Morris Animal Foundation

Financial Statements

June 30, 2023
(With Summarized Comparative Totals for June 30, 2022)

(With Independent Auditor′s Report Thereon)

Kundinger, Corder & Montoya, P.C.
Certified Public Accountants

Kundinger, Corder & Montoya, P.C.
Certified Public Accountants

Independent Auditor's Report

Board of Trustees
Morris Animal Foundation

Opinion

We have audited the accompanying financial statements of the Morris Animal Foundation, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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 the Morris Animal Foundation as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Morris Animal Foundation 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 GAAP, 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 Morris Animal Foundation'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 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.

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Board of Trustees
Morris Animal Foundation

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 Morris Animal 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 Morris Animal 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.

Emphasis of Matter
As discussed in note 1, the Morris Animal Foundation adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842),* as of and for the year ended June 30, 2023. The requirements of the ASU have been applied using the modified prospective basis as of July 1, 2022. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information
We have previously audited the Morris Animal Foundation's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 15, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kundinger, Corder & Montoya, P.C.

February 26, 2024

Morris Animal Foundation
Statement of Financial Position
June 30, 2023
(With Summarized Information for 2022)

		2023	2022
Assets			
Cash and cash equivalents	$	3,677,248	1,654,479
Restricted cash and cash equivalents		4,545,734	3,212,571
Contributions receivable (note 3)		931,383	1,824,446
Prepaid expenses and other assets		363,671	331,059
Investments (note 4)		99,587,858	99,524,030
Property and equipment, net (note 5)		46,261	106,844
Right of use assets under operating leases (note 6)		543,352	–
Total assets	$	109,695,507	106,653,429
Liabilities and Net Assets			
Accounts payable	$	528,693	396,790
Accrued liabilities		542,834	462,195
Grants payable (note 7)		5,555,024	4,325,145
Charitable gift annuities payable (note 8)		634,072	722,219
Operating leases liability (note 6)		561,257	–
Total liabilities		7,821,880	5,906,349
Net assets (note 9)			
Without donor restrictions		36,021,899	35,865,355
With donor restrictions		65,851,728	64,881,725
Total net assets		101,873,627	100,747,080
Commitments (notes 4, 6, 10, and 11)			
Total liabilities and net assets	$	109,695,507	106,653,429

See the accompanying notes to the financial statements.

Morris Animal Foundation
Statement of Activities
Year Ended June 30, 2023
(With Summarized Information for 2022)

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Total 2022
Revenue, Gains and Support				
Contributions	$ 7,212,771	4,137,422	11,350,193	15,090,948
Donated professional services (note 1(k))	105,934	548,982	654,916	359,547
Net investment return	2,604,357	3,778,859	6,383,216	(4,431,879)
Change in value of gift annuities	–	20,502	20,502	(366,963)
Other income	265	5,500	5,765	18,692
Net assets released (note 9)	7,521,262	(7,521,262)	–	–
Total revenue, gains and support	17,444,589	970,003	18,414,592	10,670,345
Expenses				
Program services				
Scientific Programs	6,048,689	–	6,048,689	3,837,014
Canine Lifetime Health Project (CLHP)	2,740,454	–	2,740,454	4,187,722
Program Awareness	2,404,430	–	2,404,430	1,898,386
Citizen Pet	523,125	–	523,125	59,382
Total program services	11,716,698	–	11,716,698	9,982,504
Supporting services				
Management and general	2,668,795	–	2,668,795	2,054,797
Development	2,902,552	–	2,902,552	2,673,302
Total supporting services	5,571,347	–	5,571,347	4,728,099
Total expenses	17,288,045	–	17,288,045	14,710,603
Change in net assets	156,544	970,003	1,126,547	(4,040,258)
Net assets, beginning of year	35,865,355	64,881,725	100,747,080	104,787,338
Net assets, end of year	$ 36,021,899	65,851,728	101,873,627	100,747,080

See the accompanying notes to the financial statements.

