In Defense Of Animals

Financial Statements

For the years ended
December 31, 2021 and 2020
With Independent Auditors' Report Thereon

(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
Jacqueline Janssen (resigned March 2021)	Director
Stephen Linker (resigned March 2021)	Director
Margie Tally	Director
Sammy Zablen	Director

Executive Director
Marilyn Kroplick, M. D.

In Defense of Animals
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
In Defense of Animals

Opinion

We have audited the accompanying financial statements of In Defense of Animals (a California nonprofit organization), which comprise the statements of financial position as December 31, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of In Defense of Animals as of December 31, 2021 and 2020, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of In Defense of Animals and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about In Defense of Animals' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of In Defense of Animals' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about In Defense of Animals' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Regalia & Associates

October 31, 2022
Danville, California

Statements of Financial Position
December 31, 2021 and 2020

ASSETS

	2021	2020
Current assets:		
Cash, cash equivalents, and restricted cash	**$ 931,532**	$ 1,137,337
Investments	**2,813,587**	2,547,825
Accounts and grants receivable	**24,551**	15,387
Prepaid expenses and other current assets	**63,269**	75,403
Total current assets	**3,832,939**	3,775,952
Noncurrent assets:		
Investments	**25,793**	26,928
Loan receivable	**88,328**	88,328
Property, equipment and leasehold improvements, net	**2,235,802**	2,307,041
Total noncurrent assets	**2,349,923**	2,422,297
	$ 6,182,862	$ 6,198,249

LIABILITIES AND NET ASSETS

	2021	2020
Current liabilities:		
Accounts payable and accrued liabilities	**$ 75,248**	$ 151,246
Accrued payroll liabilities	**108,503**	102,666
Security deposit liability	**2,094**	2,094
Total current liabilities	**185,845**	256,006
Net assets:		
Without donor restrictions	**5,976,843**	5,910,199
With donor restrictions	**20,174**	32,044
Total net assets	**5,997,017**	5,942,243
	$ 6,182,862	$ 6,198,249

Statements of Activities and Changes in Net Assets
Years Ended December 31, 2021 and 2020

Changes in net assets without donor restrictions:	**2021**	**2020**
Revenue and support:		
Donations and grants	**$ 1,423,577**	$ 1,032,904
Bequests and legacies	**993,274**	1,545,043
Mailing list rental	**7,181**	11,880
Merchandise sales	**7,113**	3,544
Interest and dividends	**35,498**	44,548
Rents, royalties and other	**84,318**	82,750
Unrealized gains on investments, net	**67,451**	255,231
Realized gains (losses) on investments, net	**81,172**	(408)
Investment management fees	**(14,458)**	(5,961)
Events and fundraising income	**-**	1,200
	2,685,126	2,970,731
Net assets released from restrictions:		
Satisfaction of program restrictions	**41,824**	46,839
Total revenue and support	**2,726,950**	3,017,570
Operating expenses:		
Program	**1,444,524**	1,387,780
General and administrative	**728,213**	769,224
Fundraising	**487,569**	496,397
Total operating expenses	**2,660,306**	2,653,401
Increase in net assets without donor restrictions	**66,644**	364,169
Changes in net assets with donor restrictions:		
Grants and contributions	**29,954**	78,264
Net assets released from restrictions	**(41,824)**	(46,839)
Increase in net assets with donor restrictions	**(11,870)**	31,425
Increase in net assets	**54,774**	395,594
Net assets at beginning of year	**5,942,243**	5,546,649
Net assets at end of year	**$ 5,997,017**	$ 5,942,243

Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Operating activities:		
Increase in net assets	**$ 54,774**	$ 395,594
Adjustments to reconcile to cash provided by (used for) operating activities:		
Depreciation and amortization	**88,339**	90,268
Unrealized gains on investments	**(67,451)**	(255,231)
Changes in:		
Accounts and grants receivable	**(9,164)**	(4,499)
Prepaid expenses and other current assets	**12,134**	(28,288)
Accounts payable and accrued liabilities	**(75,998)**	38,130
Accrued payroll liabilities	**5,837**	24,308
Deferred revenue	**-**	(1,895)
Cash provided by operating activities	**8,471**	258,387
Investing activities:		
Acquisition of investments	**(197,176)**	(1,019,454)
Disposition of investments	**-**	500,000
Purchase of property, equipment, and leasehold improvements	**(17,100)**	(1,304)
Cash used for investing activities	**(214,276)**	(520,758)
Decrease in cash and cash equivalents	**(205,805)**	(262,371)
Cash and cash equivalents at beginning of year	**1,137,337**	1,399,708
Cash and cash equivalents at end of year	**$ 931,532**	$ 1,137,337
Additional cash flow information:		
Interest paid	**$ 240**	$ 579
Taxes paid	**$ 21,340**	$ 20,539

