In Defense of Animals

IN DEFENSE OF ANIMALS

Financial Statements

For the years ended

December 31, 2016 and 2015

With Independent Auditors' Report

REGALIA & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

IN DEFENSE OF ANIMALS

(A California Not-For-Profit Corporation)
December 31, 2016

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IN DEFENSE OF ANIMALS
3010 Kerner Boulevard
San Rafael, California 94901
415-448-0048
Web Site Address: www.idausa.org

REGALIA & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

R&A CPA Regalia & Associates

C E R T I F I E D   P U B L I C   A C C O U N T A N T S
1 0 3 TOWN & COUNTRY DRIVE, SUITE K, DANVILLE, CALIFORNIA 94526

DOUGLAS REGALIA, CPA | DANA CHAVARRIA, CPA
MARIANNE RYAN | TRICIA WILSON
JANICE TAYLOR, CPA | WENDY THOMAS, CPA
LISA CLOVEN, CPA | LISA PARKER, CPA [inactive]
JENNY SO, CPA | JEANNINE REGALIA, CPA
JENNIFER JENSEN   WWW.MRCPA.COM OFFICE: 925.314.0390 FAX: 925.314.0469

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, 2016 and 2015 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, 2016 and 2015, 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, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 3, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Regalia & Associates

Danville, California
July 19, 2017

Opinion

Statements of Financial Position
December 31, 2016 and 2015

ASSETS

	2016	2015
Current assets:		
Cash and cash equivalents	**$ 3,428,494**	$ 2,770,173
Investments	**634,834**	625,736
Accounts and grants receivable	**62,220**	48,954
Inventories	**4,296**	14,831
Prepaid expenses and other current assets	**107,372**	47,828
Total current assets	**4,237,216**	3,507,522
Loans receivable (net)	**88,328**	356,387
Property, equipment and leasehold improvements, net	**2,169,603**	1,968,478
	$ 6,495,147	$ 5,832,387

LIABILITIES AND NET ASSETS

	2016	2015
Current liabilities:		
Accounts payable and accrued liabilities	**$ 66,896**	$ 30,300
Accrued payroll liabilities	**79,121**	78,767
Note payable - current portion	**6,245**	5,971
Total current liabilities	**152,262**	115,038
Long-term liabilities:		
Note payable - noncurrent portion	**234,816**	240,745
Total long-term liabilities	**234,816**	240,745
Total liabilities	**387,078**	355,783
Net assets:		
Unrestricted	**6,017,984**	5,368,053
Temporarily restricted	**90,085**	108,551
Total net assets	**6,108,069**	5,476,604
	$ 6,495,147	$ 5,832,387

IN DEFENSE OF ANIMALS

Statements of Activities and Changes in Net Assets
Years Ended December 31, 2016 and 2015

Changes in unrestricted net assets:	2016	2015
Revenue and support:		
Donations and grants	**$ 885,854**	$ 1,222,368
Bequests and legacies	**1,829,713**	1,920,103
Mailing list rental	**3,018**	15,680
Merchandise sales	**6,593**	23,415
Interest and dividends	**13,912**	23,162
Rents, royalties and other	**91,278**	177,507
Unrealized gains (losses) on investments	**4,527**	(7,018)
Realized gains on investments	**10,629**	11
Events and fundraising income	**103,807**	-
Gain/loss on disposal of fixed assets	**9,000**	-
	2,958,331	3,375,228
Net assets released from restrictions:		
Satisfaction of program restrictions	**769,335**	481,767
Total revenue and support	**3,727,666**	3,856,995
Operating expenses:		
Program	**2,182,923**	2,199,079
General and administrative	**551,966**	476,322
Fund raising	**342,846**	287,047
Total operating expenses	**3,077,735**	2,962,448
Increase in unrestricted net assets	**649,931**	894,547
Changes in temporarily restricted net assets:		
Grants and contributions	**750,869**	432,780
Net assets released from restrictions	**(769,335)**	(481,767)
Decrease in temporarily restricted net assets	**(18,466)**	(48,987)
Increase in net assets	**631,465**	845,560
Net assets at beginning of year	**5,476,604**	4,631,044
Net assets at end of year	**$ 6,108,069**	$ 5,476,604

Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
Operating activities:		
Increase in net assets	**$ 631,465**	$ 845,560
Adjustments to reconcile to cash provided by operating activities:		
Depreciation and amortization	**78,372**	79,355
Unrealized (gains) losses on investments	**(4,527)**	7,018
Bad debt expense	**-**	878
Changes in:		
Accounts and grants receivable	**(13,266)**	(27,319)
Inventories	**10,535**	-
Prepaid expenses and other current assets	**(59,544)**	(3,887)
Accounts payable and accrued liabilities	**36,596**	(43,193)
Accrued payroll liabilities	**354**	16,260
Cash provided by operating activities	**679,985**	874,672
Investing activities:		
Acquisition of investments	**(26,590)**	(29,242)
Disposition of investments	**22,019**	47,019
Collections for loans receivable	**268,059**	31,735
Acquisition of property and equipment	**(279,497)**	(38,607)
Cash (used for) provided by investing activities	**(16,009)**	10,905
Financing activities:		
Principal payments under note payable	**(5,655)**	(128,297)
Cash used for financing activities	**(5,655)**	(128,297)
Increase in cash and cash equivalents	**658,321**	757,280
Cash and cash equivalents at beginning of year	**2,770,173**	2,012,893
Cash and cash equivalents at end of year	**$ 3,428,494**	$ 2,770,173
Additional cash flow information:		
Interest paid	**$ 11,046**	$ 12,663
Taxes paid (sales and property taxes)	**$ 17,934**	$ 18,620

Statement of Functional Expenses
Year Ended December 31, 2016
(with Summarized Financial Information for the Year Ended December 31, 2015)

	Programs	General & Admini-strative	Fund Raising	2016 Totals	2015 Totals
Advertising and promotion	$ -	$ -	$ 27,168	**$ 27,168**	$ 19,024
Bad debt expense	-	-	-	**-**	878
Computer/web service and supplies	17,584	5,268	1,880	**24,732**	20,481
Cost of goods sold	14,613	-	-	**14,613**	6,247
Demonstrations	-	-	-	**-**	835
Depreciation and amortization	55,723	16,693	5,956	**78,372**	79,355
Direct Mail	547,153	-	106,812	**653,965**	513,135
Donations and grants	94,308	-	-	**94,308**	73,895
Equipment rental and maintenance	5,585	1,673	597	**7,855**	9,885
Events and sponsorships	3,589	-	25,352	**28,941**	34,103
Fees/licenses/bank charges	46,826	49,958	-	**96,784**	107,659
Insurance	21,277	6,374	2,274	**29,925**	27,082
Interest	7,854	2,353	839	**11,046**	12,663
Miscellaneous	2,989	-	-	**2,989**	8,929
Office and supplies	138,753	12,671	391	**151,815**	15,892
Postage and shipping	15,354	4,600	1,641	**21,595**	35,963
Printing	9,168	2,746	980	**12,894**	15,488
Professional fees and outside services	219,938	127,315	66,699	**413,952**	384,505
Rent and utilities	19,261	33,176	1,304	**53,741**	68,497
Repairs and maintenance	4,312	6,075	-	**10,387**	13,034
Rescue	12,691	-	-	**12,691**	203,301
Salaries, payroll taxes and benefits	880,359	263,416	93,943	**1,237,718**	1,204,251
Telephone and telecommunications	18,610	5,575	1,989	**26,174**	29,071
Travel/meals/lodging	46,976	14,073	5,021	**66,070**	78,275
Totals	$2,182,923	$ 551,966	$ 342,846	**$3,077,735**	$2,962,448

Notes to Financial Statements
December 31, 2016 and 2015

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, 2016 and 2015.

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, 2016 and 2015. 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.

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, 2016 and 2015, 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, 2016. 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.

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 2015 financial statements in order to conform to the presentation used in 2016.

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, 2016 and 2015.

	2016	**2015**
Checking and petty cash (noninterest-bearing)	**$ 1,336,788**	$ 1,694,244
Interest-earning accounts, including savings and money market	**2,091,706**	1,075,929
Total cash and cash equivalents	**$ 3,428,494**	$ 2,770,173

At December 31, 2016, 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 0.06% per annum at December 31, 2016.

4. Investments

Investments consist primarily of securities, mutual funds, and stocks. Cost basis and fair value of investments are as follows at December 31, 2016 and 2015:

	December 31, 2016		December 31, 2015	
	Cost Basis	Fair Value	Cost Basis	Fair Value
Short-term portion:				
U.S. Treasury Securities	**$ 343,599**	**$ 341,303**	$ 250,589	$ 250,589
Mutual funds	**93,047**	**94,867**	86,465	89,499
Stocks and equities	**126,626**	**134,815**	113,500	117,483
Partnerships	**7,841**	**7,841**	7,379	7,379
Cash and deposit accounts	**56,008**	**56,008**	160,786	160,786
Subtotal	**627,121**	**634,834**	618,719	625,736
Long-term portion:				
Loans receivable	**88,328**	**88,328**	356,387	356,387
	$ 715,449	**$ 723,162**	$ 975,106	$ 982,123

During the years ended December 31, 2016 and 2015, there were unrealized gains (losses) of $4,527 and ($7,018), 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, 2016 and 2015, realized gains amounted to $10,629 and $11, respectively.

