

Financial Statements Together with  
Report of Independent Certified Public Accountants

**WORLD ANIMAL PROTECTION**

December 31, 2015 and 2014

# WORLD ANIMAL PROTECTION

## TABLE OF CONTENTS

---

	<b>Page(s)</b>
Report of Independent Certified Public Accountants	1 - 2
Financial Statements:	
Statements of Financial Position as of December 31, 2015 and 2014	3
Statement of Activities for the year ended December 31, 2015	4
Statement of Activities for the year ended December 31, 2014	5
Statements of Functional Expenses for the years ended December 31, 2015 and 2014	6
Statements of Cash Flows for the years ended December 31, 2015 and 2014	7
Notes to Financial Statements	8 - 20



Grant Thornton LLP  
757 Third Avenue, 9th Floor  
New York, NY 10017  
T 212.599.0100  
F 212.370.4520  
[GrantThornton.com](http://GrantThornton.com)  
[linkd.in/GrantThorntonUS](https://www.linkedin.com/company/grantthorntonus)  
[twitter.com/GrantThorntonUS](https://twitter.com/GrantThorntonUS)

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of  
**World Animal Protection:**

### **Report on the financial statements**

We have audited the accompanying financial position of World Animal Protection as of December 31, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's responsibility for the financial statements**

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

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of World Animal Protection as of December 31, 2015 and 2014, 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.

*Grant Thornton LLP*

New York, New York  
April 15, 2016

**WORLD ANIMAL PROTECTION**  
**Statements of Financial Position**  
**As of December 31, 2015 and 2014**

---

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash	\$ 1,739,671	\$ 919,556
Contributions receivable	243,513	408,572
Due from related parties	-	89,939
Prepaid expenses and other assets	169,876	168,813
Investments	1,158,217	676,558
Property and equipment, net	<u>151,462</u>	<u>207,158</u>
Total assets	<u>\$ 3,462,739</u>	<u>\$ 2,470,596</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 372,496	\$ 217,670
Due to related parties	303,291	-
Other liabilities	<u>143,172</u>	<u>147,107</u>
Total liabilities	<u>818,959</u>	<u>364,777</u>
<b>NET ASSETS</b>		
Unrestricted	1,454,384	914,163
Unrestricted - Board Designated	144,988	-
Temporarily restricted	2,833	150,081
Permanently restricted	<u>1,041,575</u>	<u>1,041,575</u>
Total net assets	<u>2,643,780</u>	<u>2,105,819</u>
Total liabilities and net assets	<u>\$ 3,462,739</u>	<u>\$ 2,470,596</u>

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

**WORLD ANIMAL PROTECTION**  
**Statement of Activities**  
**For the year ended December 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES AND OTHER SUPPORT</b>				
Contributions	\$ 3,081,087	\$ 515,423	\$ -	\$ 3,596,510
Contributions - bequests and trusts	1,539,835	-	-	1,539,835
Contributions - from Parent	755,238	-	-	755,238
Contributions - donation in kind	367,604	-	-	367,604
Interest and dividends	27,583	726	-	28,309
Net assets released from restrictions:	<u>662,031</u>	<u>(662,031)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>6,433,378</u>	<u>(145,882)</u>	<u>-</u>	<u>6,287,496</u>
<b>EXPENSES</b>				
Program services:				
Animal protection and humane education	<u>4,284,457</u>	<u>-</u>	<u>-</u>	<u>4,284,457</u>
Total program services	<u>4,284,457</u>	<u>-</u>	<u>-</u>	<u>4,284,457</u>
Support services:				
Management and general	283,460	-	-	283,460
Fundraising	<u>1,139,453</u>	<u>-</u>	<u>-</u>	<u>1,139,453</u>
Total support services	<u>1,422,913</u>	<u>-</u>	<u>-</u>	<u>1,422,913</u>
Total expenses	<u>5,707,370</u>	<u>-</u>	<u>-</u>	<u>5,707,370</u>
Change in net assets from operations	<u>726,008</u>	<u>(145,882)</u>	<u>-</u>	<u>580,126</u>
Nonoperating activities:				
Investment return (net of fees)	<u>(40,799)</u>	<u>(1,366)</u>	<u>-</u>	<u>(42,165)</u>
Total nonoperating activities	<u>(40,799)</u>	<u>(1,366)</u>	<u>-</u>	<u>(42,165)</u>
Change in net assets	685,209	(147,248)	-	537,961
Net assets, beginning of year	<u>914,163</u>	<u>150,081</u>	<u>1,041,575</u>	<u>2,105,819</u>
Net assets, end of year	<u>\$ 1,599,372</u>	<u>\$ 2,833</u>	<u>\$ 1,041,575</u>	<u>\$ 2,643,780</u>

