



**Animal Welfare Institute**

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

**June 30, 2022 and 2021**



**Animal Welfare Institute**  
**FINANCIAL STATEMENTS**  
**(Together with Independent Auditors' Report)**  
**June 30, 2022 and 2021**

**CONTENTS**

	<b><u>Page(s)</u></b>
Independent Auditors' Report .....	1-2
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position .....	3
Statements of Activities and Changes in Net Assets .....	4
Statements of Functional Expenses .....	5-6
Statements of Cash Flows .....	7
Notes to Financial Statements .....	8-15



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Animal Welfare Institute  
Washington, DC

### **Opinion**

We have audited the financial statements of Animal Welfare Institute, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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 Animal Welfare Institute as of June 30, 2022, and the related changes in net assets, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit 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 Animal Welfare Institute and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Report on 2021 Financial Statements**

The financial statements of Animal Welfare Institute as of and for the year ended June 30, 2021 were audited by another auditor whose report dated October 18, 2021 expressed an unmodified opinion on those statements.

### **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 Animal Welfare Institute'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.

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 Animal Welfare Institute'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 Animal Welfare Institute'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 P.C.*

Purchase, New York  
October 25, 2022

**ANIMAL WELFARE INSTITUTE  
STATEMENTS OF FINANCIAL POSITION**

	<b>June 30,</b>	
	<b>2022</b>	<b>2021</b>
<b><u>ASSETS</u></b>		
CURRENT ASSETS:		
Cash and cash equivalents (including \$2,721,240 and \$2,839,254 in money market funds in 2022 and 2021, respectively)	\$ 5,554,783	\$ 5,400,883
Certificates of deposit	930,958	907,799
Investment in securities	8,555,978	8,687,463
Prepaid expenses	22,485	26,361
<b>TOTAL CURRENT ASSETS</b>	<b>15,064,204</b>	<b>15,022,506</b>
Fixed assets, net	4,546,736	4,646,824
Intangible asset, net - Website cost	24,382	39,181
<b>TOTAL ASSETS</b>	<b>\$ 19,635,322</b>	<b>\$ 19,708,511</b>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
CURRENT LIABILITIES:		
Accounts payable, accrued expenses and tenant security deposit payable	\$ 129,034	\$ 177,085
NET ASSETS:		
Without donor restrictions	19,326,334	19,385,121
With donor restrictions:		
Restricted for time and purpose	79,954	46,305
Perpetual in nature	100,000	100,000
<b>TOTAL NET ASSETS</b>	<b>19,506,288</b>	<b>19,531,426</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 19,635,322</b>	<b>\$ 19,708,511</b>

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

**ANIMAL WELFARE INSTITUTE**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

	<b>Years Ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS:</b>		
REVENUES:		
Contributions - Foundations and trusts	\$ 710,916	\$ 515,643
- Legacies and bequests	2,212,638	1,041,180
- Memberships and other	3,756,422	2,753,743
Tenants rental income	106,862	92,526
Sale of publications and reports	14,907	2,768
Dividend income	125,508	99,492
Interest income	28,031	24,551
Realized and unrealized (loss) gain on securities	(2,255,386)	2,307,368
Other income	33,341	26,435
	<u>4,733,239</u>	<u>6,863,706</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	147,255	-
TOTAL REVENUES AND SUPPORT WITHOUT DONOR RESTRICTIONS	<u>4,880,494</u>	<u>6,863,706</u>
<b>EXPENSES:</b>		
Program services	4,468,863	3,874,321
Management and general	410,331	368,661
Fundraising	60,087	45,490
	<u>4,939,281</u>	<u>4,288,472</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>(58,787)</u>	<u>2,575,234</u>
<b>NET ASSETS WITH DONOR RESTRICTIONS:</b>		
Contributions	180,904	46,305
Net assets released from restrictions	(147,255)	-
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>33,649</u>	<u>46,305</u>
<b>(DECREASE) INCREASE IN NET ASSETS</b>	<u>(25,138)</u>	<u>2,621,539</u>
NET ASSETS - beginning of year	<u>19,531,426</u>	<u>16,909,887</u>
<b>NET ASSETS - end of year</b>	<u>\$ 19,506,288</u>	<u>\$ 19,531,426</u>

