



World Animal Protection U.S.

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

For the Years Ended December 31, 2023 and 2022

WORLD ANIMAL PROTECTION U.S.

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
World Animal Protection U.S.
New York, NY

Opinion

We have audited the financial statements of World Animal Protection U.S. ("WAP"), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of WAP as of December 31, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of WAP 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 WAP's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WAP'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 WAP'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.

Mayer Hoffman McCann CPAs

New York, New York
April 2, 2024

**WORLD ANIMAL PROTECTION U.S.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023 AND 2022**

	2023	2022
ASSETS		
Cash and cash equivalents (Notes 2C, 3 and 12)	\$ 10,324,238	\$ 9,311,098
Contributions receivable (Notes 2D and 3)	108,400	1,075,200
Investments (Notes 2G, 2I, 3, and 4)	1,993,950	1,651,900
Prepaid expenses and other assets	329,439	276,073
Due from related party (Notes 2L, 3, and 10)	236,064	181,797
Right-of-use asset - operating lease (Note 6)	1,852,271	2,129,053
Property and equipment, net (Notes 2F and 5)	26,298	39,696
TOTAL ASSETS	\$ 14,870,660	\$ 14,664,817
LIABILITIES		
Accounts payable and accrued expenses	\$ 312,935	\$ 208,751
Operating lease liability (Note 6)	2,018,377	2,289,176
Other liabilities (Note 2I)	9,366	11,682
TOTAL LIABILITIES	2,340,678	2,509,609
CONTINGENCIES (Note 13)		
NET ASSETS (Notes 2B and 7)		
Without donor restrictions	10,847,256	9,300,141
With donor restrictions (Notes 7 and 8)	1,682,726	2,855,067
TOTAL NET ASSETS	12,529,982	12,155,208
TOTAL LIABILITIES AND NET ASSETS	\$ 14,870,660	\$ 14,664,817

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

WORLD ANIMAL PROTECTION U.S.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>Year Ended December 31, 2023</u>			<u>Year Ended December 31, 2022</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING SUPPORT AND REVENUE:						
Contributions:						
Contributions - general support	\$ 2,516,923	\$ 56,200	\$ 2,573,123	\$ 2,615,581	\$ 2,679,820	\$ 5,295,401
Contributions - bequests and trusts (Note 2E)	2,901,891	-	2,901,891	7,644,167	-	7,644,167
Contributions - donations in-kind (Note 2H)	-	-	-	30,331	-	30,331
Interests and dividends (Notes 2G and 4)	293,531	1,227	294,758	24,034	1,009	25,043
Other support (Note 10)	-	-	-	45,000	-	45,000
Net assets released from restrictions (Notes 2B and 7)	<u>1,244,597</u>	<u>(1,244,597)</u>	<u>-</u>	<u>1,090,794</u>	<u>(1,090,794)</u>	<u>-</u>
TOTAL OPERATING SUPPORT AND REVENUE	<u>6,956,942</u>	<u>(1,187,170)</u>	<u>5,769,772</u>	<u>11,449,907</u>	<u>1,590,035</u>	<u>13,039,942</u>
EXPENSES: (Notes 2J, 2M and 9)						
Program services:						
Animal protection and humane education	<u>4,090,301</u>	<u>-</u>	<u>4,090,301</u>	<u>4,685,304</u>	<u>-</u>	<u>4,685,304</u>
Total program services	<u>4,090,301</u>	<u>-</u>	<u>4,090,301</u>	<u>4,685,304</u>	<u>-</u>	<u>4,685,304</u>
Supporting services:						
Management and general	544,154	-	544,154	459,238	-	459,238
Fundraising	<u>1,097,224</u>	<u>-</u>	<u>1,097,224</u>	<u>1,029,499</u>	<u>-</u>	<u>1,029,499</u>
Total supporting services	<u>1,641,378</u>	<u>-</u>	<u>1,641,378</u>	<u>1,488,737</u>	<u>-</u>	<u>1,488,737</u>
TOTAL EXPENSES	<u>5,731,679</u>	<u>-</u>	<u>5,731,679</u>	<u>6,174,041</u>	<u>-</u>	<u>6,174,041</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>1,225,263</u>	<u>(1,187,170)</u>	<u>38,093</u>	<u>5,275,866</u>	<u>1,590,035</u>	<u>6,865,901</u>
NON-OPERATING REVENUE:						
Investment activity (Notes 2G and 4)	<u>321,852</u>	<u>14,829</u>	<u>336,681</u>	<u>(452,254)</u>	<u>(18,485)</u>	<u>(470,739)</u>
TOTAL NON-OPERATING REVENUE	<u>321,852</u>	<u>14,829</u>	<u>336,681</u>	<u>(452,254)</u>	<u>(18,485)</u>	<u>(470,739)</u>
CHANGE IN NET ASSETS	1,547,115	(1,172,341)	374,774	4,823,612	1,571,550	6,395,162
Net assets - beginning of year	<u>9,300,141</u>	<u>2,855,067</u>	<u>12,155,208</u>	<u>4,476,529</u>	<u>1,283,517</u>	<u>5,760,046</u>
NET ASSETS - END OF YEAR	<u>\$ 10,847,256</u>	<u>\$ 1,682,726</u>	<u>\$ 12,529,982</u>	<u>\$ 9,300,141</u>	<u>\$ 2,855,067</u>	<u>\$ 12,155,208</u>

