

Friends of Animals, Inc.

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

April 30, 2018 and 2017

Friends of Animals, Inc.

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Independent Auditor's Report

Board of Directors
Friends of Animals, Inc.

We have audited the accompanying financial statements of Friends of Animals, Inc. (a nonprofit organization), which comprise the statements of financial position as of April 30, 2018 and 2017, 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.

Auditor's 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 auditor's 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 Friends of Animals, Inc. as of April 30, 2018 and 2017, 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.

Report on 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 28, 2018

Friends of Animals, Inc.

**Statements of Financial Position
April 30, 2018 and 2017**

<u>Assets</u>		
	2018	2017
Current assets		
Cash	\$ 8,378	\$ 147,433
Investments	2,429,953	3,566,925
Bequests receivable, net	579,664	423,932
Contributions and grants receivable, net	11,888	133,778
Merchandise inventory, net	19,777	41,583
Other current assets	28,822	25,538
Total current assets	3,078,482	4,339,189
Property and equipment		
Equipment and other	375,645	371,810
Accumulated depreciation	(279,843)	(248,356)
Total property and equipment, net	95,802	123,454
Other assets		
Vested interest in trusts	2,900,324	2,666,291
Charitable remainder trusts, net	-	179,056
Deposits	26,332	26,332
Cash surrender value of officer life insurance	180,304	162,426
Total other assets	3,106,960	3,034,105
Total assets	\$ 6,281,244	\$ 7,496,748
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable	\$ 4,267	\$ 49,458
Accrued expenses	92,194	79,613
Liability for unredeemed spay vouchers	475,086	440,154
Current portion of capital lease obligation	-	1,308
Total current liabilities	571,547	570,533
Non-current liabilities		
Capital lease obligation, less current portion	-	2,616
Total liabilities	571,547	573,149
Commitments and contingencies		
Net assets		
Unrestricted	2,732,508	3,873,891
Temporarily restricted	76,865	383,417
Permanently restricted	2,900,324	2,666,291
Total net assets	5,709,697	6,923,599
Total liabilities and net assets	\$ 6,281,244	\$ 7,496,748

See Notes to Financial Statements.

Friends of Animals, Inc.

**Statement of Activities
Year Ended April 30, 2018
(With Comparative Totals for 2017)**

	Unrestricted	Temporarily restricted	Permanently restricted	Total	
				2018	2017
Support and revenues					
Support					
Contributions	\$ 750,175	\$ -	\$ -	\$ 750,175	\$ 657,290
Bequests	1,156,999	-	-	1,156,999	1,403,193
Grants	73,776	53,756	-	127,532	444,800
Total support	<u>1,980,950</u>	<u>53,756</u>	<u>-</u>	<u>2,034,706</u>	<u>2,505,283</u>
Revenues					
Spay and neuter vouchers issued, net	1,511,829	-	-	1,511,829	1,644,709
Change in value of trusts	-	(754)	234,033	233,279	27,463
Merchandise and literature sales	10,303	-	-	10,303	11,970
Miscellaneous income	47,574	-	-	47,574	81,963
Total revenues	<u>1,569,706</u>	<u>(754)</u>	<u>234,033</u>	<u>1,802,985</u>	<u>1,766,105</u>
Net assets released from restrictions					
Satisfaction of program restrictions	181,252	(181,252)	-	-	-
Charitable remainder trusts	178,302	(178,302)	-	-	-
Total support and revenues	<u>3,910,210</u>	<u>(306,552)</u>	<u>234,033</u>	<u>3,837,691</u>	<u>4,271,388</u>
Expenses					
Spaying and neutering costs	1,906,857	-	-	1,906,857	1,899,706
Public information and animal protection costs	2,894,048	-	-	2,894,048	2,499,443
Administrative	268,113	-	-	268,113	314,396
Fundraising	165,261	-	-	165,261	240,021
Total expenses	<u>5,234,279</u>	<u>-</u>	<u>-</u>	<u>5,234,279</u>	<u>4,953,566</u>
Loss on disposal of equipment and other	-	-	-	-	(84,076)
Investment income	182,686	-	-	182,686	301,754
Change in net assets	(1,141,383)	(306,552)	234,033	(1,213,902)	(464,500)
Net assets, beginning	<u>3,873,891</u>	<u>383,417</u>	<u>2,666,291</u>	<u>6,923,599</u>	<u>7,388,099</u>
Net assets, end	<u>\$ 2,732,508</u>	<u>\$ 76,865</u>	<u>\$ 2,900,324</u>	<u>\$ 5,709,697</u>	<u>\$ 6,923,599</u>

See Notes to Financial Statements.

