



Gorfine Schiller Gardyn

Certified Public Accountants and Consultants

**DEFENDERS OF
ANIMAL RIGHTS, INC.**

FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Maggie Kove
4/1/21

DEFENDERS OF ANIMAL RIGHTS, INC.
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INDEPENDENT AUDITORS' REPORT

**To the Board of Directors
Defenders of Animal Rights, Inc.
Phoenix, Maryland**

Report on the Financial Statements

We have audited the accompanying financial statements of Defenders of Animal Rights, Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Defenders of Animal Rights, Inc. as of December 31, 2020 and 2019, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Martins, Schiller & Galdyn, P.A.

March 4, 2021

Owings Mills, Maryland

FINANCIAL STATEMENTS

DEFENDERS OF ANIMAL RIGHTS, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

<u>ASSETS</u>		
	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,087,684	\$ 1,552,373
Certificates of deposit	7,427,365	7,120,509
Investments	16,840	21,863
Accrued interest receivable	24,812	24,029
Bequests receivable, net	689,021	492,187
Prepaid expenses	<u>14,959</u>	<u>16,813</u>
Total current assets	10,260,681	9,227,774
PROPERTY AND EQUIPMENT, net	<u>996,836</u>	<u>964,644</u>
TOTAL ASSETS	<u>\$ 11,257,517</u>	<u>\$ 10,192,418</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 36,735	\$ 24,792
Accrued retirement benefits	67,195	61,779
Other accrued expenses	<u>8,586</u>	<u>6,560</u>
Total current liabilities	112,516	93,131
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>11,145,001</u>	<u>10,099,287</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,257,517</u>	<u>\$ 10,192,418</u>

The accompanying notes are an integral part of these financial statements.

DEFENDERS OF ANIMAL RIGHTS, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2020 and 2019

	2020	2019
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Unrestricted support, revenue, gains and losses		
Bequests	\$ 1,487,162	\$ 1,402,453
Donations	697,038	721,054
Adoptions	21,530	26,780
Spay and neuter	-	640
Petsmart rewards	1,000	2,000
Boarding	4,215	12,405
Gift shop sales	250	368
Interest and dividends	127,746	130,145
Unrealized (losses) gains on investments	(2,909)	3,684
Realized losses on sale of investments	(3,755)	-
Loss on disposal of property and equipment	(6,130)	(1,573)
Miscellaneous income	16	207
	2,326,163	2,298,163
Expenses		
Program services:		
Animal rescue, shelter and care	846,669	861,923
Humane education	255,296	247,818
	1,101,965	1,109,741
Supporting services:		
Management and general	86,600	82,636
Fundraising	91,884	91,910
	178,484	174,546
	1,280,449	1,284,287
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,045,714	1,013,876
NET ASSETS - Beginning of year	10,099,287	9,085,411
NET ASSETS - End of year	\$ 11,145,001	\$ 10,099,287

The accompanying notes are an integral part of these financial statements.

DEFENDERS OF ANIMAL RIGHTS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2020 (with Comparative Totals for 2019) and 2019

	2020						2019	
	Program Services			Supporting Services			Combined Totals	
	Animal Rescue, Shelter and Care	Humane Education	Management and General	Fundraising	Total	2020	2019	
Advertising	\$ 53,588	\$ -	\$ 3,152	\$ 6,304	\$ 9,456	\$ 63,044	\$ 76,359	
Automobile	1,261	-	66	-	66	1,327	1,667	
Credit card fees	-	-	5,321	-	5,321	5,321	4,891	
Data processing	-	1,824	1,095	730	1,825	3,649	3,431	
Depreciation	48,001	5,334	2,807	-	2,807	56,142	52,790	
Employee benefits	30,539	11,692	2,396	3,699	6,095	48,326	42,501	
Gift shop purchases	221	-	-	-	-	221	613	
Insurance	15,103	1,678	883	-	883	17,664	15,569	
Office supplies and expense	-	-	6,422	-	6,422	6,422	5,930	
Payroll taxes	19,812	7,609	2,300	2,139	4,439	31,860	29,993	
Postage	364	3,279	280	1,682	1,962	5,605	5,438	
Printing	671	2,683	1,677	559	2,236	5,590	5,685	
Professional fees	-	-	18,515	-	18,515	18,515	17,160	
Publications	21,762	87,050	-	36,270	36,270	145,082	141,163	
Registration fees	-	2,270	175	1,047	1,222	3,492	4,276	
Repairs and maintenance	53,950	-	2,839	-	2,839	56,789	54,469	
Rescue, veterinary and care	304,893	-	-	-	-	304,893	334,829	
Retirement benefits	18,674	30,697	6,424	11,400	17,824	67,195	61,779	
Salaries and wages	257,591	98,932	29,905	27,815	57,720	414,243	392,533	
Taxes and licenses	-	-	392	-	392	392	514	
Telephone	3,225	358	956	239	1,195	4,778	3,908	
Utilities	17,014	1,890	995	-	995	19,899	28,789	
Total functional expenses	\$ 846,669	\$ 255,296	\$ 86,600	\$ 91,884	\$ 178,484	\$ 1,280,449	\$ 1,284,287	

The accompanying notes are an integral part of these financial statements.

