



In Defense Of Animals

Financial Statements

**For the years ended
December 31, 2020 and 2019**
With Independent Auditors' Report Thereon

IN DEFENSE OF ANIMALS

(A California Not-for-Profit Corporation)

Background Information

In Defense of Animals is an international animal protection organization with over 250,000 valued supporters and a 30-year history of protecting animals, people and the environment. We accomplish our mission through education, campaigns, sanctuaries and hands-on animal rescuers in the United States, India, Korea, and rural Mississippi.

Our Mission

To rescue animals in need, foster respect for all sentient beings, and spark a revolution of compassion that liberates animals from the tyranny of systemic cruelty and exploitation.

Our Vision

We adopt a worldview that honors the rights and interests of all animals, human and nonhuman alike, as reflected by and achieved through our unique combination of legislative initiatives, public pressure and awareness campaigns, cruelty investigations, activist support, and direct rescue of vulnerable animals worldwide.

While our perspective and ultimate goals are revolutionary, we recognize and respect the essential role that incremental change simultaneously plays in helping to alleviate animal suffering in the here and now.

Board of Directors 2020-2021

Name	Position
Marilyn Kroplick, M. D.	Board President
Michael Yadegari	Board Treasurer
Lisa Levinson	Board Secretary
Bob Ingersoll (terminated August 2020)	Director
Jacqueline Janssen (resigned March 2021)	Director
Stephen Linker (resigned March 2021)	Director
Clifton Roberts (terminated August 2020)	Director
Sammy Zablen	Director

Executive Director

Marilyn Kroplick, M. D.

In Defense of Animals

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(A California Not-for-Profit Corporation)

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INDEPENDENT AUDITORS' REPORT

**The Board of Directors
In Defense of Animals**

We have audited the accompanying financial statements of In Defense of Animals (a California nonprofit organization) which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of In Defense of Animals as of December 31, 2020 and 2019, 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.

**October 26, 2021
Danville, California**

IN DEFENSE OF ANIMALS

Statements of Financial Position December 31, 2020 and 2019

ASSETS

	2020	2019
Current assets:		
Cash, cash equivalents, and restricted cash	\$ 1,137,337	\$ 1,399,708
Investments	2,547,825	1,800,068
Accounts and grants receivable	15,387	10,888
Prepaid expenses and other current assets	75,403	47,115
Total current assets	<u>3,775,952</u>	<u>3,257,779</u>
Noncurrent assets:		
Investments	26,928	-
Loan receivable	88,328	88,328
Property, equipment and leasehold improvements, net	2,307,041	2,396,005
Total noncurrent assets	<u>2,422,297</u>	<u>2,484,333</u>
	<u>\$ 6,198,249</u>	<u>\$ 5,742,112</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued liabilities	\$ 151,246	\$ 113,116
Accrued payroll liabilities	102,666	78,358
Security deposit liability	2,094	2,094
Deferred revenue	-	1,895
Total current liabilities	<u>256,006</u>	<u>195,463</u>
Net assets:		
Without donor restrictions	5,910,199	5,546,030
With donor restrictions	32,044	619
Total net assets	<u>5,942,243</u>	<u>5,546,649</u>
	<u>\$ 6,198,249</u>	<u>\$ 5,742,112</u>

IN DEFENSE OF ANIMALS

Statements of Activities and Changes in Net Assets Years Ended December 31, 2020 and 2019

