



# **In Defense Of Animals**

**Financial Statements**

**For the years ended  
December 31, 2018 and 2017**  
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.

## Board of Directors 2018-2019

Name	Position
Marilyn Kroplick, M. D.	Board President
Michael Yadegari	Board Treasurer
Lisa Levinson	Board Secretary
Stephen Linker	Director
Bob Ingersoll	Director
Clifton Roberts	Director
Sammy Zablen	Director
Jacqueline Janssen	Director

**Executive Director**  
Marilyn Kroplick, M. D.

**In Defense of Animals**  
3010 Kerner Blvd.  
San Rafael, California 94901  
415-448-0048  
Web Site Address: [www.idausa.org](http://www.idausa.org)

# IN DEFENSE OF ANIMALS

(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, 2018 and 2017, 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.

#### ***Auditor's 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 auditor's 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, 2018 and 2017, 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.

**August 19, 2020  
Danville, California**

*Regalia & Associates*

## IN DEFENSE OF ANIMALS

### Statements of Financial Position December 31, 2018 and 2017

#### ASSETS

	2018	2017
Current assets:		
Cash, cash equivalents, and restricted cash	\$ 1,228,571	\$ 2,815,384
Investments	1,789,772	1,289,899
Accounts and grants receivable	39,593	5,643
Inventories	-	4,296
Prepaid expenses and other current assets	44,227	119,028
Total current assets	<u>3,102,163</u>	<u>4,234,250</u>
Noncurrent assets:		
Investments	24,278	50,335
Loan receivable	88,328	88,328
Property, equipment and leasehold improvements, net	2,449,648	2,679,999
Total noncurrent assets	<u>2,562,254</u>	<u>2,818,662</u>
	<u>\$ 5,664,417</u>	<u>\$ 7,052,912</u>

#### LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued liabilities	\$ 115,341	\$ 172,817
Accrued payroll liabilities	69,228	86,296
Security deposit liability	2,094	6,369
Deferred revenue	695	-
Total current liabilities	<u>187,358</u>	<u>265,482</u>
Long-term liabilities:		
Note payable - noncurrent portion	-	228,745
Total long-term liabilities	<u>-</u>	<u>228,745</u>
Total liabilities	<u>187,358</u>	<u>494,227</u>
Net assets:		
Without donor restrictions	5,477,059	6,245,095
With donor restrictions	-	313,590
Total net assets	<u>5,477,059</u>	<u>6,558,685</u>
	<u>\$ 5,664,417</u>	<u>\$ 7,052,912</u>

## IN DEFENSE OF ANIMALS

### Statements of Activities and Changes in Net Assets Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b><i>Changes in net assets without donor restrictions:</i></b>		
Revenue and support:		
Donations and grants	\$ 1,436,430	\$ 1,614,925
Bequests and legacies	813,827	994,348
Mailing list rental	2,095	-
Merchandise sales	4,899	4,301
Interest and dividends	30,001	23,065
Rents, royalties and other	79,062	82,054
Unrealized gains (losses) on investments	(53,964)	52,464
Realized gains on investments	11,051	7,493
Management fees	(3,535)	
Events and fundraising income	375	102,408
Loss on disposal of fixed assets	(91,127)	-
In-kind contributions	75	830
	<u>2,229,189</u>	<u>2,881,888</u>
Net assets released from restrictions:		
Satisfaction of program restrictions	361,999	773,926
Total revenue and support	<u>2,591,188</u>	<u>3,655,814</u>
Operating expenses:		
Program	1,883,096	2,366,993
General and administrative	772,760	592,135
Fundraising	703,368	469,575
Total operating expenses	<u>3,359,224</u>	<u>3,428,703</u>
Increase (decrease) in net assets without donor restrictions	<u>(768,036)</u>	227,111
<b><i>Changes in net assets with donor restrictions:</i></b>		
Grants and contributions	48,409	997,431
Net assets released from restrictions	(361,999)	(773,926)
Increase (decrease) in net assets with donor restrictions	<u>(313,590)</u>	<u>223,505</u>
Increase (decrease) in net assets	(1,081,626)	450,616
Net assets at beginning of year	<u>6,558,685</u>	<u>6,108,069</u>
Net assets at end of year	<u>\$ 5,477,059</u>	<u>\$ 6,558,685</u>

