

**Friends of Animals, Inc.**

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

**April 30, 2022 and 2021**

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**Friends of Animals, Inc.**

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## Independent Auditor's Report

To the Board of Directors  
Friends of Animals, Inc.

### *Opinion*

We have audited the financial statements of Friends of Animals, Inc., which comprise the statements of financial position as of April 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Friends of Animals, Inc. as of April 30, 2022 and 2021, 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 ("GAAS"). 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 Friends of Animals, Inc. 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 Friends of Animals, Inc.'s ability to continue as a going concern for 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 GAAS 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.

In performing an audit in accordance with GAAS, 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 Friends of Animals, Inc.'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 Friends of Animals, Inc.'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.

#### Supplementary Information

Our audit was 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 audit 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.



Hartford, Connecticut  
September 23, 2022

**Friends of Animals, Inc.**

**Statements of Financial Position  
April 30, 2022 and 2021**

Assets

	2022	2021
Current assets		
Cash	\$ 835,943	\$ 442,081
Investments	7,241,199	3,816,289
Bequests receivable, net	128,719	111,859
Contributions and grants receivable, net	7,690	100,000
Merchandise inventory, net	247	185
Other current assets	49,131	10,034
Total current assets	8,262,929	4,480,448
Property and equipment		
Equipment and other	376,749	368,467
Accumulated depreciation	(336,522)	(314,243)
Total property and equipment, net	40,227	54,224
Other assets		
Vested interest in trusts	4,119,336	4,352,201
Deposits	14,556	14,556
Total other assets	4,133,892	4,366,757
Total assets	\$ 12,437,048	\$ 8,901,429

Liabilities and Net Assets

Current liabilities		
Accounts payable	\$ 65,140	\$ 1,625
Accrued expenses	118,617	110,877
Liability for unredeemed spay vouchers	642,388	775,627
Refundable advance - PPP	-	305,820
Total current liabilities	826,145	1,193,949
Total liabilities	826,145	1,193,949
Commitments and contingencies		
Net assets		
Without donor restriction	7,361,360	3,050,362
With donor restriction - time/purpose	130,207	304,917
With donor restriction - in perpetuity	4,119,336	4,352,201
Total net assets	11,610,903	7,707,480
Total liabilities and net assets	\$ 12,437,048	\$ 8,901,429

See Notes to Financial Statements.

## Friends of Animals, Inc.

### Statement of Activities Year Ended April 30, 2022 (With Comparative Totals for 2021)

	Without donor restriction	With donor restriction		Total	
		Time/purpose	In perpetuity	2022	2021
Support and revenues					
Support					
Contributions	\$ 1,082,394	\$ 33,103	\$ -	\$ 1,115,497	\$ 1,282,876
Contribution - PPP	305,820	-	-	305,820	327,415
Bequests	5,726,341	-	-	5,726,341	2,097,194
Total support	7,114,555	33,103	-	7,147,658	3,707,485
Revenues					
Spay and neuter vouchers issued, net	1,625,749	-	-	1,625,749	1,679,497
Change in value of trusts	-	-	(232,865)	(232,865)	874,396
Merchandise and literature sales	2,319	-	-	2,319	2,899
Miscellaneous income	85,000	-	-	85,000	107,425
Total revenues	1,713,068	-	(232,865)	1,480,203	2,664,217
Net assets released from restrictions					
Satisfaction of restrictions	207,813	(207,813)	-	-	-
Total support and revenues	9,035,436	(174,710)	(232,865)	8,627,861	6,371,702
Expenses					
Spaying and neutering costs	1,649,751	-	-	1,649,751	1,807,982
Public information and animal protection costs	2,403,208	-	-	2,403,208	2,241,116
Administrative	182,195	-	-	182,195	394,444
Fundraising	83,986	-	-	83,986	73,716
Total expenses	4,319,140	-	-	4,319,140	4,517,258
Investment (loss) income, net	(405,298)	-	-	(405,298)	145
Change in net assets	4,310,998	(174,710)	(232,865)	3,903,423	1,854,589
Net assets, beginning	3,050,362	304,917	4,352,201	7,707,480	5,852,891
Net assets, end	\$ 7,361,360	\$ 130,207	\$ 4,119,336	\$ 11,610,903	\$ 7,707,480