<i>Changes in net assets without donor restrictions:</i>	2020	2019
Revenue and support:		
Donations and grants	\$ 1,032,904	\$ 1,185,460
Bequests and legacies	1,545,043	1,299,425
Mailing list rental	11,880	10,404
Merchandise sales	3,544	3,710
Interest and dividends	44,548	49,449
Rents, royalties and other	82,750	84,205
Unrealized gains on investments, net	255,231	91,064
Realized gains (losses) on investments, net	(408)	335
Investment management fees	(5,961)	(5,846)
Events and fundraising income	1,200	12,293
	2,970,731	2,730,499
Net assets released from restrictions:		
Satisfaction of program restrictions	46,839	33,374
Total revenue and support	3,017,570	2,763,873
Operating expenses:		
Program	1,387,780	1,445,891
General and administrative	769,224	644,951
Fundraising	496,397	604,060
Total operating expenses	2,653,401	2,694,902
Increase in net assets without donor restrictions	364,169	68,971
<i>Changes in net assets with donor restrictions:</i>		
Grants and contributions	78,264	33,993
Net assets released from restrictions	(46,839)	(33,374)
Increase in net assets with donor restrictions	31,425	619
Increase in net assets	395,594	69,590
Net assets at beginning of year	5,546,649	5,477,059
Net assets at end of year	\$ 5,942,243	\$ 5,546,649

IN DEFENSE OF ANIMALS

Statements of Cash Flows Years Ended December 31, 2020 and 2019

	2020	2019
<i>Operating activities:</i>		
Increase in net assets	\$ 395,594	\$ 69,590
Adjustments to reconcile to cash provided by (used for) operating activities:		
Depreciation and amortization	90,268	98,289
Unrealized gains on investments	(255,231)	(91,064)
Changes in:		
Accounts and grants receivable	(4,499)	28,705
Prepaid expenses and other current assets	(28,288)	(2,888)
Accounts payable and accrued liabilities	38,130	(2,225)
Accrued payroll liabilities	24,308	9,130
Deferred revenue	(1,895)	1,200
Cash provided by operating activities	258,387	110,737
 <i>Investing activities:</i>		
Acquisition of investments	(1,019,454)	(11,331)
Disposition of investments	500,000	116,377
Purchase of property, equipment, and leasehold improvements	(1,304)	(44,646)
Cash used for investing activities	(520,758)	60,400
Increase (decrease) in cash and cash equivalents	(262,371)	171,137
Cash and cash equivalents at beginning of year	1,399,708	1,228,571
Cash and cash equivalents at end of year	\$ 1,137,337	\$ 1,399,708
 <i>Additional cash flow information:</i>		
Interest paid	\$ 579	\$ 137
Taxes paid	\$ 20,539	\$ 18,305

IN DEFENSE OF ANIMALS

Statement of Functional Expenses
Year Ended December 31, 2020

	General and Admin- Programs	istrative	Fund- Raising	2020 Totals
Advertising and promotion	\$ 802	\$ 4,586	\$ -	\$ 5,388
Computer/web service and supplies	4,675	9,055	7,425	21,155
Cost of goods sold	4,472	-	-	4,472
Depreciation and amortization	40,102	35,187	14,979	90,268
Direct mail	31,085	-	193,463	224,548
Donations and grants	67,491	-	-	67,491
Equipment rental and maintenance	5,250	2,299	1,477	9,026
Events and sponsorships	8,557	-	-	8,557
Fees/licenses/bank charges	65	36,594	7,250	43,909
Insurance	31,557	13,815	8,879	54,251
Interest	-	579	-	579
Miscellaneous	2,186	18,912	-	21,098
Office and supplies	46,279	4,779	-	51,058
Postage and shipping	193	3,029	5,877	9,099
Printing	14,955	-	-	14,955
Professional fees and outside services	198,648	210,168	-	408,816
Rent and utilities	45,316	19,839	12,750	77,905
Repairs and maintenance	4,018	20,236	-	24,254
Rescue	13,204	-	-	13,204
Salaries, payroll taxes and benefits	855,908	374,711	240,819	1,471,438
Telephone and telecommunications	12,360	5,411	3,478	21,249
Travel/meals/lodging	657	10,024	-	10,681
Totals	\$ 1,387,780	\$ 769,224	\$ 496,397	\$ 2,653,401