Morris Animal Foundation
Statement of Functional Expenses
Year Ended June 30, 2023
(With Summarized Information for 2022)

	Program Services					Supporting Services			
	Scientific Programs	CLHP	Program Awareness	Citizen Pet	Total	Management and General	Development	Total 2023	Total 2022
Salaries, benefits, and taxes	$ 785,091	1,037,702	1,466,567	514,625	3,803,985	1,751,907	1,779,664	7,335,556	6,785,393
Awards and grants	4,185,989	50,000	141,793	–	4,377,782	–	–	4,377,782	3,166,676
Contract services	132,984	902,111	432,633	1,710	1,469,438	152,448	59,185	1,681,071	1,409,788
Professional services	520,414	25,731	3,907	2,837	552,889	96,683	5,344	654,916	359,547
Printing and promotion	–	1,740	94,300	–	96,040	–	482,093	578,133	479,195
Technology	105,692	27,997	56,395	448	190,532	96,803	168,055	455,390	508,962
Miscellaneous expense	5,535	2,874	43,606	405	52,420	269,664	96,412	418,496	352,858
Occupancy	43,920	59,147	76,995	2,139	182,201	122,349	86,903	391,453	326,868
Postage and shipping	308	255,864	2,488	–	258,660	8	108,607	367,275	314,080
Other program expenses	195,000	74,000	–	–	269,000	–	–	269,000	499,600
Professional development	39,206	43,940	20,231	219	103,596	103,514	32,988	240,098	130,403
Program supplies	–	208,793	–	–	208,793	–	–	208,793	215,095
Conferences and meetings	16,919	19,515	36,258	374	73,066	35,051	30,147	138,264	13,755
Travel	7,826	19,051	11,315	–	38,192	16,077	34,638	88,907	26,724
Depreciation and amortization	6,729	9,467	12,494	197	28,887	17,855	13,841	60,583	78,402
Office supplies	2,168	1,303	3,807	143	7,421	3,440	2,862	13,723	22,387
Equipment rental and maintenance	908	1,219	1,641	28	3,796	2,996	1,813	8,605	20,870
Total	$ 6,048,689	2,740,454	2,404,430	523,125	11,716,698	2,668,795	2,902,552	17,288,045	14,710,603

See the accompanying notes to the financial statements.

Morris Animal Foundation

Statement of Cash Flows
Year Ended June 30, 2023
(With Summarized Information for 2022)

		2023	2022
Cash flows from operating activities			
Change in net assets	$	1,126,547	(4,040,258)
Adjustments to reconcile change in net assets to net cash used in operating activities			
Depreciation and amortization		60,583	78,402
Realized and unrealized (gain) loss on investments		(6,492,572)	4,336,546
Contributions restricted for endowment		(114,050)	(128,534)
Change in value of charitable gift annuities		(20,502)	366,963
Operating lease asset and liability noncash expense		17,905	–
Change in operating assets and liabilities			
Contributions receivable		893,063	(1,348,334)
Prepaid expenses and other expenses		(32,612)	(117,606)
Accounts payable		131,903	(162,360)
Accrued liabilities		80,639	63,424
Grants payable		1,229,879	(156,797)
Charitable gift annuities payable		(67,645)	(389,570)
Net cash used in operating activities		(3,186,862)	(1,498,124)
Cash flows from investing activities			
Purchases of property and equipment		–	(3,481)
Net sales of investments		6,428,744	1,469,783
Net cash provided by investing activities		6,428,744	1,466,302
Cash flows from financing activities			
Contributions restricted for endowment		114,050	128,534
Net cash provided by financing activities		114,050	128,534
Net increase in cash, cash equivalents, and restricted cash		3,355,932	96,712
Cash, cash equivalents, and restricted cash, beginning of year		4,867,050	4,770,338
Cash, cash equivalents, and restricted cash, end of year	$	8,222,982	4,867,050
Reconciliation of cash, cash equivalents, and restricted cash at year end			
Cash and cash equivalents	$	3,677,248	1,654,479
Restricted cash and cash equivalents		4,545,734	3,212,571
	$	8,222,982	4,867,050
Supplemental disclosure of non-cash operating activity			
Operating lease asset and liability noncash expense	$	17,905	–
Operating lease right of use asset	$	798,915	–
Operating lease liability	$	812,511	–

See the accompanying notes to the financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization

Morris Animal Foundation (the Foundation) was founded as a nonprofit organization in 1948. The Foundation is a global leader in supporting scientific research that advances veterinary medicine. This research has improved the health and quality of life for dogs, cats, horses, and wildlife around the world by leading to better preventions, diagnostic tools, treatment protocols, and cures. The Foundation is funded by contributions and investment earnings from those contributions.

