IN DEFENSE OF ANIMALS

Financial Statements

For the years ended

December 31, 2017 and 2016

With Independent Auditors' Report Thereon

REGALIA & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

IN DEFENSE OF ANIMALS

(A California Not-For-Profit Corporation)
December 31, 2017 and 2016

CONTENTS

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

R&A CPA
Regalia& Associates

CERTIFIED PUBLIC ACCOUNTANTS
103 TOWN & COUNTRY DRIVE, SUITE K, DANVILLE, CALIFORNIA 94526

DOUGLAS REGALIA, CPA
MARIANNE RYAN
JANICE TAYLOR, CPA
LISA CLOVEN, CPA
JENNY SO, CPA
JENNIFER JENSEN

DANA CHAVARRIA, CPA
TRICIA WILSON
WENDY THOMAS, CPA
LISA PARKER, CPA [inactive]
JEANNINE REGALIA, CPA
VALERIE REGALIA

WEB: 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 California nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, 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, 2017 and 2016, 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.

Danville, California
August 24, 2018

Statements of Financial Position
December 31, 2017 and 2016

ASSETS

	2017	2016
Current assets:		
Cash and cash equivalents	$ 2,815,384	$ 3,428,494
Investments	1,289,899	525,067
Accounts and grants receivable	5,643	62,220
Inventories	4,296	4,296
Prepaid expenses and other current assets	119,028	107,372
Total current assets	4,234,250	4,127,449
Noncurrent assets:		
Investments	50,335	109,767
Loan receivable	88,328	88,328
Property, equipment and leasehold improvements, net	2,679,999	2,169,603
	$ 7,052,912	$ 6,495,147

LIABILITIES AND NET ASSETS

	2017	2016
Current liabilities:		
Accounts payable and accrued liabilities	$ 172,817	$ 66,896
Accrued payroll liabilities	86,296	79,121
Note payable - current portion	6,369	6,245
Total current liabilities	265,482	152,262
Long-term liabilities:		
Note payable - noncurrent portion	228,745	234,816
Total long-term liabilities	228,745	234,816
Total liabilities	494,227	387,078
Net assets:		
Unrestricted	6,245,095	6,017,984
Temporarily restricted	313,590	90,085
Total net assets	6,558,685	6,108,069
	$ 7,052,912	$ 6,495,147

Statements of Activities and Changes in Net Assets
Years Ended December 31, 2017 and 2016

Changes in unrestricted net assets:	2017	2016
Revenue and support:		
Donations and grants	**$ 1,614,925**	$ 885,854
Bequests and legacies	**994,348**	1,829,713
Mailing list rental	**-**	3,018
Merchandise sales	**4,301**	6,593
Interest and dividends	**23,065**	13,912
Rents, royalties and other	**82,054**	91,278
Unrealized gains on investments	**52,464**	4,527
Realized gains on investments	**7,493**	10,629
Events and fundraising income	**102,408**	103,807
Gain/loss on disposal of fixed assets	**-**	9,000
In kind contributions	**830**	-
	2,881,888	2,958,331
Net assets released from restrictions:		
Satisfaction of program restrictions	**773,926**	769,335
Total revenue and support	**3,655,814**	3,727,666
Operating expenses:		
Program	**2,366,993**	2,182,923
General and administrative	**592,135**	551,966
Fund raising	**469,575**	342,846
Total operating expenses	**3,428,703**	3,077,735
Increase in unrestricted net assets	**227,111**	649,931
Changes in temporarily restricted net assets:		
Grants and contributions	**997,431**	750,869
Net assets released from restrictions	**(773,926)**	(769,335)
Increase (decrease) in temporarily restricted net assets	**223,505**	(18,466)
Increase in net assets	**450,616**	631,465
Net assets at beginning of year	**6,108,069**	5,476,604
Net assets at end of year	**$ 6,558,685**	$ 6,108,069

Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Operating activities:		
Increase in net assets	**$ 450,616**	$ 631,465
Adjustments to reconcile to cash provided by operating activities:		
Depreciation and amortization	**67,887**	78,372
Unrealized gains on investments	**(52,464)**	(4,527)
Changes in:		
Accounts and grants receivable	**56,577**	(13,266)
Inventories	**-**	10,535
Prepaid expenses and other current assets	**(11,656)**	(59,544)
Accounts payable and accrued liabilities	**105,921**	36,596
Accrued payroll liabilities	**7,175**	354
Cash provided by operating activities	**624,056**	679,985
Investing activities:		
Acquisition of investments	**(674,210)**	(26,590)
Disposition of investments	**21,274**	22,019
Collections related to loan receivable	**-**	268,059
Purchase of property and equipment	**(578,283)**	(279,497)
Cash used for investing activities	**(1,231,219)**	(16,009)
Financing activities:		
Principal payments under note payable	**(5,947)**	(5,655)
Cash used for financing activities	**(5,947)**	(5,655)
Increase (decrease) in cash and cash equivalents	**(613,110)**	658,321
Cash and cash equivalents at beginning of year	**3,428,494**	2,770,173
Cash and cash equivalents at end of year	**$ 2,815,384**	$ 3,428,494
Additional cash flow information:		
Interest paid	**$ 10,753**	$ 11,046
Taxes paid	**$ 12,602**	$ 17,934

