

# ANIMAL LEGAL DEFENSE FUND

JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

# **Animal Legal Defense Fund**

## **Independent Auditors' Report and Financial Statements**

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A Century Strong

## Independent Auditors' Report

THE BOARD OF DIRECTORS  
ANIMAL LEGAL DEFENSE FUND  
Cotati, California

### Report on the Financial Statements

We have audited the accompanying financial statements of **ANIMAL LEGAL DEFENSE FUND (the Organization)**, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the period from January 1, 2019 to June 30, 2020, 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.

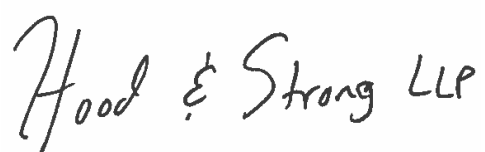
### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 Organization'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 Organization'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 Animal Legal Defense Fund as of June 30, 2020, and the changes in its net assets and its cash flows for the period from January 1, 2019 to June 30, 2020 in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Hood & Strong LLP". The signature is written in a cursive, flowing style.

San Francisco, California  
October 21, 2020

# Animal Legal Defense Fund

## Statement of Financial Position

June 30, 2020

### Assets

Cash and cash equivalents	\$	8,039,686
Accounts and grants receivable		179,713
Bequest receivable		433,186
Investments		9,309,332
Prepaid expenses and other assets		153,855
Property and equipment, net		1,665,710

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Total assets	\$	19,781,482
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### Liabilities and Net Assets

#### Liabilities:

Accounts payable and accrued expenses	\$	386,197
Accrued payroll and related expenses		625,844
Grants payable		85,298

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Total liabilities		1,097,339
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#### Net Assets:

Without donor restrictions:

Board designated - quasi endowment		5,650,089
Undesignated		11,966,036

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Total without donor restrictions		17,616,125
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With donor restrictions		1,068,018
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Total net assets		18,684,143
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Total liabilities and net assets	\$	19,781,482
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See accompanying notes to financial statements.

# Animal Legal Defense Fund

## Statement of Activities and Changes in Net Assets

For the period from January 1, 2019 to June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support:</b>			
Grants and contributions	\$ 9,808,054	\$ 4,663,370	\$ 14,471,424
Bequests and estates	8,449,067		8,449,067
In-kind contributions	4,079,613		4,079,613
Program service revenue	142,120		142,120
Investment income, net	930,557		930,557
Other income	155,709		155,709
Net assets released from restrictions	4,860,156	(4,860,156)	-
<b>Total revenue and support</b>	<b>28,425,276</b>	<b>(196,786)</b>	<b>28,228,490</b>
<b>Expenses:</b>			
Program services:			
Legal program	13,982,154		13,982,154
Public education	3,862,552		3,862,552
Supporting services:			
General and administration	1,575,742		1,575,742
Fundraising	2,109,688		2,109,688
<b>Total expenses</b>	<b>21,530,136</b>	<b>-</b>	<b>21,530,136</b>
<b>Change in Net Assets Before Other Changes</b>	<b>6,895,140</b>	<b>(196,786)</b>	<b>6,698,354</b>
<b>Other Changes in Net Assets:</b>			
Gain on sale of property (Note 4)	246,654		246,654
<b>Change in Net Assets</b>	<b>7,141,794</b>	<b>(196,786)</b>	<b>6,945,008</b>
<b>Net Assets, beginning of year</b>	<b>10,474,331</b>	<b>1,264,804</b>	<b>11,739,135</b>
<b>Net Assets, end of year</b>	<b>\$ 17,616,125</b>	<b>\$ 1,068,018</b>	<b>\$ 18,684,143</b>

See accompanying notes to financial statements.