**Friends of Animals, Inc.**

**Statement of Activities  
Year Ended April 30, 2021**

	Without donor restriction	With donor restriction		2021
		Time/purpose	In perpetuity	
Support and revenues				
Support				
Contributions	\$ 1,182,876	\$ 100,000	\$ -	\$ 1,282,876
Contribution - PPP	327,415	-	-	327,415
Bequests	2,097,194	-	-	2,097,194
Total support	3,607,485	100,000	-	3,707,485
Revenues				
Spay and neuter vouchers issued, net	1,679,497	-	-	1,679,497
Change in value of trusts	-	-	874,396	874,396
Merchandise and literature sales	2,899	-	-	2,899
Miscellaneous income	107,425	-	-	107,425
Total revenues	1,789,821	-	874,396	2,664,217
Net assets released from restrictions				
Satisfaction of restrictions	86,308	(86,308)	-	-
Total support and revenues	5,483,614	13,692	874,396	6,371,702
Expenses				
Spaying and neutering costs	1,807,982	-	-	1,807,982
Public information and animal protection costs	2,241,116	-	-	2,241,116
Administrative	394,444	-	-	394,444
Fundraising	73,716	-	-	73,716
Total expenses	4,517,258	-	-	4,517,258
Investment income, net	145	-	-	145
Change in net assets	966,501	13,692	874,396	1,854,589
Net assets, beginning	2,083,861	291,225	3,477,805	5,852,891
Net assets, end	\$ 3,050,362	\$ 304,917	\$ 4,352,201	\$ 7,707,480

See Notes to Financial Statements.

**Friends of Animals, Inc.**

**Statement of Functional Expenses  
Year Ended April 30, 2022**

	Spaying and neutering costs	Public information and animal protection costs	Total program services	Administrative expenses	Fundraising expenses	Total support services	Total expenses
Salaries	\$ 185,368	\$ 1,260,040	\$ 1,445,408	\$ 95,937	\$ 15,976	\$ 111,913	\$ 1,557,321
Veterinarians	1,212,485	-	1,212,485	-	-	-	1,212,485
Primarily Primates, Inc. project	-	310,415	310,415	-	-	-	310,415
Insurance	43,233	198,212	241,445	5,706	1,863	7,569	249,014
Rent and utilities	38,006	100,477	138,483	9,452	1,194	10,646	149,129
Printing and mailing lists	7,272	76,159	83,431	461	26,220	26,681	110,112
Payroll and other taxes	14,835	106,579	121,414	7,421	1,661	9,082	130,496
Postage and delivery	8,930	51,124	60,054	3,721	19,247	22,968	83,022
Computer supplies	23,051	21,948	44,999	14,917	10,940	25,857	70,856
Advertising	24,593	52,947	77,540	-	-	-	77,540
African projects cost	-	112,778	112,778	-	-	-	112,778
Professional services	22,512	9,811	32,323	13,406	-	13,406	45,729
Bank service charges	54,378	-	54,378	3,316	1,272	4,588	58,966
Depreciation	4,010	17,154	21,164	891	223	1,114	22,278
Travel	-	16,460	16,460	-	-	-	16,460
Registrations and fees	-	7,594	7,594	14,618	4,892	19,510	27,104
Telephone	3,122	17,766	20,888	741	85	826	21,714
Dues and subscriptions	-	15,366	15,366	18	-	18	15,384
Office equipment rental	4,209	9,540	13,749	1,052	138	1,190	14,939
Office supplies and expense	352	5,703	6,055	2,367	11	2,378	8,433
Maintenance	2,462	4,541	7,003	1,001	77	1,078	8,081
Incentive program material costs	-	-	-	713	-	713	713
Data processing	933	3,409	4,342	280	187	467	4,809
Wild horse project	-	5,185	5,185	-	-	-	5,185
Miscellaneous	-	-	-	6,022	-	6,022	6,022
Automobile expense	-	-	-	155	-	155	155
	<u>\$ 1,649,751</u>	<u>\$ 2,403,208</u>	<u>\$ 4,052,959</u>	<u>\$ 182,195</u>	<u>\$ 83,986</u>	<u>\$ 266,181</u>	<u>\$ 4,319,140</u>



