



Gorfine Schiller Gardyn

Certified Public Accountants and Consultants

**DEFENDERS OF
ANIMAL RIGHTS, INC.**

FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

May Jo Kovac
President
5/5/22

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

Opinion

We have audited the financial statements of Defenders of Animal Rights, Inc., which comprise the statements of financial position as of December 31, 2021 and 2020, 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 financial statements present fairly, in all material respects, the financial position of Defenders of Animal Rights, Inc. as of December 31, 2021 and 2020, 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 Defenders of Animal Rights, 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 these 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 Defenders of Animal Rights, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' 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 Defenders of Animal Rights, 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 Defenders of Animal Rights, 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.

Morfin, Schiller + Gaudyn, P.A.

April 14, 2022
Owings Mills, Maryland

FINANCIAL STATEMENTS

DEFENDERS OF ANIMAL RIGHTS, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,142,482	\$ 2,087,684
Certificates of deposit	5,063,345	7,427,365
Investments	20,436	16,840
Accrued interest receivable	5,027	24,812
Bequests receivable, net	585,298	689,021
Prepaid expenses	<u>15,046</u>	<u>14,959</u>
Total current assets	10,831,634	10,260,681
PROPERTY AND EQUIPMENT, net	<u>1,025,340</u>	<u>996,836</u>
TOTAL ASSETS	<u>\$ 11,856,974</u>	<u>\$ 11,257,517</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
CURRENT LIABILITIES		
Accounts payable	\$ 34,692	\$ 36,735
Accrued retirement benefits	67,000	67,195
Other accrued expenses	<u>11,839</u>	<u>8,586</u>
Total current liabilities	113,531	112,516
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>11,743,443</u>	<u>11,145,001</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,856,974</u>	<u>\$ 11,257,517</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, 2021 and 2020

	2021	2020
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Unrestricted support, revenue, gains and losses		
Bequests	\$ 1,053,898	\$ 1,487,162
Donations	814,972	697,038
Adoptions	21,095	21,530
Petsmart rewards	2,775	1,000
Boarding	6,090	4,215
Gift shop sales	118	250
Interest and dividends	50,227	127,746
Unrealized gains (losses) on investments	3,509	(2,909)
Realized losses on sale of investments	(910)	(3,755)
Loss on disposal of property and equipment	(7,230)	(6,130)
Miscellaneous income	2,500	16
Total unrestricted support, revenue, gains and losses	1,947,044	2,326,163
Expenses		
Program services:		
Animal rescue, shelter and care	878,773	846,669
Humane education	257,413	255,296
Total program services	1,136,186	1,101,965
Supporting services:		
Management and general	118,993	86,600
Fundraising	93,423	91,884
Total supporting services	212,416	178,484
Total expenses	1,348,602	1,280,449
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	598,442	1,045,714
NET ASSETS - Beginning of year	11,145,001	10,099,287
NET ASSETS - End of year	\$ 11,743,443	\$ 11,145,001

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, 2021 (with Comparative Totals for 2020) and 2020

