

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

Financial Statements

December 31, 2021 and 2020

(With Independent Auditors' Report Thereon)

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

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## INDEPENDENT AUDITORS' REPORT

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

### Opinion

We have audited the accompanying financial statements of American Kennel Club Canine Health Foundation, Inc. which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of American Kennel Club Canine Health Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about American Kennel Club Canine Health Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards, 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 American Kennel Club Canine Health Foundation, Inc.'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 American Kennel Club Canine Health Foundation, Inc.'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.

*Williams Dverman Pierce, LLP*

Greensboro, North Carolina  
February 18, 2022

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

Statements of Financial Position

December 31, 2021 and 2020

<b>Assets</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 2,025,615	\$ 1,587,061
Investments (note 3)	30,625,841	26,949,264
Contributions receivable (note 4)	1,576,148	275,235
Other receivables	6,760	6,286
Prepaid expenses	60,977	63,746
Cash restricted to canine research	1,005,519	760,904
Cash restricted to endowments	27,575	381,228
Fixed assets, net (note 5)	—	—
Total assets	\$ 35,328,435	\$ 30,023,724
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 67,328	\$ 32,194
Grants payable (note 6)	5,026,661	4,291,424
Total liabilities	5,093,989	4,323,618
Net assets:		
Without donor restrictions:		
Unrestricted	4,520,306	3,115,048
With donor restrictions:		
Temporarily restricted (note 9)	21,138,253	18,035,641
Permanently restricted (note 9)	4,575,887	4,549,417
Total net assets	30,234,446	25,700,106
Total liabilities and net assets	\$ 35,328,435	\$ 30,023,724

See accompanying notes to financial statements.

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

Statement of Activities

Year ended December 31, 2021

	<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenues and other support:			
Contributions	\$ 574,705	\$ 2,259,980	\$ 2,834,685
Contributions from related parties (note 10)	1,260,080	1,269,607	2,529,687
Grant management income	19,202	—	19,202
Interest and dividend income	129,954	781,404	911,358
Net unrealized and realized investment gains	312,787	2,537,849	2,850,636
Sponsored events and conferences	151,916	—	151,916
In-kind donations (note 10)	671,929	—	671,929
Grant refunds and adjustments	9,393	79,464	88,857
Miscellaneous income	987	1,476	2,463
Net assets released from restrictions (note 9)	3,800,698	(3,800,698)	—
Total revenues and other support	<u>6,931,651</u>	<u>3,129,082</u>	<u>10,060,733</u>
Expenses:			
Canine research and education	4,592,650	—	4,592,650
Fundraising	560,914	—	560,914
General and administrative	372,829	—	372,829
Total expenses	<u>5,526,393</u>	<u>—</u>	<u>5,526,393</u>
Increase in net assets	1,405,258	3,129,082	4,534,340
Net assets – beginning of year	<u>3,115,048</u>	<u>22,585,058</u>	<u>25,700,106</u>
Net assets – end of year	<u>\$ 4,520,306</u>	<u>\$ 25,714,140</u>	<u>\$ 30,234,446</u>

See accompanying notes to financial statements.

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

Statement of Activities

Year ended December 31, 2020

	<b>2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenues and other support:			
Contributions	\$ 381,025	\$ 2,214,585	\$ 2,595,610
Contributions from related parties (note 10)	250,000	1,195,997	1,445,997
Government grant	100,000	—	100,000
Grant management income	35,621	—	35,621
Interest and dividend income	149,272	458,837	608,109
Net unrealized and realized investment gains	210,890	2,153,931	2,364,821
Sponsored events and conferences	1,925	—	1,925
In-kind donations (note 10)	380,381	—	380,381
Grant refunds and adjustments	1,740	144,965	146,705
Miscellaneous income	989	1,985	2,974
Net assets released from restrictions (note 9)	3,716,914	(3,716,914)	—
Total revenues and other support	5,228,757	2,453,386	7,682,143
Expenses:			
Canine research and education	4,244,989	—	4,244,989
Fundraising	345,661	—	345,661
General and administrative	309,513	—	309,513
Total expenses	4,900,163	—	4,900,163
Increase in net assets	328,594	2,453,386	2,781,980
Net assets – beginning of year	2,786,454	20,131,672	22,918,126
Net assets – end of year	\$ 3,115,048	\$ 22,585,058	\$ 25,700,106

See accompanying notes to financial statements.