Description of Program Services

Scientific Programs
The Foundation's primary mission is to fund animal health research that advances the health and well-being of animals. The Scientific Programs team manages pre- and post-award research portfolios, establishes Scientific Advisory Boards, and ensures the Foundation fulfills its mission through funding critical animal health research, funded both externally and internally, as well as research collaborations with other organizations.

Canine Lifetime Health Project (CLHP)
CLHP is the overarching project that encompasses the Golden Retriever Lifetime Study, the largest longitudinal study of its kind in veterinary medicine. The goal of both CLHP and GRLS is to register and gather data from cohorts of dogs that will enable the Foundation to better understand the risk factors for cancer and other diseases, as well as inform investment of research dollars in areas of greatest impact.

Program Awareness
Education is critical to the mission of the Foundation. Program Awareness ensures findings from the Foundation's various research programs are disseminated to stakeholders, animal health professionals and students, and the general public. Program Awareness provides unbiased information to those working to improve the health and well-being of animals.

CitizenPet
CitizenPet is a research platform that enables the citizen science program at the Foundation. Citizen science is essential to gathering large data sets from diverse participants that can inform animal health research programs. Participants also learn through doing science, helping them understand the role of science and research in advancing animal health.

(b) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

(1) Summary of Significant Accounting Policies, Continued

(c) Financial Statement Presentation

The Foundation is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions 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 the board of trustees and include board designated funds subject to the endowment spending policy.

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, whereby the donor has stipulated the funds be maintained in perpetuity.

(d) Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less, and which are not held by investment managers as part of an investment portfolio, to be cash equivalents.

(e) Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consist of amounts specifically restricted by donors for research and other miscellaneous long-term restrictions. These funds are invested in fixed income funds and cash equivalents that are not part of the investment portfolio.

(f) Concentrations

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash, cash equivalents, investments, and contributions receivable. The Foundation places its cash and temporary investments with creditworthy, high-quality financial institutions. At times, a significant portion of the funds are not insured by the Federal Deposit Insurance Corporation or related entity.

Investments are under the guidance of the Foundation's investment committee and an independent advisor. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of the Foundation.

Credit risk with respect to contributions receivable is limited because they are receivable from individuals with a demonstrated history of payment or from estates.

(1) Summary of Significant Accounting Policies, Continued

(g) Investments

Investments are reported at fair value. Fair value is determined as more fully described in note 1(h).

Investments in marketable equity and fixed income securities with readily determinable market values are reported at fair value based on quoted prices in active markets. The market values for alternative investments represent the Foundation’s pro-rata interest in the net assets of each investment and are based on financial information determined and reported by investment managers or on the basis of other information evaluated periodically by management. Alternative investments are not publicly traded on national security market exchanges, are generally illiquid and may be valued differently than if readily available markets existed for such investments. Because of inherent uncertainties of valuation of alternative investments, the reported market values of such investments may differ significantly from realizable values. Management is responsible for the fair value measurement of investments reported in the financial statements and believes that the reported values are reasonable.

Investment return consists of the Foundation’s distributive share of any interest, dividends, capital gains and losses generated from investments, as well as the change in fair value of the investments. Gains and losses attributable to investments are realized and reported upon a sale or disposition of the investment. Unrealized gains and losses are included in the change in net assets in the statement of activities.

(h) Fair Value Measurements

Fair value is defined as 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. Generally accepted accounting principles in the United States establishes a fair value hierarchy that prioritizes investments based on the assumptions market participants would use when pricing an asset. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity’s assumptions (unobservable inputs).

The Foundation groups assets at fair value in three levels based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

In addition, the Foundation reports certain investments using the “practical expedient” method. The practical expedient allows net asset value per share or its equivalent to represent fair value for reporting purposes when the criteria for using this method are met.

Investments valued using net asset value per share or its equivalent are not categorized within the hierarchy.

(1) Summary of Significant Accounting Policies, Continued

(h) Fair Value Measurements, Continued

These levels are:

Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 Other observable inputs, either directly or indirectly, including:
- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 Unobservable inputs that cannot be corroborated by observable market data.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Level 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

The carrying amount reported in the statement of financial position for cash and cash equivalents, contributions receivable, accounts payable, accrued liabilities and grants payable, approximate fair value because of the immediate or short-term maturities of these financial instruments.