*The accompanying notes are an integral part of this financial statement.*

**WORLD ANIMAL PROTECTION**  
**Statement of Activities**  
**For the year ended December 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES AND OTHER SUPPORT</b>				
Contributions	\$ 3,311,263	\$ 105,437	\$ -	\$ 3,416,700
Contributions - bequests and trusts	153,831	-	-	153,831
Contributions - from Parent	324,269	-	-	324,269
Interest and dividends	13,405	116	-	13,521
Net assets released from restrictions:	<u>321,717</u>	<u>(321,717)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>4,124,485</u>	<u>(216,164)</u>	<u>-</u>	<u>3,908,321</u>
<b>EXPENSES</b>				
Program services:				
Animal protection and humane education	<u>3,241,277</u>	<u>-</u>	<u>-</u>	<u>3,241,277</u>
Total program services	<u>3,241,277</u>	<u>-</u>	<u>-</u>	<u>3,241,277</u>
Support services:				
Management and general	353,452	-	-	353,452
Fundraising	<u>1,039,301</u>	<u>-</u>	<u>-</u>	<u>1,039,301</u>
Total support services	<u>1,392,753</u>	<u>-</u>	<u>-</u>	<u>1,392,753</u>
Total expenses	<u>4,634,030</u>	<u>-</u>	<u>-</u>	<u>4,634,030</u>
Change in net assets from operations	<u>(509,545)</u>	<u>(216,164)</u>	<u>-</u>	<u>(725,709)</u>
Nonoperating activities:				
Investment return (net of fees)	(8,892)	-	-	(8,892)
Pension costs	15,354	-	-	15,354
Loss from Boston office relocation	<u>(5,061)</u>	<u>-</u>	<u>-</u>	<u>(5,061)</u>
Total nonoperating activities	<u>1,401</u>	<u>-</u>	<u>-</u>	<u>1,401</u>
Change in net assets	(508,144)	(216,164)	-	(724,308)
Net assets, beginning of year, as restated	<u>1,422,307</u>	<u>366,245</u>	<u>1,041,575</u>	<u>2,830,127</u>
Net assets, end of year	<u>\$ 914,163</u>	<u>\$ 150,081</u>	<u>\$ 1,041,575</u>	<u>\$ 2,105,819</u>

*The accompanying notes are an integral part of this financial statement.*

**WORLD ANIMAL PROTECTION**  
**Statements of Functional Expense**  
For the years ended December 31, 2015 and 2014

	<b>2015</b>			
	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Grant Expense - Related Parties	\$ 1,722,356	\$ -	\$ -	\$ 1,722,356
Salaries and benefits	1,126,188	175,292	534,196	1,835,676
Education and Awareness	760,161	246	244,550	1,004,957
Occupancy	203,393	30,470	71,651	305,514
Professional services	120,192	47,510	44,711	212,413
Printing	136,782	736	73,547	211,065
Information and Communications Technologies	15,104	3,895	34,654	53,653
Travel	79,141	1,087	7,549	87,777
Depreciation	40,955	6,301	15,752	63,008
Other	80,185	17,923	112,843	210,951
	<u>\$ 4,284,457</u>	<u>\$ 283,460</u>	<u>\$ 1,139,453</u>	<u>\$ 5,707,370</u>
	<b>2014</b>			
	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Grant Expense - Related Parties	\$ 240,693	\$ -	\$ -	\$ 240,693
Salaries and benefits	1,430,429	182,753	450,721	2,063,903
Professional services	664,193	108,420	232,486	1,005,099
Education and Awareness	265,004	1,005	112,671	378,680
Occupancy	184,794	25,171	74,503	284,468
Travel	126,497	4,232	8,495	139,224
Printing	111,130	2,882	22,376	136,388
Information and Communication Technologies	82,924	6,153	19,015	108,092
Depreciation	44,203	5,990	17,811	68,004
Other	91,410	16,846	101,223	209,479
	<u>\$ 3,241,277</u>	<u>\$ 353,452</u>	<u>\$ 1,039,301</u>	<u>\$ 4,634,030</u>