## IN DEFENSE OF ANIMALS

### Statements of Cash Flows Years Ended December 31, 2018 and 2017

	2018	2017
<i>Operating activities:</i>		
Increase (decrease) in net assets	\$ (1,081,626)	\$ 450,616
Adjustments to reconcile to cash provided by (used for) operating activities:		
Depreciation and amortization	113,874	67,887
Unrealized losses (gains) on investments	53,964	(52,464)
Loss on disposal of property, equipment, and leasehold improvements	91,127	-
Changes in:		
Accounts and grants receivable	(33,950)	56,577
Inventories	4,296	-
Prepaid expenses and other current assets	74,801	(11,656)
Accounts payable and accrued liabilities	(57,476)	105,921
Accrued payroll liabilities	(17,068)	7,175
Security deposit liability	(4,275)	-
Deferred revenue	695	-
Cash provided by (used for) operating activities	(855,638)	624,056
 <i>Investing activities:</i>		
Acquisition of investments	(931,700)	(674,210)
Disposition of investments	403,920	21,274
Purchase of property, equipment, and leasehold improvements	25,350	(578,283)
Cash used for investing activities	(502,430)	(1,231,219)
 <i>Financing activities:</i>		
Principal payments under note payable	(228,745)	(5,947)
Cash used for financing activities	(228,745)	(5,947)
Decrease in cash, cash equivalents, and restricted cash	(1,586,813)	(613,110)
Cash, cash equivalents, and restricted cash at beginning of year	2,815,384	3,428,494
Cash, cash equivalents, and restricted cash at end of year	\$ 1,228,571	\$ 2,815,384
 <i>Additional cash flow information:</i>		
Interest paid	\$ 8,604	\$ 10,753
Taxes paid	\$ 18,162	\$ 12,602

**IN DEFENSE OF ANIMALS**

Statement of Functional Expenses  
Year Ended December 31, 2018

	General and Admin- Programs	istrative	Fund- Raising	2018 Totals
Advertising and promotion	\$ 57,750	\$ -	\$ 19,514	\$ 77,264
Computer/web service and supplies	2,209	9,597	14,832	26,638
Cost of goods sold	9,621	-	-	9,621
Demonstrations	1,290	-	-	1,290
Depreciation and amortization	36,495	76,462	917	113,874
Direct mail	517,467	-	300,324	817,791
Donations and grants	53,083	-	-	53,083
Equipment rental and maintenance	3,768	1,696	1,411	6,875
Events and sponsorships	148,119	-	-	148,119
Fees/licenses/bank charges	-	50,207	21,091	71,298
Insurance	23,321	10,498	8,735	42,554
Interest	-	8,604	-	8,604
Miscellaneous	21,144	9,518	7,920	38,582
Office and supplies	69,834	3,934	3,274	77,042
Postage and shipping	-	11,959	13,000	24,959
Printing	3,939	2,461	881	7,281
Professional fees and outside services	187,528	252,310	48,000	487,838
Rent and utilities	40,079	18,042	15,013	73,134
Repairs and maintenance	14,461	6,510	5,417	26,388
Rescue	42,736	-	-	42,736
Salaries, payroll taxes and benefits	625,281	281,478	234,215	1,140,974
Telephone and telecommunications	11,995	5,400	4,493	21,888
Travel/meals/lodging	12,976	24,084	4,331	41,391
<b>Totals</b>	<b>\$ 1,883,096</b>	<b>\$ 772,760</b>	<b>\$ 703,368</b>	<b>\$ 3,359,224</b>

**IN DEFENSE OF ANIMALS**

Statement of Functional Expenses  
Year Ended December 31, 2017

	General and Admin- Programs	istrative	Fund- Raising	2017 Totals
Advertising and promotion	\$ -	\$ -	\$ 27,156	\$ 27,156
Computer/web service and supplies	12,760	4,155	2,211	19,126
Cost of goods sold	72	-	-	72
Demonstrations	112	-	-	112
Depreciation and amortization	45,291	14,748	7,848	67,887
Direct mail	656,591	-	164,148	820,739
Donations and grants	101,979	-	-	101,979
Equipment rental and maintenance	4,808	1,565	833	7,206
Events and sponsorships	35,280	-	11,760	47,040
Fees/licenses/bank charges	36,903	56,758	2,353	96,014
Insurance	21,126	6,879	3,661	31,666
Interest	7,174	2,336	1,243	10,753
Miscellaneous	891	4,641	154	5,686
Office and supplies	167,794	3,433	2,523	173,750
Postage and shipping	13,912	4,530	2,411	20,853
Printing	7,355	2,395	1,275	11,025
Professional fees and outside services	179,921	166,110	68,000	414,031
Rent and utilities	48,054	8,482	5,546	62,082
Repairs and maintenance	4,350	15,486	-	19,836
Rescue	53,766	-	-	53,766
Salaries, payroll taxes and benefits	899,641	292,951	155,901	1,348,493
Telephone and telecommunications	15,837	3,844	2,687	22,368
Travel/meals/lodging	53,376	3,822	9,865	67,063
<b>Totals</b>	<b>\$ 2,366,993</b>	<b>\$ 592,135</b>	<b>\$ 469,575</b>	<b>\$ 3,428,703</b>