DEFENDERS OF ANIMAL RIGHTS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES- CONTINUED
For the Years Ended December 31, 2020 and 2019

	2019						
	Program Services			Supporting Services			
	Animal Rescue, Shelter and Care	Humane Education	Total	Management and General	Fundraising	Total	Combined Totals
Advertising	\$ 64,905	\$ -	\$ 64,905	\$ 3,818	\$ 7,636	\$ 11,454	\$ 76,359
Automobile	1,584	-	1,584	83	-	83	1,667
Credit card fees	-	-	-	4,891	-	4,891	4,891
Data processing	-	1,716	1,716	1,029	686	1,715	3,431
Depreciation	45,136	5,015	50,151	2,639	-	2,639	52,790
Employee benefits	24,841	11,836	36,677	2,125	3,699	5,824	42,501
Gift shop purchases	613	-	613	-	-	-	613
Insurance	13,312	1,479	14,791	778	-	778	15,569
Office supplies and expense	-	-	-	5,930	-	5,930	5,930
Payroll taxes	18,514	7,199	25,713	2,170	2,110	4,280	29,993
Postage	353	3,182	3,535	272	1,631	1,903	5,438
Printing	682	2,729	3,411	1,706	568	2,274	5,685
Professional fees	-	-	-	17,160	-	17,160	17,160
Publications	21,174	84,698	105,872	-	35,291	35,291	141,163
Registration fees	-	2,779	2,779	214	1,283	1,497	4,276
Repairs and maintenance	51,746	-	51,746	2,723	-	2,723	54,469
Rescue, veterinary and care	334,829	-	334,829	-	-	-	334,829
Retirement benefits	14,675	29,941	44,616	5,963	11,200	17,163	61,779
Salaries and wages	242,306	94,216	336,522	28,400	27,611	56,011	392,533
Taxes and licenses	-	-	-	514	-	514	514
Telephone	2,638	293	2,931	782	195	977	3,908
Utilities	24,615	2,735	27,350	1,439	-	1,439	28,789
Total functional expenses	\$ 861,923	\$ 247,818	\$ 1,109,741	\$ 82,636	\$ 91,910	\$ 174,546	\$ 1,284,287

The accompanying notes are an integral part of these financial statements.

DEFENDERS OF ANIMAL RIGHTS, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
OPERATING ACTIVITIES		
Changes in net assets	\$ 1,045,714	\$ 1,013,876
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	56,142	52,790
Unrealized (gains) losses on investments	2,909	(3,684)
Realized losses on sale of investments	3,755	-
Loss on disposal of equipment	6,130	1,573
Changes in operating assets and liabilities:		
Accrued interest receivable	(783)	(5,223)
Bequests receivable	(196,834)	48,927
Miscellaneous deposits	-	14,710
Prepaid expenses	1,854	(4,155)
Accounts payable	11,943	(13,411)
Accrued retirement benefits	5,416	1,427
Other accrued expenses	2,026	(8,072)
Net cash provided by operating activities	<u>938,272</u>	<u>1,098,758</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	(94,464)	(38,464)
Purchases of certificates of deposit	(4,563,000)	(3,486,062)
Redemption of certificates of deposit	4,270,481	1,953,626
Reinvestment of interest on certificates of deposit	(14,337)	(11,442)
Purchases of investments	(25,661)	(13,941)
Proceeds from sale of investments	24,111	-
Reinvestment of dividends on investments	(91)	(139)
Net cash used in investing activities	<u>(402,961)</u>	<u>(1,596,422)</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS	535,311	(497,664)
CASH AND CASH EQUIVALENTS - Beginning of year	<u>1,552,373</u>	<u>2,050,037</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 2,087,684</u>	<u>\$ 1,552,373</u>

The accompanying notes are an integral part of these financial statements.

DEFENDERS OF ANIMAL RIGHTS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

Defenders of Animal Rights, Inc. (the Organization) is a not-for-profit corporation, which provides rescue, shelter, veterinary and other services for animals and provides humane education to the general public. The Organization operates an animal shelter in Phoenix, Maryland.

2. Basis of Presentation

The financial statements of the Organization have been prepared using the accrual basis of accounting. In accordance with generally accepted accounting principles, the Organization is required to report information regarding its financial position and activities according to the two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The Organization had no net assets with donor restrictions as of and for the years ended December 31, 2020 and 2019.

3. Use of Estimates in Preparing Financial Statements

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used.

4. Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Organization considers cash in checking accounts and in money market accounts to be cash equivalents.

5. Certificates of Deposit

Certificates of deposit with original maturities greater than three months are classified as short-term investments. Certificates of deposit are stated at cost, which approximates fair market value.

