



# **World Animal Protection**

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

**Years Ended December 31, 2017 and 2016**

**WORLD ANIMAL PROTECTION**  
**FINANCIAL STATEMENTS**  
**(Together with Independent Auditors' Report)**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
World Animal Protection

We have audited the accompanying financial statements of World Animal Protection, which comprise the statement of financial position as of December 31, 2017, and the related statement of activities, functional expenses and cash flows for the year 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 entity'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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Prior Period Financial Statements***

The financial statements of World Animal Protection for the year ended December 31, 2016, were audited by other auditors whose report dated April 27, 2017, expressed an unmodified opinion on those financial statements.

*Marks Paneth LLP*

New York, NY  
March 29, 2018

**WORLD ANIMAL PROTECTION  
STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Cash and cash equivalents (Notes 2C and 11)	\$ 2,733,378	\$ 1,541,202
Contributions receivable (Note 2D)	500,092	938,971
Prepaid expenses and other assets	155,662	153,633
Investments (Notes 2G and 3)	1,367,243	1,217,968
Property and equipment, net (Notes 2F and 4)	75,557	101,998
<b>TOTAL ASSETS</b>	<b>\$ 4,831,932</b>	<b>\$ 3,953,772</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 183,188	\$ 150,995
Due to related parties (Note 9)	658,451	797,079
Other liabilities (Notes 2I and 5)	96,031	121,961
<b>TOTAL LIABILITIES</b>	<b>937,670</b>	<b>1,070,035</b>
<b>COMMITMENTS AND CONTINGENCIES (Note 5)</b>		
<b>NET ASSETS (Notes 2B and 6)</b>		
Unrestricted	2,195,007	1,484,029
Temporarily restricted	657,680	358,133
Permanently restricted	1,041,575	1,041,575
<b>TOTAL NET ASSETS</b>	<b>3,894,262</b>	<b>2,883,737</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,831,932</b>	<b>\$ 3,953,772</b>

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

**WORLD ANIMAL PROTECTION  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	Year Ended December 31, 2017				Year Ended December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Total 2016	Unrestricted	Temporarily Restricted	Permanently Restricted
<b>OPERATING SUPPORT AND REVENUE:</b>								
Contributions	\$ 2,768,914	\$ 889,544	\$ -	\$ 3,658,458	\$ 3,673,846	2,876,718	\$ 797,128	\$ -
Contributions - bequests and trusts	943,231	1,350,000	-	2,293,231	1,287,088	697,004	590,084	-
Contributions - from Parent	40,551	-	-	40,551	614,354	614,354	-	-
Contributions - donations in kind	1,123,124	-	-	1,123,124	846,656	846,656	-	-
Interests and dividends	31,834	927	-	32,761	28,518	27,627	891	-
Other income	250,000	-	-	250,000	-	-	-	-
Net assets released from restrictions (Notes 2B and 6)	1,946,821	(1,946,821)	-	-	-	1,035,515	(1,035,515)	-
<b>TOTAL OPERATING SUPPORT AND REVENUE</b>	<b>7,104,475</b>	<b>293,650</b>	<b>-</b>	<b>7,398,125</b>	<b>6,450,462</b>	<b>6,097,874</b>	<b>352,588</b>	<b>-</b>
<b>OPERATING EXPENSES:</b>								
Program services:								
Animal protection and humane education	4,928,637	-	-	4,928,637	4,739,874	4,739,874	-	-
Total program services	4,928,637	-	-	4,928,637	4,739,874	4,739,874	-	-
Supporting services:								
Management and general	263,335	-	-	263,335	268,595	268,595	-	-
Fundraising	1,345,497	-	-	1,345,497	1,271,377	1,271,377	-	-
Total supporting services	1,608,832	-	-	1,608,832	1,539,972	1,539,972	-	-
<b>TOTAL OPERATING EXPENSES</b>	<b>6,537,469</b>	<b>-</b>	<b>-</b>	<b>6,537,469</b>	<b>6,279,846</b>	<b>6,279,846</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<b>567,006</b>	<b>293,650</b>	<b>-</b>	<b>860,656</b>	<b>170,616</b>	<b>(181,972)</b>	<b>352,588</b>	<b>-</b>
<b>NON-OPERATING REVENUE:</b>								
Investment activity (Note 3)	138,911	5,897	-	144,808	58,660	55,948	2,712	-
Other	5,061	-	-	5,061	10,681	10,681	-	-
<b>TOTAL NON-OPERATING REVENUE</b>	<b>143,972</b>	<b>5,897</b>	<b>-</b>	<b>149,869</b>	<b>69,341</b>	<b>66,629</b>	<b>2,712</b>	<b>-</b>
<b>CHANGE IN NET ASSETS</b>	<b>710,978</b>	<b>299,547</b>	<b>-</b>	<b>1,010,525</b>	<b>239,957</b>	<b>(115,343)</b>	<b>355,300</b>	<b>-</b>
Net assets - beginning of year	1,484,029	358,133	1,041,575	2,883,737	2,643,780	1,599,372	2,833	1,041,575
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 2,195,007</b>	<b>\$ 657,680</b>	<b>\$ 1,041,575</b>	<b>\$ 3,894,262</b>	<b>\$ 2,883,737</b>	<b>\$ 1,484,029</b>	<b>\$ 358,133</b>	<b>\$ 1,041,575</b>