Notes to Financial Statements  
December 31, 2018

**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 reports 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 the Symphony 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, 2018 and 2017, 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)*

Notes to Financial Statements  
December 31, 2018

**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, 2018

**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 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, 2018.

**Net Assets with Donor Restrictions**

Net assets 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 that 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, 2018

**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. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis. Salaries, payroll taxes and employee benefits have been allocated based on time and effort using IDA's payroll allocations. Direct mail expenses have been allocated in accordance with Statement of Position 98-2 (SOP 98-2) *Accounting for costs of Materials and Activities of Not-for-Profit Organizations and State and Local Government Entities That Include a Fund-Raising Appeal*. Depreciation was allocated based on asset use from the fixed asset listing. Other expenses (such as professional fees and outside services, donations and grants, and other direct costs) have been allocated in accordance with the specific services received.

**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** - 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. When applicable, revenue earned under a contractual arrangement (an "exchange transaction") is recognized when earned and therefore measured as services are provided.

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.

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.

*(continued)*

Notes to Financial Statements  
December 31, 2018

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

**Recent and Relevant Accounting Pronouncements** – The following pronouncements became effective for fiscal years beginning subsequent to December 15, 2017:

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. IDA has adjusted the presentation of these statements accordingly.

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 August 19, 2020 (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.

**3. Cash, Cash Equivalents, and Restricted Cash**

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:

	<b>2018</b>	<b>2017</b>
Non-interest bearing checking accounts	\$ 770,790	\$ 1,743,788
Interest bearing savings accounts	457,781	1,071,596
Total cash, cash equivalents, and restricted cash	\$ 1,228,571	\$ 2,815,384

The savings account earns interest at 0.01% per annum. At December 31, 2017, there was \$32,075 of restricted cash earmarked for IDA Africa.

## IN DEFENSE OF ANIMALS

### Notes to Financial Statements December 31, 2018

#### 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:

	2018		2017	
	Cost Basis	Fair Value	Cost Basis	Fair Value
<b>Short-term portion:</b>				
U.S. treasury securities	\$ 20,972	\$ 20,972	\$ 662,404	\$ 659,464
Stocks and equities	223,818	216,205	206,748	245,050
Fixed Income	1,523,848	1,517,433	-	-
Cash and deposit accounts	21,665	21,665	361,401	361,401
Real estate investment trust	14,977	13,497	23,395	23,984
Total short-term investments	<b>1,805,280</b>	<b>1,789,772</b>	1,235,948	1,289,899
<b>Long-term portion:</b>				
Fixed Income	23,993	24,278	51,624	50,335
Loan receivable	88,328	88,328	88,328	88,328
Total long-term investments	<b>112,321</b>	<b>112,606</b>	139,952	138,663
Totals	<b>\$ 1,917,601</b>	<b>\$ 1,902,378</b>	\$ 1,375,900	\$ 1,428,562

During the years ended December 31, 2018 and 2017, there were unrealized gains (losses) of (\$53,964) and \$52,464, respectively, related to IDA's investments. Such unrealized gains resulted from periodic market value adjustments in various investment instruments. During the years ended December 31, 2018 and 2017, realized gains amounted to \$11,051 and \$7,493, respectively.

Included in investments at December 31, 2017 was \$661,682 of restricted investments for the Hope Animal Sanctuary. There were no restricted investments at December 31, 2018. 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, 2018 and 2017, respectively.

