



In Defense Of Animals

Financial Statements

**For the years ended
December 31, 2019 and 2018**
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 2019-2019

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

Executive Director
Marilyn Kroplick, M. D.

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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, 2019 and 2018, 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, 2019 and 2018, 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.

**November 3, 2020
Danville, California**

Regalia & Associates

IN DEFENSE OF ANIMALS

Statements of Financial Position December 31, 2019 and 2018

ASSETS

	2019	2018
Current assets:		
Cash, cash equivalents, and restricted cash	\$ 1,399,708	\$ 1,228,571
Investments	1,800,068	1,789,772
Accounts and grants receivable	10,888	39,593
Prepaid expenses and other current assets	47,115	44,227
Total current assets	<u>3,257,779</u>	<u>3,102,163</u>
Noncurrent assets:		
Investments	-	24,278
Loan receivable	88,328	88,328
Property, equipment and leasehold improvements, net	2,396,005	2,449,648
Total noncurrent assets	<u>2,484,333</u>	<u>2,562,254</u>
	<u>\$ 5,742,112</u>	<u>\$ 5,664,417</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued liabilities	\$ 113,116	\$ 115,341
Accrued payroll liabilities	78,358	69,228
Security deposit liability	2,094	2,094
Deferred revenue	1,895	695
Total current liabilities	<u>195,463</u>	<u>187,358</u>
Net assets:		
Without donor restrictions	5,546,030	5,477,059
With donor restrictions	619	-
Total net assets	<u>5,546,649</u>	<u>5,477,059</u>
	<u>\$ 5,742,112</u>	<u>\$ 5,664,417</u>

IN DEFENSE OF ANIMALS

Statements of Activities and Changes in Net Assets Years Ended December 31, 2019 and 2018

	2019	2018
<i>Changes in net assets without donor restrictions:</i>		
Revenue and support:		
Donations and grants	\$ 1,185,460	\$ 1,436,430
Bequests and legacies	1,299,425	813,827
Mailing list rental	10,404	2,095
Merchandise sales	3,710	4,899
Interest and dividends	49,449	30,001
Rents, royalties and other	84,205	79,062
Unrealized gains (losses) on investments	91,064	(53,964)
Realized gains on investments	335	11,051
Investment management fees	(5,846)	(3,535)
Events and fundraising income	12,293	375
Loss on disposal of fixed assets	-	(91,127)
In-kind contributions	-	75
	2,730,499	2,229,189
Net assets released from restrictions:		
Satisfaction of program restrictions	33,374	361,999
Total revenue and support	2,763,873	2,591,188
Operating expenses:		
Program	1,445,891	1,883,096
General and administrative	644,951	772,760
Fundraising	604,060	703,368
Total operating expenses	2,694,902	3,359,224
Increase (decrease) in net assets without donor restrictions	68,971	(768,036)
<i>Changes in net assets with donor restrictions:</i>		
Grants and contributions	33,993	48,409
Net assets released from restrictions	(33,374)	(361,999)
Increase (decrease) in net assets with donor restrictions	619	(313,590)
Increase (decrease) in net assets	69,590	(1,081,626)
Net assets at beginning of year	5,477,059	6,558,685
Net assets at end of year	\$ 5,546,649	\$ 5,477,059

IN DEFENSE OF ANIMALS

Statements of Cash Flows Years Ended December 31, 2019 and 2018

	2019	2018
<i>Operating activities:</i>		
Increase (decrease) in net assets	\$ 69,590	\$ (1,081,626)
Adjustments to reconcile to cash provided by (used for) operating activities:		
Depreciation and amortization	98,289	113,874
Unrealized losses (gains) on investments	(91,064)	53,964
Loss on disposal of property, equipment, and leasehold improvements	-	91,127
Changes in:		
Accounts and grants receivable	28,705	(33,950)
Inventories	-	4,296
Prepaid expenses and other current assets	(2,888)	74,801
Accounts payable and accrued liabilities	(2,225)	(57,476)
Accrued payroll liabilities	9,130	(17,068)
Security deposit liability	-	(4,275)
Deferred revenue	1,200	695
Cash provided by (used for) operating activities	110,737	(855,638)
<i>Investing activities:</i>		
Acquisition of investments	(11,331)	(931,700)
Disposition of investments	116,377	403,920
Purchase of property, equipment, and leasehold improvements	(44,646)	25,350
Cash used for investing activities	60,400	(502,430)
<i>Financing activities:</i>		
Principal payments under note payable	-	(228,745)
Cash used for financing activities	-	(228,745)
Increase (decrease) in cash, cash equivalents, and restricted cash	171,137	(1,586,813)
Cash, cash equivalents, and restricted cash at beginning of year	1,228,571	2,815,384
Cash, cash equivalents, and restricted cash at end of year	\$ 1,399,708	\$ 1,228,571
<i>Additional cash flow information:</i>		
Interest paid	\$ 137	\$ 8,604
Taxes paid	\$ 18,305	\$ 17,464

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

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
Totals	\$ 1,883,096	\$ 772,760	\$ 703,368	\$ 3,359,224

Notes to Financial Statements
December 31, 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 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, 2019 and 2018, 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, 2019

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, 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 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, 2019.

