



In Defense of Animals

Financial Statements

For the Year Ended December 31, 2018
With Independent Auditors' Report Thereon

In Defense of Animals

(A California Not-for-Profit Corporation)
December 31, 2018

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In Defense of Animals
3010 Kerner Boulevard
San Rafael, California 94901
Web Site Address: www.idausa.org

See accompanying auditors' report and notes to financial statements.

Washington Accounting Services Inc.
www.washingtonacct.com

In Defense of Animals

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Independent Auditor's Report

To the Board of Directors of In Defense of Animals:

Report on the Financial Statements

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, 2018, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.

See accompanying auditors' report and notes to financial statements.

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In Defense of Animals

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 organization'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 organization'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 of 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have not previously audited the financial statements of In Defense of Animals for the year ended December 31, 2017. Therefore, summarized comparative information is not applicable.

Waldorf, MD
October 31, 2019

See accompanying auditors' report and notes to financial statements.

In Defense of Animals

Statement of Financial Position At December 31, 2018

ASSETS

	<u>2018</u>	<u>2017</u>
Current Assets		
Cash and cash equivalents	\$ 1,213,585	\$ 2,815,384
Investments	1,878,100	1,289,899
Accounts & grants receivable	878	5,643
Inventories	9,259	4,296
Prepaid Expenses & other current assets	<u>87,669</u>	<u>119,028</u>
Total Current Assets	<u>3,189,491</u>	<u>4,234,250</u>
Noncurrent assets:		
Investment	24,275	50,335
Loan receivable	30,123	88,328
Property, equipment & leasehold improvements, net	<u>2,418,333</u>	<u>2,679,999</u>
	<u>\$ 5,662,222</u>	<u>7,052,912</u>

LIABILITIES & NET ASSETS

Current Liabilities:		
Accounts Payable & accrued liabilities	\$ 76,375	\$ 172,817
Other Current Liabilities	<u>80,595</u>	<u>92,665</u>
Total Current Liabilities	<u>156,970</u>	<u>265,482</u>
Long-term liabilities:		
Note payable-noncurrent portion	<u>0</u>	<u>228,745</u>
Total long-term liabilities	0	228,745
Total liabilities	<u>156,970</u>	<u>494,227</u>
Net assets:		
Unrestricted	5,183,789	6,245,095
Temporarily restricted	<u>321,463</u>	<u>313,590</u>
Total net assets	<u>5,505,252</u>	<u>6,558,685</u>
	<u>\$ 5,662,222</u>	<u>7,052,912</u>

See accompanying auditors' report and notes to financial statements.

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Statement of Activities For the Twelve Months Ending December 31, 2018

<i>Changes in unrestricted net assets:</i>	<u>2018</u>	<u>2017</u>
Revenue and Support:		
Donations and grants	\$1,101,795	\$1,614,925
Bequests and legacies	813,827	994,348
Mailing list rental	2,095	0
Merchandise Sales	4,899	4,301
Interest and dividends	30,001	23,065
Rents, royalties, and other	78,912	82,054
Unrealized gain or loss on investments	(42,913)	52,464
Realized gains on investment	0	7,493
Events and fundraising income	375	102,408
In kind contributions	75	830
	<u>1,989,066</u>	<u>2,881,888</u>
Net assets released from restrictions:		
Satisfaction of program restrictions	361,884	773,926
Total revenue and support	<u>2,350,950</u>	<u>3,655,814</u>
Operating expense:		
Program	2,740,075	2,366,993
General and administrative	409,272	592,135
Fundraising	203,024	469,575
Total operating expenses	<u>3,352,371</u>	<u>3,428,703</u>
Increase (decrease) in unrestricted net assets	<u>(1,001,421)</u>	<u>227,111</u>
Changes in temporarily restricted net assets:		
Grants and contributions	48,409	997,431
Net assets released from restrictions	(361,884)	(773,926)
Increase (decrease) in temporarily restricted net assets	<u>(313,475)</u>	<u>223,505</u>
Increase in net assets	(1,053,433)	450,616
Net assets at beginning of year	<u>6,558,685</u>	<u>6,108,069</u>
Net assets at end of year	<u>5,505,252</u>	<u>6,558,685</u>

See accompanying auditors' report and notes to financial statements.