(i) Property and Equipment

Property and equipment are stated at cost at the date of purchase or, if donated, at the approximate fair market value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets (3 to 10 years), or the lease term.

The Foundation's policy is to capitalize all expenditures for property and equipment in excess of $3,000 and with a useful life exceeding one year, and to expense normal repairs and maintenance as incurred. Management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered.

(j) Leases

During 2023, the Foundation adopted provisions of Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. In accordance with the standard, the Foundation has elected not to record on the statement of financial position a lease whose term is twelve months or less and does not include a purchase option that the Foundation is reasonably certain to exercise. The Foundation has elected to use the risk-free rate to determine the present value of the lease payments for the purpose of calculating the right of use asset and lease liability. In addition, the Foundation has elected the practical expedient not to separate lease and non-lease components for the office lease. See note 1(t).

(1) Summary of Significant Accounting Policies, Continued

(k) Revenue Recognition

Contributions

Contributions are recognized when cash, securities or other assets, and unconditional promises to give are received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend are substantially met. Should the Foundation substantially meet the conditions in the same period that the contribution was received, and barring any further donor restrictions, the Organization has elected to recognize the revenue in net assets without donor restrictions. Payments received in advance of conditions being met are recorded as a refundable advance in the statement of financial position. At June 30, 2023, there were no conditional contributions.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions, including contributions receivable, that are restricted by the donor are reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a donor restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions.

Contributions receivable are recorded at net realizable value if expected to be collected in one year. Receivables that are expected to be collected in more than one year are recorded at the present value of their estimated future cash flows, if the discount is significant to the overall financial statements. The discounts are computed using risk-adjusted interest rates applicable to the years in which the pledges are expected to be received; discount amortization is included in contribution revenue. The Foundation uses the direct write-off method to determine uncollectable amounts. In determining the collectability of receivables, management considers past collection experience and performs an analysis of subsequent collections. At June 30, 2023, management believes that all contributions receivable will be collected in their entirety.

Donated Professional Services

Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by the people with those skills, and would otherwise be purchased by the Foundation. A number of volunteers and companies have donated time in connection with the Foundation’s activities. The value of this contributed time has not been reflected in the accompanying financial statements because it does not meet the criteria for recognition.

Donated professional services are recorded as contributions and corresponding expenses at their estimated fair values at the date of donation based upon the standard hourly rate charged by the professional. Included in donated professional service revenue and program service expense are services donated by volunteer scientists who evaluate, select, and monitor the animal health studies chosen to receive Foundation funding. The Foundation received donated professional services of $654,916 for the year ended June 30, 2023. Donor-imposed restrictions associated with the donated services totaled $548,982 for the year ended June 30, 2023.

(1) Summary of Significant Accounting Policies, Continued

(l) Grant Expense

Grant expense is recognized in the period the grant is approved, provided the grant is not subject to significant future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions. There were no conditional grants at June 30, 2023. Grants payable that are expected to be paid in future years have not been discounted to net present value because the discount is not significant.

(m) Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statement of functional expenses. The Foundation incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Foundation also conducts a number of activities which benefit both its program objectives as well as supporting services (i.e. fundraising and management and general activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as headcount, square-footage, or estimates of time and effort incurred by personnel.

(n) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(o) Income Taxes

The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, and contributions received qualify for the charitable contribution deduction. Income from activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. At times, certain of the Foundation's investment funds report unrelated business income which is taxable to the Foundation, but is not deemed significant.

Management is required to evaluate tax positions taken by the Foundation, and to recognize a tax liability if the Foundation has taken an uncertain position that probably would not be sustained upon examination by taxing authorities. The Foundation believes it has appropriate support for any positions taken and that none would require recognition of a liability or disclosure in the financial statements. The Foundation is subject to routine audits by tax jurisdictions; however, there are currently no audits for any tax periods in progress. The three previous tax years remain subject to examination by the IRS.

(p) Advertising

The Foundation expenses advertising costs as they are incurred. Advertising expense for the year ended June 30, 2023 totaled $398,393 and is included with contract services on the statement of functional expenses.

