

In Defense of Animals

Financial Statements

For the Years Ended December 31, 2023 and 2022

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MeredithCPAs

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Independent Auditor's Report

To the Board of Directors
of In Defense of Animals

Opinion

We have audited the accompanying financial statements of In Defense of Animals (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of In Defense of Animals as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

MeredithCPAs

Irving, Texas
October 10, 2024

In Defense of Animals
Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash	\$ 1,200,571	\$ 476,343
Investments, current	3,816,002	3,091,087
Prepaid expenses	93,577	67,152
Total Current Assets	5,110,150	3,634,582
Noncurrent Assets		
Investments, noncurrent	342,789	347,397
Loan receivable	29,270	88,328
Property, equipment and leasehold improvements, net	3,604,199	3,647,558
Operating lease right-of-use asset	434	4,458
	3,976,692	4,087,741
	\$ 9,086,842	\$ 7,722,323
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 180,590	\$ 93,562
Accrued payroll liabilities	126,101	108,007
Other payables	100,000	100,000
Current portion of operating lease liability	434	4,116
Total Current Liabilities	407,125	305,685
Noncurrent Liabilities		
Operating lease liability, net of current portion	-	342
	407,125	306,027
Net Assets		
Without donor restrictions	8,669,018	7,401,865
With donor restrictions	10,699	14,431
Total Net Assets	8,679,717	7,416,296
	\$ 9,086,842	\$ 7,722,323

See accompanying notes to financial statements.

In Defense of Animals
Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2023 and 2022

	2023	2022
Changes In Net Assets Without Donor Restrictions		
Revenue and Support		
Donations and grants	\$ 1,080,375	\$ 1,464,800
Bequests and legacies	2,512,142	791,607
Mailing list rental	2,701	909
Merchandise sales	3,306	2,109
Interest and dividends	90,026	74,800
Rents, royalties and other	192,089	111,556
Investment return, net	205,591	(308,957)
Gain on sale of asset	-	1,936,579
Net assets released from restrictions	26,951	43,131
	4,113,181	4,116,534
Expenses		
Program services	1,986,654	1,807,775
General and administrative	526,602	640,915
Fundraising	332,771	242,822
	2,846,027	2,691,512
Increase (Decrease) in Net Assets Without Donor Restrictions	1,267,154	1,425,022
Changes In Net Assets With Donor Restrictions		
Revenue and Support		
Grants and contributions	23,218	37,388
Net assets released from restrictions	(26,951)	(43,131)
Increase (Decrease) in Net Assets With Donor Restrictions	(3,733)	(5,743)
Increase (Decrease) in Net Assets	1,263,421	1,419,279
Net Assets (Deficit) at Beginning of Year	7,416,296	5,997,017
Net Assets (Deficit) at End of Year	\$ 8,679,717	\$ 7,416,296

See accompanying notes to financial statements.

In Defense of Animals
Statement of Functional Expenses
For the Year Ended December 31, 2023

	Program Services	Management and General	Fund - raising	Total
Advertising and promotion	\$ 105	\$ -	\$ 32,912	\$ 33,017
Computer/web service and supplies	32,822	6,240	4,011	43,073
Cost of goods sold	524	-	-	524
Depreciation and amortization	37,098	7,270	1,922	46,290
Direct mail	162,431	-	34,552	196,983
Donations and grants	94,815	-	-	94,815
Equipment rental and maintenance	3,247	707	471	4,425
Events and sponsorships	14,184	-	10,671	24,855
Fees/licenses/bank charges	5,151	64,928	4,943	75,023
Insurance	18,215	4,165	2,641	25,020
Interest	-	32	-	32
Miscellaneous	23,075	64,131	3,344	90,550
Office and supplies	54,119	2,146	1,666	57,931
Postage and shipping	2,901	480	314	3,695
Printing	-	-	-	-
Professional fees and outside services	262,919	123,982	76,629	463,530
Rent and utilities	63,302	12,964	-	76,266
Repairs and maintenance	47,709	1,940	-	49,649
Rescue	46,731	-	-	46,731
Salaries, payroll taxes and benefits	1,070,506	233,036	155,135	1,458,677
Telephone and telecommunications	21,704	2,937	1,956	26,597
Travel/meals/lodging	25,096	1,644	1,604	28,344
	<u>\$ 1,986,654</u>	<u>\$ 526,602</u>	<u>\$ 332,771</u>	<u>\$ 2,846,027</u>

See accompanying notes to financial statements.