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Statement of Cash Flows For the Twelve Months Ending December 31, 2018

	<u>2018</u>	<u>2017</u>
Operating activities:		
Increase (decrease) in net assets	(1,053,433)	450,616
Adjustments to reconcile to cash provided by operating activities:		
Depreciation and amortization	96,509	67,887
Unrealized gains or loss on investments	42,913	(52,464)
Changes in:		
Accounts and grants receivable	4,765	56,577
Inventories	(4,963)	0
Prepaid expenses and other current assets	31,359	(11,656)
Accounts payable and accrued liabilities	(96,442)	105,921
Accrued payroll liabilities	(64,806)	7,175
Cash provided by operating activities	<u>(1,044,098)</u>	<u>624,056</u>
Investing activities:		
Acquisition of investments	(91,127)	(674,210)
Disposition of investments	24,418	24,274
Purchase of property and equipment	(262,247)	(578,283)
Cash used for investing activities	<u>(328,956)</u>	<u>(1,231,219)</u>
Financing activities:		
Principal payments under note payable	(228,745)	(5,947)
Cash used for financing activities	<u>(228,745)</u>	<u>(5,947)</u>
Increase (decrease) in cash and cash equivalents	(1,601,799)	(613,110)
Cash and cash equivalents at beginning of year	<u>2,815,384</u>	<u>3,428,494</u>
Cash and cash equivalents at end of year	<u>\$ 1,213,585</u>	<u>\$ 2,815,384</u>
Additional cash flow information:		
Interest paid	<u>\$ 4,302</u>	<u>\$ 10,753</u>
Taxes paid	<u>\$ 0</u>	<u>\$ 12,602</u>

See accompanying auditors' report and notes to financial statements.

In Defense of Animals

Statement of Functional Expenses For the Twelve Months Ending December 31, 2018

	Programs	G&A	Fundraising	2018 Totals
Advertising & Promotion	\$ 63,545	-	\$ 71,248	\$ 134,793
Computer/Web Service & Supplies	89,630	28,904	-	118,534
Cost of Goods Sold	329	-	-	329
Depreciation & Amortization	96,509	-	-	96,509
Direct Mail	665,885	-	94,462	760,347
Donations & Grants	137,344	-	-	137,344
Equipment rental & Maintenance	-	10,912	-	10,912
Events & Sponsorships	24,765	-	-	24,765
Fees/License/Bank Charges	31,544	5,332	-	36,876
Insurance	26,792	4,934	-	31,726
Interest	-	4,302	-	4,302
Miscellaneous	3,067	-	150	3,217
Office & Supplies	17,786	1,800	-	19,586
Postage & Shipping	27,096	623	-	27,719
Printing & Reproduction	15,105	2,461	36,714	54,280
Professional Fees & Outside Services	338,253	123,385	-	461,638
Rent & Utilities	28,116	54,544	-	82,660
Repairs & Maintenance	-	8,307	-	8,307
Rescue	42,736	-	-	42,736
Salaries, Payroll Taxes, & Benefits	1,053,939	160,077	-	1,229,016
Telephone & Telecommunications	19,280	2,118	450	21,848
Travel/Meals/Lodging	50,047	1,573	-	51,620
TOTALS	\$ 2,740,075	\$ 409,272	\$ 203,024	\$ 3,352,371

See accompanying auditors' report and notes to financial statements.