	2021						2020	
	Program Services			Supporting Services			Combined Totals	
	Animal Rescue, Shelter and Care	Humane Education	Total	Management and General	Fundraising	Total	2021	2020
Advertising	\$ 59,292	\$ -	\$ 59,292	\$ 3,488	\$ 6,975	\$ 10,463	\$ 69,755	\$ 63,044
Automobile	852	-	852	45	-	45	897	1,327
Credit card fees	-	-	-	5,844	-	5,844	5,844	5,321
Data processing	-	1,964	1,964	1,178	786	1,964	3,928	3,649
Depreciation	51,808	5,757	57,565	3,030	-	3,030	60,595	56,142
Employee benefits	26,381	12,451	38,832	1,883	3,766	5,649	44,481	48,326
Gift shop purchases	53	-	53	-	-	-	53	221
Insurance	16,870	1,874	18,744	986	-	986	19,730	17,664
Office supplies and expense	-	-	-	8,040	-	8,040	8,040	6,422
Payroll taxes	20,079	7,802	27,881	4,187	2,204	6,391	34,272	31,860
Postage	428	3,851	4,279	329	1,975	2,304	6,583	5,605
Printing	749	2,996	3,745	1,873	624	2,497	6,242	5,590
Professional fees	-	-	-	22,634	-	22,634	22,634	18,515
Publications	22,750	90,999	113,749	-	37,916	37,916	151,665	145,082
Registration fees	-	2,274	2,274	175	1,050	1,225	3,499	3,492
Repairs and maintenance	62,684	-	62,684	3,299	-	3,299	65,983	56,789
Rescue, veterinary and care	331,698	-	331,698	-	-	-	331,698	304,893
Retirement benefits	18,365	29,915	48,280	7,693	11,027	18,720	67,000	67,195
Salaries and wages	244,708	95,079	339,787	51,029	26,857	77,886	417,673	414,243
Taxes and licenses	-	-	-	1,210	-	1,210	1,210	392
Telephone	3,282	365	3,647	972	243	1,215	4,862	4,778
Utilities	18,774	2,086	20,860	1,098	-	1,098	21,958	19,899
Total functional expenses	\$ 878,773	\$ 257,413	\$ 1,136,186	\$ 118,993	\$ 93,423	\$ 212,416	\$ 1,348,602	\$ 1,280,449

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, 2021 and 2020

	2020						
	Program Services			Supporting Services			
	Animal Rescue, Shelter and Care	Humane Education	Total	Management and General	Fundraising	Total	Combined Totals
Advertising	\$ 53,588	\$ -	\$ 53,588	\$ 3,152	\$ 6,304	\$ 9,456	\$ 63,044
Automobile	1,261	-	1,261	66	-	66	1,327
Credit card fees	-	-	-	5,321	-	5,321	5,321
Data processing	-	1,824	1,824	1,095	730	1,825	3,649
Depreciation	48,001	5,334	53,335	2,807	-	2,807	56,142
Employee benefits	30,539	11,692	42,231	2,396	3,699	6,095	48,326
Gift shop purchases	221	-	221	-	-	-	221
Insurance	15,103	1,678	16,781	883	-	883	17,664
Office supplies and expense	-	-	-	6,422	-	6,422	6,422
Payroll taxes	19,812	7,609	27,421	2,300	2,139	4,439	31,860
Postage	364	3,279	3,643	280	1,682	1,962	5,605
Printing	671	2,683	3,354	1,677	559	2,236	5,590
Professional fees	-	-	-	18,515	-	18,515	18,515
Publications	21,762	87,050	108,812	-	36,270	36,270	145,082
Registration fees	-	2,270	2,270	175	1,047	1,222	3,492
Repairs and maintenance	53,950	-	53,950	2,839	-	2,839	56,789
Rescue, veterinary and care	304,893	-	304,893	-	-	-	304,893
Retirement benefits	18,674	30,697	49,371	6,424	11,400	17,824	67,195
Salaries and wages	257,591	98,932	356,523	29,905	27,815	57,720	414,243
Taxes and licenses	-	-	-	392	-	392	392
Telephone	3,225	358	3,583	956	239	1,195	4,778
Utilities	17,014	1,890	18,904	995	-	995	19,899
Total functional expenses	\$ 846,669	\$ 255,296	\$ 1,101,965	\$ 86,600	\$ 91,884	\$ 178,484	\$ 1,280,449

