



# IN DEFENSE OF ANIMALS

## **Financial Statements**

*For the years ended*  
December 31, 2014 and 2013

**With Independent Auditors' Report**

# IN DEFENSE OF ANIMALS

(A California Not-For-Profit Corporation)  
December 31, 2013

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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 nonprofit organization) which comprise the statement of financial position as of December 31, 2014 and 2013 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, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

We have previously audited In Defense of Animals' December 31, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 25, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Danville, California
May 15, 2015

Regalia & Associates (handwritten signature)

Opinion

**IN DEFENSE OF ANIMALS**

**Statements of Financial Position  
December 31, 2014 and 2013**

**ASSETS**

	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents	\$ 2,012,893	\$ 1,600,429
Investments	650,531	613,922
Accounts and grants receivable	21,635	22,369
Inventories	14,831	8,929
Prepaid expenses and other current assets	43,941	33,290
Total current assets	<u>2,743,831</u>	<u>2,278,939</u>
Loans receivable (net)	389,000	388,941
Property, equipment and leasehold improvements, net	<u>2,009,226</u>	<u>2,058,704</u>
	<u>\$ 5,142,057</u>	<u>\$ 4,726,584</u>

**LIABILITIES AND NET ASSETS**

Current liabilities:		
Accounts payable and accrued liabilities	\$ 73,493	\$ 59,065
Accrued payroll liabilities	62,507	67,448
Note payable - current portion	375,013	17,288
Total current liabilities	<u>511,013</u>	<u>143,801</u>
Long-term liabilities:		
Note payable - noncurrent portion	-	375,087
Total long-term liabilities	<u>-</u>	<u>375,087</u>
Total liabilities	<u>511,013</u>	<u>518,888</u>
Net assets:		
Unrestricted	4,473,505	4,054,745
Temporarily restricted	157,539	152,951
Total net assets	<u>4,631,044</u>	<u>4,207,696</u>
	<u>\$ 5,142,057</u>	<u>\$ 4,726,584</u>

**IN DEFENSE OF ANIMALS**

**Statements of Activities and Changes in Net Assets  
Years Ended December 31, 2014 and 2013**

<i>Changes in unrestricted net assets:</i>	<b>2014</b>	<b>2013</b>
Revenue and support:		
Donations and grants	\$ 1,343,159	\$ 1,318,856
Bequests and legacies	1,245,326	945,892
In-kind donations	6,013	165,787
Mailing list rental	9,196	21,966
Merchandise sales	38,673	48,696
Interest and dividends	16,050	19,407
Rents, royalties and other	115,137	87,485
Unrealized gains on investments	25,335	38,337
Realized gains (losses) on investments	6,612	(534)
Events and fundraising income	42,974	42,350
	<b>2,848,475</b>	<b>2,688,242</b>
Net assets released from restrictions:		
Satisfaction of program restrictions	335,258	180,373
Total revenue and support	<b>3,183,733</b>	<b>2,868,615</b>
Operating expenses:		
Program	2,224,433	2,743,265
General and administrative	263,732	235,942
Fund raising	276,808	292,398
Total operating expenses	<b>2,764,973</b>	<b>3,271,605</b>
Increase (decrease) in unrestricted net assets	<b>418,760</b>	<b>(402,990)</b>
<i>Changes in temporarily restricted net assets:</i>		
Grants and contributions	339,846	95,024
Net assets released from restrictions	(335,258)	(180,373)
Increase (decrease) in temporarily restricted net assets	<b>4,588</b>	<b>(85,349)</b>
Increase (decrease) in net assets	<b>423,348</b>	<b>(488,339)</b>
Net assets at beginning of year	<b>4,207,696</b>	<b>4,696,035</b>
Net assets at end of year	<b>\$ 4,631,044</b>	<b>\$ 4,207,696</b>