Statement of Functional Expenses
Year Ended December 31, 2021

	Programs	General and Administrative	Fund-Raising	2021 Totals
Advertising and promotion	$ 2,042	$ 5,634	$ -	**$ 7,676**
Computer/web service and supplies	14,263	5,892	3,028	**23,183**
Cost of goods sold	11,645	-	-	**11,645**
Depreciation and amortization	37,536	35,824	14,979	**88,339**
Direct mail	92,522	-	193,526	**286,048**
Donations and grants	49,282	-	-	**49,282**
Equipment rental and maintenance	7,507	2,405	1,236	**11,148**
Events and sponsorships	12,054	-	-	**12,054**
Fees/licenses/bank charges	91	48,243	2,210	**50,544**
Insurance	4,312	55,557	-	**59,869**
Interest	-	240	-	**240**
Miscellaneous	11,517	9,255	2,584	**23,356**
Office and supplies	43,048	682	351	**44,081**
Postage and shipping	3,210	1,329	683	**5,222**
Printing	4,104	960	705	**5,769**
Professional fees and outside services	189,477	171,783	67,642	**428,902**
Rent and utilities	48,617	21,231	10,910	**80,758**
Repairs and maintenance	22,920	10,009	5,144	**38,073**
Rescue	64,457	-	-	**64,457**
Salaries, payroll taxes and benefits	807,394	352,598	181,194	**1,341,186**
Telephone and telecommunications	13,999	4,594	2,361	**20,954**
Travel/meals/lodging	4,527	1,977	1,016	**7,520**
Totals	$ 1,444,524	$ 728,213	$ 487,569	**$ 2,660,306**

Statement of Functional Expenses
Year Ended December 31, 2020

	Programs	General and Administrative	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**

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, 2021 and 2020, 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.

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:

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

<u>Level 2</u>
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.

<u>Level 3-</u> Unobservable inputs that cannot be corroborated by observable market data.

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, 2021 and 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.

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 in order to report its unrelated business taxable income.

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 31, 2022 (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.

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.

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:

	2021	2020
Noninterest-bearing checking accounts	**$ 931,532**	$ 318,589
Interest-bearing savings account	**-**	818,748
Total cash and cash equivalents	**$ 931,532**	$ 1,137,337

The savings account earns interest at 0.01% per annum at December 31, 2020. There were no interest-bearing accounts at December 31, 2021.

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:

	2021		2020	
Short-term portion:	**Cost Basis**	**Fair Value**	Cost Basis	Fair Value
Stocks and equities	**$ 694,626**	**$ 1,096,554**	$ 718,061	$ 1,006,690
Fixed Income	**1,628,537**	**1,614,173**	1,003,914	1,009,167
Cash and deposit accounts	**70,493**	**70,493**	508,273	508,273
Real estate investment trust	**23,660**	**32,367**	24,047	23,695
Total short-term investments	**2,417,316**	**2,813,587**	2,254,295	2,547,825
Long-term portion:				
Fixed Income	**27,078**	**25,793**	27,078	26,928
Loan receivable	**88,328**	**88,328**	88,328	88,328
Total long-term investments	**115,406**	**114,121**	115,406	115,256
Totals	**$ 2,532,722**	**$ 2,927,708**	$ 2,369,701	$ 2,663,081

During the years ended December 31, 2021 and 2020, unrealized investment gains amounted to $67,451 and $255,231, respectively. Such unrealized gains resulted from periodic market value adjustments in various investment instruments. During the years ended December 31, 2021 and 2020, realized gains (losses) amounted to $81,172 and ($408), 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, 2021 and 2020, respectively.

