

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

Financial Statements

December 31, 2023 and 2022

(With Independent Auditor's Report Thereon)

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

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## INDEPENDENT AUDITOR'S 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, 2023 and 2022, 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, 2023 and 2022, 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 audit in accordance with auditing standards generally accepted in the United States of America. 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 American Kennel Club Canine Health Foundation, Inc. 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 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.

### 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. 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.

*William Overman Pierce, LLP*

Greensboro, North Carolina  
February 26, 2024

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

Statements of Financial Position

December 31, 2023 and 2022

<b>Assets</b>	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 1,221,648	\$ 1,992,520
Investments (note 3)	30,687,317	26,371,390
Contributions receivable (note 4)	547,788	484,651
Other receivables	22,993	9,880
Prepaid expenses	56,806	55,846
Cash restricted to canine research	1,489,479	2,153,909
Cash restricted to endowments	50,450	47,948
Fixed assets, net (note 5)	937	1,638
Total assets	<u>\$ 34,077,418</u>	<u>\$ 31,117,782</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 105,081	\$ 197,017
Grants payable (note 6)	4,797,499	5,827,882
Total liabilities	<u>4,902,580</u>	<u>6,024,899</u>
Net assets:		
Without donor restrictions:		
Unrestricted	4,059,000	3,783,618
With donor restrictions:		
Temporarily restricted (note 8)	20,530,134	16,725,530
Permanently restricted (note 8)	4,585,704	4,583,735
Total net assets	<u>29,174,838</u>	<u>25,092,883</u>
Total liabilities and net assets	<u>\$ 34,077,418</u>	<u>\$ 31,117,782</u>

See accompanying notes to financial statements.

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

Statement of Activities

Year ended December 31, 2023

	<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenues and other support:			
Contributions	\$ 491,889	\$ 1,257,408	\$ 1,749,297
Contributions from related parties (note 9)	250,500	1,232,165	1,482,665
Contributions from planned giving (note 1)	111,110	629,040	740,150
Grant management income	2,031	—	2,031
Investment income	241,704	735,217	976,921
Net unrealized and realized investment gains	464,504	2,777,220	3,241,724
Sponsored events and conferences	314,187	—	314,187
In-kind donations (note 9)	834,814	—	834,814
Grant refunds and adjustments	8,530	427,173	435,703
Royalty income	159,708	—	159,708
Miscellaneous income	900	454	1,354
Net assets released from restrictions (note 8)	3,252,104	(3,252,104)	—
Total revenues and other support	<u>6,131,981</u>	<u>3,806,573</u>	<u>9,938,554</u>
Expenses:			
Canine research and education	4,313,788	—	4,313,788
Fundraising	903,980	—	903,980
General and administrative	638,831	—	638,831
Total expenses	<u>5,856,599</u>	<u>—</u>	<u>5,856,599</u>
Change in net assets	275,382	3,806,573	4,081,955
Net assets – beginning of year	<u>3,783,618</u>	<u>21,309,265</u>	<u>25,092,883</u>
Net assets – end of year	<u>\$ 4,059,000</u>	<u>\$ 25,115,838</u>	<u>\$ 29,174,838</u>

See accompanying notes to financial statements.

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

Statement of Activities

Year ended December 31, 2022

	<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenues and other support:			
Contributions	\$ 655,016	\$ 1,739,842	\$ 2,394,858
Contributions from related parties (note 9)	252,500	1,169,230	1,421,730
Contributions from planned giving (note 1)	142,406	28,674	171,080
Grant management income	34,264	—	34,264
Investment income	161,047	458,065	619,112
Net unrealized and realized investment losses	(657,939)	(3,947,687)	(4,605,626)
Sponsored events and conferences	137,275	—	137,275
In-kind donations (note 9)	794,463	—	794,463
Grant refunds and adjustments	7,973	279,123	287,096
Miscellaneous income	1,125	10,849	11,974
Net assets released from restrictions (note 8)	4,142,971	(4,142,971)	—
Total revenues and other support	<u>5,671,101</u>	<u>(4,404,875)</u>	<u>1,266,226</u>
Expenses:			
Canine research and education	5,058,075	—	5,058,075
Fundraising	883,798	—	883,798
General and administrative	465,916	—	465,916
Total expenses	<u>6,407,789</u>	<u>—</u>	<u>6,407,789</u>
Change in net assets	(736,688)	(4,404,875)	(5,141,563)
Net assets – beginning of year	<u>4,520,306</u>	<u>25,714,140</u>	<u>30,234,446</u>
Net assets – end of year	<u>\$ 3,783,618</u>	<u>\$ 21,309,265</u>	<u>\$ 25,092,883</u>

See accompanying notes to financial statements.

