



World Animal Protection

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

Years Ended December 31, 2020 and 2019

WORLD ANIMAL PROTECTION
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
YEARS ENDED DECEMBER 31, 2020 AND 2019

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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 statements of financial position as of December 31, 2020 and 2019, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 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, 2020 and 2019, 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.

Marks Paneth LLP

New York, NY
June 11, 2021

**WORLD ANIMAL PROTECTION
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020 AND 2019**

	2020	2019
ASSETS		
Cash and cash equivalents (Notes 2C and 13)	\$ 3,231,184	\$ 2,439,744
Contributions receivable (Note 2D)	122,401	1,369,374
Investments (Notes 2G and 4)	1,822,059	1,536,355
Prepaid expenses and other assets	161,199	342,384
Due from related parties (Note 11)	359,992	-
Property and equipment, net (Notes 2F and 5)	-	10,702
TOTAL ASSETS	\$ 5,696,835	\$ 5,698,559
LIABILITIES		
Accounts payable and accrued expenses	\$ 212,206	\$ 283,826
Due to related parties (Note 11)	-	1,012,939
Paycheck Protection Program Loan Payable (Note 6)	442,877	-
Other liabilities (Note 2I)	151,311	52,429
TOTAL LIABILITIES	806,394	1,349,194
COMMITMENTS AND CONTINGENCIES (Note 7)		
NET ASSETS (Notes 2B and 8)		
Without donor restrictions	2,963,426	3,295,935
With donor restrictions (Notes 8 and 9)	1,927,015	1,053,430
TOTAL NET ASSETS	4,890,441	4,349,365
TOTAL LIABILITIES AND NET ASSETS	\$ 5,696,835	\$ 5,698,559

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

**WORLD ANIMAL PROTECTION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>Year Ended December 31, 2020</u>			<u>Year Ended December 31, 2019</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING SUPPORT AND REVENUE:						
Contributions:						
Contributions - general support	\$ 2,820,476	\$ 977,394	\$ 3,797,870	\$ 3,145,707	\$ 2,659,321	\$ 5,805,028
Contributions - bequests and trusts (Note 2E)	1,592,257	25,000	1,617,257	1,204,041	16,645	1,220,686
Contributions - donations in-kind (Note 2H)	-	-	-	357,023	-	357,023
Contributions - donations in-kind from Parent	25,888	-	25,888	31,767	-	31,767
Interests and dividends (Notes 2G and 4)	35,509	1,018	36,527	51,467	1,045	52,512
Other income	108	-	108	1,317	-	1,317
Net assets released from restrictions (Notes 2B and 8)	141,400	(141,400)	-	2,755,966	(2,755,966)	-
TOTAL OPERATING SUPPORT AND REVENUE	<u>4,615,638</u>	<u>862,012</u>	<u>5,477,650</u>	<u>7,547,288</u>	<u>(78,955)</u>	<u>7,468,333</u>
EXPENSES: (Note 2J)						
Program services:						
Animal protection and humane education	4,001,040	-	4,001,040	6,150,213	-	6,150,213
Total program services	<u>4,001,040</u>	<u>-</u>	<u>4,001,040</u>	<u>6,150,213</u>	<u>-</u>	<u>6,150,213</u>
Supporting services:						
Management and general	331,055	-	331,055	216,013	-	216,013
Fundraising	883,030	-	883,030	896,843	-	896,843
Total supporting services	<u>1,214,085</u>	<u>-</u>	<u>1,214,085</u>	<u>1,112,856</u>	<u>-</u>	<u>1,112,856</u>
TOTAL EXPENSES	<u>5,215,125</u>	<u>-</u>	<u>5,215,125</u>	<u>7,263,069</u>	<u>-</u>	<u>7,263,069</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>(599,487)</u>	<u>862,012</u>	<u>262,525</u>	<u>284,219</u>	<u>(78,955)</u>	<u>205,264</u>
NON-OPERATING REVENUE:						
Investment activity (Note 4)	239,599	11,573	251,172	251,397	10,810	262,207
Other	27,379	-	27,379	9,307	-	9,307
TOTAL NON-OPERATING REVENUE	<u>266,978</u>	<u>11,573</u>	<u>278,551</u>	<u>260,704</u>	<u>10,810</u>	<u>271,514</u>
CHANGE IN NET ASSETS	<u>(332,509)</u>	<u>873,585</u>	<u>541,076</u>	<u>544,923</u>	<u>(68,145)</u>	<u>476,778</u>
Net assets - beginning of year	<u>3,295,935</u>	<u>1,053,430</u>	<u>4,349,365</u>	<u>2,751,012</u>	<u>1,121,575</u>	<u>3,872,587</u>
NET ASSETS - END OF YEAR	<u>\$ 2,963,426</u>	<u>\$ 1,927,015</u>	<u>\$ 4,890,441</u>	<u>\$ 3,295,935</u>	<u>\$ 1,053,430</u>	<u>\$ 4,349,365</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, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	<u>Program</u>	<u>Supporting Services</u>			<u>2020 Total</u>	<u>2019 Total</u>
	<u>Animal Protection and Humane Education</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>		
Salaries	\$ 1,157,969	\$ 84,624	\$ 256,495	\$ 341,119	\$ 1,499,088	\$ 1,478,127
Payroll taxes and employee benefits (Note 12)	310,866	37,872	79,619	117,491	428,357	322,616
Total Salaries and Related Costs	1,468,835	122,496	336,114	458,610	1,927,445	1,800,743
Grants (Notes 2M and 11)	1,002,500	-	-	-	1,002,500	2,669,322
Education and awareness	460,501	216	143,129	143,345	603,846	1,284,534
Occupancy	232,383	28,207	49,575	77,782	310,165	319,297
Professional services	418,469	90,584	119,096	209,680	628,149	408,223
Printing	152,054	457	94,790	95,247	247,301	299,159
Information and communications technologies	178,176	2,985	55,369	58,354	236,530	186,996
Travel	28,885	1,286	5,531	6,817	35,702	109,040
Depreciation (Note 5)	8,027	963	1,712	2,675	10,702	30,308
Other	51,210	83,861	77,714	161,575	212,785	155,447
TOTAL EXPENSES	\$ 4,001,040	\$ 331,055	\$ 883,030	\$ 1,214,085	\$ 5,215,125	\$ 7,263,069

