

**ANIMAL LEGAL DEFENSE FUND**

**JUNE 30, 2023**

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INDEPENDENT AUDITORS' REPORT AND  
FINANCIAL STATEMENTS

# **Animal Legal Defense Fund**

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

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## Independent Auditors' Report

THE BOARD OF DIRECTORS  
ANIMAL LEGAL DEFENSE FUND  
Cotati, California

### Opinion

We have audited the financial statements of **ANIMAL LEGAL DEFENSE FUND (the Organization)**, which comprise the statement of financial position as of June 30, 2023 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 the 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 the Organization's ability to continue as a going concern for one year from the date of this report.

## **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 auditors' 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.

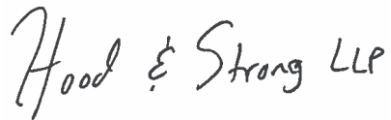
In performing an audit in accordance with GAAS, we:

- 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 the Organization'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 the Organization'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.

### **Report on Summarized Comparative Information**

We have previously audited the Organization's June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 12, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

San Francisco, California  
November 13, 2023

# Animal Legal Defense Fund

## Statement of Financial Position

<i>June 30, 2023 (with comparative totals for 2022)</i>	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 3,602,434	\$ 3,491,013
Accounts and grants receivable, net	1,236,818	236,004
Bequests receivable	1,665,966	295,506
Investments	13,333,497	12,594,055
Prepaid expenses and other assets	854,528	230,028
Property and equipment, net	1,436,007	1,498,561
<b>Total assets</b>	<b>\$ 22,129,250</b>	<b>\$ 18,345,167</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 669,277	\$ 484,268
Accrued payroll and related expenses	903,946	818,020
Grants payable, net	875,342	192,139
<b>Total liabilities</b>	<b>2,448,565</b>	<b>1,494,427</b>
<b>Net Assets:</b>		
Without donor restrictions:		
Board designated:		
Quasi endowment	6,834,004	5,913,166
Designated for programs	3,642,179	
Undesignated	7,241,783	9,922,572
<b>Total without donor restrictions</b>	<b>17,717,966</b>	<b>15,835,738</b>
With donor restrictions	1,962,719	1,015,002
<b>Total net assets</b>	<b>19,680,685</b>	<b>16,850,740</b>
<b>Total liabilities and net assets</b>	<b>\$ 22,129,250</b>	<b>\$ 18,345,167</b>

See accompanying notes to the financial statements.

# Animal Legal Defense Fund

## Statement of Activities and Changes in Net Assets

*Year ended June 30, 2023 (with comparative totals for 2023)*

	2023			2022 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Revenue and Support:</b>				
Grants and contributions	\$ 7,955,938	\$ 3,759,157	\$ 11,715,095	\$ 11,258,745
Bequests and estates	6,911,759		6,911,759	3,208,357
In-kind contributions	2,655,439		2,655,439	2,137,143
Attorney awards and settlements	826,108		826,108	9,055
Investment income (loss), net	914,678		914,678	(1,785,595)
Other income	186,336		186,336	111,019
Net assets released from restrictions	2,811,440	(2,811,440)	-	-
<b>Total revenue and support</b>	<b>22,261,698</b>	<b>947,717</b>	<b>23,209,415</b>	<b>14,938,724</b>
<b>Expenses:</b>				
Program services:				
Legal program	12,775,452		12,775,452	10,895,243
Public education	3,029,262		3,029,262	3,050,707
Supporting services:				
General and administration	1,586,026		1,586,026	1,231,829
Fundraising	2,988,730		2,988,730	2,629,901
<b>Total expenses</b>	<b>20,379,470</b>	<b>-</b>	<b>20,379,470</b>	<b>17,807,680</b>
<b>Change in Net Assets</b>	<b>1,882,228</b>	<b>947,717</b>	<b>2,829,945</b>	<b>(2,868,956)</b>
<b>Net Assets, beginning of year</b>	<b>15,835,738</b>	<b>1,015,002</b>	<b>16,850,740</b>	<b>19,719,696</b>
<b>Net Assets, end of year</b>	<b>\$ 17,717,966</b>	<b>\$ 1,962,719</b>	<b>\$ 19,680,685</b>	<b>\$ 16,850,740</b>

See accompanying notes to the financial statements.

