

Friends of Animals, Inc.

**Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

April 30, 2020 and 2019

Friends of Animals, Inc.

Index

	<u>Page</u>
Independent Auditor's Report	2
Financial Statements	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	7
Statements of Cash Flows	9
Notes to Financial Statements	10
Supplementary information	
Expenses for Program Services - Public Information and Animal Protection Costs	22

Independent Auditor's Report

To the Board of Directors
Friends of Animals, Inc.

We have audited the accompanying financial statements of Friends of Animals, Inc. (a nonprofit organization), which comprise the statements of financial position as of April 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows 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 audit 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 Friends of Animals, Inc. as of April 30, 2020 and 2019, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenses for program services - public information and animal protection costs - is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

CohnReznick LLP

Hartford, Connecticut
August 20, 2020

Friends of Animals, Inc.

**Statements of Financial Position
April 30, 2020 and 2019**

	<u>Assets</u>	
	<u>2020</u>	<u>2019</u>
Current assets		
Cash	\$ 557,293	\$ 68,454
Investments	559,977	1,622,140
Bequests receivable, net	1,554,094	614,635
Contributions and grants receivable, net	4,699	106,919
Merchandise inventory, net	3,811	10,307
Other current assets	19,867	66,084
Total current assets	<u>2,699,741</u>	<u>2,488,539</u>
Property and equipment		
Equipment and other	366,467	431,344
Accumulated depreciation	<u>(293,720)</u>	<u>(321,961)</u>
Total property and equipment, net	<u>72,747</u>	<u>109,383</u>
Other assets		
Vested interest in trusts	3,477,805	3,564,388
Deposits	14,556	14,556
Cash surrender value of officer life insurance	<u>218,018</u>	<u>198,181</u>
Total other assets	<u>3,710,379</u>	<u>3,777,125</u>
Total assets	<u>\$ 6,482,867</u>	<u>\$ 6,375,047</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities		
Accounts payable	\$ 26,695	\$ 24,044
Accrued expenses	128,227	108,590
Liability for unredeemed spay vouchers	<u>475,054</u>	<u>482,039</u>
Total current liabilities	<u>629,976</u>	<u>614,673</u>
Total liabilities	<u>629,976</u>	<u>614,673</u>
Commitments and contingencies		
Net assets		
Without donor restriction	2,083,861	1,774,989
With donor restriction - time/purpose	291,225	420,997
With donor restriction - in perpetuity	<u>3,477,805</u>	<u>3,564,388</u>
Total net assets	<u>5,852,891</u>	<u>5,760,374</u>
Total liabilities and net assets	<u>\$ 6,482,867</u>	<u>\$ 6,375,047</u>

See Notes to Financial Statements.

Friends of Animals, Inc.

Statement of Activities Year Ended April 30, 2020 (With Comparative Totals for 2019)

	Without donor restriction	With donor restriction		Total	
		Time/purpose	In perpetuity	2020	2019
Support and revenues					
Support					
Contributions and grants	\$ 865,302	\$ 50,008	\$ -	\$ 915,310	\$ 1,361,823
Bequests	2,588,012	-	-	2,588,012	1,653,326
Total support	<u>3,453,314</u>	<u>50,008</u>	<u>-</u>	<u>3,503,322</u>	<u>3,015,149</u>
Revenues					
Spay and neuter vouchers issued, net	1,455,758	-	-	1,455,758	1,496,021
Change in value of trusts	-	-	(86,583)	(86,583)	93,294
Merchandise and literature sales	6,083	-	-	6,083	6,710
Miscellaneous income	166,418	-	-	166,418	177,201
Total revenues	<u>1,628,259</u>	<u>-</u>	<u>(86,583)</u>	<u>1,541,676</u>	<u>1,773,226</u>
Net assets released from restrictions					
Satisfaction of program restrictions	179,780	(179,780)	-	-	-
Total support and revenues	<u>5,261,353</u>	<u>(129,772)</u>	<u>(86,583)</u>	<u>5,044,998</u>	<u>4,788,375</u>
Expenses					
Spaying and neutering costs	1,705,343	-	-	1,705,343	1,799,435
Public information and animal protection costs	2,966,936	-	-	2,966,936	3,010,506
Administrative	199,256	-	-	199,256	299,281
Fundraising	91,998	-	-	91,998	114,934
Total expenses	<u>4,963,533</u>	<u>-</u>	<u>-</u>	<u>4,963,533</u>	<u>5,224,156</u>
Investment income, net	11,052	-	-	11,052	55,680
Change in net assets	308,872	(129,772)	(86,583)	92,517	(380,101)
Net assets, beginning	1,774,989	420,997	3,564,388	5,760,374	6,140,475
Net assets, end	<u>\$ 2,083,861</u>	<u>\$ 291,225</u>	<u>\$ 3,477,805</u>	<u>\$ 5,852,891</u>	<u>\$ 5,760,374</u>

See Notes to Financial Statements.

