471,234 and \$422,607 in fiscal years 2024 and 2023, respectively.

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 4. Investments

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

	2024	2023
U.S. Government and agency securities	\$ 2,882,352	\$ 1,841,078
Corporate common stocks	14,388,230	12,672,888
Corporate bonds	2,476,277	2,548,183
Mutual funds	761,636	607,007
Real estate securities	548,901	452,051
	<u>\$ 21,057,396</u>	<u>\$ 18,121,207</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 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 assets and liabilities measured on a recurring basis, by level, at June 30:

2024	Level 1	Level 2	Level 3	Cost	Total
Assets					
U.S. government and agency securities	\$ 2,882,352	\$ -	\$ -	\$ -	\$ 2,882,352
Corporate stocks	14,388,230	-	-	-	14,388,230
Corporate bonds	-	2,476,277	-	-	2,476,277
Mutual funds	761,636	-	-	-	761,636
Real estate securities	548,901	-	-	-	548,901
Total assets recorded at fair value	<u>\$ 18,581,119</u>	<u>\$ 2,476,277</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,057,396</u>
Liabilities					
Interest rate swap	\$ -	\$ 87,790	\$ -	\$ -	\$ 87,790
Total liabilities recorded at fair value	<u>\$ -</u>	<u>\$ 87,790</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,790</u>

2023	Level 1	Level 2	Level 3	Cost	Total
Assets					
U.S. government and agency securities	\$ 1,841,078	\$ -	\$ -	\$ -	\$ 1,841,078
Corporate stocks	12,672,888	-	-	-	12,672,888
Corporate bonds	-	2,548,183	-	-	2,548,183
Mutual funds	607,007	-	-	-	607,007
Real estate securities	452,051	-	-	-	452,051
Total assets recorded at fair value	<u>\$ 15,573,024</u>	<u>\$ 2,548,183</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,121,207</u>
Liabilities					
Interest rate swap	\$ -	\$ 158,994	\$ -	\$ -	\$ 158,994
Total liabilities recorded at fair value	<u>\$ -</u>	<u>\$ 158,994</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,994</u>

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 6. Prepaid Expenses and Other Current Assets

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

	<u>2024</u>	<u>2023</u>
Accrued bequests	\$ -	\$ 402,648
Grants receivable	877,900	576,874
Prepaid expenses	1,666,328	2,220,389
Other current assets	<u>666,376</u>	<u>595,316</u>
	<u>\$ 3,210,604</u>	<u>\$ 3,795,227</u>

Note 7. Contributions Receivable, Net

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

	<u>2024</u>	<u>2023</u>
In one year or less	\$ 835,814	\$ 1,245,559
Between one year and five years	<u>542,000</u>	<u>666,000</u>
	1,377,814	1,911,559
Less: Discount to present value	<u>(37,650)</u>	<u>(30,197)</u>
Contributions receivable, net	<u>\$ 1,340,164</u>	<u>\$ 1,881,362</u>

As of June 30, 2024 and 2023, two donors accounted for 65% and three donors accounted for 81% 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>2024</u>	<u>2023</u>
Land and improvements	Not applicable	\$ 2,807,006	\$ 2,807,006
Buildings and improvements	3 - 40 years	17,779,974	17,491,301
Equipment:			
Computer	3 - 5 years	9,156,516	9,133,222
Furniture and fixtures	3 - 5 years	1,531,187	1,525,420
Vehicles, watercraft	5 years	2,190,880	2,271,528
Intangible asset	15 years	6,512	6,512
Construction in progress	Not applicable	<u>403,889</u>	<u>266,134</u>
		33,875,964	33,501,123
Less: Accumulated depreciation and amortization		<u>(19,521,763)</u>	<u>(18,622,998)</u>
		<u>\$ 14,354,201</u>	<u>\$ 14,878,125</u>

Depreciation expense was \$472,557 and \$438,608 for the years ended June 30, 2024 and 2023, respectively.

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

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 which occurred in 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 U.S. Dollar denominated financial products. The interest rate at June 30, 2024 and 2023, was 6.20% and 5.95%, respectively. The Organization maintains certificate of deposits and cash equivalents pledged as collateral for the loan totaling \$7,918,446 and \$8,464,076 at June 30, 2024 and 2023, respectively. Total outstanding liabilities were \$7,809,166 and \$8,276,666 at June 30, 2024 and 2023, respectively.

Future principal repayments are scheduled as follows:

2025	\$ 485,000
2026	7,324,166
Total principal payments	<u>\$ 7,809,166</u>

The BoA loan contains a covenant stipulating that the Organization maintains no less than a 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, 2024 and 2023, was \$87,790 and \$158,994, 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 \$1,204,309 and \$1,144,155 in fiscal years 2024 and 2023, 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 \$165,262 and \$89,479 as of June 30, 2024 and 2023, respectively. The plan's assets and the Organization's related liability is \$761,636 and \$630,124 as of June 30, 2024 and 2023, respectively.