IN DEFENSE OF ANIMALS

Statement of Functional Expenses Year Ended December 31, 2019

	General and Admin- Programs	istrative	Fund- Raising	2019 Totals
Advertising and promotion	\$ 10,986	\$ -	\$ 14,154	\$ 25,140
Computer/web service and supplies	3,188	15,209	-	18,397
Cost of goods sold	114	-	-	114
Depreciation and amortization	46,612	37,019	14,658	98,289
Direct mail	102,582	-	177,921	280,503
Donations and grants	72,640	-	-	72,640
Equipment rental and maintenance	5,518	2,069	2,088	9,675
Events and sponsorships	25,905	-	-	25,905
Fees/licenses/bank charges	-	43,355	24,024	67,379
Insurance	24,412	9,150	9,240	42,802
Interest	-	137	-	137
Miscellaneous	7,216	5,778	2,670	15,664
Office and supplies	51,140	7,466	-	58,606
Postage and shipping	-	6,579	13,483	20,062
Printing	47,977	-	-	47,977
Professional fees and outside services	173,521	188,674	44,500	406,695
Rent and utilities	46,686	17,499	17,670	81,855
Repairs and maintenance	12,407	17,194	-	29,601
Rescue	51,238	-	-	51,238
Salaries, payroll taxes and benefits	736,501	276,057	278,755	1,291,313
Telephone and telecommunications	12,940	4,850	4,897	22,687
Travel/meals/lodging	14,308	13,915	-	28,223
Totals	\$ 1,445,891	\$ 644,951	\$ 604,060	\$ 2,694,902

Notes to Financial Statements
December 31, 2020 and 2019

1. Organization

In Defense of Animals (IDA) was established in 1983 as a nonprofit Agency. IDA is a national organization dedicated to ending the institutionalized abuse of animals by protecting their rights, welfare and habitat.

2. Summary of Significant Accounting Policies

Basis of Presentation – The financial statements of IDA have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP").

Measure of Operations – The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to IDA's ongoing operations which include a variety of programmatic activities. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Cash and Cash Equivalents – IDA's cash consists of cash on deposit in checking and savings accounts. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase.

Concentrations of Credit Risk – Financial instruments that potentially subject IDA to concentrations of credit risk consist principally of cash and cash equivalents. IDA maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. IDA manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy.

To date, IDA has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and grants receivable considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from reputable organizations and foundations supportive of IDA's mission.

Investments - IDA follows the provisions of *Accounting Standards Codification (ASC) 958.320, Investments* and has estimated the fair value of its investments using available market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that IDA could realize in a current market exchange. The use of different assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. The estimates are based on pertinent information available to management as of December 31, 2020 and 2019, respectively. Economic conditions can vary significantly throughout the year, impacting the carrying value of investments. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from the statements presented, especially in light of the impact on financial markets as a result of COVID-19.

(continued)

2. Summary of Significant Accounting Policies *(continued)*

Grants and Contributions Receivable – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization, if applicable, is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

Inventories – Inventories are carried at lower of cost or market utilizing the first-in, first-out (FIFO) method and consist of various branded merchandise, such as T-shirts, sunshades, tote bags, license plate frames and coffee mugs.

Property and Equipment – IDA's policy is to record acquisitions of property and equipment at cost or, if donated, at fair market value on the date of donation. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets.

Costs of maintenance and repairs are expensed currently. IDA reviews the carrying values of all assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated economic utility and/or future cash flows expected to result from its use and eventual disposition.

Fair Value Measurements – Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions.

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). IDA 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. 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.

(continued)

Notes to Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies *(continued)*

Fair Value Measurements – *(continued)*

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing model of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

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

Net Assets without Donor Restrictions

Net assets without donor restrictions represent funds which are available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has the ability to designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment, but has opted not to do so as of December 31, 2020.

Net Assets with Donor Restrictions

Net assets with donor restrictions represent funds which are subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions can be perpetual in nature, where the donor stipulates resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. 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 has been fulfilled, or both.