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

WORLD ANIMAL PROTECTION U.S.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
(With Comparative Totals for the Year Ended December 31, 2022)

	Program Services		Supporting Services			2023 Total	2022 Total
	Animal Protection and Humane Education	Management and General	Fundraising	Total Supporting Services			
Salaries	\$ 1,333,632	\$ 238,985	\$ 283,157	\$ 522,142	\$ 1,855,774	\$ 1,799,743	
Payroll taxes and employee benefits (Note 11)	299,724	56,464	85,749	142,213	441,937	454,241	
Total Salaries and Related Costs	1,633,356	295,449	368,906	664,355	2,297,711	2,253,984	
Grants (Note 10)	1,114,800	-	-	-	1,114,800	1,633,000	
Education and awareness	247,020	217	100,109	100,326	347,346	441,946	
Occupancy (Note 6)	180,558	59,092	58,793	117,885	298,443	300,168	
Professional services	563,920	22,440	327,558	349,998	913,918	978,270	
Printing	62,245	271	727	998	63,243	74,447	
Information and communications technologies	142,157	5,437	104,378	109,815	251,972	208,477	
Travel	95,250	54,353	44,474	98,827	194,077	95,908	
Depreciation (Note 5)	8,106	2,652	2,640	5,292	13,398	7,585	
Other	42,889	104,243	89,639	193,882	236,771	180,256	
TOTAL EXPENSES	\$ 4,090,301	\$ 544,154	\$ 1,097,224	\$ 1,641,378	\$ 5,731,679	\$ 6,174,041	

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

**WORLD ANIMAL PROTECTION U.S.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Program Services</u>	<u>Supporting Services</u>			<u>2022 Total</u>
	<u>Animal Protection and Humane Education</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Salaries	\$ 1,314,939	\$ 210,412	\$ 274,392	\$ 484,804	\$ 1,799,743
Payroll taxes and employee benefits (Note 11)	320,055	52,341	81,845	134,186	454,241
Total Salaries and Related Costs	1,634,994	262,753	356,237	618,990	2,253,984
Grants (Note 10)	1,633,000	-	-	-	1,633,000
Education and awareness	330,039	399	111,508	111,907	441,946
Occupancy (Note 6)	187,605	51,329	61,234	112,563	300,168
Professional services	575,999	96,079	306,192	402,271	978,270
Printing	64,320	1,333	8,794	10,127	74,447
Information and communications technologies	132,218	5,669	70,590	76,259	208,477
Travel	53,850	15,870	26,188	42,058	95,908
Depreciation (Note 5)	4,741	1,297	1,547	2,844	7,585
Other	68,538	24,509	87,209	111,718	180,256
TOTAL EXPENSES	<u>\$ 4,685,304</u>	<u>\$ 459,238</u>	<u>\$ 1,029,499</u>	<u>\$ 1,488,737</u>	<u>\$ 6,174,041</u>