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

Statement of Functional Expenses

Year ended December 31, 2023

	<b>2023</b>			
	<b>Canine research and education</b>	<b>Fundraising</b>	<b>General and administrative</b>	<b>Total expenses</b>
Grants	\$ 2,646,571	\$ —	\$ —	\$ 2,646,571
Payroll and related expenses	923,335	429,120	371,494	1,723,949
Professional and consulting fees	28,259	22,229	95,335	145,823
Staff training and education	1,182	9,727	3,062	13,971
Educational communications, programs, and booths	199,337	2,879	388	202,604
Governance and special events	341	29,022	18,525	47,888
Printing and publications	6,966	17,171	5,319	29,456
Communication services	996	406	244	1,646
Postage and shipping	91	1,601	1,804	3,496
Marketing and advertising	8,178	27,027	—	35,205
Dues, memberships, subscriptions, and registrations	1,455	9,739	2,533	13,727
Business travel	18,758	19,945	—	38,703
Software and computer repairs and maintenance	35,838	25,357	9,410	70,605
Insurance	—	—	12,920	12,920
In-kind donations (note 9):				
Office space and services	442,481	294,732	97,601	834,814
Credit card processing and banking fees	—	15,025	883	15,908
Office supplies	—	—	1,112	1,112
Miscellaneous	—	—	17,500	17,500
Depreciation	—	—	701	701
Total	\$ 4,313,788	\$ 903,980	\$ 638,831	\$ 5,856,599

See accompanying notes to financial statements.



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

Statement of Functional Expenses

Year ended December 31, 2022

	<b>2022</b>			
	<b>Canine research and education</b>	<b>Fundraising</b>	<b>General and administrative</b>	<b>Total expenses</b>
Grants	\$ 3,529,077	\$ —	\$ —	\$ 3,529,077
Payroll and related expenses	904,673	363,953	235,112	1,503,738
Professional and consulting fees	46,577	69,971	87,650	204,198
Staff training and education	3,474	2,720	1,367	7,561
Educational communications, programs, and booths	48,527	1,996	923	51,446
Governance and special events	421	16,772	10,490	27,683
Printing and publications	7,263	11,004	6,354	24,621
Communication services	1,337	557	334	2,228
Postage and shipping	—	149	1,582	1,731
Marketing and advertising	3,698	61,975	—	65,673
Dues, memberships, subscriptions, and registrations	2,806	14,002	1,127	17,935
Business travel	48,869	29,624	—	78,493
Software and computer repairs and maintenance	17,825	45,009	6,529	69,363
Insurance	—	—	13,420	13,420
In-kind donations (note 9):				
Office space and services	443,528	255,068	95,867	794,463
Credit card processing and banking fees	—	10,998	4,281	15,279
Office supplies	—	—	415	415
Depreciation	—	—	465	465
Total	\$ 5,058,075	\$ 883,798	\$ 465,916	\$ 6,407,789

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended December 31, 2023 and 2022

	<b>2023</b>	<b>2022</b>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 4,081,955	\$ (5,141,563)
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) provided by operating activities:		
Depreciation	701	465
Net unrealized and realized investment (gains) losses	(3,241,724)	4,605,626
Contributions restricted for permanent endowment	(1,969)	(7,848)
Dividends and interest reinvested	(815,563)	(494,065)
Contributed assets	(10,302)	—
Bad debt expense	12,500	—
Changes in assets and liabilities:		
Contributions receivable	(75,637)	1,091,497
Other receivables	(13,113)	(3,120)
Prepaid expenses	(960)	5,131
Accounts payable and accrued expenses	(91,936)	129,689
Grants payable	(1,030,383)	801,221
Total adjustments	(5,268,386)	6,128,596
Net cash (used in) provided by operating activities	(1,186,431)	987,033
Cash flows from investing activities:		
Purchase of investments	(11,230,671)	(7,954,048)
Proceeds from sale of investments	10,982,333	8,094,835
Net cash used in investing activities	(248,338)	140,787
Cash flows from financing activities:		
Contributions restricted for permanent endowment	1,969	7,848
Net cash provided by financing activities	1,969	7,848
(Decrease) increase in cash and cash equivalents	(1,432,800)	1,135,668
Cash and cash equivalents, beginning of year	4,194,377	3,058,709
Cash and cash equivalents, end of year	\$ 2,761,577	\$ 4,194,377

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 \$1,673,199 and \$2,446,519 in excess of the FDIC insurance limit as of December 31, 2023 and 2022, 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, 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.

