



SILVER SPRING, MARYLAND

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**



Independent Auditor's Report

Board of Directors
Born Free USA United with Animal Protection Institute
Silver Spring, Maryland

Opinion

We have audited the accompanying financial statements of Born Free USA United with Animal Protection Institute (the Organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Born Free USA United with Animal Protection Institute as of December 31, 2022, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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.



Bethesda, Maryland
August 14, 2023

Certified Public Accountants

Born Free USA United with Animal Protection Institute

**Statement of Financial Position
December 31, 2022**

Assets

Cash and Cash Equivalents	\$ 1,088,727
Grants and Contributions Receivable	23,514
Accrued Interest	4,846
Prepaid Expenses and Deposits	11,847
Investments	590,088
Property and Equipment - Net	1,170,194
Right of Use (ROU) Asset	75,751
Security Deposits	5,954
Total Assets	\$ 2,970,921

Liabilities and Net Assets

Accounts Payable	\$ 57,601
Pass-Through Payables	8,405
Accrued Expenses	62,914
EIDL Note Payable	142,208
Note Payable Other	29,194
Lease Liability	86,329
Deferred Revenue	58,053
Total Liabilities	444,704

Net Assets

Without Donor Restrictions	2,399,011
With Donor Restrictions	127,206
Total Net Assets	2,526,217
Total Liabilities and Net Assets	\$ 2,970,921

See accompanying Notes to Financial Statements.

Born Free USA United with Animal Protection Institute

**Statement of Activities
For the Year Ended December 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
Support			
Grants and Contributions	\$ 1,589,025	\$ 3,695	\$ 1,592,720
Bequests	1,554,074	-	1,554,074
Investment Income (Loss) - Net	(90,668)	-	(90,668)
Special Events, Net of Related Expenses of \$1,170	42,715	-	42,715
Other	48,254	-	48,254
Net Assets Released from Restrictions	-	-	-
Total Revenues	3,143,400	3,695	3,147,095
Expenses			
Program Services			
Education and Advocacy	1,267,165	-	1,267,165
Rescue & Care	897,398	-	897,398
Total Program Service Expense	2,164,563	-	2,164,563
Supporting Services			
General and Administration	174,195	-	174,195
Fundraising	294,703	-	294,703
Total Supporting Service Expense	468,898	-	468,898
Total Expenses	2,633,461	-	2,633,461
Change in Net Assets	509,939	3,695	513,634
Net Assets, Beginning of Year	1,889,072	123,511	2,012,583
Net Assets, End of Year	\$ 2,399,011	\$ 127,206	\$ 2,526,217

See accompanying Notes to Financial Statements.

Born Free USA United with Animal Protection Institute

**Statement of Functional Expense
For the Year Ended December 31, 2022**

	Education and Advocacy	Rescue & Care	General & Administrative	Fundraising	Total
Personnel	\$ 320,292	\$ 480,438	\$ 106,764	\$ 160,147	\$ 1,067,641
Consulting and Professional Fees	816,538	10,256	30,398	49,164	906,356
Veterinary Care	-	112,255	-	-	112,255
Office Expense	32,480	34,130	4,611	35,947	107,168
Animal Feed	-	112,378	-	-	112,378
Occupancy	13,466	20,427	4,489	6,866	45,248
Conferences and Travel	1,559	3,273	324	1,165	6,321
Insurance	14,270	21,404	4,757	7,134	47,565
Board of Directors	52	77	17	26	172
Advertising and Promotion	6,304	9,455	2,101	3,152	21,012
Other	148	221	49	74	492
Depreciation and Amortization	62,056	93,084	20,685	31,028	206,853
Total	\$ 1,267,165	\$ 897,398	\$ 174,195	\$ 294,703	\$ 2,633,461

See accompanying Notes to Financial Statements.

Born Free USA United with Animal Protection Institute

**Statement of Cash Flows
For the Year Ending December 31, 2022**

Cash Flows from Operating Activities

Increase (Decrease) in Net Assets	\$ 513,634
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities	
(Gains) Losses on Investments	103,579
Amortization on Right of Use (ROU) Asset	36,361
Change in Deferred Rent	13,283
Depreciation and Amortization	206,853
<u>(Increase) Decrease in Assets</u>	
Grants and Contributions Receivable	42,037
Prepaid Expenses and Deposits	9,730
<u>Increase (Decrease) in Liabilities</u>	
Accounts Payable	(33,793)
Pass-Through Payables	8,308
Accrued Expenses	(17,096)
Deferred Revenue	44,770
Lease Liability	(39,066)
Net Cash Provided by (Used in) Operating Activities	<u>888,600</u>

Cash Flows from Investing Activities

Purchases of Investments	(536,310)
Proceeds from Sale of Investments	558,299
Purchases of Property and Equipment	(143,632)
Net Cash Provided by (Used in) Investing Activities	<u>(121,643)</u>

Cash Flows from Financing Activities

Principal Payments on EIDL Note Payable	(7,051)
Principal Payments on Note Payable - Other	(7,130)
Net Cash Provided by (Used in) Financing Activities	<u>(14,181)</u>

Increase (Decrease) in Cash and Cash Equivalents	752,776
Cash and Cash Equivalents, Beginning of Year	<u>335,951</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,088,727</u>

Supplementary Disclosure of Cash Flow Information

Recognition of Right of Use Asset and Lease Liability	\$ 125,395
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See accompanying Notes to Financial Statements.

