

**WILD ANIMAL INITIATIVE
MINNEAPOLIS, MINNESOTA**

**FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

WILD ANIMAL INITIATIVE

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To the Board of Directors
Wild Animal Initiative
Minneapolis, Minnesota

Opinion

We have audited the financial statements of Wild Animal Initiative (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, 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 Wild Animal Initiative as of December 31, 2023, 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.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Wild Animal Initiative 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.

Responsibilities of Management 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, 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 Wild Animal Initiative's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's 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 auditor's report that includes our opinion.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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 Wild Animal Initiative'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 Wild Animal Initiative'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.

Report on Summarized Comparative Information

We have previously audited Wild Animal Initiative's 2022 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated August 10, 2023. In our opinion, the summarized comparative financial information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith, Schepf and Associates, Ltd.

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WILD ANIMAL INITIATIVE

STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

ASSETS	2023	2022
Current Assets		
Cash and cash equivalents	\$ 836,798	\$ 1,147,896
Grants receivable due within one year	2,005,000	-
Total Current Assets	2,841,798	1,147,896
Other Assets		
Investments	4,718,285	4,027,403
Grants receivable, net	1,122,192	-
Total Other Assets	5,840,477	4,027,403
TOTAL ASSETS	\$ 8,682,275	\$ 5,175,299
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 1,079,690	\$ 222,459
Accrued wages and vacation	70,747	20,746
Other accrued liabilities	-	940
Total Current Liabilities	1,150,437	244,145
Net Assets		
Without donor restrictions	3,231,815	2,297,662
With donor restrictions	4,300,023	2,633,492
Total Net Assets	7,531,838	4,931,154
TOTAL LIABILITIES AND NET ASSETS	\$ 8,682,275	\$ 5,175,299

See Notes to Financial Statements

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WILD ANIMAL INITIATIVE**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS****For the Year Ended December 31, 2023****With Comparative Totals for the Year Ended December 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2023	2022
Support and Revenues				
Grants	\$ 2,500,000	\$ 3,122,192	\$ 5,622,192	\$ 1,012,613
Contributions	1,195,779	-	1,195,779	711,841
Net Assets Released From Restrictions	1,455,661	(1,455,661)	-	-
Total Support and Revenues	5,151,440	1,666,531	6,817,971	1,724,454
Functional Expenses				
Program services	3,538,249	-	3,538,249	1,366,189
Supporting services	875,323	-	875,323	472,621
Total Functional Expenses	4,413,572	-	4,413,572	1,838,810
Increase (Decrease) in Net Assets from Operating Activities	737,868	1,666,531	2,404,399	(114,356)
Non-Operating Activities				
Investment income (loss)	196,285	-	196,285	(1,215)
Increase (Decrease) in Net Assets	934,153	1,666,531	2,600,684	(115,571)
NET ASSETS, BEGINNING OF YEAR	2,297,662	2,633,492	4,931,154	5,046,725
NET ASSETS, END OF YEAR	\$ 3,231,815	\$ 4,300,023	\$ 7,531,838	\$ 4,931,154

See Notes to Financial Statements

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WILD ANIMAL INITIATIVE

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2023

	Program Services				Supporting Services			Total
	Internal Research	Grant Making	Community Outreach	Total	General & Administrative	Fundraising	Total	Functional Expenses
Grant expenses	\$ 1,712	\$ 2,460,187	\$ 1,420	\$ 2,463,319	\$ 934	\$ 1,540	\$ 2,474	\$ 2,465,793
Salaries, benefits and taxes	146,307	89,075	269,757	505,139	362,997	208,431	571,428	1,076,567
Contractors	196,139	194,315	90,122	480,576	14,716	5,777	20,493	501,069
Professional services	25,000	-	-	25,000	130,090	16,794	146,884	171,884
Board meetings and travel	6,342	-	31,099	37,441	84,980	997	85,977	123,418
Computer expenses	145	10,023	2,414	12,582	5,081	9,219	14,300	26,882
Office expenses	132	29	-	161	15,764	641	16,405	16,566
Registration fees	278	-	8,549	8,827	364	508	872	9,699
Bank charges	-	-	-	-	911	5,287	6,198	6,198
Insurance	-	-	137	137	5,099	-	5,099	5,236
Publication costs	4,890	-	-	4,890	-	-	-	4,890
Advertising and marketing	-	-	177	177	1,795	2,262	4,057	4,234
Filing fees	-	-	-	-	1,136	-	1,136	1,136
Fundraising expenses	-	-	-	-	-	-	-	-
TOTAL FUNCTIONAL EXPENSES	\$ 380,945	\$ 2,753,629	\$ 403,675	\$ 3,538,249	\$ 623,867	\$ 251,456	\$ 875,323	\$ 4,413,572