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

Statement of Functional Expenses

Year ended December 31, 2021

	<b>2021</b>			
	<u>Canine research and education</u>	<u>Fundraising</u>	<u>General and administrative</u>	<u>Total expenses</u>
Grants	\$ 3,427,173	\$ —	\$ —	\$ 3,427,173
Payroll and related expenses	603,638	213,531	180,976	998,145
Professional and consulting fees	69,214	20,646	54,720	144,580
Staff training and education	2,345	4,613	270	7,228
Educational communications, programs, and booths	66,624	477	852	67,953
Governance and special events	341	15,891	5,997	22,229
Printing and publications	3,953	16,461	7,759	28,173
Communication services	917	1,199	134	2,250
Postage and shipping	13	49	174	236
Marketing and advertising	871	15,888	—	16,759
Dues, memberships, subscriptions, and registrations	658	20,780	775	22,213
Business travel	4,309	3,719	139	8,167
Software and computer repairs and maintenance	41,168	26,294	9,544	77,006
Insurance	—	—	12,454	12,454
In-kind donations (note 10):				
Office space and services	371,426	208,260	92,243	671,929
Credit card processing and banking fees	—	13,106	6,665	19,771
Office supplies, recycling, and miscellaneous	—	—	127	127
Total	<u>\$ 4,592,650</u>	<u>\$ 560,914</u>	<u>\$ 372,829</u>	<u>\$ 5,526,393</u>

See accompanying notes to financial statements.



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

Statement of Functional Expenses

Year ended December 31, 2020

	<b>2020</b>			
	<b>Canine research and education</b>	<b>Fundraising</b>	<b>General and administrative</b>	<b>Total expenses</b>
Grants	\$ 3,296,930	\$ —	\$ —	\$ 3,296,930
Payroll and related expenses	574,892	192,892	183,755	951,539
Professional and consulting fees	1,980	589	40,345	42,914
Staff training and education	1,519	4,161	2,004	7,684
Educational communications, programs, and booths	24,776	598	186	25,560
Governance and special events	341	1,757	3,135	5,233
Printing and publications	10,215	13,897	6,934	31,046
Communication services	606	866	92	1,564
Postage and shipping	—	288	1,369	1,657
Marketing and advertising	—	17,006	—	17,006
Dues, memberships, subscriptions, and registrations	658	13,813	660	15,131
Business travel	4,714	3,637	—	8,351
Software and computer repairs and maintenance	38,709	26,901	9,470	75,080
Insurance	—	—	10,570	10,570
Depreciation	—	—	13,465	13,465
In-kind donations (note 10):				
Office space and services	289,649	57,539	33,193	380,381
Credit card processing and banking fees	—	11,717	4,097	15,814
Office supplies, recycling, and miscellaneous	—	—	238	238
Total	\$ 4,244,989	\$ 345,661	\$ 309,513	\$ 4,900,163

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Increase in net assets	\$ 4,534,340	\$ 2,781,980
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	—	13,465
Net unrealized and realized investment gains	(2,850,636)	(2,364,821)
Contributions restricted for permanent endowment	(26,470)	(516,715)
Contributed assets	(27,926)	(134,652)
Changes in assets and liabilities:		
Contributions receivable	(1,300,913)	193,848
Other receivables	(474)	1,124
Prepaid expenses	2,769	(7,979)
Accounts payable and accrued expenses	35,134	(41,492)
Grants payable	735,237	323,602
Total adjustments	<u>(3,433,279)</u>	<u>(2,533,620)</u>
Net cash provided by operating activities	<u>1,101,061</u>	<u>248,360</u>
Cash flows from investing activities:		
Purchase of investments	(5,039,335)	(2,367,809)
Proceeds from sale of investments	4,241,320	521,505
Net cash used in investing activities	<u>(798,015)</u>	<u>(1,846,304)</u>
Cash flows from financing activities:		
Contributions restricted for permanent endowment	26,470	516,715
Net cash provided by financing activities	<u>26,470</u>	<u>516,715</u>
Increase (decrease) in cash and cash equivalents	<u>329,516</u>	<u>(1,081,229)</u>
Cash and cash equivalents, beginning of year	<u>2,729,193</u>	<u>3,810,422</u>
Cash and cash equivalents, end of year (note 1f)	<u>\$ 3,058,709</u>	<u>\$ 2,729,193</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 had \$1,608,076 and \$1,931,829 in excess of the FDIC insurance limit as of December 31, 2021 and 2020, respectively.