Friends of Animals, Inc.

Statement of Activities Year Ended April 30, 2019

	Without donor restriction	With donor restriction		2019
		Time/purpose	In perpetuity	
Support and revenues				
Support				
Contributions and grants	\$ 639,179	\$ 582,652	\$ 139,992	\$ 1,361,823
Bequests	1,653,326	-	-	1,653,326
Total support	<u>2,292,505</u>	<u>582,652</u>	<u>139,992</u>	<u>3,015,149</u>
Revenues				
Spay and neuter vouchers issued, net	1,496,021	-	-	1,496,021
Change in value of trusts	-	-	93,294	93,294
Merchandise and literature sales	6,710	-	-	6,710
Miscellaneous income	177,201	-	-	177,201
Total revenues	<u>1,679,932</u>	<u>-</u>	<u>93,294</u>	<u>1,773,226</u>
Net assets released from restrictions				
Satisfaction of program restrictions	238,520	(238,520)	-	-
Total support and revenues	<u>4,210,957</u>	<u>344,132</u>	<u>233,286</u>	<u>4,788,375</u>
Expenses				
Spaying and neutering costs	1,799,435	-	-	1,799,435
Public information and animal protection costs	3,010,506	-	-	3,010,506
Administrative	299,281	-	-	299,281
Fundraising	114,934	-	-	114,934
Total expenses	<u>5,224,156</u>	<u>-</u>	<u>-</u>	<u>5,224,156</u>
Investment income, net	55,680	-	-	55,680
Change in net assets	(957,519)	344,132	233,286	(380,101)
Net assets, beginning	2,732,508	76,865	3,331,102	6,140,475
Net assets, end	<u>\$ 1,774,989</u>	<u>\$ 420,997</u>	<u>\$ 3,564,388</u>	<u>\$ 5,760,374</u>

See Notes to Financial Statements.

Friends of Animals, Inc.

**Statement of Functional Expenses
Year Ended April 30, 2020**

	Spaying and neutering costs	Public information and animal protection costs	Total program services	Administrative expenses	Fundraising expenses	Total support services	Total expenses
Salaries	\$ 243,083	\$ 1,287,824	\$ 1,530,907	\$ 83,592	\$ 12,893	\$ 96,485	\$ 1,627,392
Veterinarians	1,178,809	-	1,178,809	-	-	-	1,178,809
Primarily Primates, Inc. project	-	732,667	732,667	-	-	-	732,667
Insurance	52,153	228,187	280,340	8,136	2,105	10,241	290,581
Rent and utilities	36,520	106,525	143,045	8,521	1,217	9,738	152,783
Printing and mailing lists	6,181	93,306	99,487	1,512	30,446	31,958	131,445
Payroll and other taxes	19,269	98,160	117,429	6,663	1,467	8,130	125,559
Postage and delivery	9,559	61,802	71,361	3,672	14,296	17,968	89,329
Computer supplies	26,995	10,265	37,260	24,078	19,625	43,703	80,963
Advertising	25,918	49,162	75,080	-	-	-	75,080
African projects cost	-	69,996	69,996	-	-	-	69,996
Professional services	24,378	18,241	42,619	24,379	-	24,379	66,998
Bank service charges	56,677	-	56,677	3,830	1,667	5,497	62,174
Depreciation	9,405	40,232	49,637	2,090	523	2,613	52,250
Travel	-	45,945	45,945	877	-	877	46,822
Lobbying	-	39,940	39,940	-	-	-	39,940
Registrations and fees	160	12,254	12,414	13,201	827	14,028	26,442
Telephone	5,338	17,320	22,658	576	-	576	23,234
Dues and subscriptions	-	20,112	20,112	41	-	41	20,153
Office equipment rental	5,089	9,428	14,517	675	112	787	15,304
Office supplies and expense	272	10,774	11,046	1,372	63	1,435	12,481
Bad debt expense	-	-	-	8,810	-	8,810	8,810
Maintenance	2,075	4,705	6,780	484	69	553	7,333
Incentive program material costs	-	-	-	-	6,496	6,496	6,496
Data processing	962	4,477	5,439	289	192	481	5,920
Wild horse project	-	5,490	5,490	-	-	-	5,490
Miscellaneous	-	105	105	3,955	-	3,955	4,060
Automobile expense	-	19	19	2,503	-	2,503	2,522
Awards and grants	2,500	-	2,500	-	-	-	2,500
	<u>\$ 1,705,343</u>	<u>\$ 2,966,936</u>	<u>\$ 4,672,279</u>	<u>\$ 199,256</u>	<u>\$ 91,998</u>	<u>\$ 291,254</u>	<u>\$ 4,963,533</u>