See Notes to Financial Statements

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WILD ANIMAL INITIATIVE

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

	Program Services				Supporting Services			Total Functional Expenses
	Internal Research	Grant Making	Community Outreach	Total	General & Administrative	Fundraising	Total	
Grant expenses	\$ -	\$ 645,231	\$ 1,372	\$ 646,603	\$ -	\$ -	\$ -	\$ 646,603
Salaries, benefits and taxes	62,346	49,795	193,790	305,931	225,610	102,606	328,216	634,147
Contractors	146,440	152,412	75,971	374,823	19,442	-	19,442	394,265
Professional services	-	-	-	-	42,749	-	42,749	42,749
Board meetings and travel	-	-	32,395	32,395	42,458	-	42,458	74,853
Computer expenses	120	1,694	1,392	3,206	3,679	21,169	24,848	28,054
Office expenses	-	-	106	106	6,285	4	6,289	6,395
Registration fees	-	-	2,663	2,663	-	-	-	2,663
Insurance	-	-	-	-	4,333	-	4,333	4,333
Bank charges	-	-	-	-	1,658	-	1,658	1,658
Publication costs	-	-	-	-	-	-	-	-
Advertising and marketing	-	462	-	462	-	-	-	462
Filing fees	-	-	-	-	2,300	-	2,300	2,300
Fundraising expenses	-	-	-	-	-	328	328	328
TOTAL FUNCTIONAL EXPENSES	\$ 208,906	\$ 849,594	\$ 307,689	\$ 1,366,189	\$ 348,514	\$ 124,107	\$ 472,621	\$ 1,838,810

See Notes to Financial Statements

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WILD ANIMAL INITIATIVE**STATEMENTS OF CASH FLOWS****For the Years Ended December 31, 2023 and 2022**

	2023	2022
Cash Flows From Operating Activities		
Increase (Decrease) in net assets	\$ 2,600,684	\$ (115,571)
Adjustments to reconcile change in net assets to net cash from operations:		
Net investment (return) loss	(190,882)	2,597
(Increase) Decrease in:		
Grants receivable	(3,127,192)	1,765,000
Increase (Decrease) in:		
Accounts payable	857,231	208,209
Accrued wages and vacation	50,001	(6,059)
Other accrued liabilities	(940)	484
Net Cash Provided By Operating Activities	188,902	1,854,660
Cash Flows From Investing Activities		
Sales of investments	1,500,000	-
Purchase of investments	(2,000,000)	(4,030,000)
Net Cash (Used In) Investing Activities	(500,000)	(4,030,000)
Net (Decrease) in Cash and Cash Equivalents	(311,098)	(2,175,340)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,147,896	3,323,236
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 836,798	\$ 1,147,896

See Notes to Financial Statements

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WILD ANIMAL INITIATIVE

NOTES TO FINANCIAL STATEMENTS

1. Description of Organization and Summary of Significant Accounting Policies

Description of Organization

Wild Animal Initiative, Inc. (the Organization) was formed in 2017 with the mission to research, raise awareness, and reduce the suffering of animals.

The Organization provides the following major program services:

- Internal Research - this program provides research in the welfare biology and wild animal welfare spaces. The Organization produces literature reviews, completes messaging studies, and publishes original research on wild animal welfare.
- Grantmaking – this program funds research that deepens scientific knowledge of the welfare of wild animals in order to better understand how to improve the welfare of as many wild animals as possible, regardless of what causes the threats to their well-being.
- Community Outreach - this program provides outreach to the general public and to academic institutions on wild animal welfare to promote and encourage the growth of welfare biology as an academic field.

Basis of Accounting

The Organization keeps its books on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP).

Basis of Presentation

Financial statement presentation follows FASB ASC 958. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities, based on the existence or absence of imposed restrictions as either:

Net Assets Without Restrictions – Net assets available for use in general operations and not subject to restrictions.

Net Assets With Donor Restrictions – Net assets subject to imposed restrictions. Some imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified. Other imposed restrictions are perpetual in nature, where the restriction stipulates that resources be maintained in perpetuity.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

WILD ANIMAL INITIATIVE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return (loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Grants Receivable

The Organization records grants receivable as revenue when an unconditional commitment to contribute has been made by a donor. Grants receivable are stated at the amount management expects to collect from balances outstanding at year end. Based on management's assessment of donors having outstanding balances, it has concluded that realization losses on balances outstanding at year end will be immaterial. Therefore, no valuation allowance is maintained for these receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off.

Grants receivable due more than one year from the Organization's statement of financial position date are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be recorded.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is nonreciprocal, does not contain a barrier that must be overcome, and there is no right of return of assets transferred or release of a promisor's obligation to transfer assets present.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and/or nature of any donor restrictions.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. As a result, the Organization does not pay federal income tax. Therefore no provision or liability for federal income taxes has been included in the financial statements.

WILD ANIMAL INITIATIVE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Income Taxes (continued)

Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. The Organization's federal informational returns are subject to examination by the IRS, generally for three years after they were filed.

Advertising Costs

The Organization expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2023 and 2022 was \$4,234 and \$462, respectively.

Fair Value of Financial Instruments

The carrying amount for substantially all assets and liabilities approximates fair value due to the immediate or short-term maturity of these financial instruments. See Note 5 for discussion of fair value regarding the Organization's investments.