#### 5. Fair Value Measurements

Composition of assets utilizing fair value measurements at December 31, 2018 is as follows:

	Totals	Level 1	Level 2	Level 3
U.S. treasury securities	\$ 20,972	\$ 20,972	\$ -	\$ -
Stocks and equities	216,205	216,205	-	-
Fixed income (short term)	1,517,433	1,517,433	-	-
Fixed income (long term)	24,278	-	24,278	-
Cash and deposit accounts	21,665	21,665	-	-
Real estate investment trust	13,497	-	-	13,497
Loan receivable	88,328	-	-	88,328
Totals	<b>\$ 1,902,378</b>	<b>\$ 1,776,275</b>	\$ 24,278	\$ 101,825

*(continued)*

## IN DEFENSE OF ANIMALS

### Notes to Financial Statements December 31, 2018

#### 5. Value Measurements *(continued)*

Composition of assets utilizing fair value measurements at December 31, 2017 is as follows:

	<b>Totals</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
U.S. treasury securities	\$ 659,464	\$ 659,464	\$ -	\$ -
Stocks and equities	245,050	245,050	-	-
Fixed income (long term)	50,335		50,335	
Cash and deposit accounts	361,401	361,401	-	-
Real estate investment trust	23,984	-	-	23,984
Loan receivable	88,328	-	-	88,328
Totals	<b>\$ 1,428,562</b>	<b>\$ 1,265,915</b>	<b>\$ 50,335</b>	<b>\$ 112,312</b>

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 \$39,593 and \$5,643 at December 31, 2018 and 2017, 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. At December 31, 2018 and 2017, there were no allowances for uncollectable accounts as management believes the balances to be fully collectable. Management has evaluated the receivables as of December 31, 2018 and determined that such amounts are fully collectible based on the financial health of the donors involved.

#### 7. Inventories

Inventories includes various boutique items which are recorded at the lower of cost or market value using the first-in, first-out (FIFO) method and amounted to \$4,296 at December 31, 2017. There were no inventories at December 31, 2018.

#### 8. Prepaid Expenses and Other Current Assets

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

	<b>2018</b>	<b>2017</b>
Prepaid insurance	\$ 30,593	\$ 26,150
Prepaid subscriptions	13,634	92,790
Due to/from IDA Africa	-	88
Total prepaid expenses and other current assets	<b>\$ 44,227</b>	<b>\$ 119,028</b>

## IN DEFENSE OF ANIMALS

### Notes to Financial Statements December 31, 2018

#### 9. Property, Equipment and Leasehold Improvements

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

	2018	2017
Land	\$ 787,754	\$ 1,055,754
Building	1,250,240	1,250,240
Computers, office equipment and furniture	406,095	486,462
Leasehold improvements	999,247	502,080
Vehicles	72,340	130,507
Website development	68,767	68,767
Construction in progress-Hope Animal Sanctuary	-	466,760
Less: accumulated depreciation and amortization	(1,134,795)	(1,280,571)
Property, equipment and leasehold improvements, net	<u>\$ 2,449,648</u>	<u>\$ 2,679,999</u>

Total depreciation and amortization expense amounted to \$113,874 and \$67,887 for the years ended December 31, 2018 and 2017, respectively. During the years ended December 31, 2018 and 2017, IDA acquired various components of property, equipment, and leasehold improvements totaling \$194,268 and \$578,283, respectively. During the year ended December 31, 2018, IDA donated assets with a net book value of \$41,525 to the Sanaga-Yong Chimpanzee Rescue Center and are included in "Events and sponsorships" on the statement of functional expenses. During the year ended December 31, 2018, IDA disposed of real estate with original cost basis of \$268,000 which resulted in a loss of \$91,127. There were no disposals during the year ended December 31, 2017.

#### 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	\$ 1,228,571
Investments (short-term)	1,789,772
Accounts and grants receivable	39,593
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,057,936</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.

Notes to Financial Statements  
December 31, 2018

**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 \$4,350 per month. IDA is also committed to long-term equipment leases which require payments totaling \$478 per month. Future minimum payments under IDA's long-term lease agreements are as follows for the years ending: December 31, 2020: \$38,040; December 31, 2021: \$3,240; and December 31, 2022: \$3,240.

During the year ended December 31, 2017, IDA leased office space in Portland, Oregon under a month-to-month operating lease agreement which required a payment of \$400 per month. This operating lease was terminated during 2018.

Total rent expense for all leasing arrangements amounted to \$14,671 and \$22,670 for the years ended December 31, 2018 and 2017, 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 \$78,912 and \$89,820 for the years ended December 31, 2018 and 2017, respectively. Accordingly, IDA prepares and files unrelated business income tax returns to the Internal Revenue Service and California Franchise Tax Board.

