

Friends of Animals, Inc.

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

April 30, 2023 and 2022

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, 2023 and 2022, 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, 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 ("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 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 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
August 16, 2023

Friends of Animals, Inc.

**Statements of Financial Position
April 30, 2023 and 2022**

Assets

	<u>2023</u>	<u>2022</u>
Current assets		
Cash	\$ 450,221	\$ 835,943
Investments	7,681,284	7,241,199
Bequests receivable, net	26,686	128,719
Contributions and grants receivable, net	109,322	7,690
Merchandise inventory, net	1,022	247
Other current assets	<u>63,021</u>	<u>49,131</u>
Total current assets	<u>8,331,556</u>	<u>8,262,929</u>
Property and equipment		
Equipment and other	378,417	376,749
Accumulated depreciation	<u>(358,564)</u>	<u>(336,522)</u>
Total property and equipment, net	<u>19,853</u>	<u>40,227</u>
Other assets		
Right-of-use assets	329,901	-
Vested interest in trusts	3,853,479	4,119,336
Deposits	<u>14,556</u>	<u>14,556</u>
Total other assets	<u>4,197,936</u>	<u>4,133,892</u>
Total assets	<u><u>\$ 12,549,345</u></u>	<u><u>\$ 12,437,048</u></u>

Liabilities and Net Assets

Current liabilities		
Accounts payable	\$ 47,762	\$ 65,140
Accrued expenses	124,093	118,617
Liability for unredeemed spay vouchers	501,420	642,388
Current portion of operating lease liabilities	<u>155,015</u>	<u>-</u>
Total current liabilities	828,290	826,145
Noncurrent liabilities		
Operating lease liabilities	<u>175,613</u>	<u>-</u>
Total liabilities	<u>1,003,903</u>	<u>826,145</u>
Commitments and contingencies		
Net assets		
Without donor restrictions	7,565,291	7,361,360
With donor restrictions - time/purpose	126,672	130,207
With donor restrictions - in perpetuity	<u>3,853,479</u>	<u>4,119,336</u>
Total net assets	<u>11,545,442</u>	<u>11,610,903</u>
Total liabilities and net assets	<u><u>\$ 12,549,345</u></u>	<u><u>\$ 12,437,048</u></u>

See Notes to Financial Statements.

Friends of Animals, Inc.

Statement of Activities Year Ended April 30, 2023 (With Comparative Totals for 2022)

	Without donor restrictions	With donor restrictions		Total	
		Time/purpose	In perpetuity	2023	2022
Support and revenues					
Support					
Contributions	\$ 1,543,924	\$ 210,000	\$ -	\$ 1,753,924	\$ 1,058,533
Contributed nonfinancial assets	63,857	-	-	63,857	56,964
Contribution - PPP	-	-	-	-	305,820
Bequests	1,477,143	-	-	1,477,143	5,726,341
Total support	3,084,924	210,000	-	3,294,924	7,147,658
Revenues					
Spay and neuter vouchers issued, net	1,441,660	-	-	1,441,660	1,625,749
Change in value of trusts	-	-	(265,857)	(265,857)	(232,865)
Merchandise and literature sales	2,895	-	-	2,895	2,319
Miscellaneous income	208,389	-	-	208,389	85,000
Total revenues	1,652,944	-	(265,857)	1,387,087	1,480,203
Net assets released from restrictions					
Satisfaction of restrictions	213,535	(213,535)	-	-	-
Total support and revenues	4,951,403	(3,535)	(265,857)	4,682,011	8,627,861
Expenses					
Spaying and neutering costs	1,536,434	-	-	1,536,434	1,649,751
Public information and animal protection costs	2,996,220	-	-	2,996,220	2,403,208
Administrative	148,107	-	-	148,107	182,195
Fundraising	83,687	-	-	83,687	83,986
Total expenses	4,764,448	-	-	4,764,448	4,319,140
Investment income (loss), net	16,976	-	-	16,976	(405,298)
Change in net assets	203,931	(3,535)	(265,857)	(65,461)	3,903,423
Net assets, beginning	7,361,360	130,207	4,119,336	11,610,903	7,707,480
Net assets, end	\$ 7,565,291	\$ 126,672	\$ 3,853,479	\$ 11,545,442	\$ 11,610,903

See Notes to Financial Statements.

Friends of Animals, Inc.