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

**WORLD ANIMAL PROTECTION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Program</u>	<u>Supporting Services</u>			<u>2019 Total</u>
	<u>Animal Protection and Humane Education</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Salaries	\$ 1,160,978	\$ 86,531	\$ 230,618	\$ 317,149	\$ 1,478,127
Payroll taxes and employee benefits (Note 12)	234,775	30,218	57,623	87,841	322,616
Total Salaries and Related Costs	1,395,753	116,749	288,241	404,990	1,800,743
Grants (Notes 2M and 11)	2,669,322	-	-	-	2,669,322
Education and awareness	1,027,714	435	256,385	256,820	1,284,534
Occupancy	237,699	24,869	56,729	81,598	319,297
Professional services	310,768	45,300	52,155	97,455	408,223
Printing	200,448	783	97,928	98,711	299,159
Information and communications technologies	135,921	3,452	47,623	51,075	186,996
Travel	95,681	4,773	8,586	13,359	109,040
Depreciation (Note 5)	22,575	2,345	5,388	7,733	30,308
Other	54,332	17,307	83,808	101,115	155,447
TOTAL EXPENSES	<u>\$ 6,150,213</u>	<u>\$ 216,013</u>	<u>\$ 896,843</u>	<u>\$ 1,112,856</u>	<u>\$ 7,263,069</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, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 541,076	\$ 476,778
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	10,702	30,308
Net appreciation in investments	(253,828)	(264,320)
Change in assets and liabilities:		
Contributions receivable	1,246,973	(1,369,473)
Prepaid expenses and other assets	181,185	(72,245)
Due from related party	(359,992)	197,151
Accounts payable and accrued expenses	(71,620)	(31,080)
Due to related parties	(1,012,939)	1,012,939
Other liabilities	98,882	(9,578)
Net Cash Provided by (Used in) Operating Activities	380,439	(29,520)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	-	(4,837)
Purchase of investments	(37,227)	(30,081)
Proceeds from sales of investments	5,351	29,529
Net Cash Used in Investing Activities	(31,876)	(5,389)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from PPP loan	442,877	-
Net Cash Provided by Financing Activities	442,877	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	791,440	(34,909)
Cash and cash equivalents - beginning of year	2,439,744	2,474,653
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,231,184	\$ 2,439,744

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

**WORLD ANIMAL PROTECTION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 1—DESCRIPTION OF THE ORGANIZATION

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

World Animal Protection in the United States is a subsidiary of World Animal Protection in the United Kingdom (the “Parent”), and is affiliated with thirteen other World Animal Protection organizations located around the world (the “Global Organization”). The Parent is the sole member of World Animal Protection and has the right to vote pursuant to the by-laws of World Animal Protection. The Global Organization is one of the largest animal protection organizations in the world. Its vision is a world where animals live free from cruelty and suffering by moving the world to protect animals in communities, farming, disasters and the wild through advocacy, campaigning, and public mobilization.