**12. Allocation of Joint Costs**

Beginning in 1999, IDA implemented the provisions of Statement of Position 98-2 (SOP 98-2) *Accounting for costs of Materials and Activities of Not-for-Profit Organizations and State and Local Government Entities That Include a Fund-Raising Appeal*. Under SOP 98-2 for the year ended December 31, 2018, IDA incurred allocable joint costs of \$817,791 for the informational materials and activity that included fundraising appeals. Of these costs, \$300,324 was allocated to fundraising expense and \$517,467 was allocated to program expense. For the year ended December 31, 2017, IDA incurred allocable joint costs of \$820,739 for the informational materials and activity that included fundraising appeals. Of these costs, \$164,148 was allocated to fundraising expense and \$656,591 was allocated to program expense.

**13. Note Payable**

In connection with the purchase of its corporate office facility in San Rafael, California, IDA secured long-term financing with a financial institution in the original amount of \$1,260,000. In July 2015, IDA completed a refinance and reduced the loan to \$250,000 with a fixed rate of 4.5% per annum. The loan was originally collateralized by the assets of IDA. IDA repaid the loan in its entirety on September 7, 2018 and thus there is no outstanding balance at December 31, 2018. The outstanding loan balance amounted to \$235,114 at December 31, 2017. Interest expense amounted to \$8,604 and \$10,753 for the years ended December 31, 2018 and 2017, respectively.

## IN DEFENSE OF ANIMALS

### Notes to Financial Statements December 31, 2018

#### 14. Net Assets

##### Net Assets without Donor Restrictions

Net assets without donor restrictions of \$5,477,059 and \$6,245,095 at December 31, 2018 and 2017, 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:

	2018	2017
Hope Animal Sanctuary	\$ -	\$ 294,566
South Korean dogs and cats	-	17,165
Torres cats	-	1,744
Justice for animals	-	115
	<u>\$ -</u>	<u>\$ 313,590</u>

During the years ended December 31, 2018 and 2017, IDA received \$48,409 and \$997,431, respectively, in donations with restrictions. During the years ended December 31, 2018 and 2017, IDA released \$361,999 and \$773,926, respectively, in restricted contributions from net assets with donor restrictions to net assets without donor restrictions.

#### 15. 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 \$69,228 and \$86,296 at December 31, 2018 and 2017, respectively.

#### 16. Sanaga-Yong Chimpanzee Rescue Center ("IDA Africa")

During the year ended December 31, 1999, IDA established the Sanaga-Yong Chimpanzee Rescue Center ("Rescue Center") in Cameroon, West Central Africa. The Rescue Center was developed in order to provide a home for chimpanzees in a natural environment and to save wild chimpanzees and gorillas from continued slaughter and extinction.

During the year ended December 31, 2017, financial activity pertaining to the Rescue Center consisted of donations and expenditures related to the operations of its Chimpanzee Rescue Center. The financial transactions of the Rescue Center have been combined with the financial statements of IDA. Subsequent to December 31, 2017, IDA Africa became a separate non-profit organization and is no longer subject to the control and oversight of IDA.

Notes to Financial Statements  
December 31, 2018

**17. Advertising and Promotion**

Advertising and promotion costs are expensed as incurred. Advertising and promotion expense amounted to \$77,264 and \$27,156 for the years ended December 31, 2018 and 2017, respectively, and is included on the statement of functional expenses.

**18. Commitments and Contingencies**

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts and future projects, which are not 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.

**19. Subsequent Events**

In compliance with *ASC 855, Subsequent Events*, IDA has evaluated subsequent events through August 19, 2020, the date the financial statements were available to be issued. Subsequent to December 31, 2018 (the end of IDA's fiscal year), an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic.

The novel coronavirus threat (which became widespread during February and March 2020) has (a) significantly impacted financial markets, (b) potentially diminished revenue streams, and (3) impacted private enterprises with which IDA conducts business. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. These financial statements do not contain any adjustments related to economic losses which may or may not be realized by IDA as a result of these events.

In August 2020, IDA announced that IDA's Board of Directors launched an independent investigation of allegations made by several IDA staff and former staff and board members against the administration. IDA's managements believes the claims and accusations have no merit.

In the opinion of management, there are no other subsequent events which are required to be disclosed.