

**AMERICAN KENNEL CLUB
CANINE HEALTH FOUNDATION, INC.**

Financial Statements

December 31, 2019

(With Independent Auditors' Report Thereon)

**AMERICAN KENNEL CLUB
CANINE HEALTH FOUNDATION, INC.**

Table of Contents

	Page(s)
Independent Auditors' Report	1-2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-18

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
American Kennel Club Canine Health Foundation, Inc.

We have audited the accompanying financial statements of the American Kennel Club Canine Health Foundation, Inc., which are comprised of the statement of financial position as of December 31, 2019, and the related statements 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 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 auditors' 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 American Kennel Club Canine Health Foundation, Inc. as of December 31, 2019, 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.

Williams Dverman Pierce, LLP

Raleigh, North Carolina
February 12, 2020

**AMERICAN KENNEL CLUB
CANINE HEALTH FOUNDATION, INC.**

Statement of Financial Position

December 31, 2019

Assets

Cash and cash equivalents	\$ 1,487,185
Investments (note 3)	22,603,487
Contributions receivable (note 4)	469,083
Other receivables	7,410
Prepaid expenses	55,767
Cash restricted to canine research	2,294,335
Cash restricted to endowments	28,902
Fixed assets, net (note 5)	<u>13,465</u>
Total assets	\$ <u><u>26,959,634</u></u>

Liabilities and Net Assets

Liabilities:	
Accounts payable and accrued expenses	\$ 73,686
Grants payable (note 6)	<u>3,967,822</u>
Total liabilities	<u>4,041,508</u>
Net assets:	
Without donor restrictions:	
Unrestricted	2,786,454
With donor restrictions:	
Temporarily restricted (note 8)	16,098,970
Permanently restricted (note 8)	<u>4,032,702</u>
Total net assets	<u>22,918,126</u>
Total liabilities and net assets	\$ <u><u>26,959,634</u></u>

See accompanying notes to financial statements.

**AMERICAN KENNEL CLUB
CANINE HEALTH FOUNDATION, INC.**

Statement of Activities

Year ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Contributions	\$ 774,656	\$ 7,850,233	\$ 8,624,889
Contributions from related parties (note 9)	396,200	1,731,897	2,128,097
Grant management income	12,288	—	12,288
Interest and dividend income	171,421	417,913	589,334
Net unrealized and realized investment gains	254,864	2,082,413	2,337,277
Sponsored events and conferences	144,305	—	144,305
In-kind donations (note 9)	640,018	—	640,018
Royalty income	304,266	—	304,266
Miscellaneous income	23,272	2,557	25,829
Net assets released from restrictions (note 8)	3,270,631	(3,270,631)	—
Total revenues and other support	5,991,921	8,814,382	14,806,303
Expenses:			
Canine research and education	4,014,874	—	4,014,874
Fundraising	520,796	—	520,796
General and administrative	385,707	—	385,707
Total expenses	4,921,377	—	4,921,377
Increase in net assets	1,070,544	8,814,382	9,884,926
Net assets – beginning of year	1,715,910	11,317,290	13,033,200
Net assets – end of year	\$ 2,786,454	\$ 20,131,672	\$ 22,918,126

See accompanying notes to financial statements.

**AMERICAN KENNEL CLUB
CANINE HEALTH FOUNDATION, INC.**

Statement of Functional Expenses

Year ended December 31, 2019

	Canine research and education	Fundraising	General and administrative	Total expenses
Grants	\$ 2,756,889	—	—	\$ 2,756,889
Payroll and related expenses	666,598	209,820	217,041	1,093,459
Professional and consulting fees	1,844	718	50,940	53,502
Staff training and education	2,026	3,462	4,485	9,973
Educational communications, programs, and booths	152,857	1,236	13	154,106
Governance and special events	365	14,452	7,494	22,311
Printing and publications	10,140	13,433	5,241	28,814
Communication services	818	826	123	1,767
Postage and shipping	—	205	1,379	1,584
Marketing and advertising	—	15,368	—	15,368
Dues, memberships, subscriptions, and registrations	625	14,695	483	15,803
Business travel	17,075	8,050	—	25,125
Software and computer repairs and maintenance	25,750	27,859	9,470	63,079
Insurance	—	—	10,232	10,232
Depreciation	—	—	14,326	14,326
In-kind donations (note 9):				
Office space and services	379,887	200,083	60,048	640,018
Credit card processing and banking fees	—	10,589	3,100	13,689
Office supplies, recycling, and miscellaneous	—	—	1,332	1,332
Total	<u>\$ 4,014,874</u>	<u>\$ 520,796</u>	<u>\$ 385,707</u>	<u>\$ 4,921,377</u>

See accompanying notes to financial statements.