Statement of Activities Year Ended April 30, 2022

	Without donor restrictions	With donor restrictions		2022
		Time/purpose	In perpetuity	
Support and revenues				
Support				
Contributions	\$ 1,025,430	\$ 33,103	\$ -	\$ 1,058,533
Contributed nonfinancial assets	56,964	-	-	56,964
Contribution - PPP	305,820	-	-	305,820
Bequests	5,726,341	-	-	5,726,341
Total support	7,114,555	33,103	-	7,147,658
Revenues				
Spay and neuter vouchers issued, net	1,625,749	-	-	1,625,749
Change in value of trusts	-	-	(232,865)	(232,865)
Merchandise and literature sales	2,319	-	-	2,319
Miscellaneous income	85,000	-	-	85,000
Total revenues	1,713,068	-	(232,865)	1,480,203
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
Expenses				
Spaying and neutering costs	1,649,751	-	-	1,649,751
Public information and animal protection costs	2,403,208	-	-	2,403,208
Administrative	182,195	-	-	182,195
Fundraising	83,986	-	-	83,986
Total expenses	4,319,140	-	-	4,319,140
Investment loss, net	(405,298)	-	-	(405,298)
Change in net assets	4,310,998	(174,710)	(232,865)	3,903,423
Net assets, beginning	3,050,362	304,917	4,352,201	7,707,480
Net assets, end	\$ 7,361,360	\$ 130,207	\$ 4,119,336	\$ 11,610,903

See Notes to Financial Statements.

Friends of Animals, Inc.

**Statement of Functional Expenses
Year Ended April 30, 2023**

	Spaying and neutering costs	Public information and animal protection costs	Total program services	Administrative expenses	Fundraising expenses	Total support services	Total expenses
Salaries	\$ 191,804	\$ 1,358,391	\$ 1,550,195	\$ 71,419	\$ 11,603	\$ 83,022	\$ 1,633,217
Veterinarians	1,114,813	-	1,114,813	-	-	-	1,114,813
Primarily Primates, Inc. project	-	652,616	652,616	-	-	-	652,616
Insurance	36,298	226,264	262,562	3,664	2,032	5,696	268,258
Rent and utilities	24,436	122,361	146,797	6,109	1,222	7,331	154,128
Printing and mailing lists	4,052	110,417	114,469	269	31,369	31,638	146,107
Payroll and other taxes	15,353	116,491	131,844	5,634	1,301	6,935	138,779
Postage and delivery	5,289	71,866	77,155	3,226	20,325	23,551	100,706
Computer supplies	17,972	31,139	49,111	12,006	10,769	22,775	71,886
Advertising	33,348	52,834	86,182	-	-	-	86,182
African projects cost	-	115,273	115,273	-	-	-	115,273
Professional services	25,515	25,506	51,021	15,488	-	15,488	66,509
Bank service charges	48,222	15	48,237	2,135	1,224	3,359	51,596
Depreciation	2,425	18,736	21,161	661	220	881	22,042
Travel	-	21,331	21,331	-	-	-	21,331
Registrations and fees	27	6,086	6,113	15,146	3,153	18,299	24,412
Telephone	2,442	17,938	20,380	1,141	117	1,258	21,638
Dues and subscriptions	-	15,566	15,566	39	-	39	15,605
Office equipment rental	3,727	13,536	17,263	932	176	1,108	18,371
Office supplies and expense	278	4,625	4,903	2,376	13	2,389	7,292
Maintenance	1,761	6,518	8,279	443	85	528	8,807
Incentive program material costs	-	-	-	1,522	-	1,522	1,522
Data processing	672	5,056	5,728	188	78	266	5,994
Wild horse project	-	3,655	3,655	-	-	-	3,655
Miscellaneous	-	-	-	3,783	-	3,783	3,783
Automobile expense	-	-	-	1,926	-	1,926	1,926
Awards and grants	8,000	-	8,000	-	-	-	8,000
	<u>\$ 1,536,434</u>	<u>\$ 2,996,220</u>	<u>\$ 4,532,654</u>	<u>\$ 148,107</u>	<u>\$ 83,687</u>	<u>\$ 231,794</u>	<u>\$ 4,764,448</u>

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>

See Notes to Financial Statements.

Friends of Animals, Inc.