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 accompanying statements of financial position that sum to the total of the same such amount in the accompanying statements of cash flows.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,025,615	\$ 1,587,061
Cash restricted to canine research	1,005,519	760,904
Cash restricted to endowments	27,575	381,228
	<u>\$ 3,058,709</u>	<u>\$ 2,729,193</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, 2021 or 2020.

**(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 years ended December 31, 2021 and 2020 was \$9,219 and \$8,216, respectively.

**(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 years ended December 31, 2021 or 2020.

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, 2021, the Foundation’s tax returns for the tax years ended December 31, 2018 through December 31, 2020 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 accompanying statements of activities and statements 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, donated services, and educational communications, programs, and booths 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 usage.

**(l) *Reclassifications***

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

**(m) *Recent Accounting Pronouncements Not Yet Adopted***

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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, and further amended by ASU No. 2020-05. Therefore, the ASU will be effective for fiscal years and interim periods within those years beginning after December 15, 2021. The Foundation is assessing the potential effects on future financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Under the new guidance, a not-for-profit entity will be required to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financials assets, and is required to disclose contributed nonfinancial assets received disaggregated by category. The ASU will be effective for annual periods beginning after June 15, 2021. The Foundation is assessing the potential effects on future financial statements.

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

Notes to 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	\$ 2,025,615
Operating investments	1,858,229
Contributions receivable due in less than one year	1,050,502
Endowment spending-rate distributions and appropriations	<u>228,794</u>
	<u>\$ 5,163,140</u>

The Foundation's endowment funds consist of donor-restricted endowments and board-designated 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. Expenditure of board-designated endowment funds requires approval of the Board of Directors.

The Foundation's endowment is subject to an annual spending rate of up to 5 percent as described in Note 8. 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.

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.

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

Notes to Financial Statements

**(3) Investments**

A summary of the Foundation's investments at December 31, 2021 and 2020, reported at fair value, is as follows:

	<u>2021</u>	<u>2020</u>
Mutual funds:		
Large cap equity	\$ 12,116,295	\$ 9,610,931
Mid cap equity	349,019	280,315
Small cap equity	2,732,115	2,285,320
International equity	3,828,814	3,648,061
Fixed income	<u>9,486,777</u>	<u>8,903,450</u>
	28,513,020	24,728,077
Exchange-traded funds:		
Small cap equity	1,283,429	1,030,015
Annuity contracts	<u>829,392</u>	<u>1,191,172</u>
Total investments	<u>\$ 30,625,841</u>	<u>\$ 26,949,264</u>

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

During the years ended December 31, 2021 and 2020, 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 accompanying statement of financial position.



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

Notes to Financial Statements

At December 31, 2021 and 2020, the fair value of the Foundation's investments was determined based on the following:

	<b>2021</b>			
	<b>Quoted prices in active markets (Level 1)</b>	<b>Other observable inputs (Level 2)</b>	<b>Unobservable inputs (Level 3)</b>	<b>Fair value</b>
Mutual funds	\$ 28,513,020	\$ —	\$ —	\$ 28,513,020
Exchange-traded funds	1,283,429	—	—	1,283,429
Annuity contracts	—	—	829,392	829,392
	\$ 29,796,449	\$ —	\$ 829,392	\$ 30,625,841

	<b>2020</b>			
	<b>Quoted prices in active markets (Level 1)</b>	<b>Other observable inputs (Level 2)</b>	<b>Unobservable inputs (Level 3)</b>	<b>Fair value</b>
Mutual funds	\$ 24,728,077	\$ —	\$ —	\$ 24,728,077
Exchange-traded funds	1,030,015	—	—	1,030,015
Annuity contracts	—	—	1,191,172	1,191,172
	\$ 25,758,092	\$ —	\$ 1,191,172	\$ 26,949,264