	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 1,221,648	\$ 1,992,520
Cash restricted to canine research	1,489,479	2,153,909
Cash restricted to endowments	50,450	47,948
	\$ 2,761,577	\$ 4,194,377

**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, 2023 or 2022.

**(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, 2023 and 2022 was \$17,630 and \$20,079, 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, 2023 or 2022.

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, 2023, the Foundation’s tax returns for the tax years ended December 31, 2020 through December 31, 2022 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. All other expenses are included in the program directly related to the expense.

**(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.

**(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	\$ 1,221,648
Operating investments	2,095,864
Contributions receivable due in less than one year	72,385
Endowment spending-rate distributions and appropriations	<u>229,285</u>
	<u>\$ 3,619,182</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 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.

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, 2023 and 2022, reported at fair value, is as follows:

	<b>2023</b>	<b>2022</b>
Mutual funds:		
Large cap equity	\$ 11,664,823	\$ 9,900,715
Mid cap equity	1,145,478	283,730
Small cap equity	1,783,743	2,454,793
International equity	4,333,797	2,690,933
Fixed income	9,996,957	9,546,864
	28,924,798	24,877,035
Exchange-traded funds:		
Small cap equity	1,528,274	1,060,725
Annuity contracts	234,245	433,630
Total investments	\$ 30,687,317	\$ 26,371,390

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

The Foundation held contributions of investments in guaranteed fixed rate annuity contracts for the years ended December 31, 2023 and 2022 of \$234,245 and \$433,630, respectively. The annuity contract is 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, 2023 and 2022, the fair value of the Foundation's investments was determined based on the following:

<b>2023</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	\$ 28,924,798	\$ —	\$ —	\$ 28,924,798
Exchange-traded funds	1,528,274	—	—	1,528,274
Annuity contracts	—	—	234,245	234,245
	\$ 30,453,072	\$ —	\$ 234,245	\$ 30,687,317

  

<b>2022</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	\$ 24,877,035	\$ —	\$ —	\$ 24,877,035
Exchange-traded funds	1,060,725	—	—	1,060,725
Annuity contracts	—	—	433,630	433,630
	\$ 25,937,760	\$ —	\$ 433,630	\$ 26,371,390

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>2023</b>	<b>2022</b>
Beginning balance	\$ 433,630	\$ 829,392
Contributions/Other Credits	452	852
Interest	16,978	26,408
Distributions	(216,815)	(423,022)
Ending balance	\$ 234,245	\$ 433,630



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

Notes to Financial Statements

Investments in securities are summarized as follows at December 31, 2023 and 2022:

<b>2023</b>				
	<b>Cost</b>	<b>Gross Unrealized Gain</b>	<b>Gross Unrealized Loss</b>	<b>Fair value</b>
Mutual funds	\$ 24,633,519	\$ 4,291,279	\$ —	\$ 28,924,798
Exchange-traded funds	1,168,120	360,154	—	1,528,274
Annuity contracts	234,245	—	—	234,245
	\$ 26,035,884	\$ 4,651,433	\$ —	\$ 30,687,317
<b>2022</b>				
	<b>Cost</b>	<b>Gross Unrealized Gain</b>	<b>Gross Unrealized Loss</b>	<b>Fair value</b>
Mutual funds	\$ 23,357,987	\$ 1,557,011	\$ (37,963)	\$ 24,877,035
Exchange-traded funds	848,277	212,448	—	1,060,725
Annuity contracts	433,630	—	—	433,630
	\$ 24,639,894	\$ 1,769,459	\$ (37,963)	\$ 26,371,390

**(4) Contributions Receivable**

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

	<b>2023</b>	<b>2022</b>
Contributions due in less than one year	\$ 532,688	\$ 436,790
Contributions due in one to five years	15,100	47,861
	\$ 547,788	\$ 484,651

The Foundation does not discount contributions due in one to five years as the Foundation considers the discount to be immaterial. Approximately 63% of the contributions receivable balance related to one donor at December 31, 2023. Approximately 81% of the contributions receivable balance related to four donors at December 31, 2022.

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Notes to Financial Statements

**(5) Fixed Assets**

Fixed assets consist of the following at December 31:

	<b>2023</b>	<b>2022</b>
Computer equipment	\$ 4,133	\$ 4,133
Software	67,324	67,324
Equipment	15,390	16,896
Furniture and fixtures	34,297	34,297
Total	121,144	122,650
Accumulated depreciation	(120,207)	(121,012)
Total, net of accumulated depreciation	\$ 937	\$ 1,638

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, 2023 are scheduled to be disbursed as follows:

2024	\$	3,166,677
2025		1,232,793
2026		398,029
	\$	4,797,499

**(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.

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.