In Defense of Animals
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program Services	Management and General	Fund - raising	Total
Advertising and promotion	\$ 450	\$ -	\$ 12,639	\$ 13,089
Computer/web service and supplies	11,095	6,970	15,255	33,320
Cost of goods sold	2,932	-	-	2,932
Depreciation and amortization	33,940	23,944	-	57,884
Direct mail	151,476	-	55,138	206,614
Donations and grants	113,845	-	-	113,845
Equipment rental and maintenance	6,087	1,492	896	8,475
Events and sponsorships	5,834	-	-	5,834
Fees/licenses/bank charges	5,184	67,641	-	72,825
Insurance	26,894	5,222	2,741	34,857
Miscellaneous	19,304	11,440	532	31,276
Office and supplies	39,611	516	310	40,437
Postage and shipping	6,150	1,333	800	8,284
Printing	7,905	-	2,933	10,838
Professional fees and outside services	251,202	220,834	4,656	476,692
Rent and utilities	36,015	37,387	-	73,402
Repairs and maintenance	5,389	13,195	-	18,584
Rescue	61,668	-	-	61,668
Salaries, payroll taxes and benefits	989,958	242,734	145,696	1,378,388
Telephone and telecommunications	17,113	3,391	1,227	21,731
Travel/meals/lodging	15,722	4,816	-	20,538
	<u>\$ 1,807,775</u>	<u>\$ 640,915</u>	<u>\$ 242,822</u>	<u>\$ 2,691,512</u>

See accompanying notes to financial statements.

In Defense of Animals
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 1,263,421	\$ 1,419,279
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	46,290	57,884
Unrealized (gain) loss on investments	(205,591)	308,957
Gain on sale of property	-	(1,936,579)
(Increase) decrease in assets:		
Investments (trading securities)	337,191	1,086,450
Prepaid expenses	(26,425)	(3,883)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	87,028	18,314
Accrued payroll liabilities	18,094	(496)
Security deposit liability	-	(2,094)
Net Cash Provided By (used in) Operating Activities	1,520,008	947,832
Cash Flows from Investing Activities		
(Purchase of) proceeds from investments (held-to-maturity securities)	4,608	(321,604)
Purchase of property, equipment, and leasehold improvements	(2,931)	(2,859,025)
Proceeds from sale of property	-	3,425,964
Proceeds from loan receivable	59,058	24,551
Net Cash Provided (Used) by Investing Activities	60,735	269,886
Net Increase (Decrease) in Cash and Cash Equivalents	1,580,743	1,217,718
Cash and Cash Equivalents, Beginning of Year	2,219,743	1,002,025
Cash and Cash Equivalents, End of Year	\$ 3,800,486	\$ 2,219,743
Supplemental Disclosure		
Interest paid	\$ 32	\$ -
Summary of cash and cash equivalents		
Cash and cash equivalents	\$ 1,200,571	\$ 476,343
Cash and money market funds included in investments	2,599,915	1,743,400
	\$ 3,800,486	\$ 2,219,743
Non-cash Investing and Financing Transactions		
Purchase of equipment via other payables	\$ -	\$ 100,000

See accompanying notes to financial statements.

In Defense of Animals
Notes to Financial Statements
December 31, 2023 and 2022

Note 1 - Organization and Summary of Significant Accounting Policies

Nature of the Organization

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

Basis of Presentation

The financial statements of IDA have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP").

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to IDA's ongoing operations which include a variety of programmatic activities. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Cash and Cash Equivalents

IDA's cash consists of cash on deposit in checking and savings accounts. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase.

Investments

IDA's investments consist of marketable securities with readily determinable fair values and debt securities, which are stated at their fair values based on quoted prices in active markets (all Level 1 measurements). Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Investment income and gains are reported as increases in unrestricted net assets in the reporting period in which the income and gains are recognized.

Economic conditions can vary significantly throughout the year, impacting the carrying value of investments. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from the statements presented, especially in light of the impact on financial markets as a result of COVID-19.

Loan Receivable

Loans are stated at unpaid principal balances. Interest on the loan receivable is recognized over the term of the promissory note and is calculated using the effective interest method on the principal amounts outstanding.

Property and Equipment

IDA's policy is to record acquisitions of property and equipment at cost or, if donated, at fair market value on the date of donation. Depreciation expense is calculated using the straightline method over the estimated useful lives of the assets. Costs of maintenance and repairs are expensed currently. IDA reviews the carrying values of all assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated economic utility and/or future cash flows expected to result from its use and eventual disposition.

In Defense of Animals
Notes to Financial Statements
December 31, 2023 and 2022

Note 1 - Organization and Summary of Significant Accounting Policies, Continued

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions.