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

WORLD ANIMAL PROTECTION U.S.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 374,774	\$ 6,395,162
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	13,398	7,585
Net (appreciation) depreciation in investments	(336,681)	470,739
Change in assets and liabilities:		
Contributions receivable	966,800	(1,075,200)
Prepaid expenses and other assets	(53,366)	41,086
Right-of-use asset amortization - operating lease	276,782	275,747
Due from related party	(54,267)	(25,565)
Accounts payable and accrued expenses	104,184	62,094
Operating lease liability	(270,799)	(115,624)
Other liabilities	(2,316)	(162,358)
Net Cash Provided by Operating Activities	1,018,509	5,873,666
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	-	(34,881)
Purchase of investments	(51,342)	-
Proceeds from sales of investments	45,973	1,909
Net Cash Used in Investing Activities	(5,369)	(32,972)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,013,140	5,840,694
Cash and cash equivalents - beginning of year	9,311,098	3,470,404
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 10,324,238	\$ 9,311,098

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

**WORLD ANIMAL PROTECTION U.S.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1—DESCRIPTION OF THE ORGANIZATION

World Animal Protection U.S. (“WAP”) is a District of Columbia nonprofit corporation formed in 1980. World Animal Protection U.S. is classified as a public charity by the Internal Revenue Service; therefore, it is exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code as well as state and local taxes. WAP is authorized to do business in several states.

World Animal Protection in the United States is a subsidiary of World Animal Protection in the United Kingdom (the “Parent”) and is affiliated with twelve other World Animal Protection organizations located around the world (the “Global Organization”). The Parent is the sole member of World Animal Protection and has the right to vote pursuant to the by-laws of World Animal Protection. The Global Organization is one of the largest animal protection organizations in the world. Its vision is a world where animals live free from cruelty and suffering. Its mission is to move the world to protect animals.

World Animal Protection is the global voice for animal welfare, with more than 70 years’ experience in campaigning, and is respected across the world for its knowledge and expertise. They have the influence to be heard by the highest levels of government and the local presence to galvanize widespread popular support.

World Animal Protection has offices in 12 countries and works in more than 50 countries. They collaborate with local communities, non-government organizations, and governments to change animals’ lives passionately, responsibly, and sustainably for the better. They also act for animals at a global level, using their United Nations consultative status to give them a voice and put animal welfare on the global agenda so they can demonstrate that what’s good for animals is good for the world.

World Animal Protection’s U.S. mission is to promote and further the Global Organization’s vision and vision in the United States by lobbying and advocating for change, educating and mobilizing the public, and catalyzing sustainable solutions that improve the lives of animals in the United States and on a global scale.

World Animal Protection’s U.S. programs include Wildlife Not Entertainers, which moves the wildlife tourism industry away from cruel forms of entertainment; Wildlife Not Pets, which encourages owners and retailers to reduce the cruelty and captivity of wildlife being used as pets; and No Future for Factory Farming, which advocates for welfare reform with companies using farmed animals in their supply chains and pushes consumers and businesses to adopt more plant-based foods.

World Animal Protection believes that together, we’re changing the way the world works to end animal cruelty and suffering. Forever.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. ***Basis of Presentation*** – World Animal Protection U.S.’ financial statements have been prepared on the accrual basis of accounting. World Animal Protection U.S. adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”).
- B. ***Net Asset Presentation*** – World Animal Protection U.S.’ net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of World Animal Protection U.S. and changes therein are classified and reported as follows:
- Without donor restrictions – Net assets that are not subject to donor-imposed stipulations.
 - With donor restrictions – Net assets subject to donor-imposed stipulations, including stipulations that will be met either by actions of World Animal Protection U.S. or the passage of time, stipulations that they be maintained permanently by World Animal Protection U.S., and unappropriated endowment earnings.