Friends of Animals, Inc.

**Statement of Activities
Year Ended April 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>2017</u>
Support and revenues				
Support				
Contributions	\$ 650,229	\$ 7,061	\$ -	\$ 657,290
Bequests	1,403,193	-	-	1,403,193
Grants	189,800	255,000	-	444,800
Total support	<u>2,243,222</u>	<u>262,061</u>	<u>-</u>	<u>2,505,283</u>
Revenues				
Spay and neuter vouchers issued, net	1,644,709	-	-	1,644,709
Change in value of trusts	7,061	-	20,402	27,463
Merchandise and literature sales	11,970	-	-	11,970
Miscellaneous income	81,963	-	-	81,963
Total revenues	<u>1,745,703</u>	<u>-</u>	<u>20,402</u>	<u>1,766,105</u>
Net assets released from restrictions				
Satisfaction of program restrictions	86,771	(86,771)	-	-
Total support and revenues	<u>4,075,696</u>	<u>175,290</u>	<u>20,402</u>	<u>4,271,388</u>
Expenses				
Spaying and neutering costs	1,899,706	-	-	1,899,706
Public information and animal protection costs	2,499,443	-	-	2,499,443
Administrative	314,396	-	-	314,396
Fundraising	240,021	-	-	240,021
Total expenses	<u>4,953,566</u>	<u>-</u>	<u>-</u>	<u>4,953,566</u>
Loss on disposal of equipment and other	(84,076)	-	-	(84,076)
Investment income	301,754	-	-	301,754
Change in net assets	(660,192)	175,290	20,402	(464,500)
Net assets, beginning	<u>4,534,083</u>	<u>208,127</u>	<u>2,645,889</u>	<u>7,388,099</u>
Net assets, end	<u>\$ 3,873,891</u>	<u>\$ 383,417</u>	<u>\$ 2,666,291</u>	<u>\$ 6,923,599</u>

See Notes to Financial Statements.

Friends of Animals, Inc.

**Statement of Functional Expenses
Year Ended April 30, 2018**

	Spaying and neutering costs	Public information and animal protection costs	Total program services	Administrative expenses	Fundraising expenses	Total support services	Total expenses
Salaries	\$ 287,842	\$ 1,002,795	\$ 1,290,637	\$ 93,319	\$ 18,797	\$ 112,116	\$ 1,402,753
Veterinarians	1,315,966	-	1,315,966	-	-	-	1,315,966
Primarily Primates, Inc. project	-	846,748	846,748	-	-	-	846,748
Rent and utilities	31,213	214,990	246,203	10,535	3,121	13,656	259,859
Insurance	56,364	168,111	224,475	20,305	6,992	27,297	251,772
Printing and mailing lists	10,008	104,096	114,104	1,248	38,718	39,966	154,070
Advertising	46,830	96,528	143,358	-	3,500	3,500	146,858
Payroll and other taxes	21,533	83,138	104,671	7,682	1,498	9,180	113,851
Postage and delivery	11,304	73,917	85,221	5,615	19,193	24,808	110,029
Bank service charges	58,062	1,341	59,403	37,502	1,999	39,501	98,904
Computer supplies	27,989	10,108	38,097	21,246	23,431	44,677	82,774
African projects cost	-	69,996	69,996	-	-	-	69,996
Travel	1,929	60,484	62,413	941	5,843	6,784	69,197
Professional services	20,125	13,227	33,352	20,125	-	20,125	53,477
Depreciation	270	40,533	40,803	3,699	27	3,726	44,529
Registrations and fees	551	16,861	17,412	12,972	-	12,972	30,384
Incentive program material costs	-	-	-	-	26,547	26,547	26,547
Lobbying	-	25,000	25,000	-	-	-	25,000
Telephone	6,147	17,793	23,940	613	-	613	24,553
Bad debt expense	-	-	-	21,093	-	21,093	21,093
Office equipment rental	4,736	11,424	16,160	1,336	411	1,747	17,907
Events	-	-	-	-	14,770	14,770	14,770
Dues and subscriptions	-	14,034	14,034	45	-	45	14,079
Office supplies and expense	386	10,082	10,468	1,064	43	1,107	11,575
Maintenance	2,160	4,108	6,268	1,772	169	1,941	8,209
Miscellaneous	-	377	377	6,545	-	6,545	6,922
Data processing	942	4,374	5,316	269	202	471	5,787
Wild horse project	-	3,818	3,818	-	-	-	3,818
Awards and grants	2,500	165	2,665	-	-	-	2,665
Automobile expense	-	-	-	187	-	187	187
	<u>\$ 1,906,857</u>	<u>\$ 2,894,048</u>	<u>\$ 4,800,905</u>	<u>\$ 268,113</u>	<u>\$ 165,261</u>	<u>\$ 433,374</u>	<u>\$ 5,234,279</u>