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, 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. 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, 2019

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 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:

	2019	2018
Non-interest bearing checking accounts	\$ 1,014,884	\$ 770,790
Interest bearing savings accounts	384,824	457,781
Total cash, cash equivalents, and restricted cash	\$ 1,399,708	\$ 1,228,571

The savings account earns interest at 0.01% per annum.

IN DEFENSE OF ANIMALS

Notes to Financial Statements December 31, 2019

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:

	2019		2018	
	Cost Basis	Fair Value	Cost Basis	Fair Value
Short-term portion:				
U.S. treasury securities	\$ -	\$ -	\$ 20,972	\$ 20,972
Stocks and equities	236,025	307,662	223,818	216,205
Fixed Income	1,198,738	1,196,783	1,523,848	1,517,433
Cash and deposit accounts	286,251	286,251	21,665	21,665
Real estate investment trust	8,272	9,372	14,977	13,497
Total short-term investments	1,729,285	1,800,068	1,805,280	1,789,772
Long-term portion:				
Fixed Income	-	-	23,993	24,278
Loan receivable	-	-	88,328	88,328
Total long-term investments	-	-	112,321	112,606
Totals	\$ 1,729,285	\$ 1,800,068	\$ 1,917,601	\$ 1,902,378

During the years ended December 31, 2019 and 2018, there were unrealized gains (losses) of \$91,064 and (\$53,964), 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, 2019 and 2018, realized gains amounted to \$440 and \$11,051, respectively.

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, 2019 and 2018, respectively.

5. Fair Value Measurements

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	\$ 1,888,396	\$ 1,790,696	\$ -	\$ 97,700

(continued)

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Notes to Financial Statements December 31, 2019

5. Value Measurements *(continued)*

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	\$ 1,902,378	\$ 1,776,275	\$ 24,278	\$ 101,825

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 \$10,888 and \$39,593 at December 31, 2019 and 2018, 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, 2019 and determined that such amounts are fully collectible based on the financial health of the donors involved.

7. Prepaid Expenses and Other Current Assets

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

	2019	2018
Prepaid insurance	\$ 29,502	\$ 30,593
Prepaid subscriptions	17,613	13,634
Total prepaid expenses and other current assets	\$ 47,115	\$ 44,227

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Notes to Financial Statements December 31, 2019

8. Property, Equipment and Leasehold Improvements

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

	2019	2018
Land	\$ 787,754	\$ 787,754
Building	1,250,240	1,250,240
Computers, office equipment and furniture	412,823	406,095
Leasehold improvements	1,008,409	999,247
Vehicles	96,572	72,340
Website development	73,291	68,767
Construction in progress-Hope Animal Sanctuary	-	-
Less: accumulated depreciation and amortization	(1,233,084)	(1,134,795)
Property, equipment and leasehold improvements, net	<u>\$ 2,396,005</u>	<u>\$ 2,449,648</u>

Total depreciation and amortization expense amounted to \$98,289 and \$113,874 for the years ended December 31, 2019 and 2018, respectively. During the years ended December 31, 2019 and 2018, IDA acquired various components of property, equipment, and leasehold improvements totaling \$44,646 and \$194,268, 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, 2019.

9. 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	\$ 1,399,708
Investments (short-term)	1,800,068
Accounts and grants receivable	10,888
Less restricted donations for programs	(619)
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,210,045</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, 2019

10. 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 \$14,671 for the years ended December 31, 2019 and 2018, 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 \$78,912 for the years ended December 31, 2019 and 2018, respectively. Accordingly, IDA prepares and files unrelated business income tax returns to the Internal Revenue Service and California Franchise Tax Board.

11. 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, 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. 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.

IN DEFENSE OF ANIMALS

Notes to Financial Statements December 31, 2019

12. Net Assets

Net Assets without Donor Restrictions

Net assets without donor restrictions of \$5,546,030 and \$5,477,059 at December 31, 2019 and 2018, 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:

	2019	2018
Elephant/Cetaceans	\$ 19	\$ -
Justice for animals	600	-
	<u>\$ 619</u>	<u>\$ -</u>

During the years ended December 31, 2019 and 2018, IDA received \$33,993 and \$48,409, respectively, in donations with restrictions. During the years ended December 31, 2019 and 2018, IDA released \$33,374 and \$361,999, 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 \$78,358 and \$69,228 at December 31, 2019 and 2018, respectively.

14. Advertising and Promotion

Advertising and promotion costs are expensed as incurred. Advertising and promotion expense amounted to \$25,140 and \$77,264 for the years ended December 31, 2019 and 2018, respectively, and is included on the statement of functional expenses.

Notes to Financial Statements
December 31, 2019

15. 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.

16. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, IDA has evaluated subsequent events through November 3, 2020, the date the financial statements were available to be issued. Subsequent to December 31, 2019 (the end of IDA's fiscal year), the outbreak of COVID-19 has spread throughout the world, 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.