In Defense of Animals

Statement of Functional Expenses For the Twelve Months Ending December 31, 2017

	Programs	G&A	Fundraising	2017 Totals
Advertising & Promotion	\$ -	-	\$ 27,156	\$ 27,156
Computer/Web Service & Supplies	12,760	4,155	2,211	19,126
Cost of Goods Sold	72	-	-	72
Demonstrations	112	-	-	112
Depreciation & Amortization	45,291	14,748	7,848	67,887
Direct Mail	656,591	-	164,148	820,739
Donations & Grants	101,979	-	-	101,979
Equipment rental & Maintenance	4,808	1,565	833	7,206
Events & Sponsorships	35,280	-	11,760	47,040
Fees/License/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 & Supplies	167,764	3,433	2,523	173,750
Postage & Shipping	13,912	4,530	2,411	20,853
Printing & Reproduction	7,355	2,395	1,275	11,025
Professional Fees & Outside Services	179,921	166,110	68,000	414,031
Rent & Utilities	48,054	8,482	5,546	62,082
Repairs & Maintenance	4,350	15,486	-	19,836
Rescue	53,766	-	-	53,766
Salaries, Payroll Taxes, & Benefits	899,641	292,951	155,901	1,348,493
Telephone & 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

See accompanying auditors' report and notes to financial statements.

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In Defense of Animals Notes to Financial Statements For the Year Ended December 31, 2018

Note A-NATURE OF ACTIVITIES

In Defense of Animals was established in 1983 as a nonprofit association. In Defense of Animals is a national organization dedicated to ending the institutionalized abuse of animals by protecting their rights, welfare, and habitat/

Note B-SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statement of the Organization have been prepared on the accrual basis of accounting. The significant accounting policies that follow are described to enhance the usefulness of the financial statements to the reader.

Financial Statement 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. Please be advised that prior year financial information was not reviewed by Washington Accounting Services Inc., and was included into financial statement presentation per IDA.

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, 2018 and 2017.

See accompanying auditors' report and notes to financial statements.

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Note B-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. 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 \$9,259 at December 31, 2018 and 2017, respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures. Accordingly, actual results could differ from those estimates.

Investments

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

Investments

Schwab Brokerage Acct	1,247.82
Fifth Third Bank - Annuity Ac	201,807.26
Fifth Third Bank - Annuity 2	65,526.22
Fifth Third Bank Annuity 3	12,526.75
1138 · RBC Wealth 39197	321,463.15
1139 · RBC Wealth 39202 Restricted	1,187,200.62
Other Investments	
Bay Area Church	88,328.08
Total Other Investments	<u>88,328.08</u>
Total Investments	<u>1,878,099.90</u>

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

See accompanying auditors' report and notes to financial statements.

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Note B-SIGNIFICANT ACCOUNTING POLICIES-Continued

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, 2018 and 2017. 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.

Cash

For purposes of the statement of cash flows, the Organization considers all cash accounts held in bank commercial accounts to be cash, regardless of maturity.

Checking & Savings Accounts

Regions Construction Account	8,365.93
1007 · Wells Fargo 105604 - Gen	433,918.77
Bank of America 09382	748,969.68
Regions 8987	14,628.31
IDA Africa Checking	1,419.33
IDA-Africa Cameroon Bank	5,116.60
Petty Cash	1,166.42
Total Checking & Savings Accounts	<hr/> 1,213,585.04

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

See accompanying auditors' report and notes to financial statements.

In Defense of Animals

Note B-SIGNIFICANT ACCOUNTING POLICIES-Continued

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, 2018 and 2017, 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.

See accompanying auditors' report and notes to financial statements.

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Note B-SIGNIFICANT ACCOUNTING POLICIES-Continued

Prepaid Expenses and Other Current Assets

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

Grant Receivable	878.39
Misc Receivable	7,425.00
Paypal Receivable	21,819.83
Inventory	9,259.20
Prepaid Insurance	26,229.07
Prepaid Expenses	13,634.03
Website Development	
1555 · Accumulated Amortization	-20,961.38
Website Development - Other	68,767.06
Total Website Development	<u>47,805.68</u>

Fair Value Measurements

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, 2018 and 2017. 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.