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



**WORLD ANIMAL PROTECTION**  
**Statements of Cash Flows**  
For the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 537,961	\$ (724,308)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	63,008	68,004
Donated securities	(67,409)	(55,341)
Net depreciation on investments	42,165	8,892
Decrease (increase) in contribution receivable	165,059	(99,016)
Decrease in due to/from affiliate	393,230	303,454
(Increase) decrease in prepaid expenses and other assets	(1,063)	6,954
Increase (decrease) in accounts payable and accrued expenses	154,826	(73,277)
(Decrease) increase in other liabilities	<u>(3,935)</u>	<u>617</u>
Net cash provided by (used in) operating activities	<u>1,283,842</u>	<u>(564,021)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(7,312)	-
Purchase of investments	(1,293,101)	(545,585)
Proceeds from sales of investments	<u>836,686</u>	<u>79,233</u>
Net cash used in investing activities	<u>(463,727)</u>	<u>(466,352)</u>
Net increase (decrease) in cash	820,115	(1,030,373)
Cash, beginning of year	<u>919,556</u>	<u>1,949,929</u>
Cash, end of year	<u>\$ 1,739,671</u>	<u>\$ 919,556</u>

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

# **WORLD ANIMAL PROTECTION**

## **Notes to Financial Statements**

**December 31, 2015 and 2014**

---

### **1. DESCRIPTION OF THE ORGANIZATION**

World Animal Protection has a vision of a world where animal welfare matters and animal cruelty has ended, and the organization seeks to prevent animal suffering around the globe.

World Animal Protection is affiliated with World Animal Protection International which brings together 14 national/regional offices around the world who work collaboratively towards a shared mission. Collectively, World Animal Protection is one of the largest animal protection organizations in the world pioneering sustainable, large-scale solutions to end animal suffering. World Animal Protection acts for animals on the ground and at a global level demonstrating how animal welfare impacts and is affected by climate change, food security, development and poverty issues. Through its General Status at the United Nations and formal recognition by the World Organization for Animal Health (the "OIE") and other intergovernmental organizations, World Animal Protection is uniquely placed to improve animal health and welfare worldwide.

World Animal Protection seeks to improve the lives of animals in communities, farming, disasters, and the wild, with specific campaigns ranging from stopping the mass suffering of industrially farmed animals to ending the inhumane culling of stray dogs. World Animal Protection is the international leader in animal-focused disaster response and risk reduction and is one of the only organizations dedicated to safeguarding animals - often forgotten victims - in disasters.

With two-thirds of the world's animals in human care in farming alone, World Animal Protection is in a position to reduce the scale and intensity of animal suffering; World Animal Protection aims to achieve this through action and education. World Animal Protection works in partnership with governments, businesses, local communities and individuals to move the world to protect animals.

In 2013, the Board of Directors for World Animal Protection approved that World Animal Protection International become the Sole Member of the Corporation on January 1, 2014. As the Sole Member, World Animal Protection International has the right to vote and shall exercise its membership rights and obligations by appointing authorized individuals to act on its behalf. During 2014, the Board of Directors approved an amendment to its articles of incorporation to officially change the name of the organization from World Society for the Protection of Animals to World Animal Protection. The IRS has classified World Animal Protection as a public charity; therefore, World Animal Protection is exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code (the "Code"), as well as state and local taxes.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Presentation**

The classification of World Animal Protection's net assets are based on the existence or absence of donor imposed restrictions. Amounts for each of the three classes of net assets (unrestricted, temporarily restricted and permanently restricted) are displayed in the accompanying statement of financial position and changes in each of those classes of net assets are displayed in the accompanying statement of activities. The financial statements of World Animal Protection have been prepared in accordance with U.S. generally

# **WORLD ANIMAL PROTECTION**

## **Notes to Financial Statements**

### **December 31, 2015 and 2014**

---

accepted accounting principles (“US GAAP”), which require World Animal Protection to report information regarding its financial position and activities according to the following net asset classifications:

#### Unrestricted net assets

Net assets that are not subject to donor imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. The unrestricted net assets may be used at the discretion of World Animal Protection’s management and the Board of Directors.