(1) Summary of Significant Accounting Policies, Continued

(q) Subsequent Events

Management has evaluated subsequent events through February 26, 2024, the date the financial statements were available to be issued.

(r) Prior Year Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

(s) Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation. These reclassifications had no effect on the previously reported net assets or change in net assets.

(t) Adoption of New Accounting Principle

Effective July 1, 2022, the Foundation adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842),* and its related amendments. The standard requires lessees to recognize in the statement of financial position the assets and liabilities that arise from leases. Adoption of ASU No. 2016-02 resulted in the recognition of an operating right of use asset totaling $798,915 as well as an operating lease liability totaling $812,511 for the year ended June 30, 2023. The Foundation elected to adopt the transition relief provisions from ASU No. 2018-11 and recorded the impact of adoption as of July 1, 2022, without restating any prior year amounts or disclosures. The related policy elections made by the Foundation can be found in note 1(j) and the additional lease disclosures can be found in Note 6. No cumulative effect adjustment to the beginning net assets was required in connection with the implementation of the standard.

(2) Availability and Liquidity of Financial Assets

The following reflects the Foundation's financial assets as of June 30, 2023 that are available for general expenditure within one year:

Cash and cash equivalents	$ 3,677,248
Contributions receivable within one year, without restrictions	641,383
Amounts available through board resolution:	
Board designated general endowment appropriation	3,119,333
Donor restricted endowment earnings appropriation	468,836
Financial assets available for general expenditure	$ 7,906,800

General expenditures include management and general, program, and development expenses incurred in the conduct of the Foundation's ongoing activities. The Foundation anticipates collecting sufficient revenue to cover general expenditures not covered by the above current financial assets available largely through contributions.

(2) Availability and Liquidity of Financial Assets, Continued

The Foundation’s investments are invested for long-term appreciation and current income, and approximately 33% of the portfolio has various liquidity features. The Foundation’s policy is to maintain three-times the annual spending needs with investments that have quarterly liquidity or shorter. Earnings on both board designated and donor restricted endowment funds are subject to the Foundation’s distribution policy. Appropriations from board designated funds can be increased or decreased at the discretion of the board.

(3) Contributions Receivable

At June 30, 2023, unconditional contributions are scheduled to be received as follow for the years ending June 30:

2024	$ 641,383
2025	290,000
Total	$ 931,383

Management has determined that all contributions receivable are collectable. Contributions receivable have not been discounted to net present value because the amount is insignificant.

(4) Investments

The Foundation’s investment assets, which include private and publicly held investments, are dedicated to providing the financial resources needed to meet the Foundation’s grant making and other charitable objectives. The Foundation’s investments are held in various investment structures which may include foreign domiciled funds and pooled investments.

Marketable and private alternative investments are exposed to various risks that may cause the reported value of the Foundation’s investment assets to fluctuate from period to period and result in a material change to the net assets of the Foundation. Investments in equity securities fluctuate in value in response to many factors such as the activities and financial condition of individual companies, business and industry market conditions, and the general economic environment. The value of bond investments and other fixed income securities fluctuate in response to changing interest rates, credit worthiness of issuers and overall economic policies that impact market conditions.

Some investment managers retained by the Foundation are permitted to use various investment strategies and techniques that are designed to achieve higher investment returns with lower volatility and low correlations to major market indices and other asset classes.

Strategies and techniques, such as the use of leverage, futures and forward contracts, option agreements, and other derivative instruments, create special risks and could increase the impact of adverse security price movements on the Foundation’s investment portfolio.

(4) Investments, Continued

Investments consist of the following at June 30, 2023:

Private investments	$ 35,028,108
Real assets	3,683,440
Less-correlated strategies	7,024,557
Fixed income	15,890,961
International emerging markets	8,319,447
Non-U.S. developed equity	12,021,992
Global equity	4,649,180
U.S. small/mid cap equity	3,183,732
U.S. large cap equity	7,731,704
Cash and cash equivalents	2,054,737
Total investments	$ 99,587,858

Certain of the Foundation's investments require that the Foundation commit to investing additional funds. At June 30, 2023, the Foundation had unfunded commitments totaling approximately $20,000,000.