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

**WORLD ANIMAL PROTECTION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(With Comparative Totals for the Year Ended December 31, 2016)**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total 2017</u>	<u>Total 2016</u>
Salaries	\$ 645,594	\$ 118,955	\$ 393,792	\$ 512,747	\$ 1,158,341	\$ 1,357,576
Payroll taxes and employee benefits (Note 10)	<u>136,684</u>	<u>13,133</u>	<u>85,041</u>	<u>98,174</u>	<u>234,858</u>	<u>282,931</u>
<b>Total Salaries and Related Costs</b>	782,278	132,088	478,833	610,921	1,393,199	1,640,507
Grants (Notes 2M and 9)	1,743,930	-	-	-	1,743,930	1,611,515
Education and awareness	1,721,140	292	401,382	401,674	2,122,814	1,859,989
Occupancy	153,850	28,487	102,569	131,056	284,906	288,628
Professional services	128,822	77,670	54,575	132,245	261,067	170,099
Printing	138,957	944	104,294	105,238	244,195	234,967
Information and communications technologies	75,314	4,488	62,542	67,030	142,344	100,397
Travel	79,378	3,215	20,642	23,857	103,235	83,831
Depreciation (Note 4)	23,749	4,398	15,832	20,230	43,979	49,464
Other	<u>81,219</u>	<u>11,753</u>	<u>104,828</u>	<u>116,581</u>	<u>197,800</u>	<u>240,449</u>
<b>TOTAL EXPENSES</b>	<u>\$ 4,928,637</u>	<u>\$ 263,335</u>	<u>\$ 1,345,497</u>	<u>\$ 1,608,832</u>	<u>\$ 6,537,469</u>	<u>\$ 6,279,846</u>

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

**WORLD ANIMAL PROTECTION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total 2016</u>
Salaries	\$ 816,213	\$ 144,265	\$ 397,098	\$ 541,363	\$ 1,357,576
Payroll taxes and employee benefits (Note 10)	<u>172,232</u>	<u>19,172</u>	<u>91,527</u>	<u>110,699</u>	<u>282,931</u>
<b>Total Salaries and Related Costs</b>	988,445	163,437	488,625	652,062	1,640,507
Grants (Notes 2M and 9)	1,611,515	-	-	-	1,611,515
Education and awareness	1,507,085	183	352,721	352,904	1,859,989
Occupancy	155,859	28,863	103,906	132,769	288,628
Professional services	76,855	48,215	45,029	93,244	170,099
Printing	140,677	683	93,607	94,290	234,967
Information and communications technologies	63,661	4,805	31,931	36,736	100,397
Travel	70,267	2,881	10,683	13,564	83,831
Depreciation (Note 4)	26,711	4,946	17,807	22,753	49,464
Other	<u>98,799</u>	<u>14,582</u>	<u>127,068</u>	<u>141,650</u>	<u>240,449</u>
<b>TOTAL EXPENSES</b>	<u>\$ 4,739,874</u>	<u>\$ 268,595</u>	<u>\$ 1,271,377</u>	<u>\$ 1,539,972</u>	<u>\$ 6,279,846</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, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 1,010,525	\$ 239,957
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	43,979	49,464
Net appreciation in investments	(146,733)	(60,748)
Decrease (Increase) in contribution receivable	438,879	(695,458)
(Increase) Decrease in prepaid expenses and other assets	(2,029)	16,243
Increase (Decrease) in accounts payable and accrued expenses	32,193	(221,501)
(Decrease) Increase in due to related parties	(138,628)	493,788
Decrease in other liabilities	(25,930)	(21,211)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>1,212,256</b>	<b>(199,466)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets	(17,538)	-
Purchases of investments	(75,795)	(8,575)
Proceeds from sales of investments	73,253	9,572
<b>Net Cash (Used in) Provided by Investing Activities</b>	<b>(20,080)</b>	<b>997</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,192,176</b>	<b>(198,469)</b>
Cash and cash equivalents - beginning of year	1,541,202	1,739,671
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 2,733,378</b>	<b>\$ 1,541,202</b>