## Animal Legal Defense Fund

### Statement of Functional Expenses

*Year ended June 30, 2023 (with comparative totals for 2022)*

	Program Services			Supporting Services			2023 Total	2022 Total
	Legal Program	Public Education	Total Programs	General and Administration	Fundraising	Total Supporting Services		
Salaries, payroll taxes and benefits	\$ 6,193,797	\$ 1,343,805	\$ 7,537,602	\$ 1,249,070	\$ 1,122,779	\$ 2,371,849	\$ 9,909,451	\$ 8,996,842
Legal fees - pro bono	2,655,439		2,655,439			-	2,655,439	2,137,143
Program legal fees and grants	2,443,270	26,394	2,469,664	16,458	18,972	35,430	2,505,094	1,601,921
Professional services	670,066	330,298	1,000,364	196,976	678,687	875,663	1,876,027	2,159,734
Printing and publications	8,562	644,268	652,830	29	398,747	398,776	1,051,606	879,377
Advertising and marketing	4,849	125,124	129,973	126	13,675	13,801	143,774	296,322
Dues and subscriptions	81,401	29,973	111,374	3,586	5,559	9,145	120,519	125,776
Postage and delivery	10,863	485,212	496,075	1,203	506,054	507,257	1,003,332	859,500
Insurance	2,147	525	2,672	67,469	377	67,846	70,518	70,336
Equipment, maintenance, rental	99,009	5,528	104,537	3,447	3,973	7,420	111,957	56,515
Rent and occupancy	99,960	22,660	122,620	18,713	16,287	35,000	157,620	150,668
Travel, conventions and meetings	450,859	5,181	456,040	19,993	22,916	42,909	498,949	174,008
Depreciation	39,784	9,721	49,505	6,062	6,987	13,049	62,554	66,776
Bank charges and merchant fees	3,178		3,178	1,947	94,502	96,449	99,627	108,296
Taxes, licenses and other expenses	12,268	573	12,841	947	99,215	100,162	113,003	124,466
<b>Total expenses</b>	<b>\$ 12,775,452</b>	<b>\$ 3,029,262</b>	<b>\$ 15,804,714</b>	<b>\$ 1,586,026</b>	<b>\$ 2,988,730</b>	<b>\$ 4,574,756</b>	<b>\$ 20,379,470</b>	<b>\$ 17,807,680</b>

See accompanying notes to the financial statements.



# Animal Legal Defense Fund

## Statement of Cash Flows

<i>Year ended June 30, 2023 (with comparative totals for 2022)</i>	2023	2022
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 2,829,945	\$ (2,868,956)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on disposal of property and equipment		11,373
Depreciation	62,554	66,776
Net realized and unrealized (gain) loss on investments	(545,222)	2,084,695
Changes in assets and liabilities:		
Accounts and grants receivable	(1,000,814)	605,466
Bequest receivable	(1,370,460)	454,833
Prepaid expenses and other assets	(624,500)	(57,302)
Accounts payable and accrued expenses	185,009	53,137
Accrued payroll and related expenses	85,926	104,159
Grants payable	683,203	163,139
Net cash provided by operating activities	305,641	617,320
<b>Cash Flows from Investing Activities:</b>		
Purchases of investments	(265,039)	(1,271,923)
Proceeds from sales of investments	70,819	1,078,488
Net cash used by investing activities	(194,220)	(193,435)
<b>Change in Cash and Cash Equivalents</b>	111,421	423,885
<b>Cash and Cash Equivalents, beginning of year</b>	3,491,013	3,067,128
<b>Cash and Cash Equivalents, end of year</b>	\$ 3,602,434	\$ 3,491,013

See accompanying notes to the financial statements.