**IN DEFENSE OF ANIMALS**

**Statements of Cash Flows  
Years Ended December 31, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<i>Operating activities:</i>		
Increase (decrease) in net assets	\$ 423,348	\$ (488,339)
Adjustments to reconcile to cash provided by operating activities:		
Depreciation and amortization	78,035	73,377
Unrealized gains on investments	(25,335)	(38,337)
Changes in:		
Accounts and grants receivable	734	47,013
Inventories	(5,902)	(2,714)
Prepaid expenses and other current assets	(10,651)	(16,560)
Accounts payable and accrued liabilities	14,428	(47,239)
Accrued payroll liabilities	(4,941)	17,225
Cash provided by (used for) operating activities	<b>469,716</b>	<b>(455,574)</b>
<i>Investing activities:</i>		
Acquisition of investments	114,425	114,425
Disposition of investments	(125,758)	(98,460)
Purchase of property and equipment	(28,557)	(53,307)
Cash used for investing activities	<b>(39,890)</b>	<b>(37,342)</b>
<i>Financing activities:</i>		
Principal payments under note payable	(17,362)	(16,741)
Cash used for financing activities	<b>(17,362)</b>	<b>(16,741)</b>
Increase (decrease) in cash and cash equivalents	412,464	(509,657)
Cash and cash equivalents at beginning of year	1,600,429	2,110,086
Cash and cash equivalents at end of year	<b>\$ 2,012,893</b>	<b>\$ 1,600,429</b>
<i>Additional cash flow information:</i>		
Interest paid	\$ 14,034	\$ 14,655
State registration taxes paid	<b>\$ 13,820</b>	<b>\$ 13,820</b>

## IN DEFENSE OF ANIMALS

### Statement of Functional Expenses Year Ended December 31, 2014

*(with Summarized Financial Information for the Year Ended December 31, 2013)*

	General & Admini- strative Programs	Fund Raising	2014 Totals	2013 Totals
Advertising and promotion	\$ 21,351	\$ -	\$ -	\$ 16,930
Computer/web service and supplies	10,361	2,072	1,382	22,552
Cost of goods sold	9,009	-	-	6,982
Demonstrations	-	-	-	775
Depreciation and amortization	68,671	5,462	3,902	73,377
Direct Mail	241,059	-	103,310	282,837
Donations and grants	73,262	-	-	78,905
Equipment rental and maintenance	13,974	1,112	793	12,749
Events and sponsorships	-	-	28,751	28,441
Fees/licenses/bank charges	28,665	60,283	-	63,773
In-kind legal fees: Rock Creek Deer project	1,013	-	-	156,411
Insurance	22,877	1,820	1,300	22,980
Interest	10,525	3,509	-	14,655
Miscellaneous	4,380	2,358	-	21,497
Office and supplies	22,289	4,458	2,971	42,046
Postage and shipping	34,990	2,783	1,988	39,368
Printing	5,909	-	2,533	57,667
Professional fees and outside services	112,510	79,140	60,480	437,233
Rent and utilities	59,217	4,710	3,365	69,033
Repairs and maintenance	7,046	561	400	16,779
Rescue	257,443	-	-	225,641
Salaries, payroll taxes and benefits	1,130,258	89,907	64,219	1,475,254
Telephone and telecommunications	24,880	1,979	1,414	29,263
Travel/meals/lodging	64,744	3,578	-	76,457
<b>Totals</b>	<b>\$2,224,433</b>	<b>\$ 263,732</b>	<b>\$ 276,808</b>	<b>\$3,271,605</b>

**Notes to Financial Statements  
December 31, 2014 and 2013**

**1. Organization**

In Defense of Animals (the Agency) was established in 1983 as a nonprofit association. The Agency 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 Accounting*

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

*Basis of Presentation*

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958.205, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958.205, the Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

*Support and Revenue Recognition*

The Agency records contributions in accordance with the recommendations of ASC 958.605, *Revenue Recognition of Not-for-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities and changes in net assets as net assets released from restrictions. The Agency had no permanently restricted net assets at December 31, 2014 and 2013.

*Investments*

Investments include cash, certificates of deposit, stocks, and mutual funds. Purchased investments are initially stated at cost. Investments received by gift are recorded at fair value at the date of contribution. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included on the statement of activities and changes in net assets.

The Agency follows the provisions of ASC 958.320, *Investments of Not-for-Profit Entities*, 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 Agency 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, 2014. 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.



Notes to Financial Statements

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

*Cash and Cash Equivalents*

The Agency considers all highly liquid investments with a maturity commitment of 90 days or less when acquired to be cash equivalents. The Agency maintains its cash balances in high quality financial institutions, which at times may exceed federally insured limits. The Agency has not experienced any losses in such accounts.