Born Free USA United with Animal Protection Institute

Notes to Financial Statements December 31, 2022

1. ORGANIZATION

Born Free USA United with Animal Protection Institute (the Organization) formerly Animal Protection Institute, is a nonprofit corporation established in 1968 that aims to end the suffering of wild animals in captivity, rescue individual animals in need, protect wildlife in their natural habitats, and encourage compassionate conservation globally. The Organization also operates a Primate Sanctuary in Texas for rescued monkeys.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of management and the Board of Directors.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Organization considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have an original maturity of three months or less.

Born Free USA United with Animal Protection Institute

Notes to Financial Statements December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Contributions Receivable

Unconditional grants and contributions receivable expected to be collected within one year are recorded at net realizable value. Unconditional grants and contributions receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The allowance for uncollectable grants and contributions receivable is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Grants and contributions receivable are written off when deemed uncollectable. At December 31, 2022, there was no allowance for uncollectable grants and contributions receivable.

Grants and contributions receivable are expected to be collected within one year.

Investments

Investments are carried in the aggregate at fair value. All unrealized and realized gains and losses, interest, and dividends, including amounts earned on restricted net assets, are recorded as either without donor restrictions or with donor restrictions.

Property and Equipment

Property and equipment are capitalized at cost if unit costs exceed \$1,000. Otherwise the items are expensed when paid, including repairs and maintenance. Depreciation and amortization are computed on the straight-line method over the estimated useful lives ranging from three to twenty years. Depreciation and amortization expense for the year ended December 31, 2022 was \$206,853.

Right of Use Asset and Lease Liability

The right of use asset and lease liability are recognized at the commencement date of the lease agreement based on the present value of lease payments over the lease term using the Organization's estimated incremental borrowing rate or implicit rate, when readily determinable. The asset is amortized on a straight-line basis over the lease term and is reflected as occupancy expense in the accompanying financial statements. The lease liability is reduced as cash payments are made under the terms of the lease. Interest is charged to occupancy expense for the difference. Short-term operating leases, which have an initial term of twelve months or less, are not recorded on the statements of financial position.

Revenue Recognition

Grants awarded by the federal government, which are generally considered nonreciprocal transactions restricted by sponsors for certain purposes, are recognized as revenue when qualifying reimbursable expenses have been incurred and conditions under the agreements are met. Organization has elected the simultaneous release policy available under ASU 2018-08 for donor-restricted contributions that were initially conditional contributions, which allows a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized.

Born Free USA United with Animal Protection Institute

Notes to Financial Statements December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (CONTINUED)

Contributions, including unconditional promises to give, are recognized as revenues in the period received or pledged. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets, other than cash, are recorded at their estimated fair value at the date of gift. Contributed services and materials are recorded at their estimated fair value if they would otherwise be purchased if not provided by donation and provided by professionals in their field. Management considers all outstanding contributions receivable amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Bequests on unsettled estates are not reported until the estate has been approved in probate.

There were no unrecognized conditional contributions as of December 31, 2022.

Functional Expense Allocation

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, occupancy and office expenses, depreciation and amortization, information technology costs, and insurance have been allocated among the programs and supporting services benefits allocated on the basis of employee time and effort.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT).

The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for at December 31, 2022.

The Organization's policy would be to recognize interest and penalties, if any, on tax positions related to its unrecognized tax benefits in income tax expense in the financial statements. No interest and penalties were assessed or recorded during 2022.

Generally, the Organization is no longer subject to U.S. federal or state examinations for returns filed before 2019.

Born Free USA United with Animal Protection Institute

Notes to Financial Statements December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

In 2016, FASB issued ASU 2016-02, Leases (Topic 842). Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than twelve months. The new standard applies to finance and operating leases entered into after the standard was issued. The Organization adopted this standard in 2022.

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The standard requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. This standard was adopted in the current fiscal year and did not have a significant impact on the financial statements.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326). This guidance requires Organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The guidance is effective beginning in 2023.