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



**WORLD ANIMAL PROTECTION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 1—DESCRIPTION OF THE ORGANIZATION**

World Animal Protection (the “Organization”) vision is of a world where animals live free from cruelty and suffering. The organization’s mission is to move the world to protect animals, by lobbying and advocating for change, by educating and mobilizing the public, and by catalyzing sustainable solutions that improve the lives of animals on a global scale.

World Animal Protection U.S. is a subsidiary of World Animal Protection International, located in the United Kingdom, which brings together a team of fourteen offices around the world. World Animal Protection is one of the largest animal protection organizations in the world and protects animals in communities, farming, disasters and the wild through advocacy, campaigning, and public mobilization.

The organization’s programs include Wildlife. Not Entertainers, which moves the wildlife tourism industry away from cruel forms of entertainment. World Animal Protection’s Sea Change campaign is raising awareness of the suffering caused for marine animals by ghost gear (lost and abandoned fishing gear); by reducing the volume of ghost gear in our seas. World Animal Protection’s Better Lives for Dogs campaign ends the inhumane culling of stray dogs by establishing rabies vaccination programs.

World Animal Protection is the international leader in animal-focused disaster response and risk reduction and is one of the only global organizations dedicated to safeguarding animals – often forgotten victims – in disasters. Out of more than 250 disaster responses across 50 years, the organization has provided aid to over seven million animals.

World Animal Protection works to end the suffering of billions of animals suffering in industrial farming systems. World Animal Protection calls on food businesses to introduce more humane practices for farm animals like chickens and pigs and encourages consumers to make their voices heard by choosing higher-welfare foods.

World Animal Protection collaborates with national governments and has formal relationships with leading international bodies, including the Food and Agriculture Organization of the United Nations, the United Nations Environment Program, the Council of Europe and the World Organization for Animal Health (OIE). The organization seeks national and international policy change to improve the lives of animals to create a more sustainable future.

World Animal Protections is classified as a public charity by Internal Revenue Services, therefore 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.

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

A. ***Basis of Presentation*** – World Animal Protection’s financial statements have been prepared on the accrual basis of accounting. World Animal Protection adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”).

B. ***Net Asset Presentation*** – World Animal Protection’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 and changes therein are classified and reported as follows:

- 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 over which the Board of Directors has discretionary control.
- 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 restrictions.
- 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.

**WORLD ANIMAL PROTECTION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- C. **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.
- 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 promises to give are not included as support until the conditions are met.
- E. **Bequests and Other** – 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.
- 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 capitalizes property and equipment with a cost of \$5,000 or more and a useful life greater than one year. Management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered.
- G. **Fair Value Measurements** – 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.

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 3.

- H. **Donated Goods and Services** – World Animal Protection received donated public service announcements, other advertising services and donated legal services of approximately \$1,123,000 and \$847,000 for the years ended December 31, 2017 and 2016, respectively. 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 in the accompanying 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 financial statements as they do not meet the necessary criteria for recognition under US GAAP.
- I. **Split Interest Agreements** – 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.