*Property, Equipment and Leasehold Improvements*

Property and equipment purchased by the Agency is stated at cost. Property and equipment donated to the Agency is recorded at estimated fair value as of the date of the gift. Maintenance and repairs are charged to expense as incurred. Building is depreciated using the straight-line method over 30 years. Furnishings, equipment and leasehold improvements are depreciated using the straight-line method over the estimated useful lives of the assets of between three and fifteen years.

*Income Taxes*

Financial statement presentation follows the recommendations of ASC 740, *Income Taxes*. Under ASC 740, the Agency is required to report information regarding its exposure to various tax positions taken by the Agency and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that the Agency has adequately evaluated its current tax positions and has concluded that as of December 31, 2014 the Agency does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

The Agency 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 the Agency continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status. The Agency may periodically receive unrelated business income (such as sublease rental income) requiring the Agency to file separate tax returns under federal and state statutes. Under such conditions, the Agency calculates and accrues the applicable taxes.

*Fair Values*

The Agency follows the provisions of ASC 820, *Fair Value Measurements and Disclosures*, and has estimated the fair value of its current assets using available market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that the Agency 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, 2014. 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.

**Notes to Financial Statements**

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

*Inventories*

Inventories are carried at lower of cost or market and consist of various branded merchandise, such as T-shirts, tote bags, license plate frames and coffee mugs.

*Use of Estimates*

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

*Functional Allocation of Expenses*

In accordance with ASC 958.720.45-2 *Functional Classification of Expenses*, the costs of providing the Agency's various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

*Reclassifications*

Certain reclassifications have been made to the 2013 financial statements in order to conform to the presentation used in 2014.

**3. Cash and Cash Equivalents**

Cash and cash equivalents include all funds in financial institutions (checking, savings, and money market) and consist of the following at December 31, 2014 and 2013.

	<b>2014</b>	<b>2013</b>
Checking and petty cash (noninterest-bearing)	\$ 973,028	\$ 410,106
Interest-earning accounts, including savings and money market	<b>1,039,865</b>	1,190,323
Total cash and cash equivalents	<b>\$ 2,012,893</b>	\$ 1,600,429

At December 31, 2014, certain accounts exceeded the FDIC insured limit, resulting in funds that were not covered by insurance provided by the federal government. Such financial instruments potentially subject The Agency to concentrations of credit risk. It is the opinion of management that the solvencies of the referenced financial institution are satisfactorily strong and that The Agency's financial position will not be compromised. The Agency attempts to limit its credit risk associated with cash equivalents and restricted cash by placing all deposits with highly rated corporate and financial institutions.

Funds on deposit in various interest-earning checking, money market and savings accounts earn interest at rates ranging from 0.01% to 0.03% per annum at December 31, 2014.

# IN DEFENSE OF ANIMALS

## Notes to Financial Statements

### 4. Investments

Investments consist primarily of securities, mutual funds, and stocks. Cost basis and fair value of investments are as follows at December 31, 2014 and 2013:

	December 31, 2014		December 31, 2013	
	Cost Basis	Fair Value	Cost Basis	Fair Value
<b>Short-term portion:</b>				
U.S. Treasury Securities	\$ 384,097	\$ 384,097	381,003	\$ 381,003
Mutual funds	82,413	93,647	70,778	89,863
Stocks and equities	103,448	117,549	71,393	90,645
Partnerships	7,052	7,052	4,486	6,240
Cash and other	48,186	48,186	46,171	46,171
Subtotal	<b>625,196</b>	<b>650,531</b>	573,831	613,922
<b>Long-term portion:</b>				
Loans receivable, net of \$63,387 reserve	389,000	389,000	452,328	388,941
	<b>\$ 1,014,196</b>	<b>\$ 1,039,531</b>	\$ 1,026,0159	\$ 1,002,863

During the years ended December 31, 2014 and 2013, there were unrealized gains of \$25,335 and \$38,337, respectively, related to the Agency's investments. Such unrealized gains resulted from periodic market value adjustments in various investment instruments. During the years ended December 31, 2014 and 2013, realized gains (losses) amounted to \$6,612 and (\$534), respectively. Loans receivable represent funds invested in first deeds of trust which are collateralized by real estate properties and bear interest at 12% per annum. The Agency has established a reserve of \$63,387 for estimated uncollectible balances as of December 31, 2014 and 2013. Composition of investments utilizing fair value measurements at December 31, 2014 is as follows:

	Totals	Level 1	Level 2	Level 3
U.S. Treasury Securities	\$ 384,097	\$ 384,097	\$ -	\$ -
Mutual funds	93,647	93,647	-	-
Stocks and equities	117,549	117,549	-	-
Partnerships	7,052	-	-	7,052
Cash and other	48,186	48,186	-	-
Loans receivable	389,000	-	-	389,000
Totals	<b>\$ 1,039,531</b>	<b>\$ 643,479</b>	\$ -	\$ 396,052

Fair value measurements establish a fair value hierarchy that prioritizes the input used to measure fair value. This hierarchy consists of three broad levels: (a) Level 1 measurement reflects the value of the investments at quoted prices in active markets for identical assets, generally without any adjustments, (b) Level 2 assets and liabilities are valued based on "observable inputs" other than quoted active market prices, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and interest rates and yield curves, and (c) Level 3 assets and liabilities are valued based on "unobservable inputs," such as a company's own estimates and pricing models.

Assets Classified as Level 3: These investments 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.

## IN DEFENSE OF ANIMALS

### Notes to Financial Statements

#### 4. Investments *(continued)*

The Agency has a Finance Committee which has the responsibility for establishing the Agency's return objectives (generally lower rates of return associated with more stable and safer investments) and to define the risk parameters (generally low risk securities, certificates of deposit and mutual funds). The committee routinely oversees investment performances and reviews cash flows necessary to sustain the Agency's operating activities.

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

Prepaid expenses and other current assets consist of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Prepaid insurance	\$ 16,368	\$ 15,204
Other prepaid expenses	27,573	18,086
	<u>\$ 43,941</u>	<u>\$ 33,290</u>

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

Property, equipment and leasehold improvements consist of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Land	\$ 777,754	\$ 777,754
Building	1,240,240	1,240,240
Computers, office equipment and furniture	475,213	468,683
Leasehold improvements	479,675	457,648
Vehicles	91,300	91,300
Less: accumulated depreciation and amortization	<u>(1,054,956)</u>	<u>(976,921)</u>
	<u>\$ 2,009,226</u>	<u>\$ 2,058,704</u>

Total depreciation and amortization expense amounted to \$78,035 and \$73,377 for the years ended December 31, 2014 and 2013, respectively. There were no disposals of property and equipment during the years ended December 31, 2014 and 2013.

#### 7. Retirement Plan

The Company offers the opportunity for eligible employees to participate in a salary reduction retirement plan qualified under Internal Revenue Code Section 401(k). Contribution to and distributions from the 401(k) plan are made only pursuant to all applicable laws and regulations. There is no obligation for the Company to contribute to this plan, and management elected to not contribute to the plan for the fiscal years ended December 31, 2014 and 2013.

**Notes to Financial Statements**

**8. Leases**

Under a long-term operating lease expiring July 31, 2015, the Agency leases office space in Portland, Oregon requiring monthly lease payments of \$464 as of December 31, 2014. The lease provides for contractual increases in the monthly rent during the term of the agreement. The Agency is also committed to two long-term equipment leases, one of which requires a monthly payment of \$208 and another which requires a monthly payment of \$264. The Agency also has a long-term subscription for database management software which requires a monthly payment of \$4,350. Future minimum payments under the Agency’s long-term lease agreements are as follows:

*Year Ending December 31,*

2015	\$ 59,791
2016	54,695
2017	37,295
2018	2,495
2019	832

Total rent expense for all leasing arrangements amounted to \$25,056 and \$22,492 for the years ended December 31, 2014 and 2013, respectively, and is included in rent and utilities on the statement of functional expenses.

**9. Allocation of Joint Costs**

Beginning in 1999, the Agency 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, 2014, the Agency incurred allocable joint costs of \$352,811 for the informational materials and activity that included fundraising appeals. Of these costs, \$105,843 was allocated to fundraising expense and \$246,968 was allocated to program expense. For the year ended December 31, 2013, the Agency incurred allocable joint costs of \$340,504 for the informational materials and activities that included fund-raising appeals. Of those costs, \$110,557 was allocated to fund-raising expense and \$229,947 was allocated to program expense.