**Friends of Animals, Inc.**

**Statement of Functional Expenses  
Year Ended April 30, 2021**

	Spaying and neutering costs	Public information and animal protection costs	Total program services	Administrative expenses	Fundraising expenses	Total support services	Total expenses
Salaries	\$ 175,959	\$ 1,274,773	\$ 1,450,732	\$ 96,621	\$ 16,059	\$ 112,680	\$ 1,563,412
Veterinarians	1,361,600	-	1,361,600	-	-	-	1,361,600
Primarily Primates, Inc. project	-	228,891	228,891	-	-	-	228,891
Insurance	33,227	179,646	212,873	6,298	1,476	7,774	220,647
Rent and utilities	35,910	103,619	139,529	8,379	1,197	9,576	149,105
Printing and mailing lists	5,841	43,059	48,900	457	22,579	23,036	71,936
Payroll and other taxes	14,308	105,711	120,019	7,546	1,333	8,879	128,898
Postage and delivery	9,112	37,580	46,692	3,484	13,398	16,882	63,574
Computer supplies	26,982	1,795	28,777	24,519	12,440	36,959	65,736
Advertising	36,960	74,742	111,702	-	-	-	111,702
African projects cost	-	81,085	81,085	-	-	-	81,085
Professional services	23,125	12,550	35,675	84,230	-	84,230	119,905
Bank service charges	67,300	5	67,305	3,720	1,622	5,342	72,647
Depreciation	3,694	15,802	19,496	821	205	1,026	20,522
Travel	-	6,138	6,138	-	-	-	6,138
Registrations and fees	665	8,611	9,276	13,963	2,966	16,929	26,205
Telephone	4,906	18,927	23,833	510	-	510	24,343
Dues and subscriptions	-	16,361	16,361	18	-	18	16,379
Office equipment rental	4,691	10,983	15,674	1,028	147	1,175	16,849
Office supplies and expense	203	7,382	7,585	2,545	7	2,552	10,137
Bad debt expense	-	-	-	130,395	-	130,395	130,395
Maintenance	2,475	5,530	8,005	1,262	82	1,344	9,349
Incentive program material costs	-	-	-	3,626	-	3,626	3,626
Data processing	1,024	3,892	4,916	307	205	512	5,428
Wild horse project	-	3,928	3,928	-	-	-	3,928
Miscellaneous	-	6	6	2,960	-	2,960	2,966
Automobile expense	-	100	100	1,755	-	1,755	1,855
	<u>\$ 1,807,982</u>	<u>\$ 2,241,116</u>	<u>\$ 4,049,098</u>	<u>\$ 394,444</u>	<u>\$ 73,716</u>	<u>\$ 468,160</u>	<u>\$ 4,517,258</u>

See Notes to Financial Statements.