# Animal Legal Defense Fund

## Statement of Functional Expenses

*For the period from January 1, 2019 to June 30, 2020*

	Program Services			Supporting Services			Total
	Legal Program	Public Education	Total Programs	General and Administration	Fundraising	Total Supporting Services	
Salaries, payroll taxes and benefits	\$ 5,394,255	\$ 1,280,687	\$ 6,674,942	\$ 1,199,900	\$ 883,721	\$ 2,083,621	\$ 8,758,563
Legal fees - pro bono	4,079,613		4,079,613				4,079,613
Program legal fees and grants	2,529,583	1,222	2,530,805	1,115	979	2,094	2,532,899
Professional services	689,012	785,816	1,474,828	104,558	352,197	456,755	1,931,583
Printing and publications	15,681	898,190	913,871	998	355,530	356,528	1,270,399
Advertising and marketing	7,106	196,260	203,366	137	3,938	4,075	207,441
Dues and subscriptions	62,358	23,996	86,354	11,403	10,315	21,718	108,072
Postage and delivery	22,192	528,852	551,044	2,634	330,177	332,811	883,855
Insurance	64,042	4,387	68,429	3,956	4,668	8,624	77,053
Equipment, maintenance, rental	185,547	5,961	191,508	11,022	6,912	17,934	209,442
Rent and occupancy	238,698	11,567	250,265	22,930	11,398	34,328	284,593
Travel, conventions and meetings	562,446	10,334	572,780	38,346	25,636	63,982	636,762
Depreciation	95,808	87,307	183,115	40,502	8,543	49,045	232,160
Bank charges and merchant fees			-	136,494		136,494	136,494
Taxes, licenses and other expenses	35,813	27,973	63,786	1,747	115,674	117,421	181,207
<b>Total expenses</b>	<b>\$ 13,982,154</b>	<b>\$ 3,862,552</b>	<b>\$ 17,844,706</b>	<b>\$ 1,575,742</b>	<b>\$ 2,109,688</b>	<b>\$ 3,685,430</b>	<b>\$ 21,530,136</b>

See accompanying notes to financial statements.

# Animal Legal Defense Fund

## Statement of Cash Flows

*For the period from January 1, 2019 to June 30, 2020*

<b>Cash Flows from Operating Activities:</b>	
Change in net assets	\$ 6,945,008
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	232,160
Realized gain on sale of property	(246,654)
Realized and unrealized gain on investments	(735,766)
Changes in assets and liabilities:	
Accounts and grants receivable	(120,742)
Bequest receivable	(223,935)
Prepaid expenses and other assets	(56,550)
Accounts payable and accrued expenses	134,790
Accrued payroll and related expenses	163,998
Grants payable	12,475
<b>Net cash provided by operating activities</b>	<b>6,104,784</b>
<b>Cash Flows from Investing Activities:</b>	
Purchases of investments	(4,321,025)
Proceeds from sales of investments	1,009,584
Proceeds from sale of property	834,502
<b>Net cash used by investing activities</b>	<b>(2,476,939)</b>
<b>Change in Cash and Cash Equivalents</b>	<b>3,627,845</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>4,411,841</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 8,039,686</b>

See accompanying notes to financial statements.



# Animal Legal Defense Fund

## Notes to Financial Statements

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### Note 1 - Nature of Organization:

Animal Legal Defense Fund. (the Organization) was established in 1979 as a nonprofit association. The Organization was later incorporated in May of 1984 as a California tax-exempt, nonprofit public benefit corporation. The Organization is a national organization dedicated to the protection of animals and the establishment of their legal rights. Its mission statement is: “To protect the lives and advance the interests of animals through the legal system.

The Organization accomplishes its mission through its legal and public education programs by filing high-impact lawsuits to protect animals from harm, providing free legal assistance and training to prosecutors to assure that animal abusers are held accountable for their crimes, supporting tough animal protection legislation and fighting legislation harmful to animals, and providing resources and opportunities to law students and professionals to advance the emerging field of animal law. The program departments work to protect animals by:

- Filing groundbreaking lawsuits to stop animal abuse and expand the boundaries of animal law.
- Advocating for stronger federal, state, and local animal protection laws, and against laws that run counter to the interests of animals.
- Providing free legal assistance to prosecutors handling cruelty cases.
- Working to strengthen state anti-cruelty statutes.
- Enforcing existing animal protection laws.
- Nurturing the future of animal law through the Organization’s network of Student Animal Legal Defense Fund chapters in law schools throughout the country.
- Providing public education through seminars, workshops and other outreach efforts.
- Maintaining relationships with attorneys and law firms throughout the country that provide free legal resources to the Organization.

### Note 2 - Summary of Significant Accounting Policies:

#### a. Basis of Presentation

The Board of Directors approved the changing of the Organization’s fiscal year end from December 31 to June 30 for the period ending June 30, 2020. Accordingly, the 2020 financial statements include 18 months of activities for the period from January 1, 2019 to June 30, 2020.