**10. Note Payable**

In connection with the purchase of its corporate office facility in San Rafael, California, the Agency secured long-term financing with a financial institution in the original amount of \$1,260,000. The mortgage loan is fully amortizing over 25 years with a balloon payment due in 10 years. The unpaid loan balance was \$375,013 and \$392,375 at December 31, 2014 and 2013, respectively, and bears interest at the variable rate of the 5-year Treasury Constant Maturity Index plus a margin of 2% (currently 3.60% at December 31, 2014).

Monthly principal and interest payments in the amount of \$2,616 are due at beginning of each month. The remaining principal balance is due in 2015. Interest expense amounted to \$14,034 and \$14,655 for the years ended December 31, 2014 and 2013, respectively.

## IN DEFENSE OF ANIMALS

### Notes to Financial Statements

#### 11. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31, 2014 and 2013:

	2014	2013
Africa Education Initiative	\$ -	\$ 5,000
Free Billy Fund	3,460	3,415
Mumbai Stray Dogs	-	5,000
South Korean Dogs and Cats	108,346	57,361
Reserved for future fiscal period	3,660	50,521
Worldwide Disasters	31,654	31,654
Sustainable Activism	10,000	-
Other	419	-
	<u>\$ 157,539</u>	<u>\$ 152,951</u>

During the years ended December 31, 2014 and 2013, the Agency received temporarily restricted donations of \$339,846 and \$95,024, respectively. During the years ended December 31, 2014 and 2013, the Agency released \$335,258 and \$180,373, respectively, in restricted contributions from temporarily restricted net assets to unrestricted net assets.

#### 12. Sanaga-Yong Chimpanzee Rescue Center

During the year ended December 31, 1999, the Agency 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. In Defense of Animals-Africa (a subsidiary created by the Agency) is under the control of an employee of the Agency. During the years ended December 31, 2014 and 2013, income pertaining to the Rescue Center consisted of donations and a fund raising event and expenditures related to the development of the Chimpanzee Rescue Center. The financial transactions of the Rescue Center have been combined with the financial statements of the Agency.

#### 13. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of ASC 710.25, *Compensated Absences*. Under ASC 710.25, the Agency 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 of the employee. Sick leave is not paid upon termination. Annual leave accruals are recorded in the financial statements as an accrued liability on the Statements of Financial Position based on hourly rates in effect at the end of the fiscal year. Accrued payroll liabilities amounted to \$65,042 and \$67,448 at December 31, 2014 and 2013, respectively.

Notes to Financial Statements

14. Vehicle Donations

The Agency is a participant in a vehicle donation program operated by a third-party agency which physically collects and subsequently sells donated vehicles and shares the proceeds with the organization. The net revenues earned from vehicle donations amounted to \$6,709 and \$3,194 for the years ended December 31, 2014 and 2013, respectively.

15. Commitments and Contingencies

Employment Retaliation Complaint

A retaliation complaint by a former employee was filed with the Department of Industrial Relations, Division of Labor Standards Enforcement, Retaliation Unit on February 15, 2013, alleging unlawful retaliation and/or discrimination in violation of California law. Employees who have been retaliated against in violation of the Labor Code may be entitled, among other things, to reinstatement and compensation for any lost wages due to the illegal retaliation. In addition, corporate employers may be subject to a civil penalty of up to \$10,000 for every violation of Labor Code Section 1102.5. As of April 25, 2014, the date of the Independent Auditors' Report, the former employee had not taken any further action and the Agency does not expect that the former employee will proceed with the matter.

Other

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts and future funding agreements, 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 the Agency to fulfill certain requirements as set forth in grant instruments, (b) Funding levels which vary based on factors beyond the Agency's control, such as generosity of donors and general economic conditions, (c) Employment and service agreements with key management personnel, including executive officers of the organization, and (d) Financial risks associated with funds on deposit in accounts at financial institutions. Certain of the grants and contracts (including current and prior costs) are subject to audit, adjustment, and final acceptance by the granting agencies. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the financial statements. Accordingly, no accrual for estimated losses for any of the matters noted above has been made in the financial statements as of December 31, 2014.

16. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, the Agency has evaluated subsequent events through May 15, 2015, the date the financial statements were available to be issued. Except for the items noted above under "Commitments and Contingencies," and in the opinion of management, there are no other subsequent events which need to be disclosed.