**AMERICAN KENNEL CLUB
CANINE HEALTH FOUNDATION, INC.**

Statements of Cash Flows

Year ended December 31, 2019

Cash flows from operating activities:	
Increase in net assets	\$ <u>9,884,926</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	14,326
Net unrealized and realized investment gains	(2,337,277)
Contributions restricted for permanent endowment	(25,250)
Contributed assets	(6,247,715)
Changes in assets and liabilities:	
Contributions receivable	(282,820)
Other receivables	14,958
Prepaid expenses	11,261
Accounts payable and accrued expenses	21,021
Grants payable	154,064
Total adjustments	<u>(8,677,432)</u>
Net cash provided by operating activities	<u>1,207,494</u>
Cash flows from investing activities:	
Purchase of investments	(4,387,042)
Proceeds from sale of investments	4,923,926
Net cash provided by investing activities	<u>536,884</u>
Cash flows from financing activities:	
Contributions restricted for permanent endowment	25,250
Net cash provided by financing activities	<u>25,250</u>
Increase in cash and cash equivalents	<u>1,769,628</u>
Cash and cash equivalents, beginning of year	<u>2,040,794</u>
Cash and cash equivalents, end of year (note 1f)	<u>\$ <u>3,810,422</u></u>

See accompanying notes to financial statements.

**AMERICAN KENNEL CLUB
CANINE HEALTH FOUNDATION, INC.**

Notes to Financial Statements

(1) Nature of Operations and Summary of Significant Accounting Policies

(a) Nature of Operations

The American Kennel Club Canine Health Foundation, Inc. (the “Foundation”), established February 21, 1995, is a not-for-profit organization (exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code) formed for the purpose of furthering the advancement of knowledge of canine diseases and healthcare by clinical study, laboratory research, and publication.

(b) Basis of Accounting and Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulations state that the assets be maintained permanently by the Foundation. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted is met, or both.

(c) Revenue Recognition

All contributions are considered available for the Foundation’s general programs unless specifically restricted by the donor. Amounts received that are either designated for future periods, or restricted by the donor, are reported as support with donor restrictions, and increase net assets with donor restrictions. Contributions received with restrictions that are met in the same reporting period are reported as support without donor restrictions, and increase net assets without donor restrictions. Investment income that is limited for specific uses by donor restrictions is reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the recognized income.

(d) Use of Estimates

In preparing financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”), management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**AMERICAN KENNEL CLUB
CANINE HEALTH FOUNDATION, INC.**

Notes to Financial Statements

(e) ***Fair Value***

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. GAAP describes three levels of inputs that may be used to measure fair value:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active and alternative investments redeemable at or near the date of the statement of financial position (generally within 90 days).

Level 3 inputs are unobservable inputs for the asset or liability and include alternative investments that are not redeemable at or near the date of the statement of financial position.

(f) ***Cash, Cash Equivalents, and Restricted Cash***

The Foundation considers all highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents. At times, cash and cash equivalent balances may be in excess of the Federal Deposit Insurance Corporation (“FDIC”) insurance limit. Cash and investments in money market funds and shares of registered investment companies are uninsured.

The Foundation maintains accounts with investment firms. The accounts contain cash and securities. Balances are insured by the Securities Investor Protection Corporation up to \$500,000 (with a limit of \$250,000 for cash) for certain acts by the broker dealer.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash, and restricted cash equivalents reported within the statement of financial position that sum to the total of the same such amount in the statement of cash flows.