Use of Estimates - The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Donated Services and In-Kind Contributions – Contributed services and costs are reflected at the fair value of the contribution received. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

(continued)

Notes to Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies *(continued)*

Functional Allocation of Expenses – The costs of providing program and other activities have been summarized on a functional basis in the statements of activities in accordance with the requirements of *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, which requires CIF to report expenses by their natural classification. Every natural expense must be broken out into individual functional categories on an analysis of expenses by their nature and function. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis. A majority of expenses (salaries, wages, and payroll taxes, among others) have been distributed based on time and effort using IDA’s payroll allocations. Other expenses have been allocated in accordance with the specific services received from vendors or other rational allocation methods.

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.

Revenue and Revenue Recognition – Revenue is recognized in accordance with authoritative guidance, including *ASU 2018-08, Not-for-Profit Entities (Topic 605)* and *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)*.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. A transfer of funds with a conditional promise to contribute are accounted for as a refundable advance until the conditions have been substantially met. Certain payments received include both elements of contributed income and earned income, and management evaluates such transactions to determine the proper revenue rules to apply and to bifurcate the revenue components. When applicable, revenue earned under a contractual arrangement (an “exchange transaction”) is recognized when earned and therefore measured as services are provided in accordance with Topic 606.

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 that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

Income Taxes – IDA is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be private foundations under IRC Sections 509(a)(1) and (3), respectively. IDA is required to annually file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purpose. IDA files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

(continued)

Notes to Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies *(continued)*

Income Taxes – *(continued)* IDA has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that IDA continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status.

Recent and Relevant Accounting Pronouncements – The following pronouncements represent relevant current accounting guidance applicable to nonprofit organizations:

In August 2016, the FASB issued *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Symphony has adjusted the presentation of these statements accordingly.

In February 2016, the FASB issued *ASU 2016-02, Leases (Topic 842) Accounting for Leases*, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by *ASU No. 2018-01, ASU No. 2018-10, and ASU No. 2018-11*. This standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the statements of financial position for all leases with a term longer than 12 months. Leases are required to be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statements of activities and changes in net assets.

In August 2014, the FASB issued *ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40) Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which requires an organization's management to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable). As of October 15, 2021 (the date of the Independent Auditors' Report), management has made this evaluation and has determined that IDA has the ability to continue as a going concern.

In May 2014, the FASB completed its Revenue Recognition project by issuing *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)*. This guidance establishes the principles to report useful information to users of financial statements about the nature, timing, and uncertainty of revenue from contracts with customers. The guidance (1) Removes inconsistencies and weaknesses in existing revenue requirements, (2) Provides a more robust framework for addressing revenue issues, (3) Improves comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets, (4) Provides more useful information to users of financial statements through improved disclosure requirements, and (5) Simplifies the preparation of financial statements by reducing the number of requirements to which an organization must refer.

(continued)

Notes to Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies *(continued)*

In June 2018, the FASB issued *ASU 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB issued this update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Accordingly, IDA has incorporated these clarifying standards within the audited financial statements.

In November 2016, the FASB issued *ASU 2016-18, Restricted Cash*. This guidance requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. When cash, cash equivalents, restricted cash and restricted cash equivalents are presented in more than one line item on the statements of financial position, the new guidance requires a reconciliation of the totals in the statement of cash flows to the related captions in the statements of financial position.

On September 17, 2020, the FASB issued *ASU No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This Update increases transparency around contributed nonfinancial assets (also known as “gifts-in-kind”) received by not-for-profit organizations, including transparency on how those assets are used and how they are valued. The Update requires that an organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. It also requires that an organization disclose:

1. A disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets.
2. For each category of contributed nonfinancial assets recognized:
 - Qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, a description of the programs or other activities in which those assets were used
 - The organization’s policy (if any) about monetizing rather than utilizing contributed nonfinancial assets
 - A description of any donor-imposed restrictions associated with the contributed nonfinancial assets
 - A description of the valuation techniques and inputs used to arrive at a fair value measure in accordance with the requirements in *Topic 820, Fair Value Measurement*, at initial recognition.
 - The principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient organization is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets.