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

World Animal Protection programs include: *Wildlife Not Entertainers*, which moves the wildlife tourism industry away from cruel forms of entertainment; *Sea Change*, which is a campaign to raise awareness of how marine animals suffer and die due to ghost gear (lost and abandoned fishing gear); and the *Better Lives for Dogs* campaign to end 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 in factory farming systems, by calling on food businesses and producers to introduce more humane practices for farm animals like chickens and pigs and encourages consumers to make their voices heard by choosing higher-welfare or plant-based 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.

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:
- Without donor restrictions – Net assets that are not subject to donor-imposed stipulations.
 - With donor restrictions – Net assets subject to donor-imposed stipulations, including stipulations that will be met either by actions of World Animal Protection or the passage of time, stipulations that they be maintained permanently by World Animal Protection, and unappropriated endowment earnings.
- 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.

**WORLD ANIMAL PROTECTION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- D. **Contributions Receivable** – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional contributions including grants and pledges are nonexchange transactions and accounted for under Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2018-08. Conditional contributions, grants and pledges are recognized as revenue when barriers within the contracts are overcome, and there is no right of return. World Animal Protection did not receive advances from governmental or other sources as of December 31, 2020 and 2019, respectively. World Animal Protection determined that no allowance was necessary as of December 31, 2020 and 2019 for contributions receivable.
- 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 of 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 activity in the statements 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 statements 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 4.

- H. **Donated Goods and Services** – World Animal Protection received donated public service announcements, other advertising services and donated legal services of approximately \$0 and \$357,000 for the years ended December 31, 2020 and 2019, 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 expense in the accompanying statements of activities and functional expenses, respectively. Several volunteers have made significant contributions of their time in furtherance of World Animal Protection’s mission. These services were not reflected in the accompanying financial statements as they do not meet the necessary criteria for recognition under U.S. GAAP.
- 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 statements of activities.

**WORLD ANIMAL PROTECTION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

As of December 31, 2020 and 2019, the CGA's are valued, using the 2000CM mortality table, at approximately \$31,000 and \$33,000, respectively, and are reported in other liabilities.

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

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

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

- L. **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/from 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, the Parent located in the United Kingdom, and World Animal Protection Canada (its "Affiliate") to further the global mission of the organization.

- N. **Reclassification** – Certain statement of functional expense allocations in the 2019 financial statements were reclassified to conform to the 2020 presentation. Such reclassifications did not have an impact on net assets.

NOTE 3 – LIQUIDITY AND AVAILABILITY

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

As of December 31, 2020 and 2019, financial assets available to meet general expenditures over the next 12 months were as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,231,184	\$ 2,439,744
Contributions receivable	122,401	1,369,474
Investments not encumbered by donor restrictions	<u>788,204</u>	<u>482,925</u>
	<u>\$ 4,141,789</u>	<u>\$ 4,292,143</u>

**WORLD ANIMAL PROTECTION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consisted of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Cash equivalents	\$ -	\$ 1,745
Equity Funds	4,871	118,122
Stock Indexed Funds	1,304,757	938,247
Bonds Funds	-	51,156
Bond Indexed Funds	<u>512,431</u>	<u>427,085</u>
	<u>\$ 1,822,059</u>	<u>\$ 1,536,355</u>

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

	<u>2020</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 35,509	\$ 1,018	\$ 36,527
Realized loss on investments	(24,596)	-	(24,596)
Unrealized gain on investments	266,851	11,573	278,424
Investment fees	<u>(2,656)</u>	<u>-</u>	<u>(2,656)</u>
Net investment income	<u>\$ 275,108</u>	<u>\$ 12,591</u>	<u>\$ 287,699</u>
	<u>2019</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Interest and dividends	\$ 51,467	\$ 1,045	\$ 52,512
Realized gain on investments	198	-	198
Unrealized gain on investments	253,312	10,810	264,122
Investment fees	<u>(2,113)</u>	<u>-</u>	<u>(2,113)</u>
Net investment income	<u>\$ 302,864</u>	<u>\$ 11,855</u>	<u>\$ 314,719</u>

Financial assets measured at fair value on a recurring basis were classified as Level 1.

