

Nonhuman Rights Project, Inc.

Financial Statements

December 31, 2019 and 2018

Independent Auditors' Report

Board of Directors
Nonhuman Rights Project, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the Nonhuman Rights Project, Inc. (the "Organization") which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Nonhuman Rights Project, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PKF O'Connor Davies, LLP

June 15, 2020

Nonhuman Rights Project, Inc.

Statements of Financial Position

	December 31,	
	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 1,068,601	\$ 679,430
Contributions receivable	35,411	-
Investments	970,293	892,956
Assets limited as to use	15,000	15,000
Prepaid expenses	12,717	12,717
Office equipment, net	<u>2,762</u>	<u>2,870</u>
	<u>\$ 2,104,784</u>	<u>\$ 1,602,973</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 77,978</u>	<u>\$ 46,976</u>
Net Assets		
Without donor restrictions	1,940,511	1,555,997
With donor restrictions	<u>86,295</u>	<u>-</u>
Total Net Assets	<u>2,026,806</u>	<u>1,555,997</u>
	<u>\$ 2,104,784</u>	<u>\$ 1,602,973</u>

Nonhuman Rights Project, Inc.

Statements of Activities

	Year Ended December 31,	
	<u>2019</u>	<u>2018</u>
REVENUE AND SUPPORT		
Contributions	\$ 1,421,461	\$ 1,225,255
OPERATING EXPENSES		
Program	773,896	576,897
Administrative	231,990	175,244
Fundraising	<u>121,074</u