See Notes to Financial Statements.

Friends of Animals, Inc.

**Statement of Functional Expenses
Year Ended April 30, 2017**

	Spaying and neutering costs	Public information and animal protection costs	Total program services	Administrative expenses	Fundraising expenses	Total support services	Total expenses
Veterinarians	\$ 1,347,269	\$ -	\$ 1,347,269	\$ -	\$ -	\$ -	\$ 1,347,269
Salaries	251,367	844,543	1,095,910	137,634	87,435	225,069	1,320,979
Primarily Primates, Inc. project	-	464,166	464,166	-	-	-	464,166
Advertising	64,998	184,039	249,037	-	7,746	7,746	256,783
Rent and utilities	23,878	211,827	235,705	7,210	4,307	11,517	247,222
Insurance	54,983	145,420	200,403	22,357	8,995	31,352	231,755
Printing and mailing lists	11,622	87,502	99,124	476	70,499	70,975	170,099
Payroll and other taxes	22,864	72,278	95,142	11,662	7,117	18,779	113,921
Postage and delivery	14,146	76,875	91,021	3,943	27,852	31,795	122,816
Professional services	19,575	66,673	86,248	28,814	-	28,814	115,062
Bank service charges	53,245	1,187	54,432	51,100	-	51,100	105,532
Travel	116	70,847	70,963	1,052	483	1,535	72,498
African projects cost	-	106,996	106,996	-	-	-	106,996
Computer supplies	15,963	10,092	26,055	16,201	5,549	21,750	47,805
Depreciation	276	41,244	41,520	3,773	28	3,801	45,321
Registrations and fees	-	15,444	15,444	13,389	2,670	16,059	31,503
Lobbying	-	30,117	30,117	-	-	-	30,117
Telephone	6,216	20,548	26,764	805	-	805	27,569
Office equipment rental	4,458	13,046	17,504	1,318	572	1,890	19,394
Wild horse project	-	16,330	16,330	-	-	-	16,330
Incentive program material costs	-	-	-	-	12,571	12,571	12,571
Miscellaneous	73	31	104	10,787	-	10,787	10,891
Dues and subscriptions	-	8,059	8,059	20	-	20	8,079
Maintenance	2,058	3,792	5,850	856	137	993	6,843
Office supplies and expense	606	4,720	5,326	1,140	18	1,158	6,484
Data processing	943	3,667	4,610	283	189	472	5,082
Awards and grants	5,050	-	5,050	-	-	-	5,050
Events	-	-	-	-	3,853	3,853	3,853
Automobile expense	-	-	-	1,576	-	1,576	1,576
	<u>\$ 1,899,706</u>	<u>\$ 2,499,443</u>	<u>\$ 4,399,149</u>	<u>\$ 314,396</u>	<u>\$ 240,021</u>	<u>\$ 554,417</u>	<u>\$ 4,953,566</u>

See Notes to Financial Statements.

