

Friends of Animals, Inc.

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

April 30, 2024 and 2023

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, 2024 and 2023, 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, 2024 and 2023, 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 audits.

Supplementary Information

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

CohnReznick LLP

Hartford, Connecticut
August 8, 2024

Friends of Animals, Inc.

**Statements of Financial Position
April 30, 2024 and 2023**

Assets

	2024	2023
Current assets		
Cash	\$ 880,468	\$ 450,221
Investments	8,508,533	7,681,284
Bequests receivable, net	119,924	26,686
Contributions and grants receivable, net	10,558	109,322
Merchandise inventory, net	3,707	1,022
Other current assets	20,041	63,021
	9,543,231	8,331,556
Property and equipment		
Equipment and other	378,417	378,417
Accumulated depreciation	(371,125)	(358,564)
	7,292	19,853
Right-of-use assets - operating leases	174,751	329,901
Other assets		
Vested interest in trusts	4,198,311	3,853,479
Deposits	14,556	14,556
	4,212,867	3,868,035
Total assets	\$ 13,938,141	\$ 12,549,345

Liabilities and Net Assets

Current liabilities		
Accounts payable	\$ 35,186	\$ 47,762
Accrued expenses	143,158	124,093
Liability for unredeemed spay and neuter vouchers	400,516	501,420
Current portion of operating lease liabilities	156,543	155,015
	735,403	828,290
Noncurrent liabilities		
Operating lease liabilities	18,797	175,613
Total liabilities	754,200	1,003,903
Net assets		
Without donor restrictions	8,981,189	7,565,291
With donor restrictions - time/purpose	4,441	126,672
With donor restrictions - in perpetuity	4,198,311	3,853,479
	13,183,941	11,545,442
Total liabilities and net assets	\$ 13,938,141	\$ 12,549,345

See Notes to Financial Statements.

Friends of Animals, Inc.

Statement of Activities Year Ended April 30, 2024 (With Comparative Totals for 2023)

	Without donor restrictions	With donor restrictions		Total	
		Time/purpose	In perpetuity	2024	2023
Support and revenues					
Support					
Contributions	\$ 1,428,223	\$ 2,862	\$ -	\$ 1,431,085	\$ 1,753,924
Contributed nonfinancial assets	110,278	-	-	110,278	63,857
Bequests and trust income	2,829,291	-	-	2,829,291	1,477,143
Total support	<u>4,367,792</u>	<u>2,862</u>	<u>-</u>	<u>4,370,654</u>	<u>3,294,924</u>
Revenues					
Spay and neuter vouchers issued, net	1,195,979	-	-	1,195,979	1,441,660
Change in value of trusts	-	-	344,832	344,832	(265,857)
Merchandise and literature sales	3,021	-	-	3,021	2,895
Miscellaneous income	115,085	-	-	115,085	208,389
Total revenues	<u>1,314,085</u>	<u>-</u>	<u>344,832</u>	<u>1,658,917</u>	<u>1,387,087</u>
Net assets released from restrictions					
Satisfaction of restrictions	<u>125,093</u>	<u>(125,093)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>5,806,970</u>	<u>(122,231)</u>	<u>344,832</u>	<u>6,029,571</u>	<u>4,682,011</u>
Expenses					
Spaying and neutering costs	1,472,915	-	-	1,472,915	1,536,434
Public information and animal protection costs	2,944,113	-	-	2,944,113	2,996,220
Administrative	156,429	-	-	156,429	148,107
Fundraising	85,151	-	-	85,151	83,687
Total expenses	<u>4,658,608</u>	<u>-</u>	<u>-</u>	<u>4,658,608</u>	<u>4,764,448</u>
Investment income, net	<u>267,536</u>	<u>-</u>	<u>-</u>	<u>267,536</u>	<u>16,976</u>
Change in net assets	1,415,898	(122,231)	344,832	1,638,499	(65,461)
Net assets, beginning	<u>7,565,291</u>	<u>126,672</u>	<u>3,853,479</u>	<u>11,545,442</u>	<u>11,610,903</u>
Net assets, end	<u>\$ 8,981,189</u>	<u>\$ 4,441</u>	<u>\$ 4,198,311</u>	<u>\$ 13,183,941</u>	<u>\$ 11,545,442</u>

See Notes to Financial Statements.