The following table summarizes the valuation of the Foundation's financial instruments by the fair value hierarchy levels as of June 30, 2023:

	Fair Value	Assets Measured at NAV (a)	Level 1	Level 2	Level 3
Private investments	$ 35,028,108	35,028,108	–	–	–
Real assets	3,683,440	3,630,707	52,733	–	–
Less-correlated strategies	7,024,557	7,024,557	–	–	–
Fixed income	15,890,961	3,982,871	11,908,090	–	–
International emerging markets	8,319,447	8,319,447	–	–	–
Non-U.S. developed equity	12,021,992	4,650,048	7,371,944	–	–
Global equity	4,649,180	4,649,180	–	–	–
U.S. small/mid cap equity	3,183,732	2,188,278	995,454	–	–
U.S. large cap equity	7,731,704	1,240,224	6,491,480	–	–
Cash and cash equivalents	2,054,737	–	2,054,737	–	–
Total investments	99,587,858	70,713,420	28,874,438	–	–
Fixed income	3,182,672	–	940,243	2,242,429	–
Cash equivalents	1,363,062	–	1,122,528	240,534	–
Total restricted cash and cash equivalents	4,545,734	–	2,062,771	2,482,963	–
Total	$ 104,133,592	70,713,420	30,937,209	2,482,963	–

(a) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient, which is a reasonable estimate of fair value, have not been classified in the fair value hierarchy. The fair value amounts presented in the above table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

All Level 1 investments have been valued using a market approach. Level 2 investments are valued using quoted prices for similar assets. All other investments are valued at net asset value per share (or its equivalent) as permitted under the practical expedient rule. There were no changes in valuation techniques during the current year.

(4) Investments, Continued

The following table summarizes the significant information related to investments valued at net asset value per share (or its equivalent) as of June 30, 2023:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private investments (a)	$ 35,028,108	16,594,756	None to quarterly	90 days
Real assets (b)	$ 3,630,707	3,621,702	None to quarterly	N/A
Less-correlated (c)	$ 7,024,557	–	Quarterly to annually	60-65 days
Fixed income (d)	$ 3,982,871	–	Annually	90 days
Int'l emerging markets (e)	$ 8,319,447	–	Monthly to quarterly	10-60 days
Non-U.S. developed equity (f)	$ 4,650,048	–	Monthly to quarterly	15-90 days
Global equity (g)	$ 4,649,180	–	Monthly to quarterly	30-60 days
U.S. equity funds (h)	$ 3,428,502	–	Quarterly	45-65 days

(a) This category consists of thirty-eight private investment funds, most of which are illiquid. Approximately 31% of this category is comprised of Morgan Creek Partners funds totaling $10,975,938. The majority of the funds specialize in fund of fund investments that invest primarily in energy and natural resources, buyouts, venture capital, and real estate. Approximately 14% of this category is comprised of RCP funds totaling $4,880,212. The majority of the funds invest in private equity funds of lower middle markets. Approximately 6% of this category consists of a fund-of-funds that seeks to invest in buyout funds, venture capital, and private equity funds. The remaining 49% is invested in various funds with various investment strategies. All of the funds in this category are valued using net asset value per share.

(b) This category consists of four funds, all of which are illiquid. Approximately 24% is invested in a fund that focuses on event-driven and distressed investment strategies. Approximately 19% is invested in a fund which seeks to capitalize on commercial real estate investment opportunities that are emerging due to the impact of the COVID-19 pandemic. The remaining 57% is invested in two funds that seek investments with the opportunity to create or capture value across three types of real estate transactions: corporate platforms, loans and securities, and direct assets. The fair value of all funds in this category has been estimated using net asset value per share. During the year ended June 30, 2023, the Foundation committed to invest $2,000,000 in a fund that is structured as an offshore exempted limited partnership whose strategy pursues equity investments in infrastructure assets that generally exhibit monopolistic characteristics, high barriers to entry, inelastic demand, and limited redundancy and/or susceptibility to technological obsolescence. As of June 30, 2023, no amounts have been called by the fund. Once funded, this fund will allow quarterly redemptions with 90 days' notice.

(4) Investments, Continued

(c) This category consists of two funds with varying liquidity features. Approximately 57% of this category consists of a multi-manager fund of funds that deploys its assets to accounts managed by sub-advisors who invest principally in global equity markets by employing a long/short investment strategy. The other 43% of this category is in a fund that invests across a wide variety of market caps with large and mid-cap positions comprising the bulk of the portfolio. The fund takes offsetting long and short positions in comparable securities which typically have an economic relationship to each other. The fair value of all funds in this category has been estimated using net asset value per share.