The fair value hierarchy defines three levels as follows:

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

NOTE 5—PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>	<u>Estimated Useful Lives</u>
Property and equipment	\$ 379,395	\$ 379,395	3-5 Years
Less: accumulated depreciation	<u>(379,395)</u>	<u>(368,693)</u>	
Property and equipment, net	<u>\$ -</u>	<u>\$ 10,702</u>	

For the years ended December 31, 2020 and 2019, depreciation expense amounted to \$10,702 and \$30,308, respectively.

**WORLD ANIMAL PROTECTION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 6— PAYCHECK PROTECTION PROGRAM (“PPP”) LOAN PAYABLE

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program (“PPP”). Participating in the PPP enables the business to obtain a loan from the SBA sector of the government. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven.

World Animal Protection applied for this loan through an SBA authorized lender. On June 28, 2020, the loan amounting to \$442,877, was approved and funded. The loan and accrued interest are forgivable after a specified period as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the specified period. Accrued interest was not recorded since it was immaterial to the financial statements.

Any unforgiven portion of the PPP loan is payable over up to five years at an interest rate of 1%, with a deferral of payments for the first ten months. World Animal Protection used the proceeds for purposes consistent with the PPP during 2020. World Animal Protection currently believes that its use of the loan proceeds met the conditions for forgiveness of the loan.

World Animal Protection is guided by FASB ASC Topic 470 “Debt.” Based on the guidance in FASB ASC 470, the loan would remain recorded as a liability until it is in part or wholly forgiven and legal release is received or the entity pays off the loan. Once the loan is forgiven in part or wholly, and legal release is received, World Animal Protection will reduce the liability by the amount forgiven and record a gain on extinguishment.

NOTE 7—COMMITMENTS AND CONTINGENCIES

- A. World Animal Protection signed a new lease agreement for the rental of office space in New York City for a term of ten years that commenced on November 1, 2019. In connection with the lease, World Animal Protection has an irrevocable standby letter of credit with a bank amounting to approximately \$108,000 with an expiration date of December 31, 2020, with an automatic extension provision in effect. Total rent expense incurred under the operating leases amounted to \$276,353 and \$250,192 for the years ended December 31, 2020 and 2019, respectively.

For years subsequent to 2020, minimum annual future rental commitments under the lease agreement, are as follows:

2021	\$	333,571
2022		342,744
2023		352,169
2024		361,854
2025		371,805
Thereafter		<u>1,521,672</u>
		<u>\$ 3,283,815</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, 2020 and 2019, the deferred rent liability amounted to \$120,132 and \$19,297 respectively.

- B. World Animal Protection believes it has no uncertain tax positions as of December 31, 2020 and 2019 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.
- C. The COVID-19 pandemic remains an evolving situation. The extent of the impact of COVID-19 on World Animal Protection’s business and financial results will depend on future developments, including the duration and spread of the outbreak. Due to the changing business environment, unprecedented market volatility, and other circumstances resulting from the COVID-19 pandemic, World Animal Protection is currently unable to fully determine the extent of COVID-19’s impact on its operations in future periods.

**WORLD ANIMAL PROTECTION
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NOTE 8— NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
Net assets restricted in perpetuity for which the income can be utilized for:		
General Operations	\$ 995,005	\$ 995,005
Italy/Isle of Capri	58,425	46,570
Total net assets restricted in perpetuity	1,053,430	1,041,575
Subject to expenditure for specified purpose and the passage of time:		
Unappropriated endowment earnings – Italy/Isle of Capri	12,591	11,855
Subject to expenditure for specific purpose and passage of time	860,994	-
Total subject to expenditure for specified purpose and passage of time	873,585	11,855
Total net assets with donor restrictions	\$ 1,927,015	\$ 1,053,430

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

	2020	2019
Animals in Communities	\$ -	\$ 30,160
Animals in Disasters	-	90,217
Animals in Farming	141,400	1,200,000
Animals in the Wild	-	16,645
DRTV Advertising	-	80,000
Chicken Campaigns in Asia	-	781,498
Global Change for Chicken	-	557,446
Total	\$ 141,400	\$ 2,755,966

NOTE 9—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 perpetual in nature (a) the original value of gifts donated to the endowment fund, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund (although no existing donor instruments have so directed). The remaining portion of the endowment fund that is not perpetual in nature is regarded as “net appreciation” and is retained in perpetuity or for a donor specified period until those amounts are appropriated for expenditure by the Board in a manner consistent with World Animal Protection’s spending policy, UPMIFA, other applicable laws, and donor-imposed restrictions, if any. If the fair value of assets associated with individual endowment funds falls below the original gift value plus accumulations, if applicable, the deficiency is recorded as a charge to net assets with donor restrictions. In subsequent periods, the deficiency may be restored as a result of appreciation of the underlying endowment investments.

