



Gorfine Schiller Gardyn

Certified Public Accountants and Consultants

**DEFENDERS OF
ANIMAL RIGHTS, INC.**

FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

Mary Kove
President
3/26/18

DEFENDERS OF ANIMAL RIGHTS, INC.
TABLE OF CONTENTS
December 31, 2017 and 2016

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 – 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 – 6
Statements of Cash Flows	7
Notes to Financial Statements	8 – 12



Gorfine Schiller Gardyn

Certified Public Accountants and Consultants

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, 2017 and 2016, 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, 2017 and 2016; 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.

Hofine, Schiller & Galdyn, P.A.

February 26, 2018
Owings Mills, Maryland

FINANCIAL STATEMENTS

DEFENDERS OF ANIMAL RIGHTS, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

<u>ASSETS</u>		
	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,211,245	\$ 2,472,727
Certificates of deposit	5,045,623	4,414,388
Investments	2,434	2,458
Accrued interest receivable	11,946	8,534
Bequests receivable	208,525	537,350
Miscellaneous deposit	13,600	14,090
Prepaid expenses	15,639	12,753
Total current assets	7,509,012	7,462,300
PROPERTY AND EQUIPMENT, net	1,024,887	1,056,208
TOTAL ASSETS	\$ 8,533,899	\$ 8,518,508
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 28,501	\$ 33,124
Accrued retirement benefits	62,864	57,017
Other accrued expenses	13,388	12,805
Total current liabilities	104,753	102,946
UNRESTRICTED NET ASSETS	8,429,146	8,415,562
TOTAL LIABILITIES AND NET ASSETS	\$ 8,533,899	\$ 8,518,508

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, 2017 and 2016

	2017	2016
UNRESTRICTED NET ASSETS		
Unrestricted support, revenue and gains		
Donations	\$ 747,771	\$ 679,079
Bequests	283,538	2,346,825
Adoptions	28,950	31,770
Spay and neuter	875	1,270
Petsmart rewards	980	4,160
Boarding	13,260	11,430
Gift shop sales	417	827
Interest and dividends	60,682	42,170
Unrealized (losses) gains on investments	(95)	621
Miscellaneous income	2,294	-
	1,138,672	3,118,152
Total unrestricted support, revenue and gains before net assets released from restrictions		
Net assets released from restrictions - expiration of time restriction	-	10,000
	1,138,672	3,128,152
Expenses		
Program services:		
Animal rescue, shelter and care	743,523	777,005
Humane education	211,271	236,738
	954,794	1,013,743
Total program services		
Supporting services:		
Management and general	87,854	79,581
Fund-raising	82,440	91,323
	170,294	170,904
Total supporting services		
Total expenses	1,125,088	1,184,647
Changes in unrestricted net assets	13,584	1,943,505
TEMPORARILY RESTRICTED NET ASSETS		
Net assets released from restrictions - expiration of time restriction	-	(10,000)
Changes in temporarily restricted net assets	-	(10,000)
CHANGES IN NET ASSETS		
NET ASSETS - Beginning of year	8,415,562	6,482,057
NET ASSETS - End of year	\$ 8,429,146	\$ 8,415,562

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

DEFENDERS OF ANIMAL RIGHTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017 (with comparative totals for 2016)