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

**ANIMAL WELFARE INSTITUTE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2022**

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,682,315	\$ 151,866	\$ 15,912	\$ 1,850,093
Payroll taxes and unemployment insurance	136,622	12,316	1,296	150,234
Employee benefits	156,644	20,538	1,433	178,615
Retirement plan	37,599	3,417	356	41,372
Advertising	11,926	1,584	2,013	15,523
Animal Welfare Institute Quarterlies	269,123	-	17,402	286,525
Printing and publications (except for Quarterlies)	46,803	5,131	10,713	62,647
Research, writing and editing	46,599	-	-	46,599
Grants	1,065,205	-	-	1,065,205
Conferences, meetings and travel	99,576	795	-	100,371
Postage, mailing and addressing costs (except for Quarterlies)	21,537	875	1,766	24,178
Telephone, duplicating and office supplies	49,515	11,789	196	61,500
Professional services	111,387	34,247	-	145,634
Membership and subscriptions	69,742	11,936	6,536	88,214
Consultants	436,261	13,308	301	449,870
Internet services	55,968	4,073	388	60,429
Occupancy costs	66,311	50,646	600	117,557
Bank and investment fees	-	77,237	-	77,237
Total expenses before depreciation and amortization	4,363,133	399,758	58,912	4,821,803
Depreciation and amortization	105,730	10,573	1,175	117,478
Total expenses	<u>\$ 4,468,863</u>	<u>\$ 410,331</u>	<u>\$ 60,087</u>	<u>\$ 4,939,281</u>

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

**ANIMAL WELFARE INSTITUTE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2021**

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,522,924	\$ 152,303	\$ 16,923	\$ 1,692,150
Payroll taxes and unemployment insurance	124,453	12,676	1,353	138,482
Employee benefits	134,459	18,752	1,494	154,705
Retirement plan	32,889	3,289	365	36,543
Advertising	38,500	1,860	1,980	42,340
Animal Welfare Institute Quarterlies	224,017	-	8,034	232,051
Printing and publications (except for Quarterlies)	65,910	524	12,366	78,800
Research, writing and editing	48,645	-	-	48,645
Grants	873,005	-	-	873,005
Conferences, meetings and travel	15,229	295	-	15,524
Postage, mailing and addressing costs (except for Quarterlies)	19,874	1,806	466	22,146
Telephone, duplicating and office supplies	85,345	14,979	284	100,608
Professional services	54,897	28,635	-	83,532
Membership and subscriptions	54,417	15,168	375	69,960
Consultants	367,104	-	-	367,104
Internet services	46,714	1,229	131	48,074
Occupancy costs	57,429	44,986	498	102,913
Bank and investment fees	390	61,347	20	61,757
Total expenses before depreciation and amortization	3,766,201	357,849	44,289	4,168,339
Depreciation and amortization	108,120	10,812	1,201	120,133
Total expenses	<u>\$ 3,874,321</u>	<u>\$ 368,661</u>	<u>\$ 45,490</u>	<u>\$ 4,288,472</u>

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



**ANIMAL WELFARE INSTITUTE  
STATEMENTS OF CASH FLOWS**

	<b>Years Ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ (25,138)	\$ 2,621,539
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	117,479	120,133
Realized and unrealized loss (gain) on securities	2,255,386	(2,307,368)
Changes in operating assets and liabilities:		
Decrease in contributions and accounts receivable	-	94,507
Decrease (Increase) in prepaid expenses	3,876	(8,793)
(Decrease) Increase in accounts payable, accrued expenses and tenant security deposit payable	(48,051)	150,662
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>2,303,552</b>	<b>670,680</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of building improvements	(2,592)	(6,164)
Purchase of website upgrades	-	(16,430)
(Purchase) Proceeds of certificates of deposit	(23,159)	388,963
Proceeds from sale of securities	2,565,708	3,775,969
Purchase of securities	(4,689,609)	(4,013,605)
<b>NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES</b>	<b>(2,149,652)</b>	<b>128,733</b>
<b>CHANGES IN CASH AND CASH EQUIVALENTS</b>	<b>153,900</b>	<b>799,413</b>
<b>CASH AND CASH EQUIVALENTS - beginning of year</b>	<b>5,400,883</b>	<b>4,601,470</b>
<b>CASH AND CASH EQUIVALENTS - end of year</b>	<b>\$ 5,554,783</b>	<b>\$ 5,400,883</b>

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

**ANIMAL WELFARE INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

Animal Welfare Institute (“AWI” or the “Organization”) is a nonprofit organization incorporated in 1951 under the laws of the state of Delaware. The general objective of AWI is to reduce animal suffering caused by people.

The Organization has received a determination letter from the Internal Revenue Service that it is exempt from federal income tax, pursuant to Section 501(c)(3) of the Internal Revenue Code.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting and Use of Estimates**

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America (“U.S. GAAP”).

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, revenues, and expenses, as well as the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from those estimates.