Subsequent Events

Management has evaluated subsequent events through August 14, 2023 the date which the financial statements were available to be issued. The accompanying financial statements recognize the effects of subsequent events that provided evidence about conditions that existed at the statement of financial position date, including the estimates inherent in the process of preparing financial statements. The accompanying financial statements do not recognize the effect of subsequent events with conditions that did not exist at the statement of financial position date, but disclosures of such events, if any, are included in the accompanying notes.

3. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in banks insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. As of December 31, 2022, the Organization's deposits exceeded the FDIC insured limit by approximately \$70,000.

As of December 31, 2022, the Organization held \$661,775 of its cash balances with investment brokers covered by the Securities Investor Protection Corporation.

Born Free USA United with Animal Protection Institute

Notes to Financial Statements December 31, 2022

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2022, are as follows:

	Fair Value	Level 1 Inputs	Level 2 Inputs
U.S. Government Obligations	\$ 59,601	\$ 59,601	\$ -
Corporate Bonds	47,943	47,943	-
Equity Securities	385,452	385,452	-
Mutual Funds - Equity	81,173	81,173	-
Money Market Funds	16,289	-	16,289
	<u>\$ 590,458</u>	<u>\$ 574,169</u>	<u>\$ 16,289</u>

Financial assets measured using Level 1 inputs are based on unadjusted quoted market prices in active markets for identical assets. Financial assets measured using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive assets. Financial assets valued using Level 3 inputs are valued using unobservable inputs to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Unobservable inputs are developed based on the best information available in the circumstances, which might include the Organization's own data and assumptions. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes to methodologies used at December 31, 2022.

Mutual Funds: Valued using quoted market prices which are available on the active market.

Equity Securities, Common Stocks, Corporate Bonds and U.S.: Valued at the closing price reported on the active market on which the individual securities are traded.

These valuation methodologies may produce a fair value measurement that is not indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The components of total investment return for 2022 are reflected below:

Interest and Dividends	\$ 12,911
Net Realized and Unrealized Gains (Losses)	<u>(103,579)</u>
Net Investment Income (Loss)	<u>\$ (90,668)</u>

Born Free USA United with Animal Protection Institute

**Notes to Financial Statements
December 31, 2022**

5. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2022 consisted of the following:

Land	\$ 207,332
Building and Improvements	2,569,912
Furniture and Office Equipment	161,468
Vehicles, Tractors and Mowers	223,112
Website	44,001
	<u>3,205,825</u>
Less Accumulated Depreciation and Amortization	<u>(2,035,631)</u>
Property and Equipment - Net	<u>\$ 1,170,194</u>

Depreciation and amortization expense for the year ended December 31, 2022 was \$206,853.

6. NOTES PAYABLE

During the year ended December 31, 2020, the Organization received a \$149,900 loan from the Economic Injury Disaster Loan (EIDL) program from the SBA. The interest rate for nonprofit organizations is 2.75% and repayable over a term up to thirty years with monthly payments of \$641. As of December 31, 2022, the Organization had \$142,208 reported as an EIDL loan liability.

As of December 31, 2022, the future maturities were as follows:

2023	\$ 3,352
2024	3,446
2025	3,542
2026	3,640
2027	3,742
Thereafter	<u>124,486</u>
Total	<u>\$ 142,208</u>

During 2021, the Organization financed the purchase of equipment with a sixty month loan bearing interest at 11%.

As of December 31, 2022, the future maturities were as follows:

2023	\$ 7,507
2024	7,516
2025	7,524
2026	<u>6,647</u>
Total	<u>\$ 29,194</u>

Born Free USA United with Animal Protection Institute

Notes to Financial Statements December 31, 2022

7. RESTRICTED NET ASSETS

Net assets with donor restrictions activity for the year ended December 31, 2022 was as follows:

Purpose Restricted	Beginning of Year	Contributions and Investment Income	Released	End of Year
Endowment	\$ 123,511	\$ -	\$ -	\$ 123,511
Trapping Victims Fund	-	3,695	-	3,695
Total	\$ 123,511	\$ 3,695	\$ -	\$ 127,206

The Organization holds these funds restricted by donors for investment in perpetuity. The initial contribution to the endowment was a bequest with restrictions on the use of the investment earnings. The second restricted donation restricts the investment earnings to the sanctuary.

Of the Organization's net assets without donor restrictions, the board of directors has designated a fund for the Primate Sanctuary. The amount has been set to fund the operations of the Primate Sanctuary for a year if an unforeseen circumstance affected the Organization.

During the year, the activity in the board-designated fund was as follows:

	Beginning of Year	Designations and Investment Income (Loss)	Appropriations	End of Year
Sanctuary	\$ 630,000	\$ 421,000	\$ (301,000)	\$ 750,000

8. ENDOWMENT FUNDS

The Organization's endowment consists of a fund established by a donor who requires the contribution to be invested in perpetuity with the earnings used to support the operations of the Organization.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the state of Maryland as requiring the preservation of the fair value of the original gift as of the gift date. As a result of this interpretation, the Organization classifies as net assets with perpetual restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in perpetually restricted net assets are classified as either net assets with or without donor restrictions based on the donor stipulations.