6. Investments

Investments are in marketable equity securities and are stated at fair market value as determined by quoted market prices on the active markets in which the securities are traded. Gains and losses on the sale of marketable securities are determined using the specific identification method. Unrealized gains and losses are included in the statements of activities. Investment income, gains and losses are reflected as changes in net assets without donor restrictions unless there are donor restrictions on the use of the income.

DEFENDERS OF ANIMAL RIGHTS, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2020 and 2019

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. Bequests and Promises to Give

Unconditional promises to give are recognized as assets and contribution revenue when the donor makes a promise to give to the Organization that is, in substance, unconditional. Promises to give are recorded at net realizable value if expected to be collected within one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Bequests are recorded as revenue when notification is received that the Organization has been named as a beneficiary of a will that has been probated and declared valid by the courts and an estimate is reasonably determinable.

8. Property and Equipment

Property and equipment are stated at cost. Major additions and betterments in excess of \$1,000 are charged to the asset accounts, while maintenance and repairs, which do not improve or extend the lives of the assets, are expensed. Depreciation is calculated using the straight-line method over the estimated economic useful lives of the assets, which range from five to fifty years.

9. Contributions

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the contribution as without donor restrictions. Contributions of marketable securities are recorded at their estimated fair market values as of the date of the contributions.

10. Donated Services

No amounts have been reflected in the financial statements for donated services because the criteria for recognition have not been satisfied. The Organization generally pays for services requiring specific expertise. However, individuals volunteer their time to assist the Organization in program and administrative functions.

11. Functional Expenses

The costs of providing program and management activities have been summarized on a functional basis in the statements of activities and functional expenses. Certain costs have been allocated among the programs and supporting services benefited. Depreciation, repairs and maintenance and insurance are allocated based on square footage. Salaries, payroll taxes and employee benefits are allocated based on estimates of time and effort. Other expenses are allocated based on estimates of actual use.

DEFENDERS OF ANIMAL RIGHTS, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2020 and 2019

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

12. Advertising Costs

Advertising costs are charged to expense in the year incurred. Advertising expense for the years ended December 31, 2020 and 2019 was \$63,044 and \$76,359, respectively.

13. Allocation of Joint Costs

The Organization incurred joint costs for informational materials and activities that included fundraising appeals. These costs were allocated as follows for the years ended December 31:

	2020	2019
Program services:		
Animal rescue, shelter and care	\$ 21,762	\$ 21,174
Humane education	87,050	84,698
Supporting services:		
Fundraising	36,270	35,291
Total	\$ 145,082	\$ 141,163

14. Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The exemption is on all income except for unrelated business income, which is defined as income from any trade or business that is not substantially related to the exercise or performance of the Organization's exempt purpose. The Organization's boarding revenue is considered unrelated business income. Since related expenses exceed the revenue for this activity, no provision for income taxes has been accrued.

The Organization follows the provisions of the Financial Accounting Standards Board Accounting Standards Codification regarding uncertainty in income taxes. The Organization believes it has taken no uncertain tax positions that would be required to be recognized in the financial statements as of December 31, 2020.

15. Change in Accounting Policy

In June of 2018, the Financial Accounting Standards Board issued Accounting Standards Update 2018-08, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in the Update provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction, and for determining whether a contribution is conditional or unconditional. The new standard is effective for the period ending December 31, 2019. There were no changes to the Organization's financial statements upon adoption of this new standard.

DEFENDERS OF ANIMAL RIGHTS, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2020 and 2019

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

16. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition and disclosure through March 4, 2021, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

NOTE B – BEQUESTS RECEIVABLE

Bequests receivable represent amounts due from estates that are expected to be collected within one year. These receivables are unrestricted and have been recorded at estimated net realizable value. Bequests receivable were \$689,021 and \$492,187 at December 31, 2020 and 2019, respectively, which are net of a provision for uncollectible accounts of \$- and \$-0- at December 31, 2020 and 2019, respectively. Management estimates the provision for uncollectible accounts based on information provided by estate representatives. Additionally, as of December 31, 2020, the Organization had received notification of bequests that were not recorded since the bequests could not be reasonably estimated.

The Organization has received notification that they are a beneficiary of several conditional bequests. The conditions include the death of the decedents' primary beneficiary and the termination of a life estate. Under the terms of these wills the Organization will receive a stated percentage of the decedents' estate upon satisfaction of the conditions. The Organization's share of these bequests cannot be reasonably estimated.

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2020	2019
Land	\$ 112,675	\$ 112,675
Building and improvements	1,590,826	1,584,966
Land improvements	210,156	210,156
Furniture and equipment	256,819	213,123
Vehicles	38,398	22,000
	2,208,874	2,142,920
Less: Accumulated depreciation	(1,212,038)	(1,178,276)
Total	\$ 996,836	\$ 964,644

Depreciation expense for the years ended December 31, 2020 and 2019 was \$56,142 and \$52,790, respectively.