	Program services				Supporting services			Combined totals	
	Animal rescue, shelter and care	Humane education	Management and general	Fund-raising	Total	Total	2017	2016	
							\$	\$	
Advertising	\$ 90,875	\$ -	\$ 5,346	\$ 10,691	\$ 16,037	\$ 106,912	\$ 104,038		
Automobile	1,222	-	64	-	64	1,286	680		
Credit card fees	-	-	4,368	-	4,368	4,368	4,217		
Data processing	-	1,603	961	641	1,602	3,205	3,395		
Depreciation	44,741	4,971	2,616	-	2,616	52,328	50,061		
Employee benefits	20,206	9,700	1,861	3,076	4,937	34,843	48,789		
Gift shop purchases	833	-	-	-	-	833	-		
Insurance	13,430	1,492	785	-	785	15,707	15,946		
Office supplies and expense	-	-	6,392	-	6,392	6,392	7,325		
Payroll taxes	16,148	6,345	2,045	1,884	3,929	26,422	27,078		
Postage	370	3,330	285	1,708	1,993	5,693	5,303		
Printing	665	2,659	1,662	554	2,216	5,540	7,540		
Professional fees	-	-	25,539	-	25,539	25,539	19,469		
Publications	16,982	67,926	-	28,303	28,303	113,211	113,176		
Registration fees	-	2,243	172	1,035	1,207	3,450	3,059		
Repairs and maintenance	26,820	-	1,412	-	1,412	28,232	42,698		
Rescue, veterinary and care	267,186	-	-	-	-	267,186	271,420		
Retirement benefits	16,927	29,049	6,088	10,800	16,888	62,864	57,017		
Salaries and wages	201,277	79,082	25,497	23,482	48,979	329,338	369,468		
Taxes and licenses	-	-	396	-	396	396	939		
Telephone	3,591	399	1,064	266	1,330	5,320	5,229		
Utilities	22,250	2,472	1,301	-	1,301	26,023	27,800		
Total functional expenses	\$ 743,523	\$ 211,271	\$ 87,854	\$ 82,440	\$ 170,294	\$ 1,125,088	\$ 1,184,647		

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

DEFENDERS OF ANIMAL RIGHTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	Program services		Supporting services		Combined totals
	Animal rescue, shelter and care	Humane education	Management and general	Fund-raising	
Advertising	\$ 93,634	\$ -	\$ -	\$ 10,404	\$ 104,038
Automobile	646	-	34	-	680
Credit card fees	-	-	4,217	-	4,217
Data processing	-	1,698	1,018	679	3,395
Depreciation	42,802	4,756	2,503	-	50,061
Employee benefits	29,702	12,875	2,292	3,920	48,789
Insurance	13,634	1,515	797	-	15,946
Office supplies and expense	-	-	7,325	-	7,325
Payroll taxes	15,445	7,381	1,937	2,315	27,078
Postage	345	3,102	265	1,591	5,303
Printing	905	3,619	2,262	754	7,540
Professional fees	-	-	19,469	-	19,469
Publications	16,976	67,906	-	28,294	113,176
Registration fees	-	1,988	153	918	3,059
Repairs and maintenance	40,563	-	2,135	-	42,698
Rescue, veterinary and care	271,420	-	-	-	271,420
Retirement benefits	12,891	28,150	5,376	10,600	57,017
Salaries and wages	210,743	100,715	26,423	31,587	369,468
Taxes and licenses	-	-	939	-	939
Telephone	3,530	392	1,046	261	5,229
Utilities	23,769	2,641	1,390	-	27,800
Total functional expenses	\$ 777,005	\$ 236,738	\$ 79,581	\$ 91,323	\$ 1,184,647
					\$ 170,904

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, 2017 and 2016

	2017	2016
OPERATING ACTIVITIES		
Changes in net assets	\$ 13,584	\$ 1,933,505
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	52,328	50,061
Unrealized losses (gains) on investments	95	(621)
Changes in operating assets and liabilities:		
Accrued interest receivable	(3,412)	(1,735)
Bequests receivable	328,825	(372,310)
Miscellaneous deposits	490	(13,290)
Prepaid expenses	(2,886)	3,623
Accounts payable	(4,623)	3,896
Accrued retirement benefits	5,847	17
Other accrued expenses	583	106
	390,831	1,603,252
INVESTING ACTIVITIES		
Purchases of property and equipment	(21,007)	(24,190)
Purchases of certificates of deposit	(2,156,000)	(1,291,000)
Redemption of certificates of deposit	1,530,000	877,173
Reinvestment of interest on certificates of deposit	(5,235)	(5,297)
Reinvestment of dividends on investments	(71)	(69)
	(652,313)	(443,383)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(261,482)	1,159,869
CASH AND CASH EQUIVALENTS - Beginning of year	2,472,727	1,312,858
CASH AND CASH EQUIVALENTS - End of year	\$ 2,211,245	\$ 2,472,727

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

DEFENDERS OF ANIMAL RIGHTS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

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 three classes of net assets: unrestricted, temporarily restricted and permanently restricted. The Organization had no permanently restricted net assets as of and for the years ended December 31, 2017 and 2016.