**WORLD ANIMAL PROTECTION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

- J. **Functional Allocation of Expenses** – The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited. Such allocations are determined by management on an equitable basis.
- K. **Use of Estimates** – The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.
- L. **Deferred Rent** – World Animal Protection records rent expense for operating leases with scheduled rent increases on a straight-line basis over the term of the lease with the difference between the expense and rental payments recorded as an increase or decrease to the deferred rent liability on the statements of financial position.
- M. **Due to Related Parties** – Amounts reported as due to related parties, included in the accompanying statements of financial position, arise principally from the collaborative activities between World Animal Protection US, World Animal Protection International (its "Parent" located in the United Kingdom), and World Animal Protection Canada (its "Affiliate") to further the global mission of the organization.
- N. **Reclassifications** – Certain line items in the December 31, 2016 financial statements have been reclassified to conform to the December 31, 2017 presentation. These changes had no impact on the change in net assets for the year ended December 31, 2017.

**NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS**

Investment consisted of the following as of December 31, 2017 and 2016:

	<b>2017</b>	<b>2016</b>
Cash equivalents	\$ 85	\$ 72
Equity Funds	110,467	91,765
Stock Indexed Funds	786,779	658,725
Bonds Funds	54,422	55,782
Bond Indexed Funds	415,490	411,624
	<b>\$ 1,367,243</b>	<b>\$ 1,217,968</b>

Investment activates consisted of the following, for the years ended December 31, 2017 and 2016:

	<b>2017</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Interest and dividends	\$ 31,834	\$ 927	\$ 32,761
Realized gain on investments	864	-	864
Unrealized gain on investments	139,972	5,897	145,869
Investment fees	(1,925)	-	(1,925)
Net investment income	<b>\$ 170,745</b>	<b>\$ 6,824</b>	<b>\$ 177,569</b>

**WORLD ANIMAL PROTECTION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)**

	2016		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividends	\$ 27,627	\$ 891	\$ 28,518
Realized gain on investments	430	-	430
Unrealized loss on investments	57,606	2,712	60,318
Investment fees	(2,088)	-	(2,088)
	<u>\$ 83,575</u>	<u>\$ 3,603</u>	<u>\$ 87,178</u>
Net investment income	<u>\$ 83,575</u>	<u>\$ 3,603</u>	<u>\$ 87,178</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 the Museum 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 measured at fair value on a recurring basis as of December 31, 2017 and 2016 were classified as Level 1 and consisted of the following:

	<u>2017</u>	<u>2016</u>
Cash equivalents	\$ 85	\$ 72
Equities	897,246	750,489
Fixed income	469,912	467,407
	<u>\$ 1,367,243</u>	<u>\$ 1,217,968</u>

**NOTE 4—PROPERTY AND EQUIPMENT, NET**

Property and equipment consisted of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Property and equipment	\$ 376,898	\$ 364,297
Less: accumulated depreciation	(301,341)	(262,299)
Property and equipment, net	<u>\$ 75,557</u>	<u>\$ 101,998</u>

For the years ended December 31, 2017 and 2016, depreciation expense totaled \$43,979 and \$49,464, respectively. During the year ended December 31, 2017, World Animal Protection disposed of property and equipment with a book value of \$4,937.

**NOTE 5—COMMITMENTS AND CONTINGENCIES**

- A. World Animal Protection leases office space in which the lease agreement expires in August 2019. Total rent expense incurred under this operating lease totaled \$225,672 and \$227,331 for the years ended December 31, 2017 and 2016, respectively.

**WORLD ANIMAL PROTECTION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 5—COMMITMENTS AND CONTINGENCIES (CONTINUED)**

For years subsequent to 2017, minimum annual future rental commitments under the lease agreements, are as follows:

2018	\$	317,793
2019		<u>215,364</u>
Total	\$	<u>533,157</u>

Deferred rent consists of the excess of the rental expenses on a straight-line basis over the payment required by the lease and is included in other liabilities in the statements of financial position. As of December 31, 2017 and 2016, the deferred rent liability amounted to \$55,571 and \$79,062, respectively.

- B. World Animal Protection believes it has no uncertain tax positions as of December 31, 2017 and 2016 in accordance with Accounting Standards Codification (“ASC”) Topic 740, *Income Taxes* which provides standards for establishing and classifying any tax provision for uncertain tax positions.