Friends of Animals, Inc.

Statement of Activities Year Ended April 30, 2023

	Without donor restrictions	With donor restrictions		2023
		Time/purpose	In perpetuity	
Support and revenues				
Support				
Contributions	\$ 1,543,924	\$ 210,000	\$ -	\$ 1,753,924
Contributed nonfinancial assets	63,857	-	-	63,857
Bequests	1,477,143	-	-	1,477,143
Total support	<u>3,084,924</u>	<u>210,000</u>	<u>-</u>	<u>3,294,924</u>
Revenues				
Spay and neuter vouchers issued, net	1,441,660	-	-	1,441,660
Change in value of trusts	-	-	(265,857)	(265,857)
Merchandise and literature sales	2,895	-	-	2,895
Miscellaneous income	208,389	-	-	208,389
Total revenues	<u>1,652,944</u>	<u>-</u>	<u>(265,857)</u>	<u>1,387,087</u>
Net assets released from restrictions				
Satisfaction of restrictions	<u>213,535</u>	<u>(213,535)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>4,951,403</u>	<u>(3,535)</u>	<u>(265,857)</u>	<u>4,682,011</u>
Expenses				
Spaying and neutering costs	1,536,434	-	-	1,536,434
Public information and animal protection costs	2,996,220	-	-	2,996,220
Administrative	148,107	-	-	148,107
Fundraising	83,687	-	-	83,687
Total expenses	<u>4,764,448</u>	<u>-</u>	<u>-</u>	<u>4,764,448</u>
Investment income, net	<u>16,976</u>	<u>-</u>	<u>-</u>	<u>16,976</u>
Change in net assets	203,931	(3,535)	(265,857)	(65,461)
Net assets, beginning	<u>7,361,360</u>	<u>130,207</u>	<u>4,119,336</u>	<u>11,610,903</u>
Net assets, end	<u>\$ 7,565,291</u>	<u>\$ 126,672</u>	<u>\$ 3,853,479</u>	<u>\$ 11,545,442</u>

See Notes to Financial Statements.

Friends of Animals, Inc.

**Statement of Functional Expenses
Year Ended April 30, 2024**

	Spaying and neutering costs	Public information and animal protection costs	Total program services	Administrative expenses	Fundraising expenses	Total support services	Total expenses
Salaries	\$ 196,717	\$ 1,332,228	\$ 1,528,945	\$ 73,800	\$ 12,220	\$ 86,020	\$ 1,614,965
Veterinarians	1,044,662	-	1,044,662	-	-	-	1,044,662
Primarily Primates, Inc. project	-	612,294	612,294	-	-	-	612,294
Insurance	27,331	201,692	229,023	2,869	1,816	4,685	233,708
Rent and utilities	25,058	127,984	153,042	6,127	1,253	7,380	160,422
Printing and mailing lists	3,734	118,392	122,126	193	30,503	30,696	152,822
Payroll and other taxes	17,544	121,066	138,610	6,578	1,342	7,920	146,530
Postage and delivery	3,999	80,421	84,420	2,646	22,908	25,554	109,974
Computer supplies	19,514	32,996	52,510	15,241	10,442	25,683	78,193
Advertising	37,319	97,782	135,101	-	-	-	135,101
African projects cost	-	69,996	69,996	-	-	-	69,996
Professional services	26,451	14,494	40,945	16,746	-	16,746	57,691
Bank service charges	46,536	-	46,536	2,715	1,099	3,814	50,350
Depreciation	1,240	10,677	11,917	518	126	644	12,561
Travel	-	55,156	55,156	56	-	56	55,212
Registrations and fees	-	4,232	4,232	16,549	3,025	19,574	23,806
Telephone	2,453	18,857	21,310	639	123	762	22,072
Dues and subscriptions	-	14,864	14,864	-	-	-	14,864
Office equipment rental	2,494	10,618	13,112	623	125	748	13,860
Office supplies and expense	286	4,827	5,113	1,346	13	1,359	6,472
Maintenance	1,918	7,096	9,014	479	96	575	9,589
Incentive program material costs	-	-	-	3,616	-	3,616	3,616
Data processing	659	5,258	5,917	180	60	240	6,157
Wild horse project	-	3,183	3,183	-	-	-	3,183
Miscellaneous	-	-	-	5,508	-	5,508	5,508
Awards and grants	15,000	-	15,000	-	-	-	15,000
	<u>\$ 1,472,915</u>	<u>\$ 2,944,113</u>	<u>\$ 4,417,028</u>	<u>\$ 156,429</u>	<u>\$ 85,151</u>	<u>\$ 241,580</u>	<u>\$ 4,658,608</u>