Statements of Cash Flows
Years Ended April 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ (65,461)	\$ 3,903,423
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Noncash operating lease costs	727	-
Contributions - PPP	-	(305,820)
Depreciation	22,042	22,278
Unrealized and realized loss on investments	122,321	410,354
Change in vested interest in trusts	265,857	232,865
Changes in operating assets and liabilities		
Bequests receivable, net	102,033	(16,860)
Contributions and grants receivable, net	(101,632)	92,310
Merchandise inventory, net	(775)	(62)
Other current assets	(13,890)	(39,097)
Accounts payable	(17,378)	63,515
Accrued expenses	5,476	7,740
Liability for unredeemed spay vouchers	<u>(140,968)</u>	<u>(133,239)</u>
Net cash provided by operating activities	<u>178,352</u>	<u>4,237,407</u>
Cash flows from investing activities		
Purchases of property and equipment	(1,668)	(8,281)
Proceeds from sales of investments	373,254	400,000
Purchases of investments	<u>(935,660)</u>	<u>(4,235,264)</u>
Net cash used in investing activities	<u>(564,074)</u>	<u>(3,843,545)</u>
Net (decrease) increase in cash	(385,722)	393,862
Cash, beginning	<u>835,943</u>	<u>442,081</u>
Cash, end	<u>\$ 450,221</u>	<u>\$ 835,943</u>

See Notes to Financial Statements.

Friends of Animals, Inc.

Notes to Financial Statements April 30, 2023 and 2022

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.

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.

Friends of Animals, Inc.

Notes to Financial Statements April 30, 2023 and 2022

Income taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and is exempt from private foundation status under IRC Section 509(a)(3) and as such is not subject to federal or state income taxes.

Management has analyzed the tax positions taken by the Organization and has concluded that, as of April 30, 2023 and 2022, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization's federal information returns prior to fiscal year 2020 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If the Organization has unrelated business income taxes, it will recognize interest and penalties associated with any tax matters as part of the income tax provision 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, 2023 and 2022.

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.

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 conditions and restrictions expire during the same fiscal year are recognized as contributions without donor restrictions.

Friends of Animals, Inc.

Notes to Financial Statements April 30, 2023 and 2022

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 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, 2023 and 2022:

	2023	2022	2021
Liability for unredeemed spay vouchers	\$ 501,420	\$ 642,388	\$ 775,627

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, 2023 and 2022

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, 2023 and 2022 are \$3,853,479 and \$4,119,336, 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, 2023 and 2022.

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.

New accounting pronouncements

The Organization adopted Accounting Standards Update 2016-02 (as amended); *Leases* ("Topic 842") on May 1, 2022. Topic 842 requires lessees to recognize a right-of-use asset and a corresponding lease liability for most leases. The Organization elected and applied the following transition practical expedients when initially adopting Topic 842:

- To apply the provisions of Topic 842 at the adoption date, instead of applying them to the earliest comparative period presented in the financial statements.
- The package of practical expedients permitting the Organization to not reassess (i) the lease clarification of existing leases; (ii) whether existing and expired contracts are or contain leases; and (iii) initial direct costs for existing leases.

Friends of Animals, Inc.

Notes to Financial Statements April 30, 2023 and 2022

The Organization recognized the following as of the adoption date in connection with transitioning to Topic 842:

	<u>As of May 1, 2022</u>
Operating lease right-of-use assets	\$ 481,384
Operating lease liabilities	481,384

The adoption of Topic 842 did not have a material impact on the Organization's change in net assets for the year ended April 30, 2023.

For the year ended April 30, 2023, the Organization adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard provides guidance on the presentation of contributed nonfinancial assets in the statements of activities and additional disclosure requirements for each type of contributed nonfinancial assets. The ASU provides transparency on the measurement of the contributed nonfinancial assets of the Organization and will not change existing recognition and measurement requirements. The Organization has implemented the provisions of ASU 2020-07 applicable to all nonfinancial assets, which has been applied retrospectively to all periods presented.

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 16, 2023, 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.

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.

Friends of Animals, Inc.

Notes to Financial Statements April 30, 2023 and 2022

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 statements of financial position date, comprise the following as of April 30, 2023 and 2022:

	2023	2022
Cash	\$ 450,221	\$ 835,943
Investments	7,681,284	7,241,199
Bequests receivable, net	26,686	128,719
Contributions and grants receivable, net	109,322	7,690
	8,267,513	8,213,551
Less net assets with donor restrictions - time/purpose	(126,672)	(130,207)
Financial assets available for general expenditure within one year	<u>\$ 8,140,841</u>	<u>\$ 8,083,344</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.