The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). IDA groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1

Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2

Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3

Unobservable inputs that cannot be corroborated by observable market data.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing model of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Thus, net assets and changes therein are classified and reported as net assets without donor restrictions or net assets with donor restrictions.

Net assets without donor restrictions represent funds which are available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has the ability to designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment, but has opted not to do so as of December 31, 2023 and 2022.

Net assets with donor restrictions represent funds which are subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions can be perpetual in nature, where the donor stipulates resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

In Defense of Animals
Notes to Financial Statements
December 31, 2023 and 2022

Note 1 - Organization and Summary of Significant Accounting Policies, Continued

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Donated Services and In-Kind Contributions

Contributed services and costs are reflected at the fair value of the contribution received. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities in accordance with the requirements of *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, which requires that expenses be reported by their natural classification. Every natural expense must be broken out into individual functional categories on an analysis of expenses by their nature and function. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis. A majority of expenses (salaries, wages, and payroll taxes, among others) have been distributed based on time and effort using IDA's payroll allocations. Other expenses have been allocated in accordance with the specific services received from vendors or other rational allocation methods.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Revenue and Revenue Recognition

Revenue is recognized in accordance with authoritative guidance, including ASU 2018-08, *Not-for-Profit Entities (Topic 605)* and ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. A transfer of funds with a conditional promise to contribute are accounted for as a refundable advance until the conditions have been substantially met. Certain payments received include both elements of contributed income and earned income, and management evaluates such transactions to determine the proper revenue rules to apply and to bifurcate the revenue components. When applicable, revenue earned under a contractual arrangement (an "exchange transaction") is recognized when earned and therefore measured as services are provided in accordance with Topic 606.

In Defense of Animals
Notes to Financial Statements
December 31, 2023 and 2022

Note 1 - Organization and Summary of Significant Accounting Policies, Continued

Leases

IDA assesses whether an arrangement qualifies as a lease based on if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IDA assesses at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Only lease options that IDA believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities. Operating lease liabilities are initially recognized based on the net present value of the lease payments through the lease term. To calculate the net present value, IDA uses the interest rate implicit in the lease. When that rate is not readily determinable, IDA has elected to use the risk-free rate of interest. Operating right-of-use assets are recognized based on operating lease liabilities. Under the operating lease model, lease payments are expensed on a straight-line basis over the lease term.

IDA has elected to account for lease components and non-lease components as a single lease component. Variable lease payment amounts that cannot be determined at the commencement of the lease such as increases in lease payments based on changes in index rates or usage, are not included in the right-of-use assets or lease liabilities. These are expensed as incurred.

IDA has elected to apply the short-term lease exemption to all leases with an initial term of 12 months or less. Leases with an initial term of 12 months or less are not recorded on the statement of financial position and lease expense is recognized in the statement of activities for these leases on a straight-line basis over the lease term.

Income Taxes

IDA is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be private foundations under IRC Sections 509(a)(1) and (3), respectively. IDA is required to annually file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purpose. IDA filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS in order to report its unrelated business taxable income for the year ended December 31, 2022.

IDA has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that IDA continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status.

Change in Accounting Principle

IDA adopted FASB Accounting Standards Update 2016-02, Leases ('ASC 842') and certain practical expedients effective January 1, 2022 using the modified retrospective approach. The adoption of ASC 842 resulted in the recognition of an operating lease liability of \$4,458 and an operating lease right-of-use asset of \$4,458 as of December 31, 2022. There was no significant impact on beginning net assets, change in net assets, or the cash flows as a result of applying ASC 842.

In Defense of Animals
Notes to Financial Statements
December 31, 2023 and 2022

Note 2 - Investments

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

	2023		2022	
	Cost Basis	Fair Value	Cost Basis	Fair Value
Short-Term portion:				
Stock and equities	\$ 724,852	\$ 902,119	\$ 628,229	\$ 779,999
Fixed income	335,056	313,967	953,174	567,688
Cash and deposit accounts	2,599,915	2,599,915	1,743,400	1,743,400
Real estate investment trust	-	-	-	-
	<u>3,659,822</u>	<u>3,816,002</u>	<u>3,324,803</u>	<u>3,091,087</u>
Long-Term portion:				
Fixed income	340,520	342,789	345,628	347,397
	<u>\$ 4,000,342</u>	<u>\$ 4,158,791</u>	<u>\$ 3,670,431</u>	<u>\$ 3,438,484</u>

Unrealized gains and losses result from periodic market value adjustments in various investment instruments. As of December 31, 2023 and 2022, net unrealized investment gains (losses) on these investments amounted to \$205,591 and \$(308,957), respectively. As of December 31, 2023 and 2022, realized gains (losses) on these investments amounted to \$0 and \$0, respectively.