# Animal Legal Defense Fund

## Notes to the 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 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:

# Animal Legal Defense Fund

## Notes to the Financial Statements

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*Net Assets Without Donor Restrictions* – the portion of net assets that is not subject to time or donor-imposed restrictions and is available at the discretion of the Organization. The Board of Directors has designated \$6,834,004 of net assets without donor restrictions as a quasi-endowment (see Note 6) and \$3,642,179 for program expenses to be incurred in fiscal year ending June 30, 2024.

*Net Assets With Donor Restrictions* – the portion of net assets that is restricted due to either a time restriction on when the asset may be spent, a purpose restriction imposed by a donor that is not yet completed, or donor endowed funds that must be maintained in perpetuity. The Organization does not hold net 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 reported at fair value. Investments include money market funds, equities, corporate bonds, certificates of deposit, and mutual funds. Investments received through gifts are recorded at estimated fair value on 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 – Unadjusted quoted market prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

# Animal Legal Defense Fund

## Notes to the Financial Statements

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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 of liabilities that are uncorroborated by market data.

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. As of June 30, 2023, the Organization has two conditional grants for a total of approximately \$4,435,000, for which future payments are contingent upon meeting specific milestones.

The Organization estimates the allowance for uncollectible contributions on an annual basis based on past collection experience and current economic conditions. No allowance was considered necessary at June 30, 2023.

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.

# Animal Legal Defense Fund

## Notes to the Financial Statements

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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 \$2,655,439 consisted of legal services for the Organization's legal program and have been recorded in the statement of functional expenses. The value is based on market rates typically charged by attorneys in the normal course of business for similar services.

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 Awarded

Grants awarded as 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. At June 30, 2023, the Organization had one grant payable totaling \$981,190, of which \$234,531 was payable in less than a year and \$746,659 in two to three years. The Organization recorded the grant at the net present value of \$875,342 as of June 30, 2023.

i. Joint Costs

The Organization incurred allocable joint costs of \$1,186,463 for informational material and activities that also included fundraising appeals during the year ended June 30, 2023. Of those costs, \$186,433 were allocated to fundraising expense and \$1,000,030 were allocated to Public Education, respectively. These allocations were based on analysis of the costs pertaining to the underlying direct program and fundraising expenses which were associated with various mailings.

# Animal Legal Defense Fund

## Notes to the Financial Statements

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j. Allocation of Functional Expense

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 the services and supporting services benefited. Such allocations are determined by management on an equitable basis. 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 charged to the specific activity for which the services were received from vendors.

k. 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.

l. Comparative Information and Reclassifications

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2022 from which the summarized information is derived.

Certain reclassifications have been made to the 2022 financial statements in order to conform to the 2023 presentation. These reclassifications had no impact on net assets or the change in net assets.

m. 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, 2023, 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 the Financial Statements

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n. Subsequent Events

The Organization evaluated subsequent events with respect to the financial statements for the fiscal year ended June 30, 2023 through November 13, 2023, 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, except as disclosed in Note 11.

**Note 3 - Accounts and Grants Receivables:**

Accounts and grants receivable were anticipated to be collected as follows at June 30, 2023:

Less than one year	\$ 466,650
Two to five years, net of discount of \$223,343	770,168
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Total	\$ 1,236,818

**Note 4 - Investments and Fair Value Measurements:**

*Investments:*

Investments consisted of the following at June 30, 2023:

Cash and cash equivalents	\$ 551,905
U.S. equities	4,222,002
International equities	1,332,332
Exchange-traded funds	2,010,818
Government and corporate bonds	5,212,463
Other	3,977
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Total	\$ 13,333,497

Investment income, net consisted of the following for the year ended June 30, 2023:

Net realized and unrealized gain	\$ 545,222
Interest and dividends	441,781
Less investment management fees	(72,325)
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	\$ 914,678

# Animal Legal Defense Fund

## Notes to the Financial Statements

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Investments, in general, are exposed to various risks, such as interest rate risk, credit risk, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

*Fair Value Measurement:*

Investments held at year end include money market funds, equities, fixed income products, and exchange-traded funds that are held at fair value and are classified on the fair value hierarchy as Level 1. Government and corporate bonds are classified as Level 2.