**Friends of Animals, Inc.**  
**Statements of Cash Flows**  
**Years Ended April 30, 2022 and 2021**

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 3,903,423	\$ 1,854,589
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Contributions - PPP	(305,820)	-
Bad debt expense	-	130,395
Depreciation	22,278	20,522
Unrealized and realized loss on investments	410,354	467
Change in vested interest in trusts	232,865	(874,396)
Changes in operating assets and liabilities		
Bequests receivable, net	(16,860)	1,311,840
Contributions and grants receivable, net	92,310	(95,301)
Merchandise inventory, net	(62)	3,626
Other current assets	(39,097)	9,833
Cash surrender value of officer life insurance	-	218,018
Accounts payable	63,515	(25,070)
Accrued expenses	7,740	(17,350)
Liability for unredeemed spay vouchers	(133,239)	300,573
Refundable advance - PPP	-	305,820
	<u>4,237,407</u>	<u>3,143,566</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Purchases of property and equipment	(8,281)	(1,999)
Proceeds from sales of investments	400,000	150,000
Purchases of investments	(4,235,264)	(3,406,779)
	<u>(3,843,545)</u>	<u>(3,258,778)</u>
Net cash used in investing activities		
Net increase (decrease) in cash	393,862	(115,212)
Cash, beginning	<u>442,081</u>	<u>557,293</u>
Cash, end	<u>\$ 835,943</u>	<u>\$ 442,081</u>

See Notes to Financial Statements.

## Friends of Animals, Inc.

### Notes to Financial Statements April 30, 2022 and 2021

#### 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 and Centennial, Colorado.

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.

##### **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.

## **Friends of Animals, Inc.**

### **Notes to Financial Statements April 30, 2022 and 2021**

*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, 2022 and 2021. The Organization's federal and state information returns prior to fiscal year 2019 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, 2022 and 2021.

#### **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 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.

Conditional and unconditional contributions are recorded as either with donor restrictions or without donor restrictions. 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.

#### **Spay and neuter vouchers**

Spay and neuter voucher revenue is recognized at a point in time (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

## Friends of Animals, Inc.

### Notes to Financial Statements April 30, 2022 and 2021

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.

The beginning and ending liability for unredeemed spay and neuter voucher balances were as follows as of April 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Liability for unredeemed spay vouchers	\$ 642,388	\$ 775,627	\$ 475,054

#### **Investments**

Investments are valued at their fair values. Net realized and unrealized gains or losses 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 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.

## **Friends of Animals, Inc.**

### **Notes to Financial Statements April 30, 2022 and 2021**

#### **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, 2022 and 2021 are \$4,119,336 and \$4,352,201, 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, 2022 and 2021.

#### **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 spaying and neutering costs, public information and animal protection costs, administrative expenses, and fundraising expenses 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 September 23, 2022, which is the date the financial statements were available to be issued.

#### **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.

**Friends of Animals, Inc.**

**Notes to Financial Statements  
April 30, 2022 and 2021**

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, 2022 and 2021:

	2022	2021
Cash	\$ 835,943	\$ 442,081
Investments	7,241,199	3,816,289
Bequests receivable, net	128,719	111,859
Contributions and grants receivable, net	7,690	100,000
	8,213,551	4,470,229
Less net assets with donor restrictions - time/purpose	(130,207)	(304,917)
Financial assets available for general expenditure within one year	\$ 8,083,344	\$ 4,165,312

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.

**Note 4 - Investments**

Investments at April 30, 2022 and 2021 consist of the following:

	2022	2021
Money market funds	\$ 4,494,264	\$ 3,816,289
Mutual funds	2,746,935	-
Total	\$ 7,241,199	\$ 3,816,289

The following summarizes investment (loss) income for the years ended April 30, 2022 and 2021:

	2022	2021
Interest and dividend income	\$ 12,199	\$ 674
Unrealized and realized loss on investments	(410,354)	(467)
Investment fees	(7,143)	(62)
Total investment (loss) income, net	\$ (405,298)	\$ 145

## Friends of Animals, Inc.

### Notes to Financial Statements April 30, 2022 and 2021

#### 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 2022 and 2021 was \$194,692 and \$265,247, 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.

#### 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 2022 and 2021.

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 funds is designated as Level 2 as it 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.