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 11. Leases

The Organization has obligations as a lessee for office space, warehouses, vehicles, and other equipment with initial noncancelable terms in excess of one year. The lease terms range out until early 2031. 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 lease liabilities. The Organization has elected to use the risk-free rate for the net present value calculation range from 2.79% to 12.92%. These rates were obtained from the corresponding government bonds rates for the respective right-of-use lease, which included the U.S., United Arab Emirates, China and Kenya at the inception of the lease at July 1, 2022

Future minimum undiscounted lease commitments, as determined under ASC Topic 842, *Leases*, for all non-cancelable leases are as follows as of June 30, 2024:

2025	\$	282,635
2026		386,708
2027		379,863
2028		351,515
2029		255,479
Thereafter		399,073
Total lease payments		2,055,274
Less: discount to present value		(266,668)
Net present value of remaining lease payments		1,788,606
Less: current portion of lease obligations		(207,421)
Lease obligation, net of current portion	\$	1,581,185

Right-of-use assets and lease liabilities consist of the following as of June 30, 2024 and 2023:

	Right-of-Use Asset	Lease Liability
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	2,498,773	2,552,013
Additions	1,209,246	1,173,846
Accretion of interest	86,644	86,644
Disposal	(957,413)	(1,081,470)
Straight-line rent	(983,268)	-
Cash paid for leases	-	(958,633)
Foreign currency (gain) on remeasurement	-	16,206
Carrying value at June 30, 2024	\$ 1,853,982	\$ 1,788,606

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 11. Leases (continued)

The weighted average remaining lease term and discount rate for operating leases as of June 30, 2024 and 2023, are as follows:

	<u>2024</u>	<u>2023</u>
Weight-average remaining lease term—operating leases (years)	5.6	3.1
Weighted-average discount rate—operating leases	4.3%	4.1%

Note 12. Net Assets

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

	<u>2024</u>	<u>2023</u>
Subject to appropriation and expenditure when a specific event occurs and subject to the passage of time:		
Conservation	\$ 1,587,957	\$ 1,993,271
Rescue	1,049,146	2,255,274
	<u>2,637,103</u>	<u>4,248,545</u>
Subject to the Organization spending policy and appropriation:		
Investments in perpetuity (including original gifts totaling \$740,533 and \$690,161 as of June 30, 2024 and 2023, respectively) and the net investment return from which is expendable to support:		
Seals and whales	545,176	496,054
Animal rescue	659,681	538,082
	<u>1,204,857</u>	<u>1,034,136</u>
	<u>\$ 3,841,960</u>	<u>\$ 5,282,681</u>

The Organization has Board Designated Reserves as of June 30:

	<u>2024</u>	<u>2023</u>
Strategic reserves	\$ 15,899,928	\$ 13,857,372
Capital reserves	8,723,170	10,470,758
Animal rescue	2,422,353	2,044,272
	<u>\$ 27,045,451</u>	<u>\$ 26,372,402</u>

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

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>2024</u>	<u>2023</u>
Purpose-imposed restrictions:		
Conservation	\$ 4,028,240	\$ 3,385,723
Rescue	3,087,758	6,934,122
	<u>7,115,998</u>	<u>10,319,845</u>
Endowment appropriation	28,255	29,244
	<u><u>\$ 7,144,253</u></u>	<u><u>\$ 10,349,089</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, 2024 and 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
June 30, 2024:			
Donor restricted endowment funds	\$ -	\$ 1,204,857	\$ 1,204,857
Board-designated endowment funds	2,422,353	-	2,422,353
Total funds	<u><u>\$ 2,422,353</u></u>	<u><u>\$ 1,204,857</u></u>	<u><u>\$ 3,627,210</u></u>
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><u>\$ 2,044,272</u></u>	<u><u>\$ 1,034,136</u></u>	<u><u>\$ 3,078,408</u></u>

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 14. Endowment Net Assets (continued)

Endowment activity is as follows for the years ended June 30, 2024 and 2023:

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.

At June 30, 2024 and 2023, 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 experiences 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 statement 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 statement of financial position and statement of activities and changes in net assets, respectively, at June 30, 2023. There was no balances related to ERC at June 30, 2024.

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

Note 16. Contributed Goods and Services

Public Awareness

During the years ended June 30, 2024 and 2023, the Organization received free advertising through billboards, which are generally located in China at airports, subway stations, along with public community locations. Within the U.S., the Organization receives television commercials that can be 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 valuation of the media placement and display services is provided by the service provider, which the Organization utilizes to estimate the fair value based on the similar services provided at similar dates, times, and markets for this media. Included in revenue and program expenses were contributed professional media placement and display services totaling \$13,432,240 and \$30,632,560 for the years ended June 30, 2024 and 2023, respectively.

Note 17. Functional Allocation of Expenses

During the fiscal year ended June 30, 2024, the Organization incurred joint costs of \$5,954,003 for printing and publications and activities and communications that included fundraising expense appeals. Of these costs, \$467,965 was allocated to management and general expense, \$853,758 was allocated to fundraising expense and \$4,632,280 was allocated to program expense.