IN DEFENSE OF ANIMALS

Statement of Functional Expenses
Year Ended December 31, 2017

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

Statement of Functional Expenses
Year Ended December 31, 2016

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

Notes to Financial Statements
December 31, 2017 and 2016

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, 2017 and 2016.

Investments
Investments include cash, certificates of deposit, stocks, bonds, U.S. Treasury securities, 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, 2017 and 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)*

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, 2017 and 2016, 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 receives unrelated business income related to its sublease rentals requiring the Agency to file separate tax returns under federal and state statutes. Accordingly, the Agency calculates, accrues, and remits 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, 2017 and 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, sunshades, 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 2016 financial statements in order to conform to the presentation used in 2017.

3. Cash and Cash Equivalents (Concentration of Credit Risk)

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

	2017	**2016**
Checking and petty cash (noninterest-bearing)	**$ 1,743,788**	$ 1,336,788
Interest-earning accounts, including savings and money market	**1,071,596**	2,091,706
Total cash and cash equivalents	**$ 2,815,384**	$ 3,428,494

At December 31, 2017 and 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, 2017. At December 31, 2017 and 2016, there was $32,075 and $28,249 respectively, restricted cash for IDA Africa.

4. Investments and Fair Value Measurements

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

	December 31, 2017		December 31, 2016	
Short-term portion:	Cost Basis	Fair Value	Cost Basis	Fair Value
U.S. Treasury Securities	$ 662,404	$ 659,464	$ 240,764	$ 240,811
Mutual funds	-	-	93,047	94,867
Stocks and equities	206,748	245,050	126,626	134,815
Partnerships	-	-	7,841	7,841
Cash and deposit accounts	361,401	361,401	56,008	56,008
Real Estate Investment Trust	23,395	23,984	-	-
Subtotal	1,253,948	1,289,899	524,286	534,343
Long-term portion:				
Loan receivable	88,328	88,328	88,328	88,328
U.S. Treasury Securities	51,624	50,335	101,835	100,492
	$ 1,393,900	$ 1,428,562	$ 714,449	$ 723,163

During the years ended December 31, 2017 and 2016, there were unrealized gains of $52,464 and $4,527, 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, 2017 and 2016, realized gains amounted to $7,493 and $10,629, respectively.

Included in investments at December 31, 2017 is $661,682 of restricted investments for the Hope Animal Sanctuary. 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, 2017 and 2016, respectively.

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

	Totals	Level 1	Level 2	Level 3
U.S. Treasury Securities	$ 709,799	$ 709,799	$ -	$ -
Stocks and equities	245,050	245,050	-	-
Cash and deposit accounts	361,401	361,401	-	-
Real estate investment trust	23,984	-	-	23,984
Loan receivable	88,328	-	-	88,328
Totals	$ 1,428,562	$ 1,316,250	$ -	$ 112,312

Composition of assets 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	-	-
Partnership interest	7,841	-	-	7,841
Cash and deposit accounts	56,008	56,008	-	-
Loan receivable	88,328	-	-	88,328
Totals	$ 723,162	$ 626,993	$ -	$ 96,169

4. Investments *(continued)*

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.

<u>Assets Classified as Level 3:</u> These items (real estate investment trust, partnership interest, 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.

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. Accounts Receivable

Accounts receivable represent amounts due from various sources, including tenants, individuals, and others. Management periodically evaluates all receivables for collectability and records an allowance for any amounts estimated to be uncollectable. At December 31, 2017 and 2016, there were no allowances for uncollectable pledges as management believes the balances to be fully collectable. Management has evaluated the receivables as of December 31, 2017 and determined that such amounts are fully collectible based on the financial health of the donors involved.

6. Inventories

Inventory includes various boutique items which are recorded at the lower of cost or market value using the first in-first out (FIFO) method and amounted to $4,296 at December 31, 2017 and 2016, respectively.

