AMERICAN KENNEL CLUB CANINE HEALTH FOUNDATION, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

AMERICAN KENNEL CLUB CANINE HEALTH FOUNDATION, INC.
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

INDEPENDENT AUDITORS' REPORT

Board of Directors
American Kennel Club Canine Health Foundation, Inc.
Raleigh, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of American Kennel Club Canine Health Foundation, Inc. (the Foundation), which comprise the statements of financial position as of December 31, 2025 and 2024, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Foundation 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 the Foundation'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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation'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 the Foundation'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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Raleigh, North Carolina
March 22, 2026

AMERICAN KENNEL CLUB CANINE HEALTH FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024

	2025	2024
ASSETS		
Cash and Cash Equivalents	$ 632,751	$ 1,481,215
Investments	36,711,987	34,966,371
Contributions Receivable	181,483	402,657
Other Receivables	22,840	8,155
Prepaid Expenses	68,539	68,589
Cash Restricted to Canine Research	4,029,998	1,095,780
Cash Restricted to Endowments	18,604	44,704
Property and Equipment, Net	156,508	84,237
Total Assets	$ 41,822,710	$ 38,151,708
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 179,590	$ 132,825
Grants Payable	5,480,586	5,295,226
Total Liabilities	5,660,176	5,428,051
NET ASSETS		
Without Donor Restrictions	4,900,102	4,460,048
With Donor Restrictions	31,262,432	28,263,609
Total Net Assets	36,162,534	32,723,657
Total Liabilities and Net Assets	$ 41,822,710	$ 38,151,708

See accompanying Notes to Financial Statements.

AMERICAN KENNEL CLUB CANINE HEALTH FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions	$ 755,741	$ 1,727,529	$ 2,483,270
Contributions from Related Parties	216,000	891,439	1,107,439
Contributions from Planned Giving	100,000	-	100,000
Investment Income	357,526	1,108,809	1,466,335
Net Unrealized and Realized Investment Gains	430,754	3,003,145	3,433,899
Sponsored Events and Conferences	439,836	-	439,836
Contributions of Nonfinancial Assets	893,472	-	893,472
Grant Refunds and Adjustments	-	168,627	168,627
Miscellaneous Income	39,863	-	39,863
Net Assets Released from Restrictions	3,900,726	(3,900,726)	-
Total Revenues and Other Support	7,133,918	2,998,823	10,132,741
EXPENSES			
Program Services:			
Canine Research and Education	5,049,964	-	5,049,964
Fundraising	993,904	-	993,904
General and Administrative	649,996	-	649,996
Total Expenses	6,693,864	-	6,693,864
CHANGE IN NET ASSETS	440,054	2,998,823	3,438,877
Net Assets - Beginning of Year	4,460,048	28,263,609	32,723,657
NET ASSETS - END OF YEAR	$ 4,900,102	$ 31,262,432	$ 36,162,534

See accompanying Notes to Financial Statements.

AMERICAN KENNEL CLUB CANINE HEALTH FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions	$ 566,256	$ 1,550,759	$ 2,117,015
Contributions from Related Parties	250,524	1,284,977	1,535,501
Contributions from Planned Giving	32,800	681,000	713,800
Investment Income	303,753	918,329	1,222,082
Net Unrealized and Realized Investment Gains	442,173	2,400,721	2,842,894
Sponsored Events and Conferences	183,673	-	183,673
Contributions of Nonfinancial Assets	978,180	-	978,180
Grant Refunds and Adjustments	3,338	330,839	334,177
Miscellaneous Income	265	156	421
Net Assets Released from Restrictions	4,019,010	(4,019,010)	-
Total Revenues and Other Support	6,779,972	3,147,771	9,927,743
EXPENSES			
Program Services:			
Canine Research and Education	4,879,981	-	4,879,981
Fundraising	970,470	-	970,470
General and Administrative	528,473	-	528,473
Total Expenses	6,378,924	-	6,378,924
CHANGE IN NET ASSETS	401,048	3,147,771	3,548,819
Net Assets - Beginning of Year	4,059,000	25,115,838	29,174,838
NET ASSETS - END OF YEAR	$ 4,460,048	$ 28,263,609	$ 32,723,657

See accompanying Notes to Financial Statements.