#### Temporarily restricted net assets

Net assets subject to donor and grantor imposed stipulations that will be met by actions of World Animal Protection and/or the passage of time. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. At December 31, 2015 and 2014, temporarily restricted net assets totaled \$2,833 and \$150,081, respectively.

#### Permanently restricted net assets

Net assets which consist of endowment funds that have been restricted by donors to be maintained in perpetuity. Income earned on such funds is unrestricted or temporarily restricted based on donor stipulations. At December 31, 2015 and 2014, permanently restricted net assets totaled \$1,041,475.

### **Measure of Operations**

The statement of activities reports all changes in net assets, including changes in unrestricted net assets from operations and non-operating activities. Operating activities consist of those items attributable to World Animal Protection’s ongoing animal conservation and protection efforts and interest and dividends earned on investments. Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

### **Cash and Cash Equivalents**

World Animal Protection’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 from the date of purchase, except for those amounts that are held in the investment portfolio which are considered to be invested for long-term purposes.

### **Concentrations of Credit Risk**

Financial instruments that potentially subject World Animal Protection to concentrations of credit risk consist principally of cash and cash equivalents and investments. World Animal Protection maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. World Animal Protection’s cash and cash equivalent accounts have been placed with high credit quality financial institutions. World Animal Protection has not experienced, nor does it anticipate, any losses with respect to such accounts.

# **WORLD ANIMAL PROTECTION**

## **Notes to Financial Statements**

**December 31, 2015 and 2014**

---

### **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 promises to give are not included as support until the conditions are met.

As of December 31, 2015, World Animal Protection's contributions receivable consisted of unconditional promises to give in the amount of \$150,000, all of which are expected to be collected within one year, and receivables from third party processors in the amount of \$93,513, all of which are expected to be collected within one year. As of December 31, 2014, contributions receivable consisted of unconditional promises to give in the amount of \$300,780 and receivables from third party processors in the amount of \$107,792, all of which are expected to be collected within one year. A pledge from one donor comprised approximately 62% and 73% of contributions receivable as of December 31, 2015 and 2014, respectively.

Unconditional bequests (donations received under terms of a will) are reported as revenues when notification of the bequest is received and the amount is reasonably determinable and the probate court declares the will valid. Contributions to be received after one year are discounted to present value of future cash flows at a risk adjusted rate.

### **Property and Equipment, net**

Property and equipment are stated at cost or fair market value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets or the lease term. The useful lives range from three to seven years. World Animal Protection's policy is to capitalize renewals and betterments acquired for greater than \$5,000 and expense normal repairs and maintenance as incurred. World Animal Protection's management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered.

### **Investments**

Investments are measured and reported at fair value. Changes in fair value are reported as investment return in the statement of activities.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statement of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

### **Contributions and Bequests**

Contributions and bequests received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported

# **WORLD ANIMAL PROTECTION**

## **Notes to Financial Statements**

### **December 31, 2015 and 2014**

---

in the statement of activities as net assets released from restrictions. Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently but may permit World Animal Protection to use or expend part or all of the economic benefits derived from the assets.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as restricted support; otherwise, the contributions are recorded as unrestricted support.

#### **In-Kind Donations**

World Animal Protection received donated public service announcements and other advertising services of approximately \$368,000 for the year ended December 31, 2015. 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 public education program expense on the accompanying consolidated statements of activities and functional expenses.

Several volunteers have made significant contributions of their time in furtherance of World Animal Protection's mission. These services were not reflected in the accompanying statement of activities because they do not meet the necessary criteria for recognition under US GAAP.

#### **Charitable Gift Annuities**

World Animal Protection 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 in exchange for a promise by World Animal Protection 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.