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, 2021 and 2020

	2021	2020
OPERATING ACTIVITIES		
Changes in net assets	\$ 598,442	\$ 1,045,714
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	60,595	56,142
Unrealized (gains) losses on investments	(3,509)	2,909
Realized losses on sale of investments	910	3,755
Loss on disposal of equipment	7,230	6,130
Changes in operating assets and liabilities:		
Accrued interest receivable	19,785	(783)
Bequests receivable	103,723	(196,834)
Prepaid expenses	(87)	1,854
Accounts payable	(2,043)	11,943
Accrued retirement benefits	(195)	5,416
Other accrued expenses	3,253	2,026
Net cash provided by operating activities	788,104	938,272
INVESTING ACTIVITIES		
Purchases of property and equipment	(96,329)	(94,464)
Purchases of certificates of deposit	(2,993,000)	(4,563,000)
Redemption of certificates of deposit	5,365,000	4,270,481
Reinvestment of interest on certificates of deposit	(7,980)	(14,337)
Purchases of investments	(98,209)	(25,661)
Proceeds from sale of investments	97,322	24,111
Reinvestment of dividends on investments	(110)	(91)
Net cash provided by (used in) investing activities	2,266,694	(402,961)
NET CHANGES IN CASH AND CASH EQUIVALENTS	3,054,798	535,311
CASH AND CASH EQUIVALENTS - Beginning of year	2,087,684	1,552,373
CASH AND CASH EQUIVALENTS - End of year	\$ 5,142,482	\$ 2,087,684

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

DEFENDERS OF ANIMAL RIGHTS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

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, 2021 and 2020.

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, 2021 and 2020

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, 2021 and 2020

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, 2021 and 2020 was \$69,755 and \$63,044, 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:

	<u>2021</u>	<u>2020</u>
Program services:		
Animal rescue, shelter and care	\$ 22,750	\$ 21,762
Humane education	90,999	87,050
Supporting services:		
Fundraising	<u>37,916</u>	<u>36,270</u>
Total	<u>\$ 151,665</u>	<u>\$ 145,082</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, 2021.

15. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition and disclosure through April 14, 2022, 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.

DEFENDERS OF ANIMAL RIGHTS, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

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 \$585,298 and \$689,021 at December 31, 2021 and 2020, respectively. Management estimates the provision for uncollectible bequests based on information provided by estate representatives. Management believes that no allowance for uncollectible bequests is needed at December 31, 2021 and 2020. Additionally, as of December 31, 2021, 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:

	2021	2020
Land	\$ 112,675	\$ 112,675
Building and improvements	1,665,639	1,590,826
Land improvements	231,656	210,156
Furniture and equipment	242,980	256,819
Vehicles	38,398	38,398
	2,291,348	2,208,874
Less: Accumulated depreciation	(1,266,008)	(1,212,038)
Total	\$ 1,025,340	\$ 996,836

Depreciation expense for the years ended December 31, 2021 and 2020 was \$60,595 and \$56,142, respectively.

NOTE D – 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, 2021 and 2020 was \$67,000 and \$67,195, respectively.

DEFENDERS OF ANIMAL RIGHTS, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
December 31, 2021 and 2020

NOTE E – LIQUIDITY

The Organization’s financial assets available within one year of the balance sheet date for general expenditures are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 5,142,482	\$ 2,087,684
Certificates of deposit	5,063,345	7,427,365
Investments	20,436	16,840
Accrued interest receivable	5,027	24,812
Bequests receivable	<u>585,298</u>	<u>689,021</u>
Total	<u><u>\$10,816,588</u></u>	<u><u>\$10,245,722</u></u>

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Organization has a goal to maintain financial assets, which consist of cash, certificates of deposit and investments, to meet both normal operating expenses and unanticipated capital needs. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Organization invests cash in excess of anticipated short-term needs in money market accounts and certificates of deposit.

NOTE F – CONCENTRATIONS

The Organization maintains its cash in bank accounts and in brokerage accounts, which are insured up to certain limits by the FDIC and SIPC. As of December 31, 2021, the Organization had uninsured deposits in excess of FDIC and SIPC coverage limits of approximately \$726,000. The Organization has not experienced any losses resulting from uninsured balances and management believes the risk of any such losses is remote.

NOTE G – COVID-19

The Organization’s programs are operating in an environment in which a pandemic exists in relation to the novel coronavirus, COVID-19. As mandated by executive orders from the Governor of Maryland and the Maryland Secretary of Health, the Organization has limited public visitors, which has resulted in a reduction of adoption and boarding revenue. The future impact of this pandemic on the Organization’s financial condition and results of operations cannot be reasonably estimated.