The Organization prepares its financial statements using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, the Organization presents information regarding its net assets and activities according to two classes of net assets:

*Net Assets Without Donor Restrictions* – The portion of net assets that is not subject to time or donor-imposed restrictions and available at the discretion of the Organization. The Board of Directors has designated \$5,650,089 as a quasi-endowment (see Note 6).

# Animal Legal Defense Fund

## Notes to Financial Statements

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*Net Assets With Donor Restrictions* – The portion of net assets that is restricted due to either a time restriction on when the asset will be spent, a purpose restriction imposed by a donor that is not yet completed, or donor endowed funds to be maintained in perpetuity. The Organization does not hold assets that are required to be maintained in perpetuity.

b. Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, except for money market accounts held within investment accounts which are held for investment purposes (Note 3).

c. Investments

Investments are carried at estimated fair value on the accompanying Statement of Financial Position. Investments include money market funds, equities, corporate bonds, certificates of deposit, and mutual funds. Investments received through gifts are recorded at estimated fair value at the date of contribution. Gains and losses that result from market fluctuations are recognized in the Statement of Activities and Changes in Net Assets in the period such fluctuations occur. Dividend and interest income are accrued when earned.

d. Fair Value Measurements

The Organization carries certain assets and liabilities at fair value. Fair value is defined as 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. Fair value measurement standards also require the Organization to classify these financial instruments into a three-level hierarchy. The Organization classifies its financial assets and liabilities according to three levels and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 – Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 – Observable inputs other than quoted market prices included within Level 1 such as quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in inactive markets.

Level 3 – Unobservable inputs for assets or liabilities that are uncorroborated by market data.

# Animal Legal Defense Fund

## Notes to Financial Statements

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e. Revenue Recognition

Grants and contributions are recognized as revenue when received or unconditionally promised. Contributions of assets other than cash are recorded at their estimated fair value on the date the donation is made.

Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

Contributions expected to be collected in future years, including future interests in trusts, are recorded at the present value of estimated future cash flows. Discounts on the future interests are calculated using a rate equal to the approximate investment return applicable to the year in which the unconditional promise is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

The Organization estimates the allowance for uncollectible contributions on an annual basis based on past collection experience and current economic conditions.

The Organization is the beneficiary under various wills and trust agreements, the total realizable amount of which is not presently determinable. Such amounts are recognized in the Organization's financial statements as bequests receivable when clear title is established, and the proceeds are measurable.

The Organization classifies gifts of cash and other assets as support with restrictions if received with donor stipulations that limit the use of the contributions. When such donor restrictions expire, that is, when stipulated or implied time restrictions end or purpose restrictions are accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying Statement of Activities and Changes in Net Assets as net assets released from restrictions.

f. Property and Equipment

Property and equipment are recorded at cost or, if donated, at fair market value on the date of donation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Useful lives range from three to thirty-nine years.

g. Donated Material and Services

Contributions of donated noncash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. In-kind contributions of \$4,079,613 primarily consisted of legal services.

# Animal Legal Defense Fund

## Notes to Financial Statements

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Volunteers contribute significant amounts of time to the Organization which includes administration, fundraising, and development activities. However, the value of these services is not reflected in these statements because the criteria for recognition of volunteers have not been satisfied.

h. Grants

Grants awarded with an unconditional promise to give are accrued as a liability and expensed when approved. Grant cancellations or unspent funds are recorded in the year cancelled or the funds are returned. Grants payable represent the present value of grants to be paid in the future. The discount on those amounts is computed using market interest rates applicable in the year in which the promise is approved. Amortization of the discount is included in grant expense. The Organization has approved a conditional grant for \$280,000 which is not included in grants payable. The grant is conditional to receipt of funding from a donor; the outstanding commitment as of June 30, 2020 is \$140,000.

i. Functional Expense Allocations

The costs of providing program and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis. A majority of expenses (such as salaries and wages, rent and utilities, insurance, and other overhead) have been allocated based on time and effort using the Organization's payroll allocations. Other expenses (such as professional services and other direct costs) have been allocated in accordance with the specific services received from vendors.

j. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

k. Tax Exempt Status

The Organization has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. Contributions to the Organization are deductible as allowed under the applicable tax code.

As of June 30, 2020, management evaluated the Organization's tax positions and concluded that the Organization had maintained its tax-exempt status and had not taken uncertain tax positions that required adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

# Animal Legal Defense Fund

## Notes to Financial Statements

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### l. Recent Accounting Pronouncements

#### *Pronouncement Adopted*

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958). The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The ASU was adopted as of January 1, 2019. The impact of adopting this guidance is reflected in the financial statements and did not have a significant impact on the financial statement disclosures.