IN DEFENSE OF ANIMALS

Notes to Financial Statements December 31, 2020 and 2019

3. Cash and Cash Equivalents

Cash and cash equivalents include all funds in banks (checking and savings) that have a maturity date of 90 days or less at the time of purchase. The components of cash and cash equivalents are as follows at December 31:

	2020	2019
Noninterest-bearing checking accounts	\$ 318,589	\$ 384,824
Interest-bearing savings account	818,748	1,014,884
Total cash and cash equivalents	\$ 1,137,337	\$ 1,399,708

The savings account earns interest at 0.01% per annum at December 31, 2020.

4. Investments

Investments consist primarily of U.S. treasury securities, mutual funds, and stocks. Cost basis and fair value of investments are as follows at December 31:

	2020		2019	
	Cost Basis	Fair Value	Cost Basis	Fair Value
Short-term portion:				
Stocks and equities	\$ 718,061	\$ 1,006,690	\$ 236,025	\$ 307,662
Fixed Income	1,003,914	1,009,167	1,198,738	1,196,783
Cash and deposit accounts	508,273	508,273	286,251	286,251
Real estate investment trust	24,047	23,695	8,272	9,372
Total short-term investments	2,254,295	2,547,825	1,729,286	1,800,068
Long-term portion:				
Fixed Income	27,078	26,928	-	-
Loan receivable	88,328	88,328	-	-
Total long-term investments	115,406	115,256	-	-
Totals	\$ 2,369,700	\$ 2,663,081	\$ 1,729,285	\$ 1,800,068

During the years ended December 31, 2020 and 2019, unrealized investment gains amounted to \$255,231 and \$91,064, respectively. Such unrealized gains resulted from periodic market value adjustments in various investment instruments. During the years ended December 31, 2020 and 2019, realized gains (losses) amounted to (\$408) and \$335, respectively.

IDA has a Finance Committee which has the responsibility for establishing the organization's return objectives (a balanced portfolio leaning towards stable investments) and to define the risk parameters (such as moderate returns with mutual funds). The Committee routinely oversees investment performance and reviews cash flows necessary to sustain IDA's operating activities.

Loan receivable of \$88,328 represent funds invested in a first deed of trust which is collateralized by real estate and bears interest at 12% per annum at December 31, 2020 and 2019, respectively.

IN DEFENSE OF ANIMALS

Notes to Financial Statements December 31, 2020 and 2019

5. Fair Value Measurements

Composition of assets utilizing fair value measurements at December 31, 2020 is as follows:

	Totals	Level 1	Level 2	Level 3
Stocks and equities	\$ 1,006,690	\$ 1,006,690	\$ -	\$ -
Fixed income (short term)	1,036,095	1,009,167	26,928	-
Cash and deposit accounts	508,273	508,273	-	-
Real estate investment trust	23,695	-	-	23,695
Loan receivable	88,328	-	-	88,328
Totals	<u>\$ 2,663,081</u>	<u>\$ 2,524,130</u>	<u>\$ 26,928</u>	<u>\$ 112,023</u>

Composition of assets utilizing fair value measurements at December 31, 2019 is as follows:

	Totals	Level 1	Level 2	Level 3
Stocks and equities	\$ 307,662	\$ 307,662	\$ -	\$ -
Fixed income (short term)	1,196,783	1,196,783	-	-
Cash and deposit accounts	286,251	286,251	-	-
Real estate investment trust	9,372	-	-	9,372
Loan receivable	88,328	-	-	88,328
Totals	<u>\$ 1,888,396</u>	<u>\$ 1,790,696</u>	<u>\$ -</u>	<u>\$ 97,700</u>

Assets Classified as Level 3: These items (real estate investment trust and loan receivable) consist of assets collateralized by real estate and the fair values are not readily discernible. The significant unobservable inputs used in the fair value measurements of these assets are based on a combination of cash flow discounting and fair values estimated by management and/or an outside investment firm.