**B. Basis of Presentation**

The Organization’s financial statements are presented in accordance with Financial Accounting Standards Board (“FASB”) guidance on reporting information regarding its financial position and activities for not-for-profit organizations. Under that guidance, the Organization is required to report information regarding its net assets and revenues, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- Without donor restrictions – Net assets that are not subject to donor-imposed stipulations, including board designated funds functioning as endowment.
- With donor restrictions – Net assets subject to donor-imposed stipulations, including stipulations that will be met either by actions of the Organization or the passage of time, stipulations that they be maintained permanently by the Organization, and net assets from endowments not yet appropriated for spending. When time and purpose restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions. Endowment earnings and donor restricted contributions whose restrictions are met in the same reporting period are reported as without donor restrictions revenues and support.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities 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.

**ANIMAL WELFARE INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Cash and Cash Equivalents**

The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

**D. Certificates of Deposit**

Certificates of deposit are recorded at cost plus interest earned but not paid. Interest income is reflected on the statements of activities and changes in net assets as net assets without donor restrictions unless restricted by donor or law.

**E. Investments**

Investments are carried at fair value. Unrealized gains and losses are recognized as changes in net assets in the period in which they occur, and investment income is recognized as revenue in the period earned. 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 provides observable and unobservable inputs used to measure fair value into three levels as described in Note 4.

**F. Fixed Assets**

Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line basis over the estimated useful lives of the related assets. Fixed assets are capitalized by AWI for all items \$1,000 or more and its useful life is greater than one year. Repairs and maintenance are charged to expense when incurred.

**G. Contributions and Grants**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional contributions and promises to give, those with a measurable performance or other barrier and a right of return, are not recognized as support until the conditions on which they depend are substantially met. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as revenues and support without donor restrictions.

Bequests are recognized as revenue once the probate process is complete and amounts are determined to be uncontested.

**H. Rental Income**

AWI receives revenue from leasing space to certain tenants, which is recorded in accordance with lease agreements. See Note 9 for tenant rental income.

**I. Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities and changes in net assets. 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.

**ANIMAL WELFARE INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 are consistently applied. The expenses that are allocated include occupancy, which are allocated on a square footage basis, as well as salaries and wages, employee benefits and payroll taxes, which are based on time and effort within each functional area. Postage and shipping, and bank charges are based on expenses tracked by account across functions. Supplies, office and computer expenses, and telephone expense are based on staff usage.

**J. Income Taxes**

The Organization follows FASB Accounting Standards Codification (“ASC”) Topic 740, which provides standards for establishing and classifying any tax provisions for uncertain tax positions. The Organization has determined that it has no uncertain tax positions that require either recognition or disclosure in the financial statements.

**K. Reclassification**

Certain reclassifications of the prior year amounts were made to conform to the current presentation. These changes had no impact on the change in net assets for the year ended June 30, 2021.

**NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR GENERAL EXPENDITURES**

The Organization regularly monitors liquidity required to meet its operating needs, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and marketable debt and equity securities. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities, as well as services undertaken to support those activities, to be general expenditures.

As of June 30, 2022 and 2021, the Organization’s financial assets available for general expenditures within one year of the statement of financial position date are comprised of the following:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Cash and cash equivalents	\$ 5,554,783	\$ 5,400,883
Certificates of deposit	930,958	907,799
Investment in securities	8,555,978	8,687,463
Less: net assets with donor restrictions	<u>(179,954)</u>	<u>(146,305)</u>
	<u>\$ 14,861,765</u>	<u>\$ 14,849,840</u>

**ANIMAL WELFARE INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 4 – INVESTMENTS – FAIR VALUE MEASUREMENTS**

Fair Value Measurements

	Quoted Prices in Active Markets for Identical Assets (Level 1)	
	June 30, 2022	June 30, 2021
	Equity Securities	\$ 5,469,754
Mutual Funds	2,286,833	2,176,793
	7,756,587	7,972,127
	(Level 2)	
U.S. Treasury Notes and Bills	623,737	566,119
Corporate Bonds	175,654	149,217
	799,391	715,336
	\$ 8,555,978	\$ 8,687,463

FASB ASC 820-10 established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

Equity Securities

Equity securities are valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds

Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price.

U.S. Treasury Notes and Bills

U.S. Treasury notes and bills are valued using pricing models maximizing the use of observable inputs for similar securities.

**ANIMAL WELFARE INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 4 – INVESTMENTS – FAIR VALUE MEASUREMENTS (CONTINUED)**

Corporate Bonds

Corporate bonds are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

**NOTE 5 – FIXED ASSETS**

Estimated useful lives and accumulated depreciation consists of the following:

	Estimated Useful Lives	2022	2021
Land		\$ 2,350,000	\$ 2,350,000
Buildings, Improvements & Equipment	5-40	3,452,680	3,450,089
Less: Accumulated depreciation		<u>(1,255,944)</u>	<u>(1,153,265)</u>
		<u>\$ 4,546,736</u>	<u>\$ 4,646,824</u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$102,679 and \$106,704, respectively.