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

**WORLD ANIMAL PROTECTION U.S.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- C. **Cash and Cash Equivalents** – World Animal Protection U.S.’ cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less when acquired, except for those amounts that are held in the investment portfolio which are considered to be invested for long-term purposes.
- D. **Contributions Receivable** – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional contributions including grants and pledges are nonexchange transactions and accounted for under Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2018-08. Conditional contributions, grants and pledges are recognized as revenue when barriers within the contracts are overcome, and there is no right of return. World Animal Protection U.S. determined that no allowance was necessary as of December 31, 2023 and 2022 for contributions receivable. Contributions receivable as of December 31, 2023 and 2022 were expected to be collected within one year.
- E. **Bequests and Other** – Unconditional bequests (donations received under terms of a will) are reported as revenues when notification of the bequest is received, the amount is reasonably determinable, and the probate court declares the will valid.
- F. **Property and Equipment** – Property and equipment is stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets or the lease term. World Animal Protection U.S. capitalizes property and equipment with a cost of \$5,000 or more and a useful life of three to five years. Management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered.
- G. **Investments and Fair Value Measurements** – Investments are reported at fair value based upon quoted market value. Securities transactions are recorded on a trade-date basis. Realized gains and losses on sales of investments are determined on a specific identification basis and are included in investment activity in the statements of activities along with unrealized gains and losses, interest income and management and custodial fees. Interest income is recognized when earned and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses on investments are presented as non-operating revenue and interest and dividends are operating revenue in the accompanying statements of activities.
- Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 4.
- H. **Donated Goods and Services** – From time to time, World Animal Protection U.S. receives donated public service announcements, other advertising services and donated legal services. Such amounts, which are based upon information provided by third-party service providers, are recorded at their estimated fair value determined on the date of contribution and are reported as contributions in-kind and expense in the accompanying statements of activities and functional expenses, respectively. Several volunteers have made significant contributions of their time in furtherance of World Animal Protection U.S.’ mission. These services were not reflected in the accompanying financial statements as they do not meet the necessary criteria for recognition under U.S. GAAP. There were no in-kind contributions made for the year ended December 31, 2023. For the year ended December 31, 2022, World Animal Protection U.S. received legal services and health memberships valued at \$27,744 and \$2,587, respectively, which were used for general operations. There were no donor restrictions associated with the in-kind contributions. The contributed nonfinancial assets were valued at market value.
- I. **Split Interest Agreements** – World Animal Protection U.S. has entered into a number of charitable gift annuity (“CGA”) agreements with its donors. Under the terms of these agreements, the donor contributes assets to World Animal Protection U.S. in exchange for a promise by World Animal Protection U.S. to pay a fixed amount for a specified period of time (usually the donor’s lifetime) to the donor or to individuals or organizations designated by the donor.

**WORLD ANIMAL PROTECTION U.S.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

At the inception of a CGA agreement, the excess of the fair value of assets received over the present value of annuity payments to be made to the donor or stated beneficiary is recognized as a charitable contribution. Subsequent changes to the present value of annuity payments are reported in the statements of activities.

The assets held for all charitable gift annuities are reported in investments on the statements of financial position and stated at fair value. Liabilities for the expected annuity payments are reported at the estimated present value of future cash outflows, based on appropriate discount rates and mortality tables, and are recorded in other liabilities in the statements of financial position. World Animal Protection U.S. invests the charitable gift annuities in accordance with their investment policy.

As of December 31, 2023 and 2022, the CGAs are valued, using the 2010CM mortality table, at approximately \$9,000 and \$12,000, respectively, and are reported in other liabilities.

- J. **Functional Allocation of Expenses** – The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, insurance, and other, which are allocated based on applying an average of estimated staff time and effort to the overall staff headcount.

- K. **Use of Estimates** – The preparation of financial statements in conformity with U.S. GAAP requires World Animal Protection U.S. to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

- L. **Due to/from Related Parties** – Amounts reported as due from related party, included in the accompanying statements of financial position, arise principally from the collaborative activities between World Animal Protection U.S., the Parent located in the United Kingdom, and World Animal Protection global offices to further the global mission of the organization.

- M. **Allocation of Joint Costs** – World Animal Protection U.S. conducts direct marketing campaigns that include requests for contributions, as well as program components. The costs associated with the development and dissemination of such activities are allocated amongst the functional expense categories benefited, particularly impacting areas and other programs, on a basis of the extent of content attributable to each respective function.

NOTE 3—LIQUIDITY AND AVAILABILITY

World Animal Protection U.S. regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. World Animal Protection U.S. has various sources of liquidity at its disposal, including cash and cash equivalents, contributions receivable, investments, and support of the Parent, as needed. World Animal Protection U.S.' financial position and financial activities are reviewed at formal, quarterly performance meetings attended by financial and senior staff of World Animal Protection U.S. and the Parent.