See Notes to Financial Statements.

Friends of Animals, Inc.

**Statement of Functional Expenses
Year Ended April 30, 2019**

	Spaying and neutering costs	Public information and animal protection costs	Total program services	Administrative expenses	Fundraising expenses	Total support services	Total expenses
Salaries	\$ 246,360	\$ 1,212,057	\$ 1,458,417	\$ 92,642	\$ 12,081	\$ 104,723	\$ 1,563,140
Veterinarians	1,233,411	-	1,233,411	-	-	-	1,233,411
Primarily Primates, Inc. project	-	764,707	764,707	-	-	-	764,707
Rent and utilities	36,922	198,601	235,523	8,693	1,227	9,920	245,443
Insurance	54,367	211,176	265,543	9,033	2,128	11,161	276,704
Printing and mailing lists	9,358	78,410	87,768	957	37,091	38,048	125,816
Advertising	39,837	77,442	117,279	-	-	-	117,279
Payroll and other taxes	19,984	92,597	112,581	7,442	1,353	8,795	121,376
Postage and delivery	11,876	61,313	73,189	4,916	13,272	18,188	91,377
Bank service charges	52,193	759	52,952	3,267	1,254	4,521	57,473
Computer supplies	43,125	9,435	52,560	33,702	27,262	60,964	113,524
African projects cost	-	69,996	69,996	-	-	-	69,996
Travel	-	46,390	46,390	355	-	355	46,745
Professional services	21,519	49,790	71,309	20,269	-	20,269	91,578
Depreciation	7,544	32,479	40,023	1,676	419	2,095	42,118
Registrations and fees	721	10,871	11,592	12,486	2,544	15,030	26,622
Incentive program material costs	-	-	-	-	14,856	14,856	14,856
Lobbying	-	26,564	26,564	-	-	-	26,564
Telephone	5,933	15,856	21,789	593	990	1,583	23,372
Bad debt expense	-	-	-	98,050	-	98,050	98,050
Office equipment rental	4,996	12,083	17,079	930	161	1,091	18,170
Dues and subscriptions	147	16,359	16,506	35	-	35	16,541
Office supplies and expense	333	6,868	7,201	888	26	914	8,115
Maintenance	2,347	4,867	7,214	549	78	627	7,841
Miscellaneous	-	105	105	1,596	-	1,596	1,701
Data processing	962	4,012	4,974	289	192	481	5,455
Wild horse project	-	7,755	7,755	-	-	-	7,755
Awards and grants	7,500	-	7,500	-	-	-	7,500
Automobile expense	-	14	14	913	-	913	927
	<u>\$ 1,799,435</u>	<u>\$ 3,010,506</u>	<u>\$ 4,809,941</u>	<u>\$ 299,281</u>	<u>\$ 114,934</u>	<u>\$ 414,215</u>	<u>\$ 5,224,156</u>

See Notes to Financial Statements.

Friends of Animals, Inc.
Statements of Cash Flows
Years Ended April 30, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 92,517	\$ (380,101)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Bad debt expense	8,810	98,050
Depreciation	52,250	42,118
Unrealized and realized loss (gain) on investments	163	(33,301)
Change in value of trusts	86,583	(233,286)
Increase in cash surrender value of officer life insurance	(19,837)	(17,877)
Changes in operating assets and liabilities		
Bequests receivable	(948,269)	(133,021)
Contributions and grants receivable	102,220	(95,031)
Merchandise inventory	6,496	9,470
Other current assets	46,217	(25,486)
Accounts payable	2,651	19,777
Accrued expenses	19,637	16,396
Liability for unredeemed spay vouchers	(6,985)	6,953
	(557,547)	(725,339)
Net cash used in operating activities		
Cash flows from investing activities		
Purchases of property and equipment	(15,614)	(55,699)
Proceeds from sales of investments	1,300,000	1,773,000
Purchases of investments	(238,000)	(931,886)
	1,046,386	785,415
Net cash provided by investing activities		
Net increase in cash	488,839	60,076
Cash, beginning	68,454	8,378
Cash, end	\$ 557,293	\$ 68,454

See Notes to Financial Statements.