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.
Statements of Cash Flows
Years Ended April 30, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Change in net assets	\$ 1,638,499	\$ (65,461)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	12,561	22,042
Right-of-use asset amortization	155,150	329,901
Unrealized and realized loss on investments	6,389	122,321
Change in vested interest in trusts	(344,832)	265,857
Changes in operating assets and liabilities		
Bequests receivable, net	(93,238)	102,033
Contributions and grants receivable, net	98,764	(101,632)
Merchandise inventory, net	(2,685)	(775)
Other current assets	42,980	(13,890)
Accounts payable	(12,576)	(17,378)
Accrued expenses	19,065	5,476
Liability for unredeemed spay and neuter vouchers	(100,904)	(140,968)
Operating lease liabilities	(155,288)	(329,174)
	1,263,885	178,352
Net cash provided by operating activities		
Cash flows from investing activities		
Purchases of property and equipment	-	(1,668)
Proceeds from sales of investments	2,184,127	373,254
Purchases of investments	(3,017,765)	(935,660)
	(833,638)	(564,074)
Net cash used in investing activities		
Net increase (decrease) in cash	430,247	(385,722)
Cash, beginning	450,221	835,943
Cash, end	\$ 880,468	\$ 450,221

See Notes to Financial Statements.

Friends of Animals, Inc.

**Notes to Financial Statements
April 30, 2024 and 2023**

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, 2024 and 2023

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, 2024 and 2023, 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 2021 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, 2024 and 2023.

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.

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

Friends of Animals, Inc.

Notes to Financial Statements April 30, 2024 and 2023

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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Liability for unredeemed spay and neuter vouchers	\$ 400,516	\$ 501,420	\$ 642,388

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.

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.

Friends of Animals, Inc.

**Notes to Financial Statements
April 30, 2024 and 2023**

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, 2024 and 2023 are \$4,198,311 and \$3,853,479, 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, 2024 and 2023.

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.

Reclassification

Certain amounts in the 2024 financial statements have been reclassified to conform to the 2023 presentation.

Subsequent events

The Organization has evaluated events and transactions for potential recognition or disclosure through August 8, 2024, 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, 2024 and 2023

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, 2024 and 2023:

	2024	2023
Cash	\$ 880,468	\$ 450,221
Investments	8,508,533	7,681,284
Bequests receivable, net	119,924	26,686
Contributions and grants receivable, net	10,558	109,322
	9,519,483	8,267,513
Less net assets with donor restrictions - time/purpose	(4,441)	(126,672)
Financial assets available for general expenditure within one year	<u>\$ 9,515,042</u>	<u>\$ 8,140,841</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 2024 and 2023 was \$200,697 and \$198,071, 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.

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**Notes to Financial Statements
April 30, 2024 and 2023**

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 2024 and 2023.

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 is 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, 2024 and 2023.