5. Fair Value Measurements

Composition of assets utilizing fair value measurements at December 31, 2021 is as follows:

	Totals	Level 1	Level 2	Level 3
Stocks and equities	$ 1,096,554	$ 1,096,554	$ -	$ -
Fixed income (short term)	1,639,966	1,614,173	25,793	-
Cash and deposit accounts	70,493	70,493	-	-
Real estate investment trust	32,367	-	-	32,367
Loan receivable	88,328	-	-	88,328
Totals	$ 2,927,708	$ 2,781,220	$ 25,793	$ 120,695

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	$ 2,663,081	$ 2,524,130	$ 26,928	$ 112,023

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 $24,551 and $15,387 at December 31, 2021 and 2020, 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, 2021 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:

	2021	2020
Prepaid insurance	**$ 13,632**	$ 41,876
Prepaid subscriptions	**49,637**	33,527
Total prepaid expenses and other current assets	**$ 63,269**	$ 75,403

8. Property, Equipment and Leasehold Improvements

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

	2021	2020
Land	**$ 787,754**	$ 787,754
Building	**1,250,240**	1,250,240
Computers, office equipment and furniture	**393,613**	393,613
Leasehold improvements	**997,014**	992,322
Vehicles	**96,572**	96,572
Website development	**81,363**	81,363
Less: accumulated depreciation and amortization	**(1,368,702)**	(1,294,823)
Property, equipment and leasehold improvements, net	**$ 2,235,802**	$ 2,307,041

Total depreciation and amortization expense amounted to $88,339 and $90,268 for the years ended December 31, 2021 and 2020, respectively. During the years ended December 31, 2021 and 2020, IDA acquired various components of property, equipment, and leasehold improvements totaling $17,100 and $8,072, respectively. During the year ended December 31, 2021, IDA disposed of depreciated property and equipment with original cost basis of $12,409 which resulted in the write-down of $14,460 associated with accumulated depreciation. During the year ended December 31, 2020, IDA disposed of depreciated property and equipment with original cost basis of $35,297 which resulted in the write-down of $6,768 associated with accumulated depreciation. **Sale of buildings:** During August 2022 (subsequent to IDA's December 31, 2021 fiscal year-end), IDA sold the two buildings to the Marin Transit Authority for a total sales price of $3,500,000. This transaction will be reflected in IDA's financial statements for the year ending December 31, 2022.

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 $286,048 for the informational materials and activity that included fundraising appeals for the year ended December 31, 2021. Of these costs, $193,526 was allocated to fundraising expense and $92,522 was allocated to program expense. For the year ended December 31, 2020, IDA incurred allocable joint costs of $224,548 for the informational materials and activity that included fundraising appeals. Of these costs, $193,463 was allocated to fundraising expense and $31,085 was allocated to program expense.

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:

	2021	2020
Cash and cash equivalents	**$ 931,532**	$ 1,137,337
Investments (short-term)	**2,813,587**	2,547,825
Accounts and grants receivable	**24,551**	15,387
Less restricted donations for programs	**(20,174)**	(32,044)
Financial assets available to meet general expenditures over the next twelve months	**$ 3,749,496**	$ 3,668,505

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 $639 per month. Future minimum payments under IDA's lease agreements with original terms in excess of one year are as follows at December 31, 2021: 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 $13,398 and $17,187 for the years ended December 31, 2021 and 2020, 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 $84,150 and $82,750 for the years ended December 31, 2021 and 2020, respectively. Accordingly, IDA prepares and files unrelated business income tax returns to the Internal Revenue Service and California Franchise Tax Board.

12. Net Assets

*Net Assets **without** Donor Restrictions*
Net assets without donor restrictions of $5,976,843 and $5,910,199 at December 31, 2021 and 2020, 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:

		2021		2020
Farmed animals	**$**	**20,174**	$	28,556
Justice for animals		**-**		1,100
Sustainable Activism/Vegan Spirituality		**-**		2,388
	$	**20,174**	$	32,044

During the years ended December 31, 2021 and 2020, IDA received $29,954 and $78,264, respectively, in donations with restrictions. During the years ended December 31, 2021 and 2020, IDA released $41,824 and $46,839, 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 $108,503 and $102,666 at December 31, 2021 and 2020, respectively.

14. Advertising and Promotion

Advertising and promotion costs are expensed as incurred. Advertising and promotion expense amounted to $7,676 and $5,388 for the years ended December 31, 2021 and 2020, 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. During June 2022 (subsequent to IDA's December 31, 2021 year-end), the parties settled the matter and entered into a confidential separation agreement and complete release of all claims.

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 reflect certain economic ramifications which impacted the years ended December 31, 2021 and 2020.

17. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, IDA has evaluated subsequent events through October 31, 2022, the date the financial statements were available to be issued. As disclosed in Note 8, IDA sold the two buildings it owned to the Marin Transit Authority in August 2022 for a total sales price of $3,500,000. This transaction will be reflected in IDA's financial statements for the year ending December 31, 2022. As disclosed in Note 15, IDA entered into a confidential separation agreement and complete release of all claims during June 2022 related to the previously filed workplace complaint. In the opinion of management, there are no other subsequent events which necessitate disclosure.