**NOTE 6 – CONCENTRATIONS**

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to a concentration of credit risk include cash accounts with banks that may exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limit amount of \$250,000 per depositor.

The Organization had cash accounts that exceeded the FDIC insurance limit at June 30, 2022 and 2021 by approximately \$4,466,000 and \$4,393,000, respectively.

Concentration of Contributions

AWI received approximately 13% of its total contributions from two contributors in the fiscal year ended June 30, 2022 and 20% of its total contributions from two contributors in the fiscal year ended June 30, 2021.

	Number of Contributors	2022	Number of Contributors	2021
Foundation	1	\$ 450,000	1	\$ 400,000
Bequest	1	\$ 448,028	1	\$ 484,447

**ANIMAL WELFARE INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions, restricted in time and purpose, are available for the following purposes:

	<u>2022</u>	<u>2021</u>
Ukraine	\$ 60,784	\$ -
Homes for Horses	13,670	5,000
Farm Animals	-	20,000
Wildlife	-	11,000
Animals and Family Violence	-	9,655
Rapid Response Fund	-	650
Special Projects	<u>5,500</u>	<u>-</u>
	<u>\$ 79,954</u>	<u>\$ 46,305</u>

Net assets with donor restrictions in perpetuity were \$100,000 at both June 30, 2022 and 2021, although the income from such assets is expendable to support the operations of AWI.

Delaware enacted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), the provisions of which apply to endowment funds existing on or established after that date. Based on its interpretation of the provisions of UPMIFA, AWI is required to act prudently when making decisions to spend or accumulate donor restricted endowment assets, and in doing so, to consider a number of factors including the duration and preservation of its donor restricted endowment funds. As a result of this interpretation, AWI classifies as with donor restrictions net assets in the original value of gifts donated to be held in perpetuity. The remaining unappropriated earnings are classified as with donor restrictions until they are appropriated.

**ANIMAL WELFARE INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

Changes in net assets with donor restrictions in perpetuity for the years ended June 30, 2022 and 2021 are as follows:

<u>2022</u>	With Donor Restrictions in Perpetuity		
	Earnings	Endowment Corpus	Total
Endowment net assets, beginning of year	\$ -	\$ 100,000	\$ 100,000
Investment return:			
Investment income	2,360	-	2,360
Amounts appropriated for expenditure	<u>(2,360)</u>	<u>-</u>	<u>(2,360)</u>
Endowment net assets, June 30, 2022	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>

<u>2021</u>	With Donor Restrictions in Perpetuity		
	Earnings	Endowment Corpus	Total
Endowment net assets, beginning of year	\$ -	\$ 100,000	\$ 100,000
Investment return:			
Investment income	2,520	-	2,520
Amounts appropriated for expenditure	<u>(2,520)</u>	<u>-</u>	<u>(2,520)</u>
Endowment net assets, June 30, 2021	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>

**NOTE 8 – 401(k) PLAN**

AWI has a 401(k) plan that covers substantially all employees. Contributions are made to the plan at the discretion of management. AWI contributed \$41,372 and \$36,543 to the plan for the years ended June 30, 2022 and 2021, respectively.

**NOTE 9 – TENANT RENTAL INCOME**

AWI has various noncancelable operating lease agreements.

Minimum future rental income are as follows:

Years ending June 30,	
2023	\$ 97,645
2024	69,866
2025	<u>22,080</u>
	<u>\$ 189,591</u>

Depreciation expense allocated to the leasing spaces rented to tenants for the years ended June 30, 2022 and 2021, was \$43,996 and \$46,203, respectively.



**ANIMAL WELFARE INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**NOTE 10 – RISKS AND UNCERTAINTIES**

The COVID-19 pandemic remains an evolving situation. The extent of the impact of COVID-19 on AWI's business and financial results will depend on future developments, including the duration and spread of the outbreak. Due to the rapidly changing business environment, unprecedented market volatility, and other circumstances resulting from the COVID-19 pandemic, AWI is currently unable to fully determine the extent of COVID-19's impact on its business in future periods. AWI's performance in future periods will be heavily influenced by the timing, length, and intensity of the economic recoveries in the United States. AWI continues to monitor evolving economic and general business conditions and the actual and potential impacts on its financial position and results of operations.

**NOTE 11 – SUBSEQUENT EVENTS**

Management has evaluated events subsequent to the date of the statement of financial position through October 25, 2022, the date the financial statements were available to be issued.