	2019
Cash and cash equivalents	\$ 1,487,185
Cash restricted to canine research	2,294,335
Cash restricted to endowments	28,902
	<u>\$ 3,810,422</u>

**AMERICAN KENNEL CLUB
CANINE HEALTH FOUNDATION, INC.**

Notes to Financial Statements

(g) Contributions Receivable and Allowance for Doubtful Accounts

Pledges that represent unconditional promises to give are recognized as contributions – either with donor restrictions or without donor restrictions – in the period such promises are made by donors. An allowance is recorded for uncollectible contributions receivable based upon management’s expectations regarding collection of outstanding promises to give and past collection experience. The Foundation considers all contributions receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established as of December 31, 2019.

(h) Grants

Unconditional grants are considered incurred and charged to expense at the time of approval by the Board of Directors.

(i) Advertising Costs

The Foundation expenses advertising costs as incurred. Advertising expense for the year ended December 31, 2019 was \$6,316.

(j) Income Taxes

The Foundation is exempt from federal income taxes under Internal Revenue Code 501(a) as an organization described in Section 501(c)(3). Activities of the Foundation which are considered to be unrelated business income under tax law are subject to tax which, if incurred, is recognized as a current expense. No such tax has been recognized for the year ended December 31, 2019.

The Foundation follows the provisions of Accounting Standards Codification (“ASC”) 740-10, *Income Taxes – Overall*, relating to uncertainty in income taxes. ASC 740-10 establishes a minimum threshold for financial statement recognition of the benefits of positions taken, or expected to be taken, in filing tax returns. It requires the evaluation of tax positions taken, or expected to be taken, in the course of preparing the Foundation’s income tax returns to determine whether the tax positions will more likely than not be sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely than-not threshold are recorded as tax expense. The Foundation has no tax positions requiring accrual under this criteria.

The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. As of December 31, 2019, the Foundation’s tax returns for the tax years ended December 31, 2016 through December 31, 2018 remain subject to examination by tax authorities.

**AMERICAN KENNEL CLUB
CANINE HEALTH FOUNDATION, INC.**

Notes to Financial Statements

(k) *Functional Allocation of Expenses*

The costs of providing the various programs and activities of the Foundation have been summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated primarily include payroll and related expenses, professional and consulting fees, staff training and education, software and computer repairs and maintenance, and donated services which are allocated on the basis of estimates of time and effort or usage. This also includes donated office space, which is allocated on the basis of square footage.

(l) *Reclassifications*

Net assets, beginning of year as presented on the 2019 statement of activities have been reclassified. Net assets without donor restrictions, beginning of year was increased by \$242,003 and net assets with donor restrictions, beginning of year was decreased by \$242,003. The reclassification had no effect on total net assets.

(m) *Change in Accounting Principle*

In May 2014, the FASB issued ASU No 2014-09, *Revenue from Contracts with Customers* ("Topic 606"), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The effective date of ASU No. 2014-09 was amended by ASU No. 2015-14. Further ASUs (ASU 2016-08, 2016-10) have been issued to clarify ASC Topic 606 for principal and agent considerations and performance obligations and licensing implementation guidance. The Foundation adopted ASU 2014-09 during the year ended December 31, 2019. The ASU has been applied retrospectively with no change in previously reported net assets.

In August 2016, the FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how certain cash receipts and cash payments are presented and classified in the statements of cash flows. The Foundation adopted these amendments during the year ended December 31, 2019 with no material effect on its financial statements.

**AMERICAN KENNEL CLUB
CANINE HEALTH FOUNDATION, INC.**

Notes to Financial Statements

In June 2018, the FASB issued ASU No. 2018-08 to clarify and improve the scope and accounting guidance for contributions received and contributions made. The amendments are intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Foundation adopted these amendments during the fiscal year ending December 31, 2019 with no material effect on its financial statements.

(n) Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases (with the exception of short-term leases) at the commencement date. The effective date of ASU 2016-02 was amended by ASU No. 2019-10. Therefore, the ASU will be effective for fiscal years and interim periods within those years beginning after December 15, 2020. The Foundation is assessing the potential effects on future financial statements.

(o) Subsequent Events

In connection with the preparation of the financial statements, the Foundation considered for disclosure subsequent events that occurred after the statement of financial position date of December 31, 2019 through February 12, 2020, which was the date the financial statements were available to be issued. No subsequent events were noted that required disclosure in the financial statements.