As of December 31, 2023 and 2022, financial assets available to meet general expenditures over the next 12 months were as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 10,324,238	\$ 9,311,098
Contributions receivable	108,400	1,075,200
Due from related party	236,064	181,797
Investments not encumbered by donor restrictions	<u>730,372</u>	<u>398,700</u>
	<u>\$ 11,399,074</u>	<u>\$ 10,966,795</u>

**WORLD ANIMAL PROTECTION U.S.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 4—INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consisted of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Equity Funds	\$ 18,869	\$ 33,736
Mutual Funds	1,967,661	1,608,006
Money Market Funds	<u>7,420</u>	<u>10,158</u>
	<u>\$ 1,993,950</u>	<u>\$ 1,651,900</u>

Investment activities consisted of the following for the years ended December 31:

	<u>2023</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 294,233	\$ 1,227	\$ 295,460
Realized loss on investments	(17,397)	-	(17,397)
Unrealized gain on investments	339,249	14,829	354,078
Investment fees	<u>(351)</u>	<u>-</u>	<u>(351)</u>
Net investment income	<u>\$ 615,734</u>	<u>\$ 16,056</u>	<u>\$ 631,790</u>
	<u>2022</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 24,209	\$ 1,009	\$ 25,218
Realized loss on investments	(10,807)	-	(10,807)
Unrealized loss on investments	(441,447)	(18,485)	(459,932)
Investment fees	<u>(175)</u>	<u>-</u>	<u>(175)</u>
Net investment income	<u>\$ (428,220)</u>	<u>\$ (17,476)</u>	<u>\$ (445,696)</u>

The fair value hierarchy defines three levels as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that World Animal Protection U.S. has the ability to access.

Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the assets or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Financial assets, including equity, mutual funds, and money market funds measured at fair value on a recurring basis were classified as Level 1.

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NOTE 5—PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>	<u>Estimated Useful Lives</u>
Property and equipment	\$ 426,721	\$ 426,721	3-5 Years
Less: accumulated depreciation	<u>(400,423)</u>	<u>(387,025)</u>	
Property and equipment, net	<u>\$ 26,298</u>	<u>\$ 39,696</u>	

For the years ended December 31, 2023 and 2022, depreciation expense amounted to \$13,398 and \$7,585, respectively.

NOTE 6—LEASES

World Animal Protection U.S. signed a lease agreement for the rental of office space in New York City for a term of ten years that commenced on November 1, 2019. In connection with the lease, World Animal Protection U.S. has an irrevocable standby letter of credit with a bank amounting to approximately \$108,000 with an expiration date of December 31, 2022, and an automatic extension provision in effect. World Animal Protection U.S. adopted FASB Accounting Standards Codification (“ASC”) 842 as of January 1, 2022.

As of December 31, 2022, the operating lease - right-of-use (“ROU”) asset and operating lease liability had balances of \$2,129,053 and \$2,289,176, respectively, as shown in the statements of financial position. As of December 31, 2023, the operating lease - ROU asset and operating lease liability had balances of \$1,852,271 and \$2,018,377, respectively, as shown in the statements of financial position. The ROU asset and liability were calculated utilizing discount rates of (3.79%) for both years, according to World Animal Protection U.S.’ elected policy. There is an option to renew the lease, which was not considered when assessing the value of the operating lease - ROU asset and operating lease liability because World Animal Protection U.S. is not reasonably certain that it will exercise its option to renew the lease.

The operating lease costs for the year ended December 31, 2023 are as follows:

Operating lease cost, included in occupancy	\$ 276,757
Portion reimbursed by the Parent	<u>81,395</u>
Total lease cost	<u>\$ 358,152</u>

The operating lease costs for the year ended December 31, 2022 are as follows:

Operating lease cost, included in occupancy	\$ 289,933
Portion reimbursed by the Parent	<u>68,219</u>
Total lease cost	<u>\$ 358,152</u>

World Animal Protection U.S. receives reimbursement from the Parent for the portion allocated to the UK employees residing and reporting in the U.S. office. See Note 2L.

As of December 31, 2023 and 2022, the weighted averages of the remaining lease term are 5.75 and 6.75 years, respectively. The weighted average discount rate is 3.79% for both years.