The Organization recognizes revenue on the cash basis of accounting. The Organization accounts for contributions received and contributions made in accordance with accounting standards for not-for-profit organizations. Contributions received are recorded as unrestricted, temporarily restricted or support depending on the existence and, or nature of any donor restrictions. When the restriction is met, a reclassification of restricted net assets to unrestricted net assets is made. The Organization's primary revenue sources are grants and donations from local foundations and individuals.

See accompanying auditors' report and notes to financial statements.

In Defense of Animals

Note B-SIGNIFICANT ACCOUNTING POLICIES-Continued

Property, equipment and leasehold improvements

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

Computers and components		113,005.21
Building		1,250,240.00
Improvements		
Improvements - HAS		745,343.35
Kerner Building		74,743.23
IDA Africa		<u>53,839.94</u>
Total Improvements		873,926.52
Equipment		221,627.12
Furniture		58,726.57
Leasehold Improvements		125,320.06
Vehicles		72,339.76
Land Purchase		45,000.00
		-
Accumulated Depreciation		1,096,468.30
Land	742,754.00	
Software	<u>12,736.30</u>	
	2,419,207.2	
Total Fixed Assets	4	
Software		12,736.30
Land		<u>741,879.76</u>
Total Fixed Assets		2,418,333.00

Contributions In-Kind

Donated equipment and other donated goods are recorded at their estimated fair market value on the day of donation. Donated services are recognized as contributions if the services create or enhance a financial asset or require specialized skills which the donor has and would otherwise be purchased by the Organization. During the year ending December 31, 2018 the Organization received donated services from unpaid volunteers who assist in program services that do not satisfy the criteria for recognition under generally accepted accounting principles.

Allowance for Doubtful Accounts

See accompanying auditors' report and notes to financial statements.

In Defense of Animals

Management does not maintain an allowance for doubtful accounts on grants or on donations receivable as amounts from these funding sources are likely to be received.

Note B-SIGNIFICANT ACCOUNTING POLICIES-Continued

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, 2018 and 2017, 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, 2018 and determined that such amounts are fully collectible based on the financial health of the donors involved.

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, 2018, the Agency incurred allocable joint costs of \$760,347 for the informational materials and activity that included fundraising appeals. Of these costs, \$94,946 was allocated to fundraising expense and \$665,885 was allocated to program expense. For the year ended December 31, 2017, the Agency incurred allocable joint costs of \$820,739 for the informational materials and activities that included fund-raising appeals. Of those costs, \$164,148 was allocated to fund-raising expense and \$656,591 was allocated to program expense.

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. As of the date of these financials, all notes payable have been paid off.

Temporarily Restricted Net Assets

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

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Hope Animal Sanctuary	\$ 321,463
Total	\$321,463

Note B-SIGNIFICANT ACCOUNTING POLICIES-Continued

Leases and Long-Term Agreements

The Agency is also committed to a long-term equipment lease which requires a payment of \$208 per month.

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 \$2,945 and \$1,838 for the years ended December 31, 2018 and 2017, respectively.

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. As of December 31, 2018, no additional cases were found.

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,

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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, 2018.

Note B-SIGNIFICANT ACCOUNTING POLICIES-Continued

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on analysis of program utilization.

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, 2018 and 2017, 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, 2018, IDA Africa became a separate non-profit organization.

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 \$64,806 and \$86,296 at December 31, 2018 and 2017, respectively.

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Note D-FINANCIAL INSTRUMENTS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash balances. The Organization maintains a majority of their cash and investments at a commercial broker who maintains SIPC insurance up to \$1,000,000.

Note B-SIGNIFICANT ACCOUNTING POLICIES-Continued

The Organization has not experienced any losses in such accounts. Management believes the Organization is not exposed to any significant credit risk related to its investments.

Note E-SUBSEQUENT EVENTS

Management has reviewed the results of operations for the period of time from its year end, December 31, 2018, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

See accompanying auditors' report and notes to financial statements.