Financial assets carried at fair value at April 30, 2024 and 2023 are classified in the tables below in one of the three categories described above:

	2024			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 1,281,159	\$ -	\$ -	\$ 1,281,159
Mutual funds and exchange traded funds	2,989,658	-	-	2,989,658
Vested interest in trusts	-	-	4,198,311	4,198,311
	<u>\$ 4,270,817</u>	<u>\$ -</u>	<u>\$ 4,198,311</u>	8,469,128
			Cash	724
			Certificates of deposit	4,236,992
				<u>\$ 12,706,844</u>
	2023			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 1,438,002	\$ -	\$ -	\$ 1,438,002
Mutual funds	2,682,478	-	-	2,682,478
Vested interest in trusts	-	-	3,853,479	3,853,479
	<u>\$ 4,120,480</u>	<u>\$ -</u>	<u>\$ 3,853,479</u>	7,973,959
			Cash	272,257
			Certificates of deposit	3,288,547
				<u>\$ 11,534,763</u>

Friends of Animals, Inc.

**Notes to Financial Statements
April 30, 2024 and 2023**

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	2024 Fair value	2023 Fair value	Principal valuation technique	Unobservable inputs	Significant input values	Weighted average
Vested interest in trusts	\$4,198,311	\$3,853,479	(A)	Base price	N/A	N/A

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

Note 6 - Investments

The following summarizes the relationship between the cost and fair values of investments as of April 30, 2024:

	Cost	Fair value	Unrealized (loss)
Money market funds	\$ 5,536,773	\$ 5,536,773	\$ -
Mutual funds and exchange traded funds	3,167,796	2,971,760	(196,036)
	<u>\$ 8,704,569</u>	<u>\$ 8,508,533</u>	<u>\$ (196,036)</u>

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

	Cost	Fair value	Unrealized (loss)
Money market 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>

Note 7 - Bequests, contributions and grants receivable

FoA has bequests receivable totaling \$129,924 and \$41,686 as of April 30, 2024 and 2023, 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, 2024 and 2023 was \$10,000 and \$15,000, respectively. The total balance of bequests receivable is due within the next fiscal year for both years ended April 30, 2024 and 2023.

FoA has contributions and grants receivable totaling \$16,158 and \$14,222 as of April 30, 2024 and 2023, respectively. As of April 30, 2024 and 2023, there was an allowance for uncollectible amounts relating to contributions and grants receivable of \$5,600 and \$4,900, respectively. Total balance of contributions and grants receivable is due within the next fiscal year for both years ended April 30, 2024 and 2023.

Friends of Animals, Inc.

**Notes to Financial Statements
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FoA has grants receivable totaling \$-0- and \$100,000 as of April 30, 2024 and 2023, respectively. The balance is deemed fully collectible and no allowance for uncollectible amounts was recorded as of April 30, 2024 and 2023.

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

Net assets with donor restrictions - time/purpose as of April 30, 2024 and 2023 are comprised of the following:

	2024	2023
Wildlife law program	\$ -	\$ 22,231
Spay/neuter program	-	100,000
Somewhere in Senegal	4,441	4,441
	\$ 4,441	\$ 126,672

Note 9 - Net assets with donor restrictions - in perpetuity

Net assets with donor restrictions - in perpetuity as of April 30, 2024 and 2023 are comprised of the following:

	2024	2023
Vested interest in trusts	\$ 4,198,311	\$ 3,853,479

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, 2024 and 2023, spay and neuter vouchers are comprised of the following:

	2024	2023
Spay and neuter revenue	\$ 1,272,091	\$ 1,511,508
Refunds	(76,112)	(69,848)
	\$ 1,195,979	\$ 1,441,660

Note 11 - 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

Friends of Animals, Inc.

**Notes to Financial Statements
April 30, 2024 and 2023**

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.

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.

Friends of Animals, Inc.