The following summarizes the supplemental cash flow information for the year ended December 31, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 352,169
Noncash financing and investing cash flow (post ASC 842 adoption)	
Right-of-use assets obtained in exchange for lease liabilities	
Operating leases	\$ -

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NOTE 6—LEASES (Continued)

The following summarizes the supplemental cash flow information for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 342,722

Noncash financing and investing cash flow (ASC 842 adoption)	
Right-of-use assets obtained in exchange for lease liabilities	
Operating leases	\$ 2,405,447

Approximate future minimum lease payments are as follows for the five years ending after December 31, 2023, and thereafter:

2024	\$ 362,000
2025	372,000
2026	382,000
2027	393,000
2028	403,000
Thereafter	<u>344,000</u>
	2,256,000
Less: Present value discount	<u>(238,000)</u>
Present value of lease liability	<u>\$ 2,018,000</u>

NOTE 7—NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the purposes listed below as of December 31:

	2023	2022
Net assets restricted in perpetuity for which the income can be utilized for:		
General Operations	\$ 995,005	\$ 995,005
Italy/Isle of Capri	<u>70,691</u>	<u>70,691</u>
Total net assets restricted in perpetuity	<u>1,065,696</u>	<u>1,065,696</u>
Subject to expenditure for specified purpose and the passage of time:		
Unappropriated endowment earnings – Italy/Isle of Capri	11,171	(4,885)
Subject to expenditure for specific purpose or passage of time	<u>605,859</u>	<u>1,794,256</u>
Total subject to expenditure for specified purpose and passage of time	<u>617,030</u>	<u>1,789,371</u>
Total net assets with donor restrictions	<u>\$ 1,682,726</u>	<u>\$ 2,855,067</u>

Net assets released from donor restrictions by either the passage of time or meeting the donors' restrictions were as follows for the years ended December 31:

	2023	2022
Animals in Disasters	\$ -	\$ 3,150
Animals in Farming	1,055,440	995,076
Animals in the Wild	102,322	68,295
Australian Bush Fires	<u>86,835</u>	<u>24,273</u>
Total	<u>\$ 1,244,597</u>	<u>\$ 1,090,794</u>

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NOTE 8—ENDOWMENT FUNDS

World Animal Protection U.S. views the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), passed by the District of Columbia, as requiring World Animal Protection U.S. to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, World Animal Protection U.S. has classified as perpetual in nature (a) the original value of gifts donated to the endowment fund, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund (although no existing donor instruments have so directed). The remaining portion of the endowment fund that is not perpetual in nature is regarded as “net appreciation” and is retained in perpetuity or for a donor specified period until those amounts are appropriated for expenditure by the Board in a manner consistent with World Animal Protection U.S.’ spending policy, UPMIFA, other applicable laws, and donor-imposed restrictions, if any. If the fair value of assets associated with individual endowment funds falls below the original gift value plus accumulations, if applicable, the deficiency is recorded as a charge to net assets with donor restrictions. In subsequent periods, the deficiency may be restored as a result of appreciation of the underlying endowment investments.

World Animal Protection U.S. has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include only those assets with donor restrictions that the organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of appropriate benchmarks without putting the assets at imprudent risk. Actual returns in any given year may vary.

To satisfy its long-term objectives, World Animal Protection U.S. relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). World Animal Protection U.S. targets a diverse asset allocation that places an equal emphasis on equity-based and fixed income investments to achieve its long-term return objectives within prudent risk constraints.

World Animal Protection U.S. considers the following factors in making a determination to appropriate or accumulate endowment funds: the duration and preservation of the funds; availability of other funding sources; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation/depreciation of investments; and the investment policy of World Animal Protection U.S., as enforced by the Investment Committee of the Board of Directors.

World Animal Protection U.S. appropriates the actual investment income from those with donor restriction assets for use. In establishing this policy, World Animal Protection U.S. considered the long-term expected return on its endowment.

As of December 31, 2023 and 2022, the endowment assets were included in investments in the accompanying statements of financial position.