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

	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 1,191,172	\$ 1,521,619
Contributions	1,475	1,985
Interest	37,745	56,728
Distributions	(401,000)	(389,160)
Ending balance	829,392	1,191,172

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

Notes to Financial Statements

Investments in securities are summarized as follows at December 31, 2021 and 2020:

	<b>2021</b>			
	<b>Cost</b>	<b>Gross Unrealized Gain</b>	<b>Gross Unrealized Loss</b>	<b>Fair value</b>
Mutual funds	\$ 22,715,663	\$ 5,821,060	\$ (23,703)	\$ 28,513,020
Exchange-traded funds	848,276	435,153	—	1,283,429
Annuity contracts	829,392	—	—	829,392
	\$ 24,393,331	\$ 6,256,213	\$ (23,703)	\$ 30,625,841

  

	<b>2020</b>			
	<b>Cost</b>	<b>Gross Unrealized Gain</b>	<b>Gross Unrealized Loss</b>	<b>Fair value</b>
Mutual funds	\$ 20,992,490	\$ 3,738,349	\$ (2,762)	\$ 24,728,077
Exchange-traded funds	848,276	181,739	—	1,030,015
Annuity contracts	1,191,172	—	—	1,191,172
	\$ 23,031,938	\$ 3,920,088	\$ (2,762)	\$ 26,949,264

**(4) Contributions Receivable**

Contributions receivable are scheduled to be collected as follows at December 31:

	<b>2021</b>	<b>2020</b>
Contributions due in less than one year	\$ 1,507,318	\$ 212,152
Contributions due in one to five years	68,830	63,083
	\$ 1,576,148	\$ 275,235

The Foundation does not discount contributions due in one to five years as the Foundation considers the discount to be immaterial.

Approximately 83% of the contributions receivable balance related to two donors at December 31, 2021. Approximately 84% of the contributions receivable balance related to two donors at December 31, 2020.

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**(5) Fixed Assets**

Fixed assets consist of the following at December 31:

	<b>2021</b>	<b>2020</b>
Computer equipment	\$ 4,133	\$ 4,133
Software	67,324	67,324
Equipment	14,793	14,793
Furniture and fixtures	34,297	34,297
Total	120,547	120,547
Accumulated depreciation	(120,547)	(120,547)
Total, net of accumulated depreciation	\$ —	\$ —

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, 2021, are scheduled to be disbursed as follows:

2022	\$	3,312,752
2023		1,145,035
2024		423,610
2025		81,890
2026		63,374
	\$	5,026,661

**(7) Paycheck Protection Program Loan**

In 2020, the Foundation obtained a \$100,000 loan under the Paycheck Protection Program (“PPP”) pursuant to the Coronavirus Aid, Relief and Economic Security (“CARES”) Act that was signed into law on March 27, 2020. As a U.S. small business, the Foundation qualified for the PPP, which allows businesses and nonprofits with fewer than 500 employees to obtain loans of up to \$10 million to incentivize companies to maintain their workers as they manage the business disruptions caused by the new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”).

The Loan, evidenced by a promissory note to Bank of America (the “Bank”) as the lender, had a term of 2 years, was unsecured, and was guaranteed by the Small Business Administration (“SBA”). The loan carried interest at a fixed rate of 1% per annum, with the first sixteen months of interest and principal deferred.

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Under the provisions of the CARES Act, the Foundation submitted a PPP loan forgiveness application to the Bank seeking full forgiveness. On January 16, 2021, the Bank notified the Foundation that the SBA remitted to the Bank the full original principal amount of the loan plus all interest accrued thereon through the remittance date. Accordingly, all principal and interest under the Foundation's PPP loan was forgiven in full. Since the Foundation met the PPP's eligibility criteria and the loan was forgiven as of January 16, 2021, management has accounted for the PPP loan as a government grant. The full amount of the loan was recognized as a government grant on the accompanying statements of activities as all expenses for which the grant was intended to compensate were incurred during the year ended December 31, 2020.

**(8) 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.

In 2021, the Board of Directors approved a board-designated endowment policy and transferred funds without donor restrictions to the endowment to create board-designated endowment funds. The funds are intended to be invested for the long-term, and any transfer to, or expenditure of, board-designated endowment funds require approval of the Board.