Note 4 - 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 2023 and 2022 was \$198,071 and \$194,692, 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 5 - 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.

Friends of Animals, Inc.

Notes to Financial Statements April 30, 2023 and 2022

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 2023 and 2022.

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.

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. There have been no changes in the valuation methodology used at April 30, 2023 and 2022.

Financial assets carried at fair value at April 30, 2023 and 2022 are classified in the tables below in one of the three categories described above:

2023				
	Level 1	Level 2	Level 3	Total
Money market mutual funds	\$ 4,760,192	\$ -	\$ -	\$ 4,760,192
Mutual funds	2,921,092	-	-	2,921,092
Vested interest in trusts	-	-	3,853,479	3,853,479
	<u>\$ 7,681,284</u>	<u>\$ -</u>	<u>\$ 3,853,479</u>	<u>\$ 11,534,763</u>
2022				
	Level 1	Level 2	Level 3	Total
Money market mutual 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>\$ 7,241,199</u>	<u>\$ -</u>	<u>\$ 4,119,336</u>	<u>\$ 11,360,535</u>

Friends of Animals, Inc.

Notes to Financial Statements April 30, 2023 and 2022

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	2023 Fair value	2022 Fair value	Principal valuation technique	Unobservable inputs	Significant input values	Weighted average
Vested interest in trusts	\$ 3,853,479	\$ 4,119,336	(A)	Base price	N/A	N/A

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

The following summarizes the relationship between the cost and fair values of investments as of April 30, 2023:

	Cost	Fair value	Unrealized gain (loss)
Money market mutual funds	\$ 4,760,192	\$ 4,760,192	\$ -
Mutual funds	3,433,129	2,921,092	(512,037)
Total	<u>\$ 8,193,321</u>	<u>\$ 7,681,284</u>	<u>\$ (512,037)</u>

The following summarizes the relationship between the cost and fair values of investments as of April 30, 2022:

	Cost	Fair value	Unrealized gain (loss)
Money market mutual funds	\$ 4,494,264	\$ 4,494,264	\$ -
Mutual funds	2,993,115	2,746,935	(246,180)
Total	<u>\$ 7,487,379</u>	<u>\$ 7,241,199</u>	<u>\$ (246,180)</u>

Note 6 - Bequests, contributions and grants receivable

FoA has bequests receivable totaling \$41,686 and \$143,719 as of April 30, 2023 and 2022, 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, 2023 and 2022 was \$15,000. The total balance of bequests receivable is due within the next fiscal year for both years ended April 30, 2023 and 2022.

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**Notes to Financial Statements
April 30, 2023 and 2022**

FoA has contributions receivable totaling \$14,222 and \$12,290 as of April 30, 2023 and 2022, respectively. As of April 30, 2023 and 2022, there was an allowance for uncollectible amounts relating to contributions receivable of \$4,900 and \$4,600, respectively. Total balance of contributions receivable is due within the next fiscal year for both years ended April 30, 2023 and 2022.

FoA has grants receivable totaling \$100,000 and \$-0- as of April 30, 2023 and 2022, respectively. The balance is deemed fully collectible and no allowance for uncollectible amounts was recorded as of April 30, 2023 and 2022.

Note 7 - Net assets with donor restrictions - time/purpose

Net assets with donor restrictions - time/purpose as of April 30, 2023 and 2022 are comprised of the following:

	2023	2022
Wildlife law program	\$ 22,231	\$ 111,366
Spay/neuter program	100,000	-
Somewhere in Senegal	4,441	18,841
	<u>\$ 126,672</u>	<u>\$ 130,207</u>

Note 8 - Net assets with donor restrictions - in perpetuity

Net assets with donor restrictions - in perpetuity as of April 30, 2023 and 2022 are comprised of the following:

	2023	2022
Vested interest in trusts	<u>\$ 3,853,479</u>	<u>\$ 4,119,336</u>

Note 9 - 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, 2023 and 2022, spay and neuter vouchers are comprised of the following:

	2023	2022
Spay and neuter revenue	\$ 1,511,508	\$ 1,677,937
Refunds	<u>(69,848)</u>	<u>(52,188)</u>
	<u>\$ 1,441,660</u>	<u>\$ 1,625,749</u>

Friends of Animals, Inc.