Loans receivable of $88,328 and $356,387 at December 31, 2016 and 2015, respectively, 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 $24,000 for estimated uncollectible balances at December 31, 2015. There was no reserve at December 31, 2016. Composition of investments utilizing fair value measurements at December 31, 2016 is as follows:

	Totals	Level 1	Level 2	Level 3
U.S. Treasury Securities	$ 341,303	$ 341,303	$ -	$ -
Mutual funds	94,867	94,867	-	-
Stocks and equities	134,815	134,815	-	-
Partnerships	7,841	-	-	7,841
Cash and deposit accounts	56,008	56,008	-	-
Loans receivable	88,328	-	-	88,328
Totals	$ 723,162	$ 626,993	$ -	$ 96,169

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.

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, 2016 and 2015:

	2016	2015
Prepaid insurance	$ **19,271**	$ 15,659
Other prepaid expenses	**84,611**	27,342
Due to/from IDA Africa	**3,490**	4,827
	$ **107,372**	$ 47,828

6. Property, Equipment and Leasehold Improvements

Property, equipment and leasehold improvements consist of the following at December 31, 2016 and 2015:

	2016	2015
Land	$ **1,055,754**	$ 787,754
Building	**1,250,240**	1,250,240
Computers, office equipment and furniture	**481,113**	481,113
Leasehold improvements	**502,080**	490,582
Vehicles	**93,100**	93,100
Less: accumulated depreciation and amortization	**(1,212,684)**	(1,134,311)
	$ **2,169,603**	$ 1,968,478

Total depreciation and amortization expense amounted to $78,373 and $79,355 for the years ended December 31, 2016 and 2015, respectively. During the year ended December 31, 2016, the Agency disposed of certain equipment and realized a gain in the amount of $9,000. There were no disposals of property and equipment during the year ended December 31, 2015.

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 years ended December 31, 2016 and 2015.

Notes to Financial Statements

8. Leases

The Agency leases office space in Portland, Oregon, under a one year operating lease which expires May 10, 2017 and provides for month-to-month rent thereafter. The lease rent is $365 per month for the first year and $400 per month thereafter. The Agency is also committed to a long-term equipment leases which requires a monthly payment of $208. 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 for the years ending: December 31, 2017: $41,955; December 31, 2018: $4,895; and December 31, 2019: $832.

Total rent expense for all leasing arrangements amounted to $53,741 and $68,497 for the years ended December 31, 2016 and 2015, respectively, and is included in rent and utilities on the statement of functional expenses. The Agency subleases portions of its office space, and recorded total rent income of $89,870 and $90,154 for the years ended December 31, 2016 and 2015, respectively.

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, 2016, the Agency incurred allocable join costs of $666,860 for the informational materials and activity that included fundraising appeals. Of these costs, $166,715 was allocated to fundraising expense and $500,145 was allocated to program expense. For the year ended December 31, 2015, the Agency incurred allocable joint costs of $586,332 for the informational materials and activities that included fund-raising appeals. Of those costs, $175,900 was allocated to fund-raising expense and $410,432 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. In July 2015, the Agency completed a refinance and reduced the loan to $250,000 with a fixed rate of 4.5% per annum. The loan is collateralized by the assets of the Agency and matures on July 6, 2020. The outstanding loan balance amounted to $241,061 and $246,716 at December 31, 2016 and 2015, respectively. Monthly principal and interest payments in the amount of $1,392 are due at beginning of each month. Interest expense amounted to $11,046 and $12,663 for the years ended December 31, 2016 and 2015, respectively. Estimated principal payments for the note payable are summarized as follows for the years ending: December 31, 2017: $6,245; December 31, 2018: $6,525; December 31, 2019: $6,817; and December 31, 2020: $221,474.

11. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31, 2016 and 2015:

	2016	2015
South Korean Dogs and Cats	$ 42,529	$ 69,297
Worldwide Disasters	22,718	31,654
Farmed Animals	11,330	-
IDA Africa	9,468	-
Torres Cats	4,040	7,600
	$ 90,085	$ 108,551

During the years ended December 31, 2016 and 2015, the Agency received temporarily restricted donations of $750,869 and $432,780, respectively. During the years ended December 31, 2016 and 2015, the Agency released and transferred $769,335 and $481,767, respectively, in 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, 2016 and 2015, income pertaining to the Rescue Center consisted of donations and expenditures related to the operations of its Chimpanzee Rescue Center. The financial transactions of the Rescue Center have been combined with the financial statements of the Agency. It is the intention of the Agency to terminate this relationship by December 31, 2018.

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 $79,121 and $78,767 at December 31, 2016 and 2015, respectively.

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 $1,931 and $1,147 for the years ended December 31, 2016 and 2015, 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 May 13, 2015, 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 July 19, 2017, the date of the Independent Auditors' Report, the case was settled for a monetary award covered by insurance.

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, 2016.

16. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, the Agency has evaluated subsequent events through July 19, 2017, 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.