Concentration of Credit Risks

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, investments and receivables. The Organization keeps its cash and cash equivalents with high quality financial institutions. At times, balances maintained at these financial institutions may exceed the federally insured limit. As of December 31, 2023 and 2022 cash and cash equivalents in excess of the federally insured limit totaled approximately \$565,000 and \$859,000, respectively.

The Organization's investments are maintained primarily in debt and equity securities and therefore subject to the inherent risk of investing and general market risk.

Management routinely assesses the financial strength of its donors and as a consequence, believes that receivables credit risk exposure is limited.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of the expense by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

WILD ANIMAL INITIATIVE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 19, 2024, the date the financial statements were available to be issued.

2. Liquidity and Availability

The following reflects the Organization's financial assets as of December 31, 2023 and 2022, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual, donor-imposed or board-imposed restrictions:

	2023	2022
Financial assets, end of year	\$ 8,682,275	\$ 5,175,299
Less those unavailable for general expenditure within one year due to:		
Donor restrictions	4,300,023	2,633,492
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,382,252</u>	<u>\$ 2,541,807</u>

As part of the Organization's liquidity management plan, financial assets are structured to be available as its general expenditures, liabilities and other obligations come due.

WILD ANIMAL INITIATIVE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Grants Receivable

Grants receivable as of December 31, 2023 and 2022 consisted of the following:

	2023	2022
Receivable in:		
Less than one year	\$ 2,005,000	\$ -
One to five years	1,500,000	-
Total	3,505,000	-
Less: Discount to present value	377,808	-
Less: Current portion	2,005,000	-
Grants Receivable, net of current portion	\$ 1,122,192	\$ -

A discount rate of 8.50% was used for the year ended December 31, 2023.

4. Investments

Investments, carried at fair value as determined on an open market, as of December 31, 2023 and 2022, consisted of the following:

	2023		2022	
	Cost	Market	Cost	Market
Cash	\$ 16,778	\$ 16,778	\$ 485,323	\$ 485,323
Common stocks	28,534	29,886	27,030	26,783
US Treasury Bills	3,480,692	3,522,669	745,275	746,960
Corporate bonds	1,137,296	1,148,952	2,329,833	2,321,227
Certificates of deposit	-	-	450,021	447,110
Total Investments	\$ 4,663,300	\$ 4,718,285	\$ 4,037,482	\$ 4,027,403

WILD ANIMAL INITIATIVE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Fair Value Measurements

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data. Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2023 and 2022.

Cash accounts: Cash accounts are reported at carrying value which equals fair value due to the immediate availability of amounts held in such accounts.

Common stocks: Common stocks are reported at fair value based on the quoted market price of the stock, as reported by the Organization's brokerage firm.

US Treasury Bills: US Treasury Bills are reported at fair value based on the quoted market price of the security, as reported by the Organization's brokerage firm.

Corporate bonds: Corporate bonds are reported at fair value based on the quoted market price of the bonds, as reported by the Organization's brokerage firm.

Certificates of deposit: Certificates of deposit are valued based on comparison to certificates of deposit with similar yields and maturities as reported by the Organization's brokerage firm.

WILD ANIMAL INITIATIVE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Fair Value Measurements (Continued)

The methods described on the previous page may produce fair values that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value could result in a different fair value measurement at the reporting date.

The following tables reflect the Organization's investments within the fair value hierarchy at December 31, 2023 and 2022:

As of December 31, 2023				
	Assets			
	Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Cash	\$ 16,778	\$ 16,778	\$ -	\$ -
Common stocks	29,886	29,886	-	-
US Treasury Bills	3,522,669	3,522,669	-	-
Corporate bonds	1,148,952	1,148,952	-	-
Total Investments	\$ 4,718,285	\$ 4,718,285	\$ -	\$ -

As of December 31, 2022				
	Assets			
	Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Cash	\$ 485,323	\$ 485,323	\$ -	\$ -
Common stocks	26,783	26,783	-	-
US Treasury Bills	746,960	746,960	-	-
Corporate bonds	2,321,227	2,321,227	-	-
Certificates of deposit	447,110	-	447,110	-
Total Investments	\$ 4,027,403	\$ 3,580,293	\$ 447,110	\$ -

WILD ANIMAL INITIATIVE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Net Assets

Net assets with donor restrictions as of December 31, 2023 and 2022 consisted of the following:

	2023	2022
Time restricted	\$ 3,122,192	\$ -
Purpose restricted	1,177,831	2,633,492
Total Net Assets With Donor Restrictions	<u>\$ 4,300,023</u>	<u>\$ 2,633,492</u>

Net assets of \$1,455,661 and \$876,419 were released from restriction during the years ended December 31, 2023 and 2022, respectively, by meeting the time or purpose specified by the donor.

7. Concentration

The Organization had donations from a single donor totaling \$5,622,192 during the year ended December 31, 2023. This amount represented 82% of total support and revenues for the year ended December 31, 2023. There were no concentrations of support and revenues during the year ended December 31, 2022.