Notes to Financial Statements April 30, 2023 and 2022

Note 10 - Operating leases

The Organization leases facilities for its main headquarters in Darien, Connecticut, and a facility in Centennial, Colorado as well as various office equipment. All contracts that implicitly or explicitly involve property and equipment are evaluated to determine whether they are or contain a lease.

At lease commencement, the Organization recognizes a lease liability, which is measured at the present value of future lease payments, and a corresponding right-of-use asset equal to the lease liability, adjusted for any prepaid lease costs, initial direct costs and lease incentives. The Organization has elected and applied the practical expedient available to lessees to combine nonlease components with their related lease components and account for them as a single combined lease component for all its leases. The Organization remeasures lease liabilities and related right-of-use assets whenever there is a change to the lease term and/or there is a change in the amount of future lease payments, but only when such changes do not qualify to be accounted for as a separate contract.

The Organization determines an appropriate discount rate to apply when determining the present value of the remaining lease payments for purposes of measuring or remeasuring lease liabilities. As the rate implicit in the lease is generally not readily determinable, the Organization estimates risk free rate as the discount rate. The Organization's risk free rate, which is determined at either lease commencement or when a lease liability is remeasured, is the rate on U.S. government securities over a period commensurate with the lease term.

For accounting purposes, the Organization's leases commence on the earlier of (i) the date upon which the Organization obtains control of the underlying asset and (ii) the contractual effective date of a lease. Lease commencement for most of the Organization's leases coincides with the contractual effective date. The Organization's leases generally have minimum base terms with renewal options or fixed terms with early termination options. Such renewal and early termination options are exercisable at the option of the Organization and, when exercised, usually provide for rental payments during the extension period at then current market rates or at pre-determined rental amounts. Unless the Organization determines that it is reasonably certain that the term of a lease will be extended, such as through the exercise of a renewal option or nonexercise of an early termination option, the term of a lease begins at lease commencement and spans for the duration of the minimum noncancellable contractual term. When the exercise of a renewal option or nonexercise of an early termination option is reasonably certain, the lease term is measured as ending at the end of the renewal period or on the date an early termination may be exercised.

The Organization includes variable rental payments based on a rate or an index such as the Consumer Price index (CPI) in its measurement of lease payments based on the rate or index in effect at lease commencement. Other types of variable lease payments are expensed as incurred.

Leases of real estate have lease terms that range from five to six years, which terms have been incorporated into our measurement of the related right-of-use assets and lease liabilities. Although most of our real estate leases include one or more options to renew that can extend the contractual terms from one to three years, those renewal options are exercisable solely at the Organization's discretion and have been excluded from lease term measurements. The real estate leases generally require reimbursement of real estate taxes, common area maintenance, and insurance.

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Rental payments on these leases typically provide for fixed minimum payments that increase over the lease term at predetermined amounts. Certain leases of real estate provide for rental increased based on the CPI, which are included in the Organization's measurement of lease payments based on the rate or index in effect at lease commencement and are therefore included in the measurement of the lease liabilities.

Equipment leases have lease terms that generally range from less than one year to five years and generally do not have renewal options. Rental payments on these leases typically provide for fixed payments that increase over the lease term at predetermined amounts, are included in the measurement of lease payments, and are therefore included in the measurement of lease liabilities.

Financial Information

The following provides information about the Organization's right-of-use assets and lease liabilities for its operating leases as of April 30, 2023:

	Statement of Financial Position Classification	April 30, 2023
Right-of-use assets		
Operating leases	Other assets	<u>\$ 329,901</u>
Lease liabilities		
Current		
Operating lease	Current liabilities	\$ 155,015
Noncurrent		
Operating lease	Long-term liabilities	<u>175,613</u>
Total lease liabilities		<u>\$ 330,628</u>

The components of the Organization's lease cost for the year ended April 30, 2023 are as follows:

	Statement of Activities	April 30, 2023
Operating lease cost, net		
Rent expense	Spaying and neutering costs	\$ 33,965
Rent expense	Public information and animal protection costs	123,356
Rent expense	Administrative	8,493
Rent expense	Fundraising	<u>1,604</u>
Total operating lease cost, net		<u>\$ 167,418</u>

For the year ended April 30, 2022, rent expense was \$158,102.