**NOTE 6— 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, 2017 and 2016:

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

Temporarily restricted net assets consisted of the following at December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Bequest for Animal Welfare Programs	\$ 350,000	\$ -
Animals in Farming	258,797	272,300
Donor Challenge Matches	42,060	82,230
Animals in Communities – Italy/Isle of Capri	<u>6,823</u>	<u>3,603</u>
Total	<u>\$ 657,680</u>	<u>\$ 358,133</u>

Net Assets released from restrictions by either passage of time or meeting the donors’ restrictions were as follows:

	<u>2017</u>	<u>2016</u>
Animals in Communities	\$ 21,052	\$ 9,276
Animals in Disasters	168,389	51,151
Animals in Farming	532,294	273,359
Animals in the Wild	118,380	87,645
Bequests for Animal Welfare Programs	1,000,000	590,084
Donor Challenge Matches	<u>106,706</u>	<u>24,000</u>
Total	<u>\$ 1,946,821</u>	<u>\$ 1,035,515</u>

**WORLD ANIMAL PROTECTION  
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**NOTE 7—ENDOWMENT FUNDS**

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.

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.

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.

As of December 31, 2017 and 2016, the endowment assets were included in cash and investments in the accompanying statements of financial position.

**WORLD ANIMAL PROTECTION  
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**NOTE 7—ENDOWMENT FUNDS (CONTINUED)**

The following table summarizes the changes in World Animal Protection endowment net assets for the years ended December 31, 2017 and 2016:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Endowment net assets, January 1, 2016</b>	\$ 2,833	\$ 1,041,575	\$ 1,044,408
Released from restrictions	(2,833)	-	(2,833)
Interest and dividends	891	-	891
Investment return	<u>2,712</u>	<u>-</u>	<u>2,712</u>
<b>Endowment net assets, December 31, 2016</b>	<u>3,603</u>	<u>1,041,575</u>	<u>1,045,178</u>
Release from restrictions	(3,603)	-	(3,603)
Interest and dividends	927	-	927
Investment return	<u>5,897</u>	<u>-</u>	<u>5,897</u>
<b>Endowment net assets, December 31, 2017</b>	<u>\$ 6,824</u>	<u>\$ 1,041,575</u>	<u>\$ 1,048,399</u>

**NOTE 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, 2017 and 2016, these joint costs were allocated as follows:

	<u>2017</u>	<u>2016</u>
Program services	\$ 682,636	\$ 675,840
Fundraising	<u>523,267</u>	<u>517,042</u>
Total	<u>\$ 1,205,903</u>	<u>\$ 1,192,882</u>

**NOTE 9—RELATED-PARTY TRANSACTIONS**

World Animal Protection US is a subsidiary of World Animal Protection International (“Parent”). As related organizations, they work collaboratively to support an efficient, 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 fourteen separate offices, set global standards and provide central services such as programs delivery, communications and finance.

For the years ended December 31, 2017 and 2016 this resulted in Contributions - from Parent revenues and offsetting Program and Management expenses of \$40,551 and \$614,354, 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 World Animal Protection International for the years ended December 31, 2017 and 2016, resulted in a payable balance of \$658,451 and \$797,079, respectively. The aforementioned net activity is recorded as Due to related parties in the statement of financial position.

**WORLD ANIMAL PROTECTION  
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**NOTE 9—RELATED-PARTY TRANSACTIONS (CONTINUED)**

**Massachusetts Society For The Prevention of Cruelty To Animals (“MSPCA”)**

World Animal Protection participates in the 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, substantially funded (>80%) and was frozen to new participants as of January 1, 2006. World Animal Protection’s participation in the Plan is less than 2% 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. World Animal Protection has elected to delay the vote on the spin off until the financial impact is evaluated. World Animal Protection estimates its allocation of present value of accrued benefits (“PVAB”) to be \$718,119 for each of the years ended December 31, 2017 and 2016.

**NOTE 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 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. There are no expenses associated with this plan for years ended December 31, 2017 and 2016.

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 contributions before non-vesting forfeiture, incurred by World Animal Protection during the years ended December 31, 2017 and 2016 totaled \$25,107 and \$24,212, respectively.

**NOTE 11 – CONCENTRATIONS**

Cash equivalents that potentially subject World Animal Protection to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Interest-bearing accounts are insured up to \$250,000 per depositor. As of December 31, 2017 and 2016 there was approximately \$2,430,000 and \$1,400,000, respectively, of cash equivalents held by banks that exceeded FDIC limits. Such excess includes outstanding checks.

**NOTE 12—SUBSEQUENT EVENTS**

World Animal Protection has evaluated subsequent events through March 29, 2018, which is the date the financial statements were available to be issued. World Animal Protection is not aware of any material subsequent events.