AMERICAN KENNEL CLUB CANINE HEALTH FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2025

	Canine Research and Education	Fundraising	General and Administrative	Total
Grants	$ 3,222,205	$ -	$ -	$ 3,222,205
Payroll and Related Expenses	812,855	399,715	291,715	1,504,285
Professional and Consulting Fees	151,508	69,247	154,473	375,228
Staff Training and Education	-	2,572	1,853	4,425
Educational Communications, Programs, and Booths	160,237	5,382	17,685	183,304
Governance and Special Events	107,716	87,997	14,679	210,392
Printing and Publications	10,528	15,184	2,673	28,385
Communication Services	352	144	87	583
Postage and Shipping	-	350	89	439
Marketing and Advertising	19,183	30,227	-	49,410
Dues, Memberships, Subscriptions, and Registrations	3,919	12,136	-	16,055
Business Travel	22,959	25,470	583	49,012
Software and Computer Repairs and Maintenance	38,979	39,669	21,649	100,297
Insurance	-	-	13,420	13,420
Office Space and Services	499,390	288,420	105,663	893,473
Credit Card Processing and Banking Fees	133	17,391	1,914	19,438
Office Supplies	-	-	4,222	4,222
Depreciation	-	-	19,291	19,291
Total Expenses	$ 5,049,964	$ 993,904	$ 649,996	$ 6,693,864

See accompanying Notes to Financial Statements.

AMERICAN KENNEL CLUB CANINE HEALTH FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2024

	Canine Research and Education	Fundraising	General and Administrative	Total
Grants	$ 3,272,462	$ -	$ -	$ 3,272,462
Payroll and Related Expenses	828,632	360,335	273,993	1,462,960
Professional and Consulting Fees	70,708	25,121	67,161	162,990
Staff Training and Education	3,114	2,027	7,685	12,826
Educational Communications, Programs, and Booths	55,814	1,532	605	57,951
Governance and Special Events	60	165,511	15,728	181,299
Printing and Publications	10,022	28,546	3,892	42,460
Communication Services	540	225	135	900
Postage and Shipping	-	-	1,690	1,690
Marketing and Advertising	1,506	12,544	-	14,050
Dues, Memberships, Subscriptions, and Registrations	2,007	16,101	1,688	19,796
Business Travel	32,345	13,038	-	45,383
Software and Computer Repairs and Maintenance	36,034	25,694	9,412	71,140
Insurance	-	-	13,420	13,420
Office Space and Services	566,737	304,817	106,626	978,180
Credit Card Processing and Banking Fees	-	13,989	659	14,648
Office Supplies	-	-	579	579
Miscellaneous	-	990	24,499	25,489
Depreciation	-	-	701	701
Total Expenses	$ 4,879,981	$ 970,470	$ 528,473	$ 6,378,924

See accompanying Notes to Financial Statements.

AMERICAN KENNEL CLUB CANINE HEALTH FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 3,438,877	$ 3,548,819
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	19,291	701
Net Unrealized and Realized Investment Gains	(3,433,899)	(2,842,894)
Contributions Restricted for Permanent Endowment	(100)	(30,025)
Dividends and Interest Reinvested	(1,313,184)	(990,927)
Bad Debt Expense	-	25,487
Changes in Operating Assets and Liabilities:		
Contributions Receivable	221,174	119,644
Other Receivables	(14,685)	14,838
Prepaid Expenses	50	(11,783)
Accounts Payable and Accrued Expenses	46,765	27,744
Grants Payable	185,360	497,727
Net Cash Provided (Used) by Operating Activities	(850,351)	359,331
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(15,807,366)	(6,202,782)
Proceeds from Sale of Investments	18,808,833	5,757,549
Purchases of Property and Equipment	(91,562)	(84,001)
Net Cash Provided (Used) by Investing Activities	2,909,905	(529,234)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Restricted for Permanent Endowment	100	30,025
Net Cash Provided by Financing Activities	100	30,025
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	2,059,654	(139,878)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	2,621,699	2,761,577
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	$ 4,681,353	$ 2,621,699
Cash and Cash Equivalents	$ 632,751	$ 1,481,215
Cash Restricted to Canine Research	4,029,998	1,095,780
Cash Restricted to Endowments	18,604	44,704
Total Cash, Cash Equivalents, and Restricted Cash	$ 4,681,353	$ 2,621,699