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.

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

	<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment, beginning of year	\$ —	\$ 6,080,017	\$ 6,080,017
Interest and dividend income	37,865	257,902	295,767
Net unrealized and realized investment gain	32,048	760,400	792,448
Contributions	—	26,470	26,470
Transfer to create board-designated endowment funds	1,097,060	—	1,097,060
Amounts appropriated for expenditure	254,889	(254,889)	—
Investment management fees	(235)	(4,422)	(4,657)
Endowment, end of year	\$ 1,421,627	\$ 6,865,478	\$ 8,287,105
	<b>2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment, beginning of year	\$ —	\$ 5,092,318	\$ 5,092,318
Interest and dividend income	—	142,383	142,383
Net unrealized and realized investment gain	—	588,151	588,151
Contributions	—	516,715	516,715
Amounts appropriated for expenditure	—	(256,224)	(256,224)
Investment management fees	—	(3,326)	(3,326)
Endowment, end of year	\$ —	\$ 6,080,017	\$ 6,080,017

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, 2021 or 2020.

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**(9) Net Assets With Donor Restrictions**

*Temporarily Restricted Net Assets*

Temporarily restricted net assets at December 31, 2021 and 2020 are available for the following purposes:

	<b>2021</b>	<b>2020</b>
Canine research	\$ 18,848,662	\$ 16,505,041
General operations	2,289,591	1,530,600
	\$ 21,138,253	\$ 18,035,641

*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 years ended December 31, 2021 and 2020 were as follows:

	<b>2021</b>	<b>2020</b>
Restriction:		
Canine research	\$ 3,545,809	\$ 3,460,690
General operations	254,889	256,224
	\$ 3,800,698	\$ 3,716,914

*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 \$4,575,887 and \$4,549,417 at December 31, 2021 and 2020, respectively.

**(10) Related Party Transactions and Concentration of Support**

The Foundation receives a substantial amount of contributions from the American Kennel Club (the “AKC”) and certain corporate donors. The AKC, 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.

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

	<b>2021</b>	<b>2020</b>
Related parties and concentrations of support:		
American Kennel Club	\$ 2,170,000	\$ 1,170,000
Nestle Purina	259,687	275,997
Elanco	100,000	—
	\$ 2,529,687	\$ 1,445,997

At December 31, 2021 and 2020, contributions receivable due from the AKC totaled \$1,000,000 and \$0, respectively.

In addition to the above amounts, the AKC also provided the Foundation with in-kind donations. In-kind donations consisted of the AKC providing rent-free use of its office space for Foundation operations in Raleigh, North Carolina, and providing administrative support services to the Foundation. The total estimated value of these donated items was \$316,556 and \$176,558 in 2021 and 2020, respectively.

Revenues and other support from these related parties accounted for 47% and 36% of the Foundation's contributions, grant management income, and in-kind donations revenues for the years ended December 31, 2021 and 2020, respectively.

Foundation event expenses totaling \$126,469 and \$5,393 were paid by a member of the Foundation's Board of Directors and were recorded as in-kind donations for the years ended December 31, 2021 and 2020, respectively.

The Foundation has a Scientific Review Committee made up of veterinarians, medical doctors, researchers and canine health experts. The Foundation recognized \$208,510 and \$182,655 in in-kind donations for time provided by this committee and external reviewers for the years ended December 31, 2021 and 2020, respectively.

The Foundation's former employees are covered under the AKC's pension plan, Employees' Retirement Plan of The American Kennel Club, as a related organization. The AKC'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 AKC, of \$45,228 and \$100,738 for the years ended December 31, 2021 and 2020, respectively. The Foundation's current employees are covered under a 401(k) plan which is administered by the AKC as a related organization. The Foundation made employer matching contributions to the AKC's 401(k) plan of \$24,543 and \$24,482 in 2021 and 2020, respectively.

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**(11) Leases**

Future payments due under software agreements are as follows:

2022	\$	65,620
2023		65,620
2024		<u>65,620</u>
	\$	<u><u>196,860</u></u>

**(12) 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, 2021 through February 18, 2022, which was the date the financial statements were available to be issued. No subsequent events were noted that required disclosure in the financial statements.