Friends of Animals, Inc.

Notes to Financial Statements April 30, 2020 and 2019

Note 1 - Organization and summary of significant accounting policies

Nature of activities

Friends of Animals, Inc. ("FoA" or the "Organization"), a not-for-profit organization, is incorporated in the State of New York. FoA has offices in Darien, Connecticut; Centennial, Colorado; and Asheville, North Carolina.

FoA advocates for the rights of animals, free-living and domestic, around the world. Its goal is to free animals from cruelty and institutionalized exploitation. Through its various animal advocacy programs and interventions, FoA promotes endangered species and other wildlife protection through its broad-based educational efforts. The group promotes campaigns against wild horse round-ups and the wild bird trade, the horse-drawn carriage trade, the fur trade, hunting and predator control, including animal-killing contests. FoA's Wildlife Law Program fills a niche between animal and environmental activism, using the law to ensure the right of all wildlife to live in an ecosystem free from human manipulation, exploitation or abuse. FoA's successful lawsuits and interventions also expose the mistreatment of wildlife and help local governments and communities learn how to eliminate perceived conflicts with animals.

FoA sponsors chimpanzee conservation projects in West Africa, and funds the protection and recovery of an endangered African antelope species. FoA also assists with funding and in 2007, took over the management of Primarily Primates sanctuary in San Antonio, Texas. The approximately 300 animals and birds who reside at this 78-acre sanctuary were released from animal labs, zoos, the exotic pet trade and the entertainment industry.

Its vegan advocacy educational projects explain that a plant-based diet is the best response to an ecological crisis and the only way to end the unspeakable misery that comes from turning animals into consumer goods.

From its beginning, FoA has taken a leadership role providing low-cost spaying and neutering of dogs and cats nationwide. FoA operates a breeding control program in the United States, facilitating more than 2.7 million spay/neuter procedures since inception. Vouchers can be purchased from FoA that can be used for a routine spay or neuter surgery at a participating veterinarian. The balance of FoA's support and revenues predominantly consists of contributions, bequests and grants.

FoA publishes a periodic publication, ActionLine, and offers free subscriptions with memberships. Through ActionLine, mailings and action alerts, FoA informs its members and supporters about how to end the worldwide exploitation of animals and contains "calls to action" to get readers to take action in support of various causes and programs.

Recent accounting pronouncements

The Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. We have implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

Friends of Animals, Inc.

Notes to Financial Statements April 30, 2020 and 2019

The Organization also adopted FASB ASU 2014-09, *Revenue from Contracts with Customers*. This ASU provides new revenue recognition guidance that superseded existing revenue recognition guidance. The update, as amended, requires the recognition of revenue related to the transfer of goods or services to customers which reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services, as well as additional qualitative and quantitative disclosures about revenues.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to two classes of net assets, which are described as follows:

Net assets without donor restrictions - Net assets without donor restrictions represent available resources other than donor-restricted contributions. Included in net assets without donor restrictions are funds that may be earmarked for specific purposes.

Net assets with donor restrictions - Net assets subject to donor (or certain grantor) 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 are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Income taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provision for federal or state income taxes in the accompanying financial statements.

The Organization has no unrecognized tax benefits at April 30, 2020 and 2019. The Organization's federal and state information returns prior to fiscal year 2017 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If the Organization were to have unrelated business income taxes, the Organization would recognize interest and penalties associated with uncertain tax positions as part of income tax expense and include accrued interest and penalties with the related tax liability in the statements of financial position.

Cash and cash equivalents

FoA considers all highly-liquid investments with a maturity of three months or less when acquired to be cash equivalents. There were no cash equivalents as of April 30, 2020 and 2019.

Contributions and grants

Transactions where the resource provider often receives value indirectly by providing a societal benefit, although the societal benefit is not considered to be of commensurate value, are deemed to be contributions. Contributions are classified as either conditional or unconditional. A conditional contribution is a transaction where the Organization has to overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund or has the

Friends of Animals, Inc.

Notes to Financial Statements April 30, 2020 and 2019

right of return of any advanced funding if the Organization fails to overcome the barrier. The Organization recognizes the contribution revenue upon overcoming the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as a refundable advance.