6. Accounts and Grants Receivable

Accounts and grants receivable of \$15,387 and \$10,888 at December 31, 2020 and 2019, respectively, represent amounts due from various sources, including tenants, individuals, businesses, and others. Management periodically evaluates all receivables for collectability and records an allowance for any amounts estimated to be uncollectable (if deemed necessary). Management has evaluated the receivables as of December 31, 2020 and determined that such amounts are fully collectible based on the financial health of the donors involved.

IN DEFENSE OF ANIMALS

Notes to Financial Statements December 31, 2020 and 2019

7. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following at December 31:

	2020		2019
Prepaid insurance	\$ 41,876	\$	29,502
Prepaid subscriptions	33,527		17,613
Total prepaid expenses and other current assets	<u>\$ 75,403</u>	\$	<u>47,115</u>

8. Property, Equipment and Leasehold Improvements

Property, equipment and leasehold improvements consist of the following at December 31:

	2020		2019
Land	\$ 787,754	\$	787,754
Building	1,250,240		1,250,240
Computers, office equipment and furniture	393,613		412,823
Leasehold improvements	992,322		1,008,409
Vehicles	96,572		96,572
Website development	81,363		73,291
Construction in progress-Hope Animal Sanctuary	-		-
Less: accumulated depreciation and amortization	(1,294,823)		(1,233,084)
Property, equipment and leasehold improvements, net	<u>\$ 2,307,041</u>	\$	<u>2,396,005</u>

Total depreciation and amortization expense amounted to \$90,268 and \$98,289 for the years ended December 31, 2020 and 2019, respectively. During the years ended December 31, 2020 and 2019, IDA acquired various components of property, equipment, and leasehold improvements totaling \$8,072 and \$44,646, respectively. During the year ended December 31, 2020, IDA disposed of partially depreciated property and equipment with original cost basis of \$35,297 which resulted in write-down of \$6,768 associated with accumulated depreciation. There were no disposals during the year ended December 31, 2019.

9. Allocation of Joint Costs

IDA follows the provisions of *ASC 958-720-55-1 "Accounting for Costs of Activities That Include Fundraising."* Under *ASC 958-720-55-1*, IDA incurred allocable joint costs of \$224,548 for the informational materials and activity that included fundraising appeals for the year ended December 31, 2020. Of these costs, \$193,463 was allocated to fundraising expense and \$31,085 was allocated to program expense. For the year ended December 31, 2019, IDA incurred allocable joint costs of \$280,503 for the informational materials and activity that included fundraising appeals. Of these costs, \$177,921 was allocated to fundraising expense and \$102,582 was allocated to program expense.

Notes to Financial Statements
December 31, 2020 and 2019

10. Liquidity

IDA regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the safeguarding of its available funds. IDA has various sources of liquidity at its disposal, including cash and cash equivalents, investments, and the future collection of receivables. For purposes of analyzing resources available to meet general expenditures over a 12-month period, IDA considers all expenditures related to its ongoing work dedicated to ending the institutionalized abuse of animals to be general expenditures.

The following table shows the total financial assets held by IDA and the amounts of those financial assets readily available within one year of the balance sheet date to meet general expenditures:

Cash and cash equivalents	\$ 1,137,337
Investments (short-term)	2,547,825
Accounts and grants receivable	15,387
Less restricted donations for programs	<u>(32,044)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,668,505</u>

As part of IDA's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

11. Lease Commitments and Long-Term Agreements

IDA is contractually obligated under a long-term subscription agreement for database management software which requires a payment of \$4,083 per month. IDA is also committed to long-term equipment leases which require payments totaling \$692 per month. Future minimum payments under IDA's lease agreements with original terms in excess of one year are as follows at December 31, 2020: Year ending December 31, 2021: \$45,054; Year ending December 31, 2022: \$6,591; Year ending December 31, 2023: \$4,431; and Year ending December 31, 2024: \$369.

Total rent expense for all leasing arrangements amounted to \$17,187 and \$18,488 for the years ended December 31, 2020 and 2019, respectively, and is included in rent and utilities on the statements of functional expenses.