IDA has a Finance Committee which has the responsibility for establishing the organization's return objectives (a balanced portfolio leaning towards stable investments) and to define the risk parameters (such as moderate returns with mutual funds). The Committee routinely oversees investment performance and reviews cash flows necessary to sustain IDA's operating activities.

Note 3 - Fair Value Measurements

Composition of assets utilizing fair value measurements at December 31, 2023 is as follows:

	Level 1	Total
Stocks and equities	\$ 902,119	\$ 902,119
Fixed income	656,756	656,756
Cash and deposit accounts	2,599,915	2,599,915
	<u>\$ 4,158,791</u>	<u>\$ 4,158,791</u>

Composition of assets utilizing fair value measurements at December 31, 2022 is as follows:

	Level 1	Total
Stocks and equities	\$ 779,999	\$ 779,999
Fixed income	915,085	915,085
Cash and deposit accounts	1,743,400	1,743,400
	<u>\$ 3,438,484</u>	<u>\$ 3,438,484</u>

In Defense of Animals
Notes to Financial Statements
December 31, 2023 and 2022

Note 4 - Loan Receivable

Loan receivable of \$29,270 represents a 12.6183% interest in a \$700,000 note agreement which bears interest at 5% per annum. The note had an original maturity date of June 1, 2022, and an option to extend an additional five years. The option was exercised during 2022. IDA receives monthly principal and interest payments. The note is collateralized by a first deed of trust.

Note 5 - Prepaid Expenses

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

	2023	2022
Prepaid insurance	\$ 34,174	\$ 29,438
Prepaid subscriptions	59,403	37,714
	<u>\$ 93,577</u>	<u>\$ 67,152</u>

Note 6 - Property, Equipment and Leasehold Improvements

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

	2023	2022
Land	\$ 643,514	\$ 643,514
Building	2,282,857	2,282,857
Computers, office equipment and furniture	165,746	285,808
Leasehold improvements	930,651	807,658
Vehicles	96,572	96,572
Website development	86,000	86,000
Less: accumulated depreciation and amortization	(601,141)	(554,851)
	<u>\$ 3,604,199</u>	<u>\$ 3,647,558</u>

Total depreciation and amortization expense amounted to \$46,290 and \$57,884 for the years ended December 31, 2023 and 2022, respectively. During the year ended December 31, 2022, IDA sold two buildings to the Marin Transit Authority for a total sales price of \$3,500,000, and recognized a gain on sale of \$1,936,579. IDA also purchased a building and property ("Freedom Farm") in the amount of \$2,850,000 and related equipment in the amount of \$100,000. The equipment purchase resulted in a payable of \$100,000. Freedom Farm is a new vegan sanctuary and refuge for animals.

Note 7 - Allocation of Joint Costs

IDA follows the provisions of ASC 958-720-55-1 "Accounting for Costs of Activities That Include Fundraising." IDA incurred allocable joint costs of \$196,983 for the informational materials and activity that included fundraising appeals for the year ended December 31, 2023. Of these costs, \$34,552 was allocated to fundraising expense and \$162,431 was allocated to program expense. For the year ended December 31, 2022, IDA incurred allocable joint costs of \$206,614 for the informational materials and activity that included fundraising appeals. Of these costs, \$55,138 was allocated to fundraising expense and \$151,476 was allocated to program expense.

In Defense of Animals
Notes to Financial Statements
December 31, 2023 and 2022

Note 8 - Liquidity

IDA regularly monitors the liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the safeguarding of its available funds. IDA has various sources of liquidity at its disposal, including cash and cash equivalents and investments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, IDA considers all expenditures related to its ongoing work dedicated to ending the institutionalized abuse of animals to be general expenditures.

The following table shows the total financial assets held by IDA and the amounts of those financial assets readily available within one year of the balance sheet date to meet general expenditures:

	2023	2022
Cash and cash equivalents	\$ 1,200,571	\$ 476,343
Investments (short-term)	3,816,002	3,091,087
Less: restricted donations for programs	(10,699)	(14,431)
	<u>\$ 5,005,874</u>	<u>\$ 3,552,999</u>

Note 9 - Lease Commitments and Long-Term Agreements

IDA is contractually obligated under a long-term subscription agreement for database management software which requires a payment of \$4,083 per month. IDA is also committed to long-term equipment, operating leases which require IDA to pay certain variable costs related to copies and postage. The variable costs were not determinable at the lease commencement and were not included in the measurement of lease assets and liabilities. Only lease options that the Company believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities. IDA also leases storage space under a monthly operating lease. Rent expense under these leases was \$17,388 and \$17,652 for the years ended December 31, 2023 and 2022, respectively.