Friends of Animals, Inc.

**Notes to Financial Statements
April 30, 2023 and 2022**

Supplemental cash flow information related to the Organization's leases for the year ended April 30, 2023:

	<u>Operating leases</u>
Cash paid for amounts included in measurement of lease liabilities	\$ 162,528
Right-of-use assets obtained in exchange for lease liabilities	481,384

Weighted average remaining lease term and weighted average discount rate for the Organization's leases are as follows as of April 30, 2023:

Weighted average remaining term (in years)	4.76
Weighted average discount rate (1)	1.39%

(1) The Organization has elected to use the risk free rate for all leases.

The annual maturity analysis of the Organization's lease liabilities as of April 30, 2023 is as follows:

	<u>Operating leases</u>
2024	\$ 162,909
2025	153,042
2026	11,418
2027	10,841
2028	<u>2,625</u>
Total lease payments	340,835
Less: Interest payments	<u>10,207</u>
Present value of operating lease liabilities	330,628
Less current portion of operating lease liabilities	<u>155,015</u>
Noncurrent portion of operating lease liabilities	<u><u>\$ 175,613</u></u>

Note 11 - 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, 2023 and 2022 was \$652,616 and \$310,415, respectively. Included in this amount was \$150,337 and \$137,815 of donated administrative support during the years ended April 30, 2023 and 2022, respectively. A portion of the support is from funds raised on behalf of PPI.

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**Notes to Financial Statements
April 30, 2023 and 2022**

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, 2023 and 2022, the Organization reimbursed PPI for expenses of \$3,655 and \$5,185, respectively.

Note 12 - Contributed nonfinancial assets

For the years ended April 30, 2023 and 2022, contributed nonfinancial assets recognized within the statements of activities included:

2023				
	<u>Revenue recognized</u>	<u>Utilization in programs/activities</u>	<u>Donor restrictions</u>	<u>Valuation techniques and inputs</u>
Advertising	\$ 63,857	Administrative	None	Fair market value of the services at date of donation as determined by the funding source.
2022				
	<u>Revenue recognized</u>	<u>Utilization in programs/activities</u>	<u>Donor restrictions</u>	<u>Valuation techniques and inputs</u>
Advertising	\$ 56,964	Administrative	None	Fair market value of the services at date of donation as determined by the funding source.

Supplementary Information

Friends of Animals, Inc.

Schedule of Expenses for Program Services - Public Information and Animal Protection Costs

Year Ended April 30, 2023

(With Comparative Totals for 2022)

	Wildlife	International	Public information	Total	
				2023	2022
Salaries	\$ 660,624	\$ 10,000	\$ 687,767	\$ 1,358,391	\$ 1,260,040
Primarily Primates, Inc. project	-	-	652,616	652,616	310,415
Advertising	-	-	52,834	52,834	52,947
Rent and utilities	41,721	-	80,640	122,361	100,477
Insurance	90,339	-	135,925	226,264	198,212
Printing and mailing lists	159	-	110,258	110,417	76,159
Postage and delivery	2,884	-	68,982	71,866	51,124
Professional services	25,506	-	-	25,506	9,811
Payroll and other taxes	51,968	-	64,523	116,491	106,579
African project costs	45,277	69,996	-	115,273	112,778
Bank service charges	15	-	-	15	-
Travel	4,428	-	16,903	21,331	16,460
Computer supplies	6,280	-	24,859	31,139	21,948
Depreciation	7,274	-	11,462	18,736	17,154
Registrations and fees	5,931	-	155	6,086	7,594
Telephone	6,584	-	11,354	17,938	17,766
Office equipment rental	2,147	-	11,389	13,536	9,540
Wild horse project	-	-	3,655	3,655	5,185
Dues and subscriptions	10,450	-	5,116	15,566	15,366
Maintenance	701	-	5,817	6,518	4,541
Office supplies and expense	2,213	-	2,412	4,625	5,703
Data processing	2,304	-	2,752	5,056	3,409
	<u>\$ 966,805</u>	<u>\$ 79,996</u>	<u>\$ 1,949,419</u>	<u>\$ 2,996,220</u>	<u>\$ 2,403,208</u>

See Independent Auditor's Report.



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