Friends of Animals, Inc.
Statements of Cash Flows
Years Ended April 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (1,213,902)	\$ (464,500)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Bad debt expense	21,093	-
Depreciation	44,529	45,321
Unrealized and realized gain on investments	(142,280)	(234,138)
Loss on disposal of equipment and other	-	84,076
Change in value of trusts	(233,279)	(27,463)
Final distribution on charitable remainder trusts	178,302	-
Increase in cash surrender value of officer life insurance	(17,878)	(17,497)
Changes in operating assets and liabilities		
Bequests receivable	(176,825)	(146,129)
Contributions and grants receivable	121,890	(103,398)
Merchandise inventory	21,806	4,572
Other current assets and deposits	(3,284)	458
Accounts payable	(45,191)	40,475
Accrued expenses	12,581	7,903
Liability for unredeemed spay vouchers	34,932	30,753
Net cash used in operating activities	(1,397,506)	(779,567)
Cash flows from investing activities		
Purchases of property and equipment	(20,540)	(6,651)
Proceeds from sales of investments	1,950,000	1,450,000
Purchases of investments	(670,748)	(755,060)
Net cash provided by investing activities	1,258,712	688,289
Cash flows from financing activities		
Repayments of capital lease obligation	(261)	(1,417)
Net decrease in cash	(139,055)	(92,695)
Cash, beginning	147,433	240,128
Cash, end	\$ 8,378	\$ 147,433
Supplemental disclosures of noncash investing and financing transactions		
Disposal of capital lease property and equipment	\$ 3,663	\$ -
Less reduction of remaining capital lease obligation	(3,663)	-
Net cash paid	\$ -	\$ -

See Notes to Financial Statements.

Friends of Animals, Inc.

Notes to Financial Statements April 30, 2018 and 2017

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 separately in New York, New Jersey and Wisconsin. FoA has offices in Darien, Connecticut; New York, New York; Centennial, Colorado; and Asheville, North Carolina.

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 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. Revenue from the sale of these vouchers was approximately 42% and 39% of total support and revenues for the years ended April 30, 2018 and 2017, respectively. The balance of FoA's support and revenues predominantly consists of contributions, bequests and grants.

FoA publishes a quarterly 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 three classes of net assets: unrestricted, temporarily restricted and permanently restricted. They are described as follows:

Unrestricted - Net assets that are not subject to explicit donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Friends of Animals, Inc.

Notes to Financial Statements April 30, 2018 and 2017

Temporarily restricted - Net assets whose use by the Organization is subject to explicit donor-imposed stipulations or by operation of law that can be fulfilled by actions of the Organization or that expire by the passage of time.

Permanently restricted - Net assets subject to explicit donor-imposed stipulations that they be maintained permanently by the Organization and stipulate the use of income and/or appreciation as either unrestricted or temporarily restricted based on donor-imposed stipulations or by operation of law.

Income taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provision for federal or state income taxes in the accompanying financial statements.

The Organization has no unrecognized tax benefits at April 30, 2018 and 2017. The Organization's federal and state information returns prior to fiscal year 2015 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If the Organization were to have unrelated business income taxes, the Organization would recognize interest and penalties associated with uncertain tax positions as part of income tax expense 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, 2018 and 2017.

Contributions and grants

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. The Organization does have several conditional promises to give. However, as of April 30, 2018 and 2017, the amounts of the promises to give are not estimable and are conditioned on certain future events occurring.

Grants are recorded as receivables in the year the commitment is made by the grantor and are deemed to be earned and reported as revenue when the Organization has expended the funds which meet the specific grant restrictions. Unexpended amounts are classified as temporarily restricted net assets in the accompanying financial statements.

Investments

Investments in money market, mutual funds and equities are valued at their fair values. Net realized and unrealized gains or loss on investments are included in investment income or loss.

Friends of Animals, Inc.

Notes to Financial Statements April 30, 2018 and 2017

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 unrestricted support 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 restricted support. 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.

Spay and neuter vouchers

Spay voucher revenue is recognized as revenue when the voucher is redeemed. The liability for unredeemed spay vouchers represents FoA's estimate of spay vouchers sold prior to the end of the year, but not yet redeemed by veterinarians.

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 permanently restricted contribution at the date the trust is established. FoA's estimate of fair value is based on fair value information received from the trustees. The trust assets consist of, but are not limited to, cash and cash equivalents, corporate and government bonds, mutual funds and equity securities. These assets are not subject to the control or direction by FoA. Gains and losses, which are not distributed by the trusts, are reflected as change in value of trusts in the statements of activities.

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, 2018 and 2017.

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.

Friends of Animals, Inc.

**Notes to Financial Statements
April 30, 2018 and 2017**

Expense allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

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.

Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 presentation.