See accompanying Notes to Financial Statements.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

American Kennel Club Canine Health Foundation, Inc. (the Foundation), established February 21, 1995, is a nonprofit 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.

Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and/or board of directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where-by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Contributions and Support

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.

Use of Estimates

The preparation of a financial statement in conformity with the U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, and disclosures. Accordingly, the actual amounts could differ from those estimates and such differences could be material.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are recorded at fair value. Investment income consists of interest and dividends. Realized and unrealized gains and losses are reflected net of investment expenses.

Fair Value of Financial Instruments

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.

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.

Concentration of Credit Risk

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 approximately $2,072,000 and $539,000 in excess of the FDIC insurance limit as of December 31, 2025 and 2024, 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.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable and Allowance for Uncollectible 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 uncollectible accounts has been established as of December 31, 2025 and 2024.

Grants

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

Advertising Costs

The Foundation expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2025 and 2024 was approximately $1,000 and $5,000, respectively.

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, 2025 and 2024.

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, 2025, the Foundation's tax returns for the tax years ended December 31, 2022 through December 31, 2024 remain subject to examination by tax authorities.

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Contributions of Nonfinancial Assets

Contributions of nonfinancial assets are reflected as contributions at their estimated fair value at the date of donation. The Foundation reports gifts of stock, land, buildings, equipment, and other nonmonetary contributions as without donor restricted support unless explicit donor stipulations specify how the donated assets must be used.

Contributions of nonfinancial assets are recorded at their fair value on the date of contribution. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For donated items, fair value may be determined based on the estimated retail value of the item or similar items in the market. For donated services, fair value may be determined based on the cost of paying for similar services in the same or similar market.

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.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through March 22, 2026, the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year at December 31, 2025 and 2024, comprise the following:

	2025	2024
Cash and Cash Equivalents	$ 632,751	$ 1,481,215
Operating Investments	2,613,079	2,351,775
Contributions Receivable Available for Operations Due in Less Than One Year	46,069	42,068
Endowment Spending-Rate Distributions and Appropriations	375,400	343,658
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 3,667,299	$ 4,218,716

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% 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.

NOTE 3 INVESTMENTS

A summary of the Foundation's investments at December 31, 2025 and 2024, reported at fair value, is as follows:

	2025	2024
Mutual Funds:		
Domestic Equity	$ 19,073,267	$ 16,871,461
International Equity	6,070,677	4,737,858
Fixed Income	9,437,480	7,109,959
Total	34,581,424	28,719,278
Municipal Bonds	-	4,501,768
Exchange-Traded Funds:		
Domestic Equity	2,130,398	1,738,785
Annuity Contracts	165	6,540
Total Investments	$ 36,711,987	$ 34,966,371

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, 2025 and 2024 of approximately $200 and $6,500, 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.