#### *Pronouncement Effective in the Future*

In February 2016, the FASB issued ASU 2016-02, Leases. Among other things, in the amendments in ASU 2016-02, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: 1) A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and 2) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2021 (i.e., January 1, 2022, for a calendar year entity), and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. The Organization is currently evaluating the impact of this pronouncement on its financial statements.

### m. Subsequent Events

The Organization evaluated subsequent events with respect to the financial statements for the 18 months ended June 30, 2020 through October 21, 2020, the date these financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

# Animal Legal Defense Fund

## Notes to Financial Statements

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### Note 3 - Investments and Fair Value Measurements:

#### *Investments:*

Investments consist of the following at June 30, 2020:

Cash and cash equivalents	\$ 271,725
Equities:	
U.S. equities	2,066,740
International equities	532,999
Mutual funds	1,282,929
Corporate bonds	1,495,697
Other	5,113
	<hr/>
	5,655,203
Certificates of deposits	3,654,129
	<hr/>
	\$ 9,309,332

Investment income, net consists of the following for the 18 months ended June 30, 2020:

Net realized and unrealized gains	\$ 735,766
Interest and dividends	267,863
Less investment management fees	(73,072)
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	\$ 930,557

#### *Fair Value Measurement:*

Investments held at year end include money market funds, equities, fixed income products and mutual funds that are held at fair value and are classified as Level 1. Certificates of deposit are not subject to fair value measurements as they do not meet the definition for disclosure.

# Animal Legal Defense Fund

## Notes to Financial Statements

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### Note 4 - Property and Equipment:

Property and equipment consist of the following at June 30, 2020:

Land	\$ 281,988
Office building and improvements	1,583,533
Furnishings and equipment	160,949
Website and software	141,816
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	2,168,286
Less: accumulated depreciation	(502,576)
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	\$ 1,665,710

Depreciation expense was \$232,160 for the 18 months ended June 30, 2020.

During the 18 months ended June 30, 2020, the Organization disposed of a building previously used for its administrative office, below is a summary of the gain recognized on the sale:

Net proceeds from sale of property	\$ 834,502
Less net book value	(587,848)
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Gain on sale	\$ 246,654

### Note 5 - Net Assets with Donor Restrictions:

Net assets with donor restrictions as of June 30, 2020 were as follows:

Animal law programs	\$ 63,324
Farmed animal welfare	434,531
Criminal justice programs	341,409
Other purposes	228,754
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	\$ 1,068,018

# Animal Legal Defense Fund

## Notes to Financial Statements

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Net assets released from restrictions during the 18 months ended June 30, 2020 were as follows:

Animal law programs	\$ 933,706
Farmed animal welfare	1,284,866
Criminal justice programs	819,487
Litigation	1,418,765
Other purposes	303,332
With time restrictions	100,000
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	\$ 4,860,156

### Note 6 - Quasi-Endowment:

Changes in quasi-endowment net assets for the 18 months ended June 30, 2020 is summarized as follows:

Quasi-endowment net assets, December 31, 2018	\$ 4,494,394
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Contributions	197,021
Interest and dividends	167,444
Net realized and unrealized gains	791,230
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Quasi-endowment net assets, June 30, 2020	\$ 5,650,089

### *Return Objectives and Risk Parameters*

The Organization has adopted investment and spending policies for investments that attempt to provide a predictable stream of funding to programs. Investments are invested in a manner that is intended to produce results that approximate the price and yield results of the general market conditions (Dow Jones Industrial Average) while assuming a moderate level of investment risk. Investments are also screened for animal and environmental harm as well as other social justice-related considerations. The performance benchmark for equity investments is to match or exceed, in any given quarter, the S&P 500 Index, Nasdaq Composite, and the Russell 3000. The performance benchmark for fixed income investments is to match or exceed, in any given quarter, the Barclay's U.S. Intermediate Aggregate Bond Index and Barclay's US Government 1-3 year Treasury Index. Actual returns in any given year may vary from this amount.



# Animal Legal Defense Fund

## Notes to Financial Statements

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### *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. On an annual basis, the Organization's investments are rebalanced to reflect an approximate 65% allocation to fixed income and a 35% allocation to equities. On annual basis, the Board will determine if the ratio allocations remain appropriate for the organization.

### *Spending Policy and How the Investment Objectives Relate to Spending Policy*

These accounts are envisioned to last in perpetuity; there is no "spend-down" goal. Investment earnings are reinvested for long-term growth purposes. Accordingly, at a minimum, the Organization expects its policy to keep pace with inflation; and allow for modest, annual withdrawals reflecting the amounts by which performance exceeds the rate of inflation (when applicable).

### **Note 7 - Availability of Financial Assets and Liquidity:**

The Organization's financial assets that are available to meet general expenditures over the next twelve months are as follows:

Financial assets at June 30, 2020:	
Cash and cash equivalents	\$ 8,039,686
Accounts and grants receivable	179,713
Bequest receivable	433,186
Investments	9,309,332
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Total financial assets	17,961,917
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Less amounts not available to be used within one year:	
Board designated endowment funds	(5,650,089)
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Financial assets available to meet general expenditures over the next twelve months	\$ 12,311,828
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# Animal Legal Defense Fund

## Notes to Financial Statements

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The Organization receives a substantial amount of support by way of restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The ending balance of net assets with donor restrictions of \$1,068,018 is expected to be utilized during the year ending June 30, 2021.

The Organization has an Investment Committee which has the responsibility for establishing the Organization's return objectives (generally lower rates of return associated with more stable and safer investments) and to define the risk parameters (generally low risk securities, certificates of deposit and mutual funds). The committee routinely oversees investment performances and reviews cash flows necessary to sustain the Organization's operating activities. The Organization has established a quasi-endowment fund within its investment portfolio. These funds are available for immediate liquidation at any time with the approval of the Board of Directors in order to provide funding for general operating expenses (if necessary).

### **Note 8 - Retirement Plans:**

The Organization offers eligible employees the opportunity for participation in a salary reduction retirement plan (with an Employer match of up to 5%) qualified under Internal Revenue Code Section 401(k). The Plan covers all eligible employees of the Organization and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) and, as such, has been amended periodically to comply with changes made to ERISA through 2015. Employees are 100% vested in their accounts. Employer contributions to the plan for employee retirement accounts amounted to \$219,092 for the 18 months ended June 30, 2020.

### **Note 9 - Concentrations of Risk:**

The Organization has identified its financial instruments which are potentially subject to credit risk. These financial instruments consist principally of cash, investments, and receivables.

The Organization maintains its cash balances in high quality financial institutions, which at times may exceed federally insured limits.

Receivables consist primarily of unsecured amounts due from foundations and individuals. The credit risk associated with the receivables from individuals is substantially mitigated by the large number of individuals comprising the receivable balance.

Investments in general are exposed to various risks, such as interest rate, credit and overall market volatility. To address the risk of investments, the Organization maintains a formal investment policy that sets out performance criteria, investment and asset allocation guidelines and requires review of the investment managers' performance.

# Animal Legal Defense Fund

## Notes to Financial Statements

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### **Note 10 - Affiliated Organization:**

During 2019 under the direction of the Organization's Board of Directors, the Organization assisted in establishing Animal Legal Defense Legislative Fund ("ALDLF"), a 501(c)(4) organization incorporated in California. ALDLF is a non-profit organization incorporated and operated exclusively for lobbying and legislative activities.

The Organization will be providing support services under the cost-sharing agreement where ALDLF will reimburse the Organization for office space, equipment, and personnel services.

### **Note 11 - Global Pandemic and Market Volatility:**

On March 11, 2020, the World Health Organization publicly characterized COVID-19 as a pandemic. States of emergency have been declared in many federal, state and local jurisdictions and shelter in place orders have been instituted in many cities and states, including California, which impacts general business operations in most industries and sectors.

In addition, financial markets volatility has significantly increased, but without any significant decrease in the value of major market equity indices after the fiscal year end. Since June 30, 2020, the volatility in market valuations is not expected to significantly impact the Organization financial investments. This volatility has not affected the Organization's operations, and the Organization has been able to disburse grants and continue operations as planned.

The Organization has staff across the U.S. and has been able to transition to remote work. The Organization will continue to file high impact lawsuits to continue to advance the interests of animals through the legal system. The Organization has also shifted a portion of its strategic program work to addressing the threat from COVID-19, and other past pandemics, focusing on their direct relationship to how animals are treated in the wild and on factory farms.