Subsequent events

The Organization has evaluated events and transactions for potential recognition or disclosure through August 28, 2018 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. As of April 30, 2018, no amounts exceeded 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, 2018 and 2017**

Note 3 - Investments

Investments at April 30, 2018 and 2017 consist of the following:

	2018	2017
Money market	\$ 584,793	\$ 564,100
Mutual funds	716,105	1,269,455
Equities		
Foreign	413,739	145,425
Communications	24,229	53,839
Consumer	153,699	382,841
Energy	41,871	109,894
Financial services	147,399	259,761
Healthcare	45,120	91,589
Industrial	79,228	119,871
Real estate	16,872	58,620
Technology	182,382	444,457
Utilities	24,516	36,929
Miscellaneous	-	30,144
	<u>\$ 2,429,953</u>	<u>\$ 3,566,925</u>

The following summarizes investment income for the years ended April 30, 2018 and 2017:

	2018	2017
Interest and dividend income	\$ 40,406	\$ 67,616
Unrealized gain on investments	142,416	242,351
Realized loss on investments	(136)	(8,213)
	<u>\$ 182,686</u>	<u>\$ 301,754</u>

Note 4 - Charitable remainder trust

FoA had a charitable remainder trust which was held by a third party until the end of the set term. FoA recognized a contribution based on the present value of the estimated future cash flows using a discount rate of 2.75%. The discount rate utilized represented the rate of return available at the beginning of the period. The net value of the trust as of April 30, 2017 was \$179,056. The income distributed from the trust in fiscal years 2018 and 2017 was \$7,531 and \$1,517, respectively. Income distributed from the trust is recorded in bequests in the statements of activities as temporarily restricted income or unrestricted income depending upon donor instructions. During the year ending April 30, 2018, the trust terminated and the remaining balance was distributed from the trust.

Note 5 - 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 2018 and 2017 was \$59,734 and \$128,115, respectively. Income distributed from the

Friends of Animals, Inc.

Notes to Financial Statements April 30, 2018 and 2017

trusts is recorded in bequests in the statements of activities as temporarily restricted income or unrestricted income depending upon donor instructions. FoA's interest in these trusts is recorded at fair value in the statements of financial position as permanently restricted net assets. The value at April 30, 2018 and 2017 was \$2,900,324 and \$2,666,291, respectively.

Note 6 - 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.

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 2018 and 2017.

FoA's policy is to recognize transfers in and out of various levels as of the actual date of the event or change in circumstance that caused the transfer. There were no transfers during the years ended April 30, 2018 and 2017.

Vested interest in trusts and charitable remainder trusts are designated as level 3 instruments primarily because FoA receives periodic payments from the trust 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.

Friends of Animals, Inc.

**Notes to Financial Statements
April 30, 2018 and 2017**

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. The fair value of money market designated as level 2 are estimated using third party quotations.

Financial assets carried at fair value at April 30, 2018 and 2017 are classified in the tables below in one of the three categories described above:

	2018			Total
	Level 1	Level 2	Level 3	
Money market	\$ -	\$ 584,793	\$ -	\$ 584,793
Mutual funds	716,105	-	-	716,105
Equities				
Foreign	413,739	-	-	413,739
Communications	24,229	-	-	24,229
Consumer	153,699	-	-	153,699
Energy	41,871	-	-	41,871
Financial services	147,399	-	-	147,399
Healthcare	45,120	-	-	45,120
Industrial	79,228	-	-	79,228
Real estate	16,872	-	-	16,872
Technology	182,382	-	-	182,382
Utilities	24,516	-	-	24,516
Vested interest in trusts	-	-	2,900,324	2,900,324
	<u>\$ 1,845,160</u>	<u>\$ 584,793</u>	<u>\$ 2,900,324</u>	<u>\$ 5,330,277</u>
	2017			Total
	Level 1	Level 2	Level 3	
Money market	\$ -	\$ 564,100	\$ -	\$ 564,100
Mutual funds - US Government securities	1,269,455	-	-	1,269,455
Equities				
Foreign	145,425	-	-	145,425
Communications	53,839	-	-	53,839
Consumer	382,841	-	-	382,841
Energy	109,894	-	-	109,894
Financial services	259,761	-	-	259,761
Healthcare	91,589	-	-	91,589
Industrial	119,871	-	-	119,871
Real estate	58,620	-	-	58,620
Technology	444,457	-	-	444,457
Utilities	36,929	-	-	36,929
Miscellaneous	30,144	-	-	30,144
Vested interest in trusts	-	-	2,666,291	2,666,291
Charitable remainder trusts	-	-	179,056	179,056
	<u>\$ 3,002,825</u>	<u>\$ 564,100</u>	<u>\$ 2,845,347</u>	<u>\$ 6,412,272</u>

Friends of Animals, Inc.