**Friends of Animals, Inc.**

**Notes to Financial Statements  
April 30, 2022 and 2021**

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. There have been no changes in the valuation methodology used at April 30, 2022 and 2021.

Financial assets carried at fair value at April 30, 2022 and 2021 are classified in the tables below in one of the three categories described above:

	2022			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ -	\$ 4,494,264	\$ -	\$ 4,494,264
Mutual funds	2,746,935	-	-	2,746,935
Vested interest in trusts	-	-	4,119,336	4,119,336
	<u>\$ 2,746,935</u>	<u>\$ 4,494,264</u>	<u>\$ 4,119,336</u>	<u>\$ 11,360,535</u>

  

	2021			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ -	\$ 3,816,289	\$ -	\$ 3,816,289
Vested interest in trusts	-	-	4,352,201	4,352,201
	<u>\$ -</u>	<u>\$ 3,816,289</u>	<u>\$ 4,352,201</u>	<u>\$ 8,168,490</u>

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	2022 Fair value	2021 Fair value	Principal valuation technique	Unobservable inputs	Significant input values	Weighted average
Vested interest in trusts	\$ 4,119,336	\$ 4,352,201	(A)	Base price	N/A	N/A

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

**Note 7 - Bequests, contributions and grants receivable**

FoA has bequests receivable totaling \$143,719 and \$126,859 as of April 30, 2022 and 2021, 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, 2022 and 2021 was \$15,000. The total balance of bequests receivable is due within the next fiscal year for both years ended April 30, 2022 and 2021.

**Friends of Animals, Inc.**

**Notes to Financial Statements  
April 30, 2022 and 2021**

FoA has contributions receivable totaling \$12,290 and \$13,603 as of April 30, 2022 and 2021, respectively. As of April 30, 2022 and 2021, there was an allowance for uncollectible amounts relating to contributions receivable of \$4,600 and \$13,603, respectively. Total balance of contributions receivable is due within the next fiscal year for both years ended April 30, 2022 and 2021.

FoA has grants receivable totaling \$-0- and \$100,000 as of April 30, 2022 and 2021, respectively. The balance is deemed fully collectible and no allowance for uncollectible amounts was recorded as of April 30, 2022 and 2021.

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

Net assets with donor restrictions - time/purpose as of April 30, 2022 and 2021 are comprised of the following:

	<u>2022</u>	<u>2021</u>
Wildlife law program	\$ 111,366	\$ 204,917
Spay/neuter program	-	100,000
Somewhere in senegal	<u>18,841</u>	<u>-</u>
	<u>\$ 130,207</u>	<u>\$ 304,917</u>

**Note 9 - Net assets with donor restrictions - in perpetuity**

Net assets with donor restrictions - in perpetuity as of April 30, 2022 and 2021 are comprised of the following:

	<u>2022</u>	<u>2021</u>
Vested interest in trusts	<u>\$ 4,119,336</u>	<u>\$ 4,352,201</u>

**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, 2022 and 2021, spay and neuter vouchers are comprised of the following:

	<u>2021</u>	<u>2020</u>
Spay and neuter revenue	\$ 1,677,937	\$ 1,732,213
Refunds	<u>(52,188)</u>	<u>(52,716)</u>
	<u>\$ 1,625,749</u>	<u>\$ 1,679,497</u>

**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.

## Friends of Animals, Inc.

### Notes to Financial Statements April 30, 2022 and 2021

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 \$149,129 and \$149,105 for the years ended April 30, 2022 and 2021, respectively.

Future minimum rent lease payments due under noncancelable real estate operating leases in the years subsequent to April 30, 2022 are as follows:

2023	\$	155,343
2024		156,208
2025		<u>148,661</u>
	\$	<u><u>460,212</u></u>

The Organization leases office equipment and is responsible for the maintenance and insurance costs. Equipment lease expense for the years ended April 30, 2022 and 2021 was \$14,939 and \$16,849, respectively. Leases expire through February 2024.