(2) Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 1,487,185
Operating investments	2,161,556
Contributions receivable due in less than one year	65,486
Endowment spending-rate distributions and appropriations	201,635
	<u>\$ 3,915,862</u>

The Foundation's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The Foundation's endowment is subject to an annual spending rate of up to 5 percent as described in Note 7. Although the Foundation does not intend to spend from this endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

**AMERICAN KENNEL CLUB
CANINE HEALTH FOUNDATION, INC.**

Notes to Financial Statements

As part of the Foundation's liquidity management plan, the Foundation invests cash in excess of daily requirements in mutual funds. As part of the Foundation's operating reserve policy, the Foundation will maintain a minimum of 12 months of operating expenses in the operating reserve investment account. The operating reserve investment account will not be drawn down to less than 12 months of operating expenses without the approval of the Board of Directors.

(3) Investments

A summary of the Foundation's investments at December 31, 2019, reported at fair value, is as follows:

	2019
Mutual funds:	
Large cap equity	\$ 7,130,808
Mid cap equity	237,072
Small cap equity	1,617,489
International equity	2,470,571
Fixed income	8,786,421
	20,242,361
Exchange-traded funds:	
Small cap equity	839,507
Annuity contracts	1,521,619
Total investments	\$ 22,603,487

Mutual fund and exchange-traded fund investments are measured at fair value based on quoted market prices.

During the year ended December 31, 2019, the Foundation received contributions of investments in guaranteed fixed rate annuity contracts. The annuity contracts are not available for sale or transfer on any securities exchange. Accordingly, transactions in similar investment instruments are not observable. Annuity contracts are stated at contract value, which approximates fair value.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

**AMERICAN KENNEL CLUB
CANINE HEALTH FOUNDATION, INC.**

Notes to Financial Statements

At December 31, 2019, the fair value of the Foundation's investments was determined based on the following:

	2019			
	Quoted prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)	Fair value
Mutual funds	\$ 20,242,361	\$ —	\$ —	\$ 20,242,361
Exchange-traded funds	839,507	—	—	839,507
Annuity contracts	—	—	1,521,619	1,521,619
	\$ 21,081,868	\$ —	\$ 1,521,619	\$ 22,603,487

The following table sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the year ended December 31, 2019:

	2019
Beginning balance	\$ —
Contributions	1,480,284
Interest	41,335
Ending balance	1,521,619

(4) Contributions Receivable

Contributions receivable of \$469,083 at December 31, 2019 are scheduled to be collected in less than one year.

Approximately 85% of the contributions receivable balance pertained to two donors at December 31, 2019.

**AMERICAN KENNEL CLUB
CANINE HEALTH FOUNDATION, INC.**

Notes to Financial Statements

(5) Fixed Assets

Fixed assets consist of the following at December 31:

	2019
Computer equipment	\$ 25,287
Software	178,360
Equipment	20,728
Furniture and fixtures	34,297
Total	258,672
Accumulated depreciation	(245,207)
Total, net of accumulated depreciation	\$ 13,465

Fixed assets are carried at cost. Donated fixed assets are recorded at fair value at the date of donation. It is the Foundation's policy to capitalize expenditures for those items in excess of \$1,000. Lesser amounts are expensed. Depreciation is computed using the straight-line method with useful lives ranging from three to five years.

(6) Grants Payable

Grants payable consist of amounts awarded, but not paid, to canine health researchers. Amounts included in grants payable at December 31, 2019, are scheduled to be disbursed as follows:

2020	\$	2,714,034
2021		928,880
2022		324,908
	\$	3,967,822

(7) Endowment

At the request of its donors, the Foundation has established a permanent operating endowment. The Foundation's donor-restricted endowment funds are subject to the provisions of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). UPMIFA provides, among other things, expanded spending flexibility by allowing, subject to a standard of prudence, the institution to spend from an endowment fund without regard to the book value of the corpus of the fund. The original values of all donor-restricted endowed gifts are recorded as assets within net assets with donor restrictions. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets within net assets with donor restrictions until these amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence described by UPMIFA. Once appropriated for expenditure by the Foundation, the amount is reclassified as net assets without donor restrictions.

**AMERICAN KENNEL CLUB
CANINE HEALTH FOUNDATION, INC.**

Notes to Financial Statements

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for its programs while seeking to maintain the stability of the endowment assets. 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 equal the performance of a custom-balanced index (comprising the S&P 500 Index, Russell 2000 Index, MSCI EAFE – Net, Bloomberg Aggregate Bond Index, and FTSE 90 Day Treasury Bill Index) while assuming a reasonable level of investment risk.