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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:

	<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment, beginning of year	\$ 1,490,024	\$ 5,586,151	\$ 7,076,175
Investment income	66,351	251,114	317,465
Net unrealized and realized investment gain	199,091	753,412	952,503
Contributions	—	1,969	1,969
Amounts appropriated for expenditure	—	(298,256)	(298,256)
Investment management fees	—	(4,125)	(4,125)
Endowment, end of year	\$ 1,755,466	\$ 6,290,265	\$ 8,045,731

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Notes to Financial Statements

	<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment, beginning of year	\$ 1,421,627	\$ 6,865,478	\$ 8,287,105
Investment income	49,155	141,149	190,304
Net unrealized and realized investment loss	(259,742)	(1,144,734)	(1,404,476)
Contributions	—	7,848	7,848
Amounts appropriated for expenditure	279,219	(279,219)	—
Investment management fees	(235)	(4,371)	(4,606)
Endowment, end of year	\$ 1,490,024	\$ 5,586,151	\$ 7,076,175

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). The Foundation has 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, 2023 or 2022.

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

*Temporarily Restricted Net Assets*

Temporarily restricted net assets at December 31, 2023 and 2022 are available for the following purposes:

	<b>2023</b>	<b>2022</b>
Canine research	\$ 18,825,574	\$ 15,723,114
General operations	1,704,560	1,002,416
	\$ 20,530,134	\$ 16,725,530

*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, 2023 and 2022 were as follows:

	<b>2023</b>	<b>2022</b>
Restriction:		
Canine research	\$ 2,953,848	\$ 3,863,752
General operations	298,256	279,219
	\$ 3,252,104	\$ 4,142,971

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Notes to Financial Statements

*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 \$4,585,704 and \$4,583,735 at December 31, 2023 and 2022, respectively.

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

*Related Party Contributions*

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.

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

**Related parties and concentrations of support:**

<b>2023</b>	<b>Contributions from related parties</b>	<b>Sponsored Events &amp; Conferences</b>	<b>In-kind donations</b>	<b>Total</b>
American Kennel Club	\$ 1,234,500	\$ 25,000	\$ 330,850	\$ 1,590,350
Nestle Purina	248,165	145,744	—	393,909
	<u>\$ 1,482,665</u>	<u>\$ 170,744</u>	<u>\$ 330,850</u>	<u>\$ 1,984,259</u>

  

<b>2022</b>	<b>Contributions from related parties</b>	<b>Sponsored Events &amp; Conferences</b>	<b>In-kind donations</b>	<b>Total</b>
American Kennel Club	\$ 1,170,000	\$ —	\$ 328,219	\$ 1,498,219
Nestle Purina	251,730	—	—	251,730
	<u>\$ 1,421,730</u>	<u>\$ —</u>	<u>\$ 328,219</u>	<u>\$ 1,749,949</u>

Revenues and other support from these related parties accounted for 41% and 36% of the Foundation’s contributions, grant management income, and in-kind donations revenues for the years ended December 31, 2023 and 2022, respectively. The American Kennel Club provided 25% of overall revenue (excluding net unrealized and realized gains and losses) for the year ended December 31, 2023 and 26% for the year ended December 31, 2022.

At December 31, 2023 and 2022, contributions receivable due from the AKC totaled \$342,500 and \$250,000 respectively.

*In-Kind Donations*

The Foundation received in-kind donations, \$834,814 for the year ending December 31, 2023 and \$794,463 for the year ending December 31, 2022.

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The AKC provided the Foundation with rent-free use of its office space for Foundation operations in Raleigh, North Carolina, and administrative support services. The total estimated value of these donated items was \$330,850 and \$328,219 in 2023 and 2022, respectively.

Foundation event expenses totaling \$200,819 and \$180,209 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, 2023 and 2022, respectively.

The Foundation has a Scientific Review Committee made up of veterinarians, medical doctors, researchers and canine health experts. The Foundation recognized \$291,945 and \$274,610 in in-kind donations for time provided by this committee and external reviewers for the years ended December 31, 2023 and 2022, respectively.

For the years ended December 31, 2023 and December 31, 2022, the Foundation received in-kind advertising services totaling \$11,200. For the year ended December 31, 2022, the Foundation also received notary services totaling \$225.

*Pension & 401(k) Plan*

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 \$50,664 each year for the years ended December 31, 2023 and 2022. 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 \$49,659 and \$51,543 in 2023 and 2022, respectively.

**(10) Future Commitments**

Future payments due under software agreements are as follows:

2024	65,620
	<hr/>
\$	65,620
	<hr/>

**(11) 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, 2023 through February 26, 2024, which was the date the financial statements were available to be issued. No subsequent events were noted that required disclosure in the financial statements.