The following table summarizes the changes in World Animal Protection U.S. endowment net assets for the years ended December 31:

Endowment net assets, December 31, 2021	\$ 1,078,287
Interest and dividends	1,009
Investment loss	<u>(18,485)</u>
Endowment net assets, December 31, 2022	1,060,811
Interest and dividends	1,227
Investment return	<u>14,829</u>
Endowment net assets, December 31, 2023	<u>\$ 1,076,867</u>

**WORLD ANIMAL PROTECTION U.S.
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NOTE 8—ENDOWMENT FUNDS (Continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires World Animal Protection U.S. to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature, if they occur, are reported in net assets with donor restrictions. The deficiencies may result from unfavorable market fluctuations that occur in the economy as a whole that may affect the donor restricted endowment fund where the fair market value of the donor restricted endowment fund falls below the amount that is required to be retained permanently.

NOTE 9—ALLOCATION OF JOINT COSTS

The joint costs were allocated as follows for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Program services	\$ 300,872	\$ 269,349
Fundraising	<u>288,990</u>	<u>249,238</u>
Total	<u>\$ 589,862</u>	<u>\$ 518,587</u>

NOTE 10—RELATED-PARTY TRANSACTIONS

World Animal Protection U.S. is a subsidiary of the Parent. As related organizations, they work collaboratively to support an efficient, effective, and integrated global organization best able to realize their vision of a world where animal welfare matters, and animal cruelty has ended. World Animal Protection U.S. had related-party transactions (financial and non-financial) with the following:

World Animal Protection United Kingdom

The relationship with the Parent resulted in contributions and other income from the Parent for the years ended December 31, 2023 and 2022, amounting to \$0 and \$45,000, respectively, and grants to the Parent of \$1,114,800 and \$1,633,000, respectively. For the year ended December 31, 2022 only, included in contributions - general support are in-kind contributions from the Parent and offsetting Program and Management expenses of \$25,888. There was no effect on change in net assets from operations as the in-kind contribution revenue was offset by an expense. These donated services were recorded at the cost of the Parent, which approximates fair value. Such transactions are included in the accompanying statements of activities.

The net activity between World Animal Protection U.S. and the Parent resulted in a receivable balance of \$236,064 and \$181,797 as of December 31, 2023 and 2022, respectively, reported as due from related party in the statements of financial position.

NOTE 11—EMPLOYEE BENEFIT PLAN

Prior to December 31, 2009, World Animal Protection U.S. provided a defined benefit pension plan covering salaried permanent employees. World Animal Protection U.S. participated in the MSPCA Pension Plan (EIN #042103597 Plan 001) (the "Plan"). Benefits were based on years of service and the employee's compensation. The Plan is a defined benefit plan, substantially funded (>80%), and was frozen to new participants as of January 1, 2006. Effective December 31, 2009, all benefits under the Plan were frozen. Following December 31, 2009, no employees have become eligible to participate in the Plan and vested employees in the Plan are no longer accruing additional benefits. World Animal Protection U.S.'s participation in the Plan was less than 2% and not considered significant. No liability or expenses related to the Plan have been reflected in the accompanying financial statements as of and for the years ended December 31, 2023 and 2022. The Plan terminated effective August 31, 2023 and paid out all benefits owed to participants in December 2023.

Since 2010, World Animal Protection U.S. has provided a group tax-deferred 403(b) plan covering all permanent employees. The assets are held for each employee in an individual account maintained by an investment firm. Eligible employees may contribute to the plan up to allowable levels. World Animal Protection U.S. matches employee contributions to the plan up to 3% of each employee's bi-weekly salary.

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NOTE 11—EMPLOYEE BENEFIT PLAN (Continued)

Employees forfeit employer contributions if they terminate in the first three years of employment. Plan contributions incurred by World Animal Protection U.S., before non-vested forfeitures, during the years ended December 31, 2023 and 2022, totaled \$49,374 and \$37,381, respectively. Non-vested forfeitures totaled \$15,535 and \$2,530 for the years ended December 31, 2023 and 2022, respectively.

NOTE 12—CONCENTRATIONS

Cash and equivalents that potentially subject World Animal Protection U.S. to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Accounts are insured up to \$250,000 per depositor, per insured financial institution. As of December 31, 2023 and 2022, there were approximately \$452,000 and \$8,729,000, respectively, of cash equivalents held by one bank that exceeded FDIC limits.

NOTE 13—CONTINGENCIES

World Animal Protection U.S. believes it has no uncertain tax positions as of December 31, 2023 and 2022 in accordance with FASB ASC Topic 740, “Income Taxes”, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 14—SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 2, 2024, which is the date the financial statements were available to be issued.