The following lease costs are included in the statement of activities for the year ended December 31:

	2023	2022
Operating lease liability costs, management and general expense	\$ 4,099	\$ 6,529
Short-term lease costs, management and general expense	12,964	9,487
Variable lease costs, program expense	325	1,636
	<u>\$ 17,388</u>	<u>\$ 17,652</u>

The following table provides information about cash flows and assumptions for the year ended December 31:

	2023	2022
Cash paid for operating lease liabilities	\$ 4,099	\$ 6,529
Operating leases, weighted average remaining lease term	1 month	13 months
Operating leases, weighted average discount rate	2.9%	2.9%

Maturities of lease liabilities are as follows:

2024	\$ 435
2025	-
	<u>435</u>
Less: interest	(1)
Present value of lease liabilities	<u>\$ 434</u>

During the year ended December 31, 2021 and through February 28, 2022, IDA generated rental income by leasing certain portions of its building under various operating agreements with unrelated organizations. These lease agreements typically provided 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 provided for additional charges to cover overhead costs and common area maintenance expenses. Total rental income amounted to \$0 and \$14,693 for the years ended December 31, 2023 and 2022, respectively. IDA prepared and filed unrelated business income tax returns to the Internal Revenue Service and California Franchise Tax Board.

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Note 10 - Net Assets

Net Assets without Donor Restrictions

Net assets without donor restrictions of \$8,669,018 and \$7,401,865 at December 31, 2023 and 2022, respectively, represent the cumulative retained surpluses since the organization's inception.

Net Assets with Donor Restrictions

IDA recognizes support from donations with restrictions when the restrictions imposed by the donors have been satisfied or expired. Net assets with donor restrictions consist of the following at December 31:

	2023	2022
Farmed Animals	\$ 5,595	\$ 9,950
Sustainable Activism	-	4,431
Justice for Animals	-	50
Community Cats	5,104	-
	\$ 10,699	\$ 14,431

Note 11 - Compensated Absences

IDA records a liability for the estimated amounts of compensation for future absences. Employees are permitted to accrue a specific number of hours of vacation which is payable upon termination. Sick leave is not paid upon termination. Accrued payroll liabilities amounted to \$126,101 and \$108,007 at December 31, 2023 and 2022, respectively.

Note 12 - Advertising and Promotion

Advertising and promotion costs are expensed as incurred. Advertising and promotion expense amounted to \$32,867 and \$13,089 for the years ended December 31, 2023 and 2022, respectively, and is reported on the statement of functional expenses.

Note 13 - Commitments and Contingencies

General

In the normal course of business, IDA could be subject to certain commitments and contingencies which might not be fully reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) grant restrictions and donor conditions which obligate IDA to fulfill certain requirements as set forth in grant instruments, (b) funding levels which vary based on factors beyond IDA's control, such as generosity of donors and general economic conditions, (c) employment and service agreements with key management personnel, and (d) financial risks associated with funds on deposit at bank and investment brokerage accounts. Management believes that such commitments, contingencies, and risks will not have a material adverse effect on the financial statements. Certain of the grants and contracts (including current and prior costs) are subject to audit and final acceptance by the granting entities.

Pending or Threatened Litigation

In early 2021, IDA and its President were named as defendants in a complaint involving workplace discrimination. The matter was initially filed with the Equal Employment Opportunity Commission and then migrated to the Marin County Superior Court. During June 2022, the parties entered into a confidential separation agreement and complete release of all claims. The settlement amount was \$136,000, and was covered by insurance. The insurance claim payment was included in other income and the IDA payment was included in general and administrative expense for the year ended December 31, 2022.

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Note 14 - Concentrations of Credit Risk

Financial instruments that potentially subject IDA to concentrations of credit risk consist principally of cash and cash equivalents. IDA maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. As of December 31, 2023 and 2022, uninsured balances at these financial institutions totaled \$617,525 and \$64,665, respectively. IDA manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy.

To date, IDA has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and grants receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from reputable organizations and foundations supportive of IDA's mission.

Note 15 - Management's Review

Management has evaluated subsequent events through October 10, 2024, the date on which the financial statements were available to be issued.