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

**WORLD ANIMAL PROTECTION
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NOTE 9—ENDOWMENT FUNDS (Continued)

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 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 those with donor restriction assets for use. In establishing this policy, World Animal Protection considered the long-term expected return on its endowment.

As of December 31, 2020 and 2019, the endowment assets were included in investments in the accompanying statements of financial position.

The following table summarizes the changes in World Animal Protection endowment net assets for the years ended December 31, 2020 and 2019:

Endowment net assets, December 31, 2018	\$ 1,041,575
Interest and dividends	1,045
Investment return	<u>10,810</u>
Endowment net assets, December 31, 2019	1,053,430
Interest and dividends	1,018
Investment return	<u>11,573</u>
Endowment net assets, December 31, 2020	<u>\$ 1,066,021</u>

NOTE 10—ALLOCATION OF JOINT COSTS

World Animal Protection conducts direct marketing campaigns that include requests for contributions, as well as program components. The costs associated with the development and dissemination of such activities are allocated amongst the functional expense categories benefited, particularly impacting areas and other programs, on a basis of the extent of content attributable to each respective function. The joint costs were allocated as follows for the years ended December 31:

	2020	2019
Program services	\$ 272,620	\$ 568,621
Fundraising	<u>208,219</u>	<u>428,960</u>
Total	<u>\$ 480,839</u>	<u>\$ 997,581</u>

NOTE 11—RELATED-PARTY TRANSACTIONS

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

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NOTE 11—RELATED-PARTY TRANSACTIONS (Continued)

World Animal Protection United Kingdom

The relationship with the Parent resulted in contributions and other income from the Parent for the years ended December 31, 2020 and 2019, amounting to \$25,888 and \$31,767, respectively, and grants to Parent of \$1,002,500 and \$2,669,322, respectively. Included in grants and other income from the Parent are in-kind contributions from Parent and offsetting Program and Management expenses of \$25,888 and \$31,767, respectively. There was no effect on change in net assets from operations as the in-kind contribution revenue was offset by an expense. These donated services were recorded at the cost of the Parent, which approximates fair value. Such transactions are included in the accompanying statements of activities.

The net activity between World Animal Protection and the Parent resulted in a receivable balance of \$359,992 and \$0, and a payable balance of \$0 and \$1,012,939 as of December 31, 2020 and 2019, respectively, both reported on separate line items on the statements of financial position.

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

World Animal Protection participates in the MSPCA Pension Plan (EIN #042103597 Plan 001) (the “Plan”). 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. World Animal Protection estimates its allocation of projected benefit obligations to be \$1,007,000 and \$930,000 for the years ended December 31, 2020 and 2019, respectively. The MSPCA’s CEO was a member of the Board of Directors for a three month period, ending on December 4, 2020.

NOTE 12—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 were \$9,084 and \$17,154 of expenses associated with this plan for the years ended December 31, 2020 and 2019, respectively.

Since 2010, World Animal Protection has provided a group tax-deferred 403(b) plan covering all permanent employees. The assets are held for each employee in an individual account maintained by an investment firm. Eligible employees may contribute to the plan up to allowable levels. World Animal Protection matches employee contributions to the plan up to 3% of each employee’s bi-weekly salary. Employees forfeit employer contributions if they terminate in the first three years of employment. Plan contributions incurred by World Animal Protection, before non-vested forfeitures, during the years ended December 31, 2020 and 2019 totaled \$26,415 and \$20,038, respectively. Non-vested forfeitures totaled \$3,724 and \$15,401 for the years ended December 31, 2020 and 2019, respectively.

NOTE 13—CONCENTRATIONS

- A. 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, 2020 and 2019, there was approximately \$2,852,000 and \$2,062,000, respectively, of cash equivalents held by one bank that exceeded FDIC limits. Such excess includes outstanding checks.
- B. For the year ended December 31, 2019, contributions from a single donor amounted to approximately 36% percent of total contributions.

NOTE 14—SUBSEQUENT EVENTS

World Animal Protection has evaluated subsequent events through June 11, 2021, which is the date the financial statements were available to be issued.