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 statement of activities. The CGA's are valued using the 2000CM mortality table.

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 statement of financial position. World Animal Protection invests the charitable gift annuities in accordance with their investment policy.

#### **Functional Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

#### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

# WORLD ANIMAL PROTECTION

## Notes to Financial Statements

December 31, 2015 and 2014

---

### Due from Related Parties

Amounts reported as due from related parties, included in the accompanying statement of financial position, arise principally from the collaborative activities between World Animal Protection, World Animal Protection International, and World Animal Protection Canada to further the mission of the organization.

### Fair Value Measurements

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset or liability and a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). World Animal Protection groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 - Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 - Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 - Unobservable inputs that cannot be corroborated by observable market data.

At December 31, 2015 and 2014, the carrying value of financial instruments such as cash equivalents, contributions and bequests receivable, and accounts payable approximated their fair value.

### Income Taxes

World Animal Protection follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

World Animal Protection is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. World Animal Protection has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it was nexus; and to identify and evaluate other matters that may be considered tax positions. The tax years ended December 31, 2012, 2013, 2014 and 2015 are still open to audit for both federal and state purposes. World Animal Protection has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

**WORLD ANIMAL PROTECTION**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

---

**Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year presentation.

**3. INVESTMENTS**

The following is a summary of investments at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 124	\$ 1,823
Equities Funds	91,298	121,651
Stock Indexed Funds	598,440	309,769
Bonds Funds	57,117	34,353
Bond Indexed Funds	<u>411,238</u>	<u>208,962</u>
	<u>\$ 1,158,217</u>	<u>\$ 676,558</u>

Investment activities consisted of the following, for the years ended December 31, 2015 and 2014:

	<u>2015</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividends	\$ 27,583	\$ 726	\$ 28,309
Realized gain on investments	3,775	-	3,775
Unrealized loss on investments	(43,112)	(1,366)	(44,478)
Investment fees	<u>(1,462)</u>	<u>-</u>	<u>(1,462)</u>
Net investment income	<u>\$ (13,216)</u>	<u>\$ (640)</u>	<u>\$ (13,856)</u>
	<u>2014</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividends	\$ 13,405	\$ 116	\$ 13,521
Realized gain on investments	1,609	-	1,609
Unrealized loss on investments	(9,251)	-	(9,251)
Investment fees	<u>(1,250)</u>	<u>-</u>	<u>(1,250)</u>
Net investment income	<u>\$ 4,513</u>	<u>\$ 116</u>	<u>\$ 4,629</u>

**WORLD ANIMAL PROTECTION**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

The following tables summarize World Animal Protection's investments that were accounted for at fair value within the fair value hierarchy of ASC 820, *Fair Value Measurements and Disclosures*, as of December 31, 2015 and 2014:

<b>2015</b>				<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Cash and cash equivalents				\$ 124
Equities	\$ 689,738	\$ -	\$ -	689,738
Fixed income	468,355	-	-	468,355
	<u>\$ 1,158,093</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,158,217</u>
<b>2014</b>				<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Cash and cash equivalents				\$ 1,823
Equities	\$ 431,420	\$ -	\$ -	431,420
Fixed income	243,315	-	-	243,315
	<u>\$ 674,735</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 676,558</u>

**4. PROPERTY AND EQUIPMENT, NET**

Property and equipment consisted of the following at December 31, 2015 and 2014:

	<b>2015</b>	<b>2014</b>
Property and equipment	\$ 364,297	\$ 356,985
Less: accumulated depreciation	<u>(212,835)</u>	<u>(149,827)</u>
Property and equipment, net	<u>\$ 151,462</u>	<u>\$ 207,158</u>

For the years ended December 31, 2015 and 2014, depreciation expense totaled \$63,008 and \$68,004, respectively.

**5. LEASE COMMITMENTS**

In 2014, World Animal Protection agreed to an early termination of a lease, which resulted in a gain recognized in the amount of \$15,354. Total rent expense incurred under operating leases totaled \$231,488 and \$229,054 for the years ended December 31, 2015 and 2014 respectively.