Born Free USA United with Animal Protection Institute

Notes to Financial Statements December 31, 2022

8. ENDOWMENT FUNDS (CONTINUED)

Investment Return Objectives, Risk Parameters, and Strategies

The Organization has adopted investment and spending policies, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital conservation, which exceeds the annual distribution with acceptable levels of risk.

Endowment assets are and will continue to be invested to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution, while growing the funds, if possible.

Investment risk is measured in terms of the total endowment fund, investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Changes in endowment net assets for the year ended December 31, 2022, are as follows:

	Without Donor Restrictions	With Donor Restrictions: Purpose	With Donor Restrictions: Perpetual	Total
Beginning of Year	\$ -	\$ -	\$ 112,406	\$ 112,406
Interest and Dividends	-	-	-	-
Net Appreciation of Investments	-	-	-	-
Contributions	-	-	-	-
Transfers	-	-	-	-
Appropriation of Endowment Assets for Expenditure	-	-	-	-
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,406</u>	<u>\$ 112,406</u>

Endowment net asset composition by type of fund as of December 31, 2022, is as follows:

	Without Donor Restrictions	With Donor Restrictions: Purpose	With Donor Restrictions: Perpetual	Total
With Donor Restrictions	\$ -	\$ -	\$ 112,406	\$ 112,406
Board-Designated	-	-	-	-
Total Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,406</u>	<u>\$ 112,406</u>

Born Free USA United with Animal Protection Institute

Notes to Financial Statements December 31, 2022

9. JOINT FUNDRAISING AND EDUCATIONAL ACTIVITIES

The Organization incurred joint costs for mailings that included animal advocacy and public education messages and fundraising appeals. In accordance with FASB ASC 958-720-45-29, joint costs were allocated as follows:

Program Services	\$ 103,906
Fundraising	<u>32,812</u>
Total Expenses	<u>\$ 136,718</u>

10. RETIREMENT PLAN

The Organization provides a 401(k)-retirement plan for the benefit of eligible employees. The plan allows eligible employees to defer a portion of their compensation, pursuant to Section 401(a) of the Internal Revenue Code. Employees are eligible for matching contributions after ninety days of employment. The Organization contributed \$18,832 to the 401(k) plan during 2022.

11. RELATED PARTY TRANSACTIONS

The Organization had various transactions with external organizational partners during 2022. Born Free Foundation and Born Free Ethiopia are related parties because of shared leadership personnel.

There are no receivables or payables between the Organization and Born Free Foundation as of December 31, 2022.

During 2022, the Organization received \$50,500 that was passed through to the Born Free Foundation.

There were no transactions Born Free Ethiopia during 2022 and no related party receivables or payables have been recorded.

12. OPERATING LEASE

During 2017, the Organization signed a lease agreement for office space in Silver Spring, Maryland. The lease term is eighty-nine months, with the first five months rent-free. Initial monthly payments of \$2,977 were due with annual escalations of 2.75%. Commencing on the first anniversary of the lease, the Organization will pay a pro-rata share of the building's operating charges and real estate taxes.

The lease liability is recorded based on the present value of the future payments of the lease, discounted at an estimated incremental borrowing rate of 1.04%, based on comparable interest rates available to the Organization under borrowing arrangements for a similar amount and duration of the lease (remaining term method). The Organization has established a right of use asset equal to the remaining lease liability under the lease agreement.

Born Free USA United with Animal Protection Institute

**Notes to Financial Statements
December 31, 2022**

12. OPERATING LEASE (CONTINUED)

As of December 31, 2022, the lease liability was as follows:

2023	\$ 41,290
2024	42,425
2025	3,600
Less: Amount Representing Interest (1.04%)	<u>(986)</u>
Total	<u>\$ 86,329</u>

Lease expense included in occupancy expense for the year ended December 31, 2022 was \$37,514.

13. LIQUIDITY AND AVAILABILITY

The following represents the Organization's financial assets at December 31, 2022:

Financial Assets at Year End:

Cash and Cash Equivalents	\$ 1,088,727
Grants and Contributions Receivable	23,514
Accrued Interest	4,846
Investments	<u>590,088</u>
Total Financial Assets	1,707,175

Less Amounts Not Available To Be Used Within One Year:

Board-Designated Net Assets	(750,000)
Net Assets With Donor Restrictions	<u>(123,511)</u>

Financial Assets Available to Meet General Expenditures

Over the Next Twelve Months	<u>\$ 833,664</u>
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As part of the Organization's liquidity management plan, cash in excess of daily requirements is transferred to income generating accounts.