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 banks and investments in money market funds 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 unrestricted net assets unless there are donor restrictions on the use of the income.

DEFENDERS OF ANIMAL RIGHTS, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2017 and 2016

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 \$500 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 unrestricted, temporarily restricted or permanently restricted net assets, 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 unrestricted. 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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

DEFENDERS OF ANIMAL RIGHTS, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2017 and 2016

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, 2017 and 2016 was \$106,912 and \$104,038, respectively.

13. Allocation of Joint Costs

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

	<u>2017</u>	<u>2016</u>
Program services:		
Animal rescue, shelter and care	\$ 16,982	\$ 16,976
Humane education	67,926	67,906
Supporting services:		
Fund-raising	<u>28,303</u>	<u>28,294</u>
Total	<u>\$ 113,211</u>	<u>\$ 113,176</u>

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, 2017. The Organization's income tax filings for the years 2014 – 2017 are open and are subject to audit by various taxing authorities.

15. Recent Accounting Pronouncements

In August 2016, FASB issued Accounting Standards Update 2016-14 *Not-for-Profit Entities*, which contains significant changes to the financial statements requirements under the *Not-for-Profit Entities* topic of the ASC. The new standard is effective for the year ending December 31, 2018. The Organization will evaluate the effect that implementation of the new standard will have on its financial position, results of operations and cash flows.

DEFENDERS OF ANIMAL RIGHTS, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2017 and 2016

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 February 26, 2018, 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 was \$208,525 and \$537,350 at December 31, 2017 and 2016, respectively. Management believes that no allowance for uncollectible bequests is necessary. Additionally, as of December 31, 2017, 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' pets 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:

	Amount	
	2017	2016
Land	\$ 112,675	\$ 112,675
Building and improvements	1,578,316	1,578,316
Land improvements	195,156	193,271
Furniture and equipment	201,706	186,577
Vehicles	22,000	22,000
	2,109,853	2,092,839
Less: Accumulated depreciation	(1,084,966)	(1,036,631)
Total	\$ 1,024,887	\$ 1,056,208

Depreciation expense for the years ended December 31, 2017 and 2016 was \$52,328 and \$50,061, respectively.

DEFENDERS OF ANIMAL RIGHTS, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2017 and 2016

NOTE D – RESTRICTIONS ON NET ASSETS

During the year ended December 31, 2015, the Organization received a \$10,000 donation with the stipulation that the funds be used to purchase pet supplies. The Organization spent these funds on pet supplies during 2016. The interest earned by these quasi-endowment funds was unrestricted. There were no temporarily restricted net assets as of December 31, 2017 and 2016, respectively.

NOTE E – RETIREMENT PLAN

The Organization sponsors a profit sharing plan that covers all employees who meet the eligibility requirements. Contributions to the plan are subject to management's discretion. Eligible employees are split into two groups. Contributions to the two groups may be for different amounts and contributions to each group are allocated to all eligible employees in the group in proportion to those employees' salaries. Retirement benefits expense for the years ended December 31, 2017 and 2016 was \$62,864 and \$57,017, respectively.

NOTE F – CONCENTRATIONS

As of December 31, 2017, the Organization had uninsured deposits in excess of FDIC and SIPC coverage limits of approximately \$1,131,000. The amount of the uninsured deposits was derived from the bank balances as of December 31, 2017 and not from the Organization's reconciled cash balances. The Organization has not experienced any losses resulting from uninsured balances and management believes the risk of any such losses is remote.