Unconditional contributions are recognized as revenue and receivable when the commitment to contribute is received.

Unconditional contributions are recorded as either with donor restriction or without donor restriction. Contributions are recognized as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. Contributions received with no donor stipulations are recorded as contributions without donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the statements of activities as net assets released from restriction. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as contributions without donor restrictions.

Grants are recorded as receivables in the year the commitment is made by the grantor and are deemed to be earned and reported as revenue when the Organization has expended the funds which meet the specific grant restrictions. Unexpended amounts are classified as net assets with donor restrictions in the accompanying financial statements.

Spay and neuter vouchers

Spay and neuter voucher revenue is recognized when control of the promised service is transferred (at a point in time, i.e., when the voucher is redeemed) by the Organization's customers, in an amount that depicts the consideration the Organization expects to be entitled to in exchange for those services. Revenue is not recognized unless collectability under the contract is considered probable, the contract has commercial substance and the contract has been approved. Additionally, the contract must contain payment terms, as well as the rights and commitments of both parties. The liability for unredeemed spay and neuter vouchers represents FoA's estimate of spay and neuter vouchers sold prior to the end of the year, but not yet redeemed by veterinarians.

Investments

Investments in money market, mutual funds and equities are valued at their fair values. Net realized and unrealized gains or loss on investments are included in investment income or loss.

Property and equipment

The Organization capitalizes all expenditures for equipment in excess of \$2,000 and having a useful life of three years or greater. Purchased equipment is recorded at cost. Donated equipment is recorded at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated lives for financial reporting purposes are 5 -10 years for equipment and other. Construction in progress expenditures will be capitalized and depreciated at the completion of projects.

Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the statements of activities.

The Organization reports gifts of land, buildings and equipment as net assets without donor restrictions unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of

Friends of Animals, Inc.

Notes to Financial Statements April 30, 2020 and 2019

cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long these long-lived assets must be maintained, the Organization reports expirations of donor restrictions of acquired long-lived assets when placed in service.

Donated services

Donated services are recorded at their estimated values at the date of receipt.

Vested interest in trusts

FoA is the beneficiary of perpetual irrevocable trusts held and administered by independent trustees. Under the terms of the trusts, FoA has the irrevocable right to receive the income earned on the trust assets in perpetuity. The fair value of the beneficial interest in the trust is recognized as an asset and as a contribution with donor restriction at the date the trust is established. FoA's estimate of fair value is based on fair value information received from the trustees. The trust assets consist of, but are not limited to, cash and cash equivalents, corporate and government bonds, mutual funds and equity securities. These assets are not subject to the control or direction by FoA. Gains and losses, which are not distributed by the trusts, are reflected as change in value of trusts in the statements of activities. Vested interest in trusts as of April 30, 2020 and 2019 are \$3,477,805 and \$3,564,388, respectively. Net assets with donor restrictions - in perpetuity relate to the vested interests in trusts.

Qualified retirement plan

FoA sponsors an employee profit sharing plan, which is qualified under Sections 401(a) and 501(a) of the Internal Revenue Code and covers substantially all full-time employees of the Organization. FoA did not make any contributions for the years ended April 30, 2020 and 2019.

Merchandise inventory

Merchandise inventory consists of various promotional merchandise and is stated at the lower of cost or market and is determined using the first-in, first-out method.

Advertising costs

Advertising costs are expensed as incurred.

Functional allocation of expenses

Expenses are charged to animal care, public information, fundraising and general and administrative based on a combination of specific identification and allocations made by management. Expenses that are attributed to multiple functions are allocated using a reasonable allocation method that is consistently applied. Salaries and related costs are allocated based on staff functions.

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 disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events

The Organization has evaluated events and transactions for potential recognition or disclosure through August 20, 2020, which is the date the financial statements were available to be issued.

Friends of Animals, Inc.

**Notes to Financial Statements
April 30, 2020 and 2019**

Note 2 - Concentrations

The Organization maintains its cash with high-credit quality financial institutions. At various times during the year, cash held at the Organization's banking institutions may exceed the federally insured limits.

The Organization invests in various debt and equity securities. These investment securities are recorded at fair value. Accordingly, the investment securities can fluctuate because of interest rates, reinvestment, credit and other risks depending on the nature of the specific investment. Therefore, it is at least reasonably possible that these factors will result in changes in the value of FoA's investments, which could materially affect amounts reported in the financial statements.