**Notes to Financial Statements
April 30, 2024 and 2023**

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, 2024 and 2023:

	Statement of Financial Position classification	2024	2023
Right-of-use assets			
Operating leases	Operating lease assets	\$ 174,751	\$ 329,901
Lease Liabilities			
Current			
Operating leases	Current liabilities	\$ 156,543	\$ 155,015
Noncurrent			
Operating leases	Long-term liabilities	18,797	175,613
Total lease liabilities		\$ 175,340	\$ 330,628

The components of the Organization's lease cost for the years ended April 30, 2024 and 2023 are as follows:

	Statement of Activities classification	2024	2023
Operating lease cost, net			
Rent expense	Spaying and neutering costs	\$ 25,681	\$ 33,965
Rent expense	Public information and animal	138,602	123,356
Rent expense	Administrative	6,750	8,493
Rent expense	Fundraising	1,378	1,604
Total net operating lease cost		\$ 172,411	\$ 167,418

Supplemental cash flow information related to the Organization's leases for the years ended April 30, 2024 and 2023:

	2024	2023
Cash paid for amounts included in measurement of lease liabilities	\$ 163,047	\$ 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, 2024 and 2023:

	2024	2023
Weighted average remaining term (in years)	1.43	2.26
Weighted average incremental borrowing rate (1)	3.01%	2.98%

Friends of Animals, Inc.

**Notes to Financial Statements
April 30, 2024 and 2023**

(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, 2024 is as follows:

Calendar year	Operating leases
2025	\$ 153,306
2026	11,682
2027	11,105
2028	3,115
Total lease payments	179,208
Less interest payments	3,868
Present value of operating lease liabilities	175,340
Less current portion of operating lease liabilities	(156,543)
Noncurrent portion of operating lease liabilities	\$ 18,797

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, 2024 and 2023 was \$613,177 and \$650,492, respectively. Included in this amount was \$144,394 and \$150,337 of donated administrative support during the years ended April 30, 2024 and 2023, 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, 2024 and 2023, the Organization reimbursed PPI for expenses of \$3,183 and \$3,655, respectively.

Friends of Animals, Inc.

**Notes to Financial Statements
April 30, 2024 and 2023**

Note 13 - Contributed nonfinancial assets

For the years ended April 30, 2024 and 2023, contributed nonfinancial assets recognized within the statements of activities included:

		2024			
		Revenue recognized	Utilization in programs/activities	Donor restrictions	Valuation techniques and inputs
Advertising	\$	110,278	Administrative	None	Fair market value of the services at date of donation as determined by the funding source.
		2023			
		Revenue recognized	Utilization in programs/activities	Donor restrictions	Valuation techniques and inputs
Advertising	\$	63,857	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, 2024
(With Comparative Totals for 2023)**

	Wildlife	International	Public information	Total	
				2024	2023
Salaries	\$ 596,930	\$ 30,000	\$ 705,298	\$ 1,332,228	\$ 1,358,391
Primarily Primates, Inc. project	-	-	612,294	612,294	652,616
Advertising	-	-	97,782	97,782	52,834
Rent and utilities	45,292	-	82,692	127,984	122,361
Insurance	84,893	-	116,799	201,692	226,264
Printing and mailing lists	816	-	117,576	118,392	110,417
Postage and delivery	1,378	-	79,043	80,421	71,866
Professional services	14,494	-	-	14,494	25,506
Payroll and other taxes	49,135	-	71,931	121,066	116,491
African project costs	-	69,996	-	69,996	115,273
Bank service charges	-	-	-	-	15
Travel	4,601	-	50,555	55,156	21,331
Computer supplies	6,927	-	26,069	32,996	31,139
Depreciation	4,145	-	6,532	10,677	18,736
Registrations and fees	4,130	-	102	4,232	6,086
Telephone	7,102	-	11,755	18,857	17,938
Office equipment rental	2,389	-	8,229	10,618	13,536
Wild horse project	-	-	3,183	3,183	3,655
Dues and subscriptions	10,367	-	4,497	14,864	15,566
Maintenance	767	-	6,329	7,096	6,518
Office supplies and expense	1,555	-	3,272	4,827	4,625
Data processing	2,145	-	3,113	5,258	5,056
	<u>\$ 837,066</u>	<u>\$ 99,996</u>	<u>\$ 2,007,051</u>	<u>\$ 2,944,113</u>	<u>\$ 2,996,220</u>

See Independent Auditor's Report.



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