**Notes to Financial Statements
April 30, 2018 and 2017**

The following tables set forth changes in assets measured at fair value using level 3 inputs for the years ended April 30, 2018 and 2017:

	Balance, April 30, 2017	Unrealized appreciation (depreciation)	Distributions	Balance, April 30, 2018
Vested interest in trusts	\$ 2,666,291	\$ 295,898	\$ (61,865)	\$ 2,900,324
Charitable remainder trusts	179,056	(754)	(178,302)	-
Total	\$ 2,845,347	\$ 295,144	\$ (240,167)	\$ 2,900,324

	Balance, April 30, 2016	Unrealized appreciation	Distributions	Balance, April 30, 2017
Vested interest in trusts	\$ 2,645,889	\$ 148,517	\$ (128,115)	\$ 2,666,291
Charitable remainder trusts	171,995	8,578	(1,517)	179,056
Total	\$ 2,817,884	\$ 157,095	\$ (129,632)	\$ 2,845,347

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	2018 Fair value	2017 Fair value	Principal valuation technique	Unobservable inputs	Significant input values	Weighted average
Vested interest in trusts	\$ 2,900,324	\$ 2,666,291	(A)	Base price	N/A	N/A
Charitable remainder trusts	-	179,056	(A)	Base price	N/A	N/A

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

The amount of total gains or losses for the fiscal years ended April 30, 2018 and 2017 attributable to the change in the unrealized gains or losses relating to assets still held at the reporting date were included in change in net assets in investment income in the statements of activities. For the years ended April 30, 2018 and 2017, FoA recognized an unrealized gain of \$295,144 and \$157,095, respectively.

Note 7 - Bequests, contributions and grants receivable

FoA has bequests receivable totaling \$579,664 and \$423,932 as of April 30, 2018 and 2017, 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, 2018 and 2017 was \$33,000 and \$20,000, respectively. Total balance of bequests receivable is due within the next fiscal year for both years ended April 30, 2018 and 2017.

FoA has contributions receivable totaling \$11,888 and \$33,778 as of April 30, 2018 and 2017, respectively. As of April 30, 2018 and 2017, there was an allowance for uncollectible amounts relating to contributions receivable of \$20,700 and \$8,200, respectively. Total balance of

Friends of Animals, Inc.

**Notes to Financial Statements
April 30, 2018 and 2017**

contributions receivable is due within the next fiscal year for both years ended April 30, 2018 and 2017.

FoA has grants receivable totaling \$0 and \$100,000 as of April 30, 2018 and 2017, respectively. The balance is deemed fully collectible and no allowance for uncollectible amounts was recorded as of April 30, 2018 and 2017.

Note 8 - Temporarily restricted net assets

Temporarily restricted net assets as of April 30, 2018 and 2017 are comprised of the following:

	<u>2018</u>	<u>2017</u>
Time restricted	\$ 66,667	\$ 166,667
Lobbying	10,198	10,198
Charitable remainder trust	-	179,056
Wildlife Law Program	-	27,496
	<u>\$ 76,865</u>	<u>\$ 383,417</u>

Note 9 - Spay and neuter vouchers

Spay and neuter vouchers issued are shown net of refunds and discounts on the statements of activities. For the years ended April 30, 2018 and 2017, spay and neuter vouchers are comprised of the following:

	<u>2018</u>	<u>2017</u>
Spay and neuter revenue	\$ 1,579,596	\$ 1,708,423
Refunds	(37,292)	(42,364)
Discounts	<u>(30,475)</u>	<u>(21,350)</u>
	<u>\$ 1,511,829</u>	<u>\$ 1,644,709</u>

Note 10 - Capital lease obligation

The Organization had a capital lease for office equipment that was set to expire in May 2020. The asset and related liability under the capital lease was recorded at the fair value of the asset. The asset was being amortized over the shorter of its related lease terms or its estimated productive life. Amortization of the asset under the capital lease is included in depreciation expense. The lease agreement was terminated during the year ending April 30, 2018, and the equipment was returned.