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.

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
For the Years Ended June 30, 2024 and 2023

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>2024</u>
<u>Expenditures by Priority Campaigns and Projects</u>	
Rescue	\$ 11,431,467
Conservation	29,621,800
<i>Total</i>	<u><u>\$ 41,053,267</u></u>

Mission Costs by Activity

	Program	Fundraising	Management and General	Total
Campaigns and projects:				
Contracting and granting	\$ 8,646,334	\$ -	\$ -	\$ 8,646,334
Direct staffing	5,856,681	188,417	65,499	6,110,597
Donated services	8,198,357	-	-	8,198,357
Support staffing	1,020,552	13,837	152,567	1,186,956
Support costs	1,717,515	18,692	182,439	1,918,646
Total	<u><u>\$ 25,439,439</u></u>	<u><u>\$ 220,946</u></u>	<u><u>\$ 400,505</u></u>	<u><u>\$ 26,060,890</u></u>

Multimedia outreach and influence:

Production and placement	\$ 665,192	\$ -	\$ -	\$ 665,192
Direct staffing	956,451	16,319	-	972,770
Donated services	5,199,033	-	-	5,199,033
Support staffing	113,990	1,198	-	115,188
Support costs	182,297	1,619	-	183,916
Total	<u><u>\$ 7,116,963</u></u>	<u><u>\$ 19,136</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,136,099</u></u>

Supporter awareness and advocacy:

Outreach, production and distribution	\$ 6,112,514	\$ 3,262,966	\$ 480,937	\$ 9,856,417
Direct staffing	1,008,141	2,012,630	88,641	3,109,412
Donated services	-	34,850	-	34,850
Support staffing	501,068	387,424	1,326,728	2,215,220
Support costs	875,142	671,740	1,597,355	3,144,237
Total	<u><u>\$ 8,496,865</u></u>	<u><u>\$ 6,369,610</u></u>	<u><u>\$ 3,493,661</u></u>	<u><u>\$ 18,360,136</u></u>

Total mission costs	<u><u>\$ 41,053,267</u></u>	<u><u>\$ 6,609,692</u></u>	<u><u>\$ 3,894,166</u></u>	<u><u>\$ 51,557,125</u></u>
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During the year ended June 30, 2024, the Organization consolidated the program priorities into two pillars. The Rescue pillar is the combination of the prior years' Wildlife Rescue, Marine Mammal Rescue and Disaster Response program priorities. The Conservation pillar comprises Landscape Conservation, Marine Conservation, Community Engagement, International Policy and Wildlife Crime. Prior year amounts have been regrouped to reflect the change.

International Fund for Animal Welfare, Inc.
Notes to the Financial Statements
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Note 17. Functional Allocation of Expenses (continued)

2023				
<u>Expenditures by Priority Campaigns and Projects</u>				
Rescue	\$	21,150,455		
Conservation		42,448,875		
<i>Total</i>	\$	63,599,330		
<u>Mission Costs by Activity</u>				
	Program	Fundraising	Management and General	Total
Campaigns and projects:				
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	12,190,563
Support staffing	1,149,885	12,017	110,543	1,272,445
Support costs	2,215,163	18,497	123,498	2,357,158
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

International Fund for Animal Welfare, Inc.
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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 schedule principal payments on debt, over a 12-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:

	2024	2023
Financial Assets at year-end		
Cash and cash equivalents	\$ 2,392,849	\$ 4,388,130
Cash and cash equivalents limited as to use	-	464,076
Due from affiliates (net)	524,865	259,693
Investments at fair value	21,057,396	18,121,207
Other current assets	1,544,276	1,574,838
Contribution receivable, net	1,340,164	1,881,362
Certificate of deposit	81,554	-
Certificate of deposit limited as to use	7,918,446	8,000,000
Total financial assets	<u>34,859,550</u>	<u>34,689,306</u>
Less amounts not available to be used within one year		
Net assets subject to spending policy and appropriation	(1,204,857)	(1,034,136)
Cash and cash equivalents limited as to use	-	(464,076)
Certificate of deposit limited as to use	(7,918,446)	(8,000,000)
Charitable gift annuity investments	(1,095,179)	(949,408)
Deferred compensation investments	(761,636)	(630,124)
Board designated institutional reserves and quasi endowment	<u>(19,127,005)</u>	<u>(17,908,326)</u>
	(30,107,123)	(28,986,070)
Add amounts available to be used within one year		
Estimated withdrawal of assets limited as to use for debt service	485,000	467,500
Endowment and board designated institutional reserve appropriation within a year	<u>1,767,000</u>	<u>1,680,000</u>
	<u>2,252,000</u>	<u>2,147,500</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 7,004,427</u></u>	<u><u>\$ 7,850,736</u></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, 2024 and 2023, 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.