7. Prepaid Expenses and Other Current Assets

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

	2017	2016
Prepaid insurance	$ 26,150	$ 19,271
Other prepaid expenses (direct mail, subscriptions, other)	92,790	84,611
Due to/from IDA Africa	88	3,490
	$ 119,028	$ 107,372

8. Property, Equipment and Leasehold Improvements

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

	2017	2016
Land	$ 1,055,754	$ 1,055,754
Building	1,250,240	1,250,240
Computers, office equipment and furniture	486,462	481,113
Leasehold improvements	502,080	502,080
Vehicles	130,507	93,100
Website development	68,767	-
Construction in progress-Hope Animal Sanctuary	466,760	-
Less: accumulated depreciation and amortization	(1,280,571)	(1,212,684)
	$ 2,679,999	$ 2,169,603

Total depreciation and amortization expense amounted to $67,887 and $78,372 for the years ended December 31, 2017 and 2016, respectively. During the year ended December 31, 2016, the Agency sold a donated asset for $9,000. There were no disposals of property and equipment during the year ended December 31, 2017.

9. Retirement Plan

The Agency 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 Agency to contribute to this plan, and management elected to not contribute to the plan for the fiscal years ended December 31, 2017 and 2016.

10. Leases and Long-Term Agreements

The Agency leases office space in Portland, Oregon, under a month-to-month operating lease agreement which requires a payment of $400 per month. The Agency is also committed to a long-term equipment lease which requires a payment of $208 per month. The Agency is contractually obligated

10. Leases and Long-Term Agreements *(continued)*

under a long-term subscription agreement for database management software which requires a payment of $4,350 per month. Future minimum payments under the Agency's long-term lease agreements are as follows for the years ending: December 31, 2018: $57,095; December 31, 2019: $53,032; and December 31, 2020: $34,800. Subsequent to December 31, 2017, IDA Africa became a separate non-profit organization. As such, the Portland, Oregon office lease is no longer an obligation of the Agency effective January 1, 2018.

Total rent expense for all leasing arrangements amounted to $22,670 and $19,952 for the years ended December 31, 2017 and 2016, respectively, and is included in rent and utilities on the statement of functional expenses.

The Agency 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 noncancelable 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 $89,820 and $89,870 for the years ended December 31, 2017, respectively.

11. 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, 2017, the Agency incurred allocable join costs of $820,739 for the informational materials and activity that included fundraising appeals. Of these costs, $164,148 was allocated to fundraising expense and $656,591 was allocated to program expense. For the year ended December 31, 2016, the Agency incurred allocable joint costs of $666,860 for the informational materials and activities that included fund-raising appeals. Of those costs, $166,715 was allocated to fund-raising expense and $500,145 was allocated to program expense.

12. 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 $235,114 and $241,061 at December 31, 2017 and 2016, respectively. Monthly principal and interest payments in the amount of $1,392 are due at the beginning of each month. Interest expense amounted to $10,753 and $11,046 for the years ended December 31, 2017 and 2016, respectively. Estimated principal payments for the note payable are summarized as follows for the years ending: December 31, 2018: $6,525; December 31, 2019: $6,817; and December 31, 2020: $221,772.

13. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31:

	2017	2016
Hope Animal Sanctuary	$ 294,566	$ -
South Korean dogs and cats	17,165	42,529
Torres cats	1,744	4,040
Justice for animals	115	-
Worldwide disasters	-	22,718
Farmed animals	-	11,330
IDA Africa	-	9,468
	$ 313,590	$ 90,085

During the years ended December 31, 2017 and 2016, the Agency received temporarily restricted donations of $997,431 and $750,869, respectively. During the years ended December 31, 2017 and 2016, the Agency released $773,926 and $769,335 in restricted contributions from temporarily restricted net assets to unrestricted net assets, respectively.

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

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, 2017 and 2016, financial activity pertaining to the Rescue Center consisted of donations and expenditures related to the operations of its Chimpanzee Rescue Center. The financial transactions of the Rescue Center have been combined with the financial statements of the Agency. Subsequent to December 31, 2017, IDA Africa became a separate non-profit organization.

15. 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 $86,296 and $79,121 at December 31, 2017 and 2016, respectively.

16. 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 $1,838 and $1,931 for the years ended December 31, 2017 and 2016, respectively.

17. 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. This case was settled during the year ended December 31, 2017.

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, 2017.

18. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, the Agency has evaluated subsequent events through August 24, 2018, the date the financial statements were available to be issued. As disclosed in footnotes 10 and 14, IDA Africa became a separate non-profit organization subsequent to December 31, 2017. In the opinion of management, there are no other subsequent events which need to be disclosed.