Note 3 - Liquidity

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, comprise the following as of April 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash	\$ 557,293	\$ 68,454
Investments	559,977	1,622,140
Bequests receivable, net	1,554,094	614,635
Contributions and grants receivable, net	<u>4,699</u>	<u>106,919</u>
	<u>\$ 2,676,063</u>	<u>\$ 2,412,148</u>

As part of the Organization's liquidity management, the Organization keeps its financial assets available as its general expenditures, liabilities, and other obligations come due.

Friends of Animals, Inc.

**Notes to Financial Statements
April 30, 2020 and 2019**

Note 4 - Investments

Investments at April 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Money market	\$ 559,977	\$ 647,141
Mutual funds	-	377,027
Equities		
Foreign	-	181,116
Basic materials	-	13,151
Communications	-	18,979
Consumer	-	78,729
Energy	-	22,679
Financial services	-	85,976
Healthcare	-	29,273
Industrial	-	47,636
Technology	-	105,063
Utilities	-	15,370
	<u> </u>	<u> </u>
Total	<u>\$ 559,977</u>	<u>\$ 1,622,140</u>

The following summarizes investment income for the years ended April 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 14,716	\$ 35,977
Unrealized (loss) gain on investments	(163)	34,745
Realized loss on investments	-	(1,444)
Investment fees	<u>(3,501)</u>	<u>(13,598)</u>
	<u> </u>	<u> </u>
Total investment income	<u>\$ 11,052</u>	<u>\$ 55,680</u>

Note 5 - Vested interest in trusts

FoA is the beneficiary under multiple perpetual trust agreements. The assets of the trusts are included in the statements of financial position at fair value. The income distributed from the trusts in fiscal years 2020 and 2019 was \$87,999 and \$230,460, respectively. Income distributed from the trusts is recorded in bequests in the statements of activities. FoA's interest in these trusts is recorded at fair value in the statements of financial position. The value at April 30, 2020 and 2019 was \$3,477,805 and \$3,564,388, respectively.

Friends of Animals, Inc.

Notes to Financial Statements April 30, 2020 and 2019

Note 6 - Fair value measurements

The Organization values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.
- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

The asset's fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considers counterparty credit risk in its assessment of fair value. There have been no changes in the methodologies used during 2020 and 2019.

FoA's policy is to recognize transfers in and out of various levels as of the actual date of the event or change in circumstance that caused the transfer. There were no transfers during the years ended April 30, 2020 and 2019.

Investments in securities designated as Level 1 that are listed on a national securities exchange are valued at the last sales price on the valuation date. The fair value of money market designated as Level 2 is estimated using third party quotations.

Vested interest in trusts are designated as level 3 instruments primarily because FoA receives periodic payments from the trusts based on the present value of expected cash flows to be received from the trusts. The fair value of the Organization's share of the trusts is based on the values of the underlying investments in the trusts, which are established by the trustees using market values for identical assets in an active market for similar assets. The trustees provide FoA with investment statements and valuations of its portion of the trusts at year-end. These are evaluated annually by the Organization.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although FoA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Friends of Animals, Inc.

**Notes to Financial Statements
April 30, 2020 and 2019**

Financial assets carried at fair value at April 30, 2020 and 2019 are classified in the tables below in one of the three categories described above:

	2020			
	Level 1	Level 2	Level 3	Total
Money market	\$ -	\$ 559,977	\$ -	\$ 559,977
Vested interest in trusts	-	-	3,477,805	3,477,805
	<u>\$ -</u>	<u>\$ 559,977</u>	<u>\$ 3,477,805</u>	<u>\$ 4,037,782</u>

	2019			
	Level 1	Level 2	Level 3	Total
Money market	\$ -	\$ 647,141	\$ -	\$ 647,141
Mutual funds	377,027	-	-	377,027
Equities				
Foreign	181,116	-	-	181,116
Basic materials	13,151	-	-	13,151
Communications	18,979	-	-	18,979
Consumer	78,729	-	-	78,729
Energy	22,679	-	-	22,679
Financial services	85,976	-	-	85,976
Healthcare	29,273	-	-	29,273
Industrial	47,636	-	-	47,636
Technology	105,063	-	-	105,063
Utilities	15,370	-	-	15,370
Vested interest in trusts	-	-	3,564,388	3,564,388
	<u>\$ 974,999</u>	<u>\$ 647,141</u>	<u>\$ 3,564,388</u>	<u>\$ 5,186,528</u>

The following tables set forth changes in assets measured at fair value using Level 3 inputs for the years ended April 30, 2020 and 2019:

	Balance, April 30, 2019	Unrealized appreciation	Contributions	Distributions	Balance, April 30, 2020
Vested interest in trusts	\$ 3,564,388	\$ 1,416	\$ -	\$ (87,999)	\$ 3,477,805
Total	<u>\$ 3,564,388</u>	<u>\$ 1,416</u>	<u>\$ -</u>	<u>\$ (87,999)</u>	<u>\$ 3,477,805</u>

	Balance, April 30, 2018	Unrealized appreciation	Contributions	Distributions	Balance, April 30, 2019
Vested interest in trusts	\$ 3,331,102	\$ 323,754	\$ 139,992	\$ (230,460)	\$ 3,564,388
Total	<u>\$ 3,331,102</u>	<u>\$ 323,754</u>	<u>\$ 139,992</u>	<u>\$ (230,460)</u>	<u>\$ 3,564,388</u>

Friends of Animals, Inc.

**Notes to Financial Statements
April 30, 2020 and 2019**

The following table represents FoA's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of values for those inputs:

Instrument	2020 Fair value	2019 Fair value	Principal valuation technique	Unobservable inputs	Significant input values	Weighted average
Vested interest in trusts	\$ 3,477,805	\$ 3,564,388	(A)	Base price	N/A	N/A

(A) - Valuation of underlying assets as provided by issuer.

The amount of total gains or losses for the fiscal years ended April 30, 2020 and 2019 attributable to the change in the unrealized gains or losses relating to assets still held at the reporting date were included in change in net assets in investment income in the statements of activities. For the years ended April 30, 2020 and 2019, FoA recognized an unrealized gain of \$1,416 and \$323,754, respectively.

Note 7 - Bequests, contributions and grants receivable

FoA has bequests receivable totaling \$1,544,094 and \$614,635 as of April 30, 2020 and 2019, respectively. Management records bequests at estimated net realizable amounts and periodically reviews bequests receivable for uncollectible amounts. The allowance for uncollectible bequests as of April 30, 2020 and 2019 was \$18,000 and \$13,500, respectively. Total balance of bequests receivable is due within the next fiscal year for both years ended April 30, 2020 and 2019.

FoA has contributions receivable totaling \$16,300 and \$28,319 as of April 30, 2020 and 2019, respectively. As of April 30, 2020 and 2019, there was an allowance for uncollectible amounts relating to contributions receivable of \$11,601 and \$21,400, respectively. Total balance of contributions receivable is due within the next fiscal year for both years ended April 30, 2020 and 2019.

FoA has grants receivable totaling \$-0- and \$100,000 as of April 30, 2020 and 2019, respectively. The balance is deemed fully collectible and no allowance for uncollectible amounts was recorded as of April 30, 2020 and 2019.

Note 8 - Net assets with donor restrictions- time/purpose

Net assets with donor restrictions - time/purpose as of April 30, 2020 and 2019 are comprised of the following:

	<u>2020</u>	<u>2019</u>
Time restricted	\$ -	\$ 100,000
Wildlife Law Program	291,225	320,997
	<u>\$ 291,225</u>	<u>\$ 420,997</u>

Friends of Animals, Inc.

**Notes to Financial Statements
April 30, 2020 and 2019**

Note 9 - Net assets with donor restrictions- in perpetuity

Net assets with donor restrictions - in perpetuity as of April 30, 2020 and 2019 are comprised of the following:

	2020	2019
Vested interest in trusts	\$ 3,477,805	\$ 3,564,388

Note 10 - Spay and neuter vouchers

Spay and neuter vouchers issued are shown net of refunds and discounts on the statements of activities. For the years ended April 30, 2020 and 2019, spay and neuter vouchers are comprised of the following:

	2020	2019
Spay and neuter revenue	\$ 1,487,514	\$ 1,561,415
Refunds	(31,756)	(39,157)
Discounts	-	(26,237)
	\$ 1,455,758	\$ 1,496,021

Note 11 - Lease commitments

The Organization leases facilities for its main headquarters in Darien, Connecticut under a 60-month lease, which expires April 30, 2025. Under the terms of the lease, the payments escalate each year.

The Organization also leases an additional facility in Centennial, Colorado under a noncancelable operating lease. The Centennial, Colorado lease expires January 2025. Under the terms of the lease, the payments escalate each year.

Rent expense for all locations amounted to \$152,783 and \$245,443 for the years ended April 30, 2020 and 2019, respectively.