To satisfy its long-term rate-of-return objectives, the Foundation 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). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The Foundation has adopted a spending policy that allows up to 5% of the endowment balance to be appropriated for expenditure in a given year.

A reconciliation of the beginning and ending balance of the Foundation’s endowment, in total and by net asset class, is as follows:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment, beginning of year	\$ —	\$ 4,322,989	\$ 4,322,989
Interest and dividend income	—	153,469	153,469
Net unrealized and realized investment loss	—	828,660	828,660
Contributions	—	25,250	25,250
Amounts appropriated for expenditure	—	(234,803)	(234,803)
Investment management fees	—	(3,247)	(3,247)
Endowment, end of year	\$ —	\$ 5,092,318	\$ 5,092,318

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no underwater endowments as of December 31, 2019.

**AMERICAN KENNEL CLUB
CANINE HEALTH FOUNDATION, INC.**

Notes to Financial Statements

(8) Net Assets With Donor Restrictions

Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2019 are available for the following purposes:

	<u>2019</u>
Canine research	\$ 15,039,354
General operations	<u>1,059,616</u>
	<u><u>\$ 16,098,970</u></u>

Net Assets Released from Restrictions

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors. The amounts released during the year ended December 31, 2019 were as follows:

	<u>2019</u>
Restriction:	
Canine research	\$ 3,035,828
General operations	<u>234,803</u>
	<u><u>\$ 3,270,631</u></u>

Permanently Restricted Net Assets

Permanently restricted net assets are restricted endowments in which the principal is invested in perpetuity and the income is expendable to support general operations. Permanently restricted net assets were \$4,032,702 at December 31, 2019.

**AMERICAN KENNEL CLUB
CANINE HEALTH FOUNDATION, INC.**

Notes to Financial Statements

(9) Related Party Transactions and Concentration of Support

The Foundation receives a substantial amount of contributions from the American Kennel Club (the “Club”) and certain corporate donors. The Club, along with certain corporate donors, are deemed to be related parties of the Foundation as they have members represented on the Foundation’s Board of Directors.

The Foundation’s related parties and the amounts contributed from these related party organizations are summarized as follows for the year ended December 31:

	<u>2019</u>
Related parties and concentrations of support:	
American Kennel Club	\$ 1,085,000
Nestle Purina	728,097
Elanco	315,000
	<u>\$ 2,128,097</u>

At December 31, 2019, contributions receivable due from the Club totaled \$247,720.

In addition to the above amounts, the Club also provided the Foundation with in-kind donations. In-kind donations consisted of the Club providing rent-free use of its office space for Foundation operations in Raleigh, North Carolina, and New York, New York and providing administrative support services to the Foundation. The total estimated value of these donated items was \$270,487 in 2019.

Revenues and other support from these related parties accounted for 21% of the Foundation’s contributions, grant management income, and in-kind donations revenues for the year ended December 31, 2019.

Foundation event expenses totaling \$125,467 were paid by a member on the Foundation’s Board of Directors and were recorded as in-kind donations for the year ended December 31, 2019.

The Foundation has a Scientific Review Committee made up of veterinarians, medical doctors, researchers and canine health experts. The Foundation recognized \$225,170 in in-kind donations for time provided by this committee and external reviewers for the year ended December 31, 2019.

The Foundation’s former employees are covered under the Club’s pension plan, Employees’ Retirement Plan of The American Kennel Club, as a related organization. The Club’s pension plan was frozen in 2012 and employees hired subsequently are ineligible to participate in the pension plan. The Foundation made required contributions to this plan, which is administered by the Club, of \$158,958 for the year ended December 31, 2019. The Foundation’s current employees are covered under a 401(k) plan which is administered by the Club as a related organization. The Foundation made employer matching contributions to the Club’s 401(k) plan of \$21,799 in 2019.

**AMERICAN KENNEL CLUB
CANINE HEALTH FOUNDATION, INC.**

Notes to Financial Statements

(10) Leases

Future payments due under software agreements are as follows:

2020	\$	66,129
2021		<u>66,129</u>
	\$	<u><u>132,258</u></u>