NOTE 3 INVESTMENTS (CONTINUED)

At December 31, 2025 and 2024, the fair value of the Foundation's investments was determined based on the following:

	2025			
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Fair Value
Mutual Funds	$ 34,581,424	$ -	$ -	$ 34,581,424
Exchange-Traded Funds	2,130,398	-	-	2,130,398
Annuity Contracts	-	-	165	165
Total	$ 36,711,822	$ -	$ 165	$ 36,711,987

	2024			
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Fair Value
Mutual Funds	$ 28,719,278	$ -	$ -	$ 28,719,278
Municipal Bonds	-	4,501,768	-	4,501,768
Exchange-Traded Funds	1,738,785	-	-	1,738,785
Annuity Contracts	-	-	6,540	6,540
Total	$ 30,458,063	$ 4,501,768	$ 6,540	$ 34,966,371

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:

	2025	2024
Balance - Beginning of Year	$ 6,540	$ 234,245
Contributions/Other Credits	-	156
Interest	165	6,384
Distributions	(6,540)	(234,245)
Balance - End of Year	$ 165	$ 6,540

NOTE 3 INVESTMENTS (CONTINUED)

Investments in securities are summarized as follows at December 31:

	2025			
	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mutual Funds	$ 24,646,506	$ 9,934,918	$ -	$ 34,581,424
Exchange-Traded Funds	1,557,078	573,320	-	2,130,398
Annuity Contracts	165	-	-	165
Total	$ 26,203,749	$ 10,508,238	$ -	$ 36,711,987

	2024			
	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Mutual Funds	$ 22,291,153	$ 6,428,125	$ -	$ 28,719,278
Municipal Bonds	4,422,064	79,704	-	4,501,768
Exchange-Traded Funds	1,277,994	460,791	-	1,738,785
Annuity Contracts	6,540	-	-	6,540
Total	$ 27,997,751	$ 6,968,620	$ -	$ 34,966,371

NOTE 4 CONTRIBUTIONS RECEIVABLE

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

	2025	2024
Contributions Due In Less Than One Year	$ 132,233	$ 330,157
Contributions Due In One To Five Years	49,250	72,500
Total	$ 181,483	$ 402,657

The Foundation does not discount contributions due in one to five years as the Foundation considers the discount to be immaterial. Approximately 64% and 62% of the contributions receivable balance related to two donors and one donor, respectively, at December 31, 2025 and 2024, respectively.

NOTE 5 PROPERTY AND EQUIPMENT, NET

The components of property and equipment, net, at December 31, 2024 and 2023 consisted of the following:

	2025	2024
Computer Equipment	$ 2,582	$ 4,133
Software	242,887	67,325
Equipment	13,287	15,390
Furniture and Fixtures	34,297	34,297
Total	293,053	121,145
Accumulated Depreciation	(136,545)	(120,908)
Construction in Process	-	84,000
Total, Net of Accumulated Depreciation	$ 156,508	$ 84,237

Property and equipment are carried at cost. Donated property and equipment 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 3 to 5 years.

Construction in process at December 31, 2024 represents software costs that were placed into service in May 2025.

NOTE 6 GRANTS PAYABLE

Grants payable consist of amounts awarded, but not paid, to canine health researchers. Amounts included in grants payable at December 31, 2025 are scheduled to be disbursed as follows:

Year Ending December 31,	Amount
2026	$ 3,413,894
2027	1,310,566
2028	683,981
2029	72,145
Total	$ 5,480,586

NOTE 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 net assets with donor restrictions. 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. The Board approved a one-time 2% management fee of approximately $122,000 to cover the strategic plan development and expenses. It was fully endorsed by the finance and audit committee during the Board meeting on December 13, 2024 with the presentation of the 2025 budget.

NOTE 7 ENDOWMENT (CONTINUED)

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

December 31, 2025	Without Donor Restrictions	With Donor Restrictions	Total
Endowment - Beginning of Year	$ 2,033,958	$ 6,873,165	$ 8,907,123
Investment Income	91,748	282,745	374,493
Net Unrealized and Realized Investment Gain	123,452	786,474	909,926
Contributions	-	100	100
Amounts Appropriated for Expenditure	-	(428,000)	(428,000)
Investment Management Fees	-	(6,478)	(6,478)
Endowment - End of Year	$ 2,249,158	$ 7,508,006	$ 9,757,164