(d) This category consists of a fund that invests primarily in public and private non-investment grade and non-rated debt securities. The fair value of the funds in this category has been estimated using net asset value per share.

(e) This category consists of two funds with varying liquidity features. Approximately 60% is invested in a fund that invests primarily in both long and short Asia-related equity investments with the objective of achieving long-term significant capital gain while maintaining low correlation with relevant indices. Approximately 40% of this category is invested in a fund that invests in emerging markets in Asia, Latin America, Eastern Europe, the Middle East, and Africa using a long-only strategy. The fair value of the funds in this category has been estimated using net asset value per share.

(f) This category consists of two funds with varying liquidity features. Approximately 53% of the total consists of a partnership that invests primarily in international small cap stocks. Approximately 47% is a long/short global equity hedge fund specifically focusing on Europe, but also North America and Asia. The fair value of the funds in this category has been estimated using net asset value per share.

(g) This category consists of two funds with varying liquidity features. Approximately 56% of the total consists of a partnership that invests primarily in equity securities with an objective of achieving above-average long-term capital appreciation. Approximately 44% is a long/short publicly traded equity fund with the objective of earning superior risk-adjusted returns on an absolute basis. The fair value of the funds in this category has been estimated using net asset value per share.

(h) This category consists of two funds with varying liquidity features. Approximately 64% is invested in long equity positions, short equity positions, and select fixed income positions with the objective of earning long-term rates of return with an emphasis on capital preservation. Approximately 36% is invested in a fund dedicated to exploiting opportunity in industries driven by technological innovation, specifically in the technology, d-commerce, internet media, traditional media, alternative energy and telecom industries. The fair value of the funds in this category have been estimated using net asset value per share.

(5) Property and Equipment

Property and equipment consists of the following at June 30, 2023:

Office furniture and equipment	$ 285,172
Computer hardware and software	197,480
Leasehold improvements	44,889
	527,541
Less accumulated depreciation	(481,280)
Property and equipment, net	$ 46,261

(6) Right of Use Assets Under Operating Leases and Operating Leases Liability

The Foundation leases its office space and other equipment under various non-cancelable operating leases that expire over the next four years. The Foundation includes in the determination of the right of use asset and lease liability any renewal options when the options are reasonably certain to be exercised. Renewal options have not been elected as of June 30, 2023. The Foundation's operating lease provides for increases in future minimum annual rental payments. Additionally, the operating office lease agreement requires the Foundation to pay for interior repairs or improvements.

The weighted-average discount rates are based on the risk-free rates determined using a period comparable to the lease terms as the discount rate for leases where the implicit rates are not readily determinable. The Foundation has applied the risk-free rate option to the property and equipment class of assets.

Rent expense incurred during 2023 was $305,179 and is included with occupancy on the statement of functional expenses.

The weighted-average term and discount rates for the operating leases outstanding as of June 30, 2023 are as follows:

	Office Lease	Equipment Lease
Weighted-average term (years)	2.08	3.50
Weighted-average discount rate	2.88%	2.88%

Future payments due under the operating leases as of June 30, 2023 are as follows:

Undiscounted cash flows due in:

	Office Lease	Equipment Lease	Total
2024	$ 261,248	10,107	271,355
2025	261,248	10,107	271,355
2026	21,770	10,107	31,877
2027	–	5,052	5,052
Total undiscounted cash flows	544,266	35,373	579,639
Impact of present value discount	(16,621)	(1,761)	(18,382)
Lease liability recognized	$ 527,645	33,612	561,257

(7) Grants Payable

Unconditional grants which have been approved but not paid are due as follows for years ending June 30:

2024	$ 3,583,759
2025	1,418,844
2026	417,788
2027	134,633
Total grants payable	$ 5,555,024

(8) Charitable Gift Annuities Payable

Charitable gift annuities are arrangements between a donor and the Foundation in which the donor contributes assets to the Foundation in exchange for a promise for the Foundation to pay the donor a fixed amount for a specified period of time. Assets received have been recognized at fair value, and an annuity payment liability of $634,072 at June 30, 2023 has been recognized at the present value of the future cash flows projected to be paid. The liability has been calculated by discounting the future cash flows using rates obtained from the Internal Revenue Code mortality tables and the applicable federal rate. Included in the investment balance in the accompanying statement of financial position are annuity reserves totaling $1,499,200 to cover the annuity payment liability.