IDA generates rental income (subject to unrelated business income taxes) by leasing certain portions of its building under various operating agreements with unrelated organizations. These lease agreements typically provide for non-cancelable terms followed by renewal options to extend the terms of the leases for additional periods, typically from one to five-years. The leases also provide for additional charges to cover overhead costs and common area maintenance expenses. Total rental income amounted to \$82,750 and \$84,150 for the years ended December 31, 2020 and 2019, respectively. Accordingly, IDA prepares and files unrelated business income tax returns to the Internal Revenue Service and California Franchise Tax Board.

IN DEFENSE OF ANIMALS

Notes to Financial Statements December 31, 2020 and 2019

12. Net Assets

Net Assets without Donor Restrictions

Net assets without donor restrictions of \$5,910,199 and \$5,546,030 at December 31, 2020 and 2019, respectively, represent the cumulative retained surpluses since the organization's inception.

Net Assets with Donor Restrictions

IDA recognizes support from donations with restrictions when the restrictions imposed by the donors have been satisfied or expired. Net assets with donor restrictions consist of the following at December 31:

	2020	2019
Elephant/Cetaceans	\$ -	\$ 19
Farmed animals	28,556	-
Justice for animals	1,100	600
Sustainable Activism/Vegan Spirituality	2,388	-
	<u>\$ 32,044</u>	<u>\$ 619</u>

During the years ended December 31, 2020 and 2019, IDA received \$78,264 and \$33,993, respectively, in donations with restrictions. During the years ended December 31, 2020 and 2019, IDA released \$46,839 and \$33,374, respectively, in restricted contributions from net assets with donor restrictions to net assets without donor restrictions.

13. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of *ASC 710.25, Compensated Absences*. Under ASC 710.25, IDA is required to record a liability for the estimated amounts of compensation for future absences. Employees are permitted to accrue a specific number of hours of vacation which is payable upon termination. Sick leave is not paid upon termination. Accrued payroll liabilities amounted to \$102,666 and \$78,358 at December 31, 2020 and 2019, respectively.

14. Advertising and Promotion

Advertising and promotion costs are expensed as incurred. Advertising and promotion expense amounted to \$5,388 and \$25,140 for the years ended December 31, 2020 and 2019, respectively, and is reported on the statement of functional expenses.

15. Commitments and Contingencies

General

In the normal course of business IDA could be subject to certain commitments and contingencies which might not be fully reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Grant restrictions and donor conditions which obligate IDA to fulfill certain requirements as set forth in grant instruments, (b) Funding levels which vary based on factors beyond IDA's control, such as generosity of donors and general economic conditions, (c) Employment and service agreements with key management personnel, and (d) Financial risks associated with funds on deposit at bank and investment brokerage accounts. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the financial statements. Certain of the grants and contracts (including current and prior costs) are subject to audit and final acceptance by the granting entities.

Pending or Threatened Litigation

In early 2021, IDA and its President were named as defendants in a complaint involving workplace discrimination. The matter was initially filed with the Equal Employment Opportunity Commission and then migrated to the Marin County Superior Court. IDA's legal counsel has stated the matter is covered by an arbitration agreement and that, as of October 20, 2021, the parties are close to an agreement to arbitrate the claims. As of October 26, 2021 (the date of the Independent Auditors' Report), IDA's management has no estimate on the timing of the mediation, the probable outcome, or any estimate of loss exposure.

16. COVID-19

Although the COVID-19 threat has abated, the worldwide threat continues to (a) impact financial markets, (b) threaten revenue streams, and (c) impact private enterprises with which IDA conducts business. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, continues to present challenges. Management monitors and evaluates its options. These financial statements do not contain any adjustments related to economic losses which may or may not be realized.

17. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, IDA has evaluated subsequent events through October 26, 2021, the date the financial statements were available to be issued. As disclosed in Note 15, IDA is a defendant in a legal matter which, as of October 20, 2021, is close to signing an agreement to settle the matter through arbitration. In the opinion of management, there are no other subsequent events which are required to be disclosed.