Friends of Animals, Inc.

**Notes to Financial Statements
April 30, 2018 and 2017**

Accordingly, the asset was capitalized and has the following book values at April 30:

	2018	2017
Equipment	\$ 6,867	\$ 6,867
Less accumulated amortization	(3,204)	(2,975)
Disposal	(3,663)	-
	\$ -	\$ 3,892

Amortization expense relating to the capital lease obligation for the years ended April 30, 2018 and 2017 was \$229 and \$1,438, respectively.

Note 11 - Lease commitments

The Organization leases facilities for their main headquarters in Darien, Connecticut under a 60-month lease which expires April 30, 2020. Under the terms of the lease, the payments escalate each year.

The Organization also leases two additional facilities in New York, New York and Centennial, Colorado under noncancellable operating leases expiring in February 2019 and January 2020, respectively. Under the terms of both leases, the payments escalate each year.

Rent expense for all locations amounted to \$259,859 and \$247,222 for the years ended April 30, 2018 and 2017, respectively.

Future minimum rent lease payments due under noncancellable real estate operating leases in each of the years subsequent to April 30, 2018 are as follows:

2019	\$ 236,915
2020	143,725
	\$ 380,640

The Organization leases office equipment and is responsible for the maintenance and insurance costs. Equipment lease expense for the years ended April 30, 2018 and 2017 was \$17,907 and \$24,281, respectively. Leases expire through September 2022.

Future minimum lease payments due under noncancelable equipment operating leases in each of the years subsequent to April 30, 2018 are as follows:

2019	\$ 11,951
2020	9,471
2021	9,372
2022	9,372
2023	2,773
	\$ 42,939

Friends of Animals, Inc.

**Notes to Financial Statements
April 30, 2018 and 2017**

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, 2018 and 2017 was \$846,748 and \$464,166, respectively. Included in this amount was \$123,328 and \$149,666 of donated administrative support during the years ended April 30, 2018 and 2017, 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, 2018 and 2017, the Organization reimbursed PPI for expenses of \$3,818 and \$16,330, respectively.

Note 13 - Donations in-kind

During 2018 and 2017, FoA received donated advertising and software. The total value of the donated advertising recorded in the statements of activities was \$86,027 and \$115,227 for the years ended April 30, 2018 and 2017, respectively.

Supplementary Information

Friends of Animals, Inc.

**Expenses for Program Services -
Public Information and Animal Protection Costs
Year Ended April 30, 2018
(With Comparative Totals for 2017)**

	Wildlife	International	Public information	Total	
				2018	2017
Salaries	\$ 343,768	\$ 4	\$ 659,023	\$ 1,002,795	\$ 844,543
Primarily Primates, Inc. project	846,748	-	-	846,748	464,166
Advertising	24,200	-	72,328	96,528	184,039
Rent and utilities	46,353	-	168,637	214,990	211,827
Insurance	66,466	-	101,645	168,111	145,420
Printing and mailing lists	7,651	-	96,445	104,096	87,502
Postage and delivery	6,060	-	67,857	73,917	76,875
Professional services	13,227	-	-	13,227	66,673
Payroll and other taxes	29,354	-	53,784	83,138	72,278
African project costs	-	69,996	-	69,996	106,996
Bank service charges	-	-	1,341	1,341	1,187
Travel	20,615	-	39,869	60,484	70,847
Computer supplies	2,100	-	8,008	10,108	10,092
Depreciation	-	-	40,533	40,533	41,244
Registrations and fees	8,081	-	8,780	16,861	15,444
Lobbying	-	-	25,000	25,000	30,117
Telephone	5,030	-	12,763	17,793	20,548
Office equipment rental	4,264	-	7,160	11,424	13,046
Wild horse project	3,818	-	-	3,818	16,330
Miscellaneous	377	-	-	377	31
Dues and subscriptions	9,559	-	4,475	14,034	8,059
Maintenance	433	-	3,675	4,108	3,792
Office supplies and expense	4,947	-	5,135	10,082	4,720
Awards and grants	-	-	165	165	-
Data processing	2,491	-	1,883	4,374	3,667
	<u>\$ 1,445,542</u>	<u>\$ 70,000</u>	<u>\$ 1,378,506</u>	<u>\$ 2,894,048</u>	<u>\$ 2,499,443</u>

See Independent Auditor's Report.

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