Future minimum rent lease payments due under noncancelable real estate operating leases in the years subsequent to April 30, 2020 are as follows:

2021	\$	148,931
2022		149,796
2023		155,343
2024		156,208
2025		148,661
	\$	758,939

The Organization leases office equipment and is responsible for the maintenance and insurance costs. Equipment lease expense for the years ended April 30, 2020 and 2019 was \$15,304 and \$18,179, respectively. Leases expire through February 2024.

Friends of Animals, Inc.

**Notes to Financial Statements
April 30, 2020 and 2019**

Future minimum lease payments due under noncancelable equipment operating leases in each of the years subsequent to April 30, 2020 are as follows:

2021	\$	11,988
2022		11,988
2023		5,349
2024		2,180
		<hr/>
	\$	31,505
		<hr/> <hr/>

Note 12 - Related party

FoA has supported Primarily Primates, Inc. ("PPI"). PPI is a 78-acre sanctuary in Texas that houses chimpanzees, monkeys and other animals that have been used in experiments, entertainment or traded as pets, and have been subsequently cast off and are in need of permanent shelter. FoA shares common (although not majority) board members with PPI. Total financial support provided to PPI for the years ended April 30, 2020 and 2019 was \$732,667 and \$764,707, respectively. Included in this amount was \$130,181 and \$134,483 of donated administrative support during the years ended April 30, 2020 and 2019, respectively. A portion of the support is from funds raised on behalf of PPI.

The Organization supports a wild horse project in which wild horses were rescued and are being kept and cared for on the PPI property. PPI cares for the animals and the Organization reimburses PPI for all expenses incurred relating to this project. During years ended April 30, 2020 and 2019, the Organization reimbursed PPI for expenses of \$5,490 and \$7,755, respectively.

Note 13 - Donations in-kind

During 2020 and 2019, FoA received donated advertising. The total value of the donated advertising recorded in the statements of activities was \$44,598 and \$55,949 for the years ended April 30, 2020 and 2019, respectively.

Note 14 - Subsequent event

On May 4, 2020, the Organization received a loan for \$327,415 from People's United Bank, N.A. through the Small Business Association's Payroll Protection Program to cover payroll and utility costs. The loan bears interest at 1% and will be paid in 17 monthly installments of \$18,426, beginning on November 29, 2020. However, per the loan agreement, the loan will be forgiven if the funds are used to cover payroll and utility costs, which the Organization fully anticipates.

Supplementary Information

Friends of Animals, Inc.

**Expenses for Program Services -
Public Information and Animal Protection Costs
Year Ended April 30, 2020
(With Comparative Totals for 2019)**

	Wildlife	International	Public information	Total	
				2020	2019
Salaries	\$ 515,666	\$ -	\$ 772,158	\$ 1,287,824	\$ 1,212,057
Primarily Primates, Inc. project	732,667	-	-	732,667	764,707
Advertising	2,801	-	46,361	49,162	77,442
Rent and utilities	39,573	-	66,952	106,525	198,601
Insurance	96,986	-	131,201	228,187	211,176
Printing and mailing lists	93,287	-	19	93,306	78,410
Postage and delivery	3,036	-	58,766	61,802	61,313
Professional services	8,471	-	9,770	18,241	49,790
Payroll and other taxes	39,819	-	58,341	98,160	92,597
African project costs	-	69,996	-	69,996	69,996
Bank service charges	-	-	-	-	759
Travel	20,991	-	24,954	45,945	46,390
Computer supplies	7,062	-	3,203	10,265	9,435
Depreciation	16,720	-	23,512	40,232	32,479
Registrations and fees	11,469	-	785	12,254	10,871
Lobbying	39,940	-	-	39,940	26,564
Telephone	5,256	-	12,064	17,320	15,856
Office equipment rental	3,255	-	6,173	9,428	12,083
Wild horse project	5,490	-	-	5,490	7,755
Miscellaneous	-	-	105	105	105
Dues and subscriptions	9,993	-	10,119	20,112	16,359
Maintenance	484	-	4,221	4,705	4,867
Office supplies and expense	5,554	-	5,220	10,774	6,868
Data processing	2,553	-	1,924	4,477	4,012
Films and photography	-	-	19	19	14
	<u>\$ 1,661,073</u>	<u>\$ 69,996</u>	<u>\$ 1,235,867</u>	<u>\$ 2,966,936</u>	<u>\$ 3,010,506</u>

See Independent Auditor's Report.



Independent Member of Nexia International

cohnreznick.com