December 31, 2024	Without Donor Restrictions	With Donor Restrictions	Total
Endowment - Beginning of Year	$ 1,755,466	$ 6,290,265	$ 8,045,731
Investment Income	83,521	263,757	347,278
Net Unrealized and Realized Investment Gain	194,971	600,434	795,405
Contributions	-	30,025	30,025
Amounts Appropriated for Expenditure	-	(306,636)	(306,636)
Investment Management Fees	-	(4,680)	(4,680)
Endowment - End of Year	$ 2,033,958	$ 6,873,165	$ 8,907,123

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, 2025 and 2024.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2025 and 2024 have been restricted by the donors for the following purposes:

	2025	2024
Subject to Purpose Restrictions:		
Canine Research	$ 23,753,579	$ 21,390,444
General Operations	2,892,174	2,257,435
Total Subject to Purpose Restrictions	26,645,753	23,647,879
Endowments		
Restricted Net Assets until Perpetuity	4,616,679	4,615,730
Total Net Assets with Donor Restrictions	$ 31,262,432	$ 28,263,609

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors for the years ended December 31, 2025 and 2024 were as follows:

	2025	2024
Subject to Purpose Restrictions:		
Canine Research	$ 3,451,548	$ 3,550,444
General Operations	449,178	468,566
Total Net Assets Released from Restrictions	$ 3,900,726	$ 4,019,010

NOTE 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:

	2025			
	Contributions from Related Parties	Sponsored Events and Conferences	Contributions of Nonfinancial Assets	Total
American Kennel Club	$ 855,000	$ 25,000	$ 507,997	$ 1,387,997
Nestle Purina	252,439	140,000	-	392,439
Total	$ 1,107,439	$ 165,000	$ 507,997	$ 1,780,436

	2024			
	Contributions from Related Parties	Sponsored Events and Conferences	Contributions of Nonfinancial Assets	Total
American Kennel Club	$ 1,255,000	$ -	$ 576,352	$ 1,831,352
Nestle Purina	280,501	15,000	-	295,501
Total	$ 1,535,501	$ 15,000	$ 576,352	$ 2,126,853

NOTE 9 RELATED PARTY TRANSACTIONS AND CONCENTRATION OF SUPPORT (CONTINUED)

Related Party Contributions (Continued)

Revenues and other support from these related parties accounted for approximately 35% and 38% of the Foundation’s contributions, sponsored events and conferences, and contributions of nonfinancial asset revenues for the years ended December 31, 2025 and 2024, respectively. The AKC provided approximately 21% and 26% of overall revenue (excluding net unrealized and realized gains and losses) for the years ended December 31, 2025 and 2024, respectively.

At December 31, 2025, there were no contributions receivable due from the AKC. At December 31, 2024, contributions receivable due from the AKC totaled approximately $250,000.

Contributions of Nonfinancial Assets

The Foundation received contributions of nonfinancial assets of approximately $893,000 and $978,000 for the years ending December 31, 2025 and 2024, respectively.

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 approximately $508,000 and $576,000 in 2025 and 2024, respectively.

Foundation event expenses totaling approximately $136,000 and $132,000 were paid by a member of the Foundation’s Board of Directors and were recorded as contributions of nonfinancial assets for the years ended December 31, 2025 and 2024, respectively.

The Foundation has a Scientific Review Committee made up of veterinarians, medical doctors, researchers and canine health experts. The Foundation recognized approximately $222,000 and $270,000 of contributions of nonfinancial assets for time provided by this committee and external reviewers for the years ended December 31, 2025 and 2024, respectively.

For the year ended December 31, 2025, the Foundation received advertising services and other services totaling approximately $18,000 and $9,000, respectively, and were recorded as contributions of nonfinancial assets. For the year ended December 31, 2024, the Foundation did not receive any donated advertising services.

NOTE 10 PENSION AND 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 approximately $51,000 and $38,000 for the years ended December 31, 2025 and 2024, 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 provides for employer matching funds up to 4.5%. The Foundation made employer matching contributions to the AKC's 401(k) plan of approximately $50,000 and $48,000 in 2025 and 2024, respectively.