**WORLD ANIMAL PROTECTION**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

---

For years subsequent to 2015, minimum annual future rental commitments under the lease agreements, are as follows:

<b>Years Ending December 31,</b>	<b><u>Rental Expense</u></b>
2016	302,480
2017	310,042
2018	317,793
2019	<u>215,364</u>
Total	<u>\$ 1,145,679</u>

Deferred rent consists of the excess of the rental expenses on a straight-line basis over the payments required by the lease and is included in other liabilities in the statement of financial position. As of December 31, 2015 and 2014, the deferred rent liability balance was \$94,990 and \$96,099, respectively.

**6. RESTRICTED NET ASSETS**

Permanently restricted net assets are available for the purposes listed below. Income from permanently restricted net assets is expendable to support the following at December 31, 2015 and 2014:

	<b><u>2015</u></b>	<b><u>2014</u></b>
General Operations	\$ 995,005	\$ 995,005
Italy/Isle of Capri	<u>46,570</u>	<u>46,570</u>
Total	<u>\$ 1,041,575</u>	<u>\$ 1,041,575</u>

Temporarily restricted net assets consisted of the following at December 31, 2015 and 2014:

	<b><u>2015</u></b>	<b><u>2014</u></b>
Captive Bears	\$ -	\$ 146,608
Italy/Isle of Capri	<u>2,833</u>	<u>3,473</u>
Total	<u>\$ 2,833</u>	<u>\$ 150,081</u>

**WORLD ANIMAL PROTECTION**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

---

Net assets released from temporary donor restrictions are as follows:

	<u>2015</u>	<u>2014</u>
Animals in Disasters	\$ 314,030	\$ 49,932
Animals in Farming	24,217	-
Animals in Wild	206,329	195,519
Animals in Communities	27,780	12,204
Donor Challenge Matches	89,675	-
Other	-	64,062
Total	<u>\$ 662,031</u>	<u>\$ 321,717</u>

**7. ENDOWMENT FUNDS**

**Interpretation of Relevant Law**

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

**Endowment Investment Policy**

World Animal Protection 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 of donor-restricted funds 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.

**WORLD ANIMAL PROTECTION**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

---

**Strategies Employed for Achieving Objectives**

To satisfy its long-term objectives, World Animal Protection 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 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 considers the following factors in making a determination to appropriate or accumulate donor-restricted 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, as enforced by the Investment Committee of the Board of Directors.

World Animal Protection appropriates the actual investment income from the restricted assets for use. In establishing this policy, World Animal Protection considered the long-term expected return on its endowment.

**Endowment Fund Activity**

The following summarizes World Animal Protection's donor-restricted endowment net asset composition as of December 31, 2015 and 2014:

	<b>2015</b>		
	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ 2,833	\$ 1,041,575	\$ 1,044,408
	<b>2014</b>		
	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ 3,473	\$ 1,041,575	\$ 1,045,048

**WORLD ANIMAL PROTECTION**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

---

As of December 31, 2015 and 2014, the endowment assets were included in cash and investments in the statement of financial position. The following table summarizes the changes in World Animal Protection endowment net assets for the fiscal years ended December 31, 2015 and 2014:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Endowment net assets, January 1, 2014</b>	\$ 64,637	\$ 1,041,575	\$ 1,106,212
New pledges, net of provision for uncollectible amounts	-	-	-
Interest and dividends	116	-	116
Investment return	-	-	-
Less: Appropriation of endowment assets for expenditure	(61,280)	-	(61,280)
<b>Endowment net assets, December 31, 2014</b>	<u>3,473</u>	<u>1,041,575</u>	<u>1,045,048</u>
New pledges, net of provision for uncollectible amounts	-	-	-
Interest and dividends	726	-	726
Investment return	(1,366)	-	(1,366)
<b>Endowment net assets, December 31, 2015</b>	<u>\$ 2,833</u>	<u>\$ 1,041,575</u>	<u>\$ 1,044,408</u>

**8. ALLOCATION OF JOINT COSTS**

World Animal Protection conducts direct marketing campaigns that included 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. For the years ended December 31, 2015 and 2014, these joint costs were allocated as follows:

	<u>2015</u>	<u>2014</u>
Program services	\$ 359,740	\$ 830,105
Fundraising	<u>359,740</u>	<u>396,939</u>
Total	<u>\$ 719,480</u>	<u>\$ 1,227,044</u>

**9. RELATED PARTY TRANSACTIONS**

World Animal Protection and World Animal Protection International are related organizations and have entered into an agreement to reflect the collaborative nature of the relationship between the two organizations. This agreement reflects the “one World Animal Protection” approach through which all World Animal Protection organizations around the globe work together and which supports an efficient,

# **WORLD ANIMAL PROTECTION**

## **Notes to Financial Statements**

### **December 31, 2015 and 2014**

---

effective, and integrated global organization best able to realize our vision of a world where animal welfare matters and animal cruelty has ended. World Animal Protection had related party transactions (financial and non-financial) with the following:

#### **World Animal Protection International**

The role of World Animal Protection International is to develop the global strategy and brand, co-ordinate activities of the separate country offices, set global standards and provide central and regional services where it is most efficient to do so. The organization is grouped into five regions – Europe, Africa and the Middle East, North America, Latin America, and Asia-Pacific – headed by Regional Directors who coordinate and direct work in their respective regions at a strategic level. North American regional staff work across the whole of the region providing services and expertise in the areas of programs delivery, communications and finance to the US and Canada offices in order to achieve their respective strategic goals.

In fiscal 2014, World Animal Protection early adopted ASU 2013-06, Services Received from Personnel of an Affiliate, as this results in useful information for the stakeholders, including the parent and sole member, World Animal Protection International. For the years ended December 31, 2015 and December 31, 2014 this resulted in Contributions – from Parent revenues and offsetting Program and Management expenses of \$755,238 and \$274,895, respectively. There was no effect on change in net asset from operations as the contribution revenue was offset by an expense. These donated services were recorded at the cost of the Parent, which approximates fair value.

The net activity between World Animal Protection US and affiliates for the years ended December 31, 2015 and 2014 resulted in a payable balance of \$303,291 and receivable balance of \$89,939, stated respectively. The aforementioned net activity is recorded as Due to/from related parties in the statement of financial position.

#### **MSPCA**

World Animal Protection participates in the Massachusetts Society for the Protection of Cruelty to Animals' (MSPCA) SBERA Pension plan (EIN #042103597 Plan 001) (the "Plan"). The CEO of the MSPCA is on the Board of Directors of World Animal Protection and World Animal Protection International. The Plan is a defined benefit plan which is substantially funded (>80%) which was frozen to new participants as of January 1, 2006. World Animal Protection's participation in the Plan is less than 5% and not considered significant.

During 2014, World Animal Protection and MSPCA began the process of spinning off the assets of World Animal Protection from the Plan with the intent of establishing a new defined benefit plan. While regulatory approvals are pending and exact amounts of present value of accrued benefits ("PVAB") will be calculated as of the spin-off date, World Animal Protection estimates its allocation of PVAB to be approximately \$974,000.

## **10. EMPLOYEE BENEFIT PLAN**

Prior to December 31, 2009, World Animal Protection provided a defined benefit pension plan covering salaried permanent employees. Benefits were based on years of service and the employee's compensation. Effective December 31, 2009, all benefits under the defined benefit pension plan were frozen. Following

**WORLD ANIMAL PROTECTION**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

---

December 31, 2009, no employees have become eligible to participate in the defined benefit pension plan and vested employees in the plan are no longer accruing additional benefits. Pension costs for years ended December 31, 2015 and 2014 were \$0 and \$5,061, respectively.

In addition to the defined benefit pension plan, World Animal Protection has a group tax-deferred 403(b) plan covering all employees. The assets are held for each employee in an individual account maintained by an investment firm. World Animal Protection's match is 3% of each qualified employee's basic contribution. Plan contribution before non vesting forfeiture, incurred by World Animal Protection during the years ended December 31, 2015 and 2014 totaled \$22,174 and \$28,513, respectively.

**11. SUBSEQUENT EVENTS**

World Animal Protection has evaluated subsequent events through April 15, 2016, which is the date the financial statements were available to be issued. World Animal Protection is not aware of any material subsequent events.