(9) Net Assets

Net assets without donor restrictions are as follows at June 30, 2023:

Undesignated	$ 7,249,428
Board designated endowment	28,772,471
Total net assets without donor restrictions	$ 36,021,899

The board designated endowment funds are subject to the endowment spending policy as described below.

Net assets with donor restrictions consist of the following at June 30, 2023:

Specific purpose or time	
Canine health and research	$ 5,390,891
Veterinary student scholars program	582,089
Feline health and research	51,558
Wildlife and special species health and research	1,945,538
Purpose or time restrictions	7,970,076
Donor restricted endowments	
Perpetual endowments	54,945,280
Term endowments and unappropriated earnings on perpetual endowments	2,936,372
Donor restricted endowments	57,881,652
Total net assets with donor restrictions	$ 65,851,728

(9) Net Assets, Continued

During the year ended June 30, 2023, net assets totaling $7,521,262 were released from restriction due to the passage of time, incurring expenditures in accordance with donor restrictions, or appropriation of endowment earnings or funds for expenditure in accordance with the terms of the endowment agreements.

Endowment Funds
The Foundation's endowment net assets consist of the following at June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total Endowments
Board designated endowments	$ 28,772,471	–	28,772,471
Term endowments and unappropriated earnings on perpetual endowments	–	2,936,372	2,936,372
Perpetual endowments	–	54,945,280	54,945,280
Total endowment net assets	$ 28,772,471	57,881,652	86,654,123

Perpetual endowments consist of seventeen donor restricted funds subject to the terms of the endowment agreements. Net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

In accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the perpetual endowment funds consist of (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, unless the donor specifies that the corpus of the endowment fund can be appropriated for expenditure in accordance with the Foundation's spending policy.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purpose of the Foundation and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other Foundation resources
(7) The investment policies of the Foundation

Following are the changes in the endowment net assets for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total Endowments
Endowment net assets, June 30, 2022	$ 29,073,432	56,503,097	85,576,529
Investment return	2,146,754	3,615,541	5,762,295
Contributions	7,318,967	217,842	7,536,809
Appropriated for expenditure	(9,766,682)	(2,454,828)	(12,221,510)
Endowment net assets, June 30, 2023	$ 28,772,471	57,881,652	86,654,123

(9) Net Assets, Continued

Return Objectives and Risk Parameters
The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a reasonable, predictable, stable, and sustainable level of distribution that supports current needs while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to preserve the real purchasing power and seek stable real total returns over the long-term while maintaining adequate current liquidity and cash flow to meet operating needs and with an emphasis on preservation of principal.

Strategies Employed for Achieving Objectives
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). While preservation of capital is important, the Foundation also believes that varying degrees of investment risk are generally rewarded with compensating returns.

Spending Policy and How the Investment Objectives Relate to Distribution Policy
Distributions from the endowment funds are based on 4% or 5% of the twelve-quarter trailing average of each separate endowment fund, depending on donor instructions. It is the expectation that on average, over the long term, the overall draw will be generally lower than 5% of the assets of the investment pool.

(10) Retirement Plan

The Foundation provides a tax-sheltered annuity plan (the Plan) for all eligible employees. Employees are able to make elective deferrals beginning on their date of hire and are eligible for matching contributions after 90 days of service. Participants may elect to defer up to 100% of their compensation, not to exceed a certain dollar limit set by law. The Foundation makes matching contributions equal to 100% of the participant's elective deferral, up to 6% of the participant's compensation. All contributions to the Plan vest immediately. Employer contributions in 2023 were $314,393 and are included with salaries, benefits, and taxes on the statement of functional expenses.

(11) Commitments

Canine Lifetime Health Project
The Foundation launched the Canine Lifetime Health Project (CLHP) in 2011 to identify genetic, environmental, and nutritional risk factors leading to the development of cancer and other health conditions in dogs. The project enrolled a cohort of 3,044 golden retrievers as puppies under age 2 years and will follow them over their lifetimes. The Foundation expects to spend roughly $32 million on CLHP-related costs over the life of the project.