Future minimum lease payments due under noncancelable equipment operating leases in each of the years subsequent to April 30, 2022 are as follows:

2023	\$	5,349
2024		<u>2,180</u>
	\$	<u><u>7,529</u></u>

#### 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 board members with PPI. Total financial support provided to PPI for the years ended April 30, 2022 and 2021 was \$310,415 and \$228,891, respectively. Included in this amount was \$137,815 and \$131,228 of donated administrative support during the years ended April 30, 2022 and 2021, 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, 2022 and 2021, the Organization reimbursed PPI for expenses of \$5,185 and \$3,928, respectively.

#### Note 13 - Donations in-kind

During 2022 and 2021, FoA received donated advertising. The total value of the donated advertising recorded in the statements of activities was \$52,947 and \$74,742 for the years ended April 30, 2022 and 2021, respectively.

**Friends of Animals, Inc.**

**Notes to Financial Statements  
April 30, 2022 and 2021**

**Note 14 - Paycheck Protection Program**

On May 4, 2020, the Organization received a loan for \$327,415 from People's United Bank, N.A. through the Small Business Administration's Paycheck Protection Program to cover payroll and utility costs. The loan bore interest at 1% and was to be paid in 17 monthly installments of \$18,426, beginning on November 29, 2020. However, the loan was forgiven on March 4, 2021 as the funds were used to cover eligible payroll and utility costs. The proceeds of the loan have been recognized on the statements of activities for the year ended April 30, 2021.

On February 1, 2021, the Organization received a loan for \$305,820 from People's United Bank, N.A. through the Small Business Administration's Paycheck Protection Program, Second Draw, to cover payroll and utility costs. The loan bore interest at 1% and was to be paid in monthly installments beginning on July 1, 2022. However, the loan was forgiven on July 27, 2021 as the funds were used to cover eligible payroll and utility costs. The proceeds of the loan have been recognized on the statements of activities for the year ended April 30, 2022.

## **Supplementary Information**

**Friends of Animals, Inc.**

**Expenses for Program Services -  
Public Information and Animal Protection Costs  
Year Ended April 30, 2022  
(With Comparative Totals for 2021)**

	Wildlife	International	Public information	Total	
				2022	2021
Salaries	\$ 632,637	\$ -	\$ 627,403	\$ 1,260,040	\$ 1,274,773
Primarily Primates, Inc. project	-	-	310,415	310,415	228,891
Advertising	621	-	52,326	52,947	74,742
Rent and utilities	37,001	-	63,476	100,477	103,619
Insurance	75,805	-	122,407	198,212	179,646
Printing and mailing lists	2,622	-	73,537	76,159	43,059
Postage and delivery	1,950	-	49,174	51,124	37,580
Professional services	9,811	-	-	9,811	12,550
Payroll and other taxes	48,568	-	58,011	106,579	105,711
African project costs	41,693	71,085	-	112,778	81,085
Bank service charges	-	-	-	-	5
Travel	5,395	-	11,065	16,460	6,138
Computer supplies	5,473	-	16,475	21,948	1,795
Depreciation	7,129	-	10,025	17,154	15,802
Registrations and fees	6,768	-	826	7,594	8,611
Telephone	6,099	-	11,667	17,766	18,927
Office equipment rental	2,001	-	7,539	9,540	10,983
Wild horse project	-	-	5,185	5,185	3,928
Miscellaneous	-	-	-	-	6
Dues and subscriptions	10,639	-	4,727	15,366	16,361
Maintenance	462	-	4,079	4,541	5,530
Office supplies and expense	3,014	-	2,689	5,703	7,382
Data processing	1,543	-	1,866	3,409	3,892
Films and photography	-	-	-	-	100
	<u>\$ 899,231</u>	<u>\$ 71,085</u>	<u>\$ 1,432,892</u>	<u>\$ 2,403,208</u>	<u>\$ 2,241,116</u>

See Independent Auditor's Report.



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