**Note 5 - Property and Equipment:**

Property and equipment consisted of the following at June 30, 2023:

Land	\$ 281,988
Office building and improvements	1,583,533
Furnishings and equipment	143,398
Website and software	171,123
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	2,180,042
Less: accumulated depreciation	(744,035)
	<hr/>
	\$ 1,436,007

Depreciation expense was \$62,554 for the year ended June 30, 2023.

**Note 6 - Net Assets With Donor Restrictions:**

Net assets with donor restrictions were as follows as of June 30, 2023:

Animal law programs	\$ 1,060,078
Criminal justice programs	216,007
Litigation	301,140
Other purposes	93,700
Time restriction	291,794
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	\$ 1,962,719



# Animal Legal Defense Fund

## Notes to the Financial Statements

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Net assets were released from restrictions as follows during the year ended June 30, 2023:

Animal law programs	\$ 534,776
Farmed animal welfare	160,000
Criminal justice programs	413,582
Litigation	1,382,086
Other purposes	320,996
	<hr/>
	\$ 2,811,440

### Note 7 - Quasi-Endowment:

Changes in quasi-endowment net assets for the year ended June 30, 2023 are summarized as follows:

Quasi-endowment net assets, June 30, 2022	\$ 5,913,166
Contributions	285,422
Interest and dividends	170,247
Net realized and unrealized gains	508,876
Advisory fees	(43,707)
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Quasi-endowment net assets, June 30, 2023	\$ 6,834,004

### *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 the 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 an 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 8 - Availability of Financial Assets and Liquidity:**

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

Financial assets at June 30, 2023:	
Cash and cash equivalents	\$ 3,602,434
Accounts and grants receivable	1,236,818
Bequest receivable	1,665,966
Investments	13,333,497
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Total financial assets	19,838,715
Less amounts not available to be used within one year:	
Board-designated quasi endowment funds	(6,834,004)
Investments	(3,977)
Net assets with donor restrictions	(1,962,719)
Add:	
Net assets with purpose and time restrictions expected to be used within one year	991,218
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	(7,809,482)
Financial assets available to meet general expenditures over the next twelve months	\$ 12,029,233
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# Animal Legal Defense Fund

## Notes to the 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 Board of Directors designated \$3,642,179 of net assets to be utilized in programs during the year ending June 30, 2024.

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 9 - Retirement Plans:**

The Organization offers eligible employees the opportunity to participate 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 amounted to \$224,571 for the year ended June 30, 2023.

### **Note 10 - 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 entities and 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 the Financial Statements

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### **Note 11 - Collective Bargaining Agreement:**

On November 2, 2023, ALDF entered into agreement with Nonprofit Professional Employees Union, IFPTE Local No. 70 of the International Federation of Professional and Technical Engineers, AFL-CIO (the Union), where 54% of its employees are members of the Union. ALDF's contract with the Union expires on October 13, 2026.

### **Note 12 - Affiliated Organization:**

In 2018, 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 Delaware. ALDLF is a nonprofit organization incorporated and operated exclusively for lobbying and legislative activities. ALDLF is not considered part of the Organization's reporting entity because the Organization does not have both control and an economic interest in ALDLF. Control is construed to mean majority control of the Board of Directors. Economic interest indicates either residual interest in ALDLF or some form of material financial support.

The Organization provides support services according to the cost-sharing agreement under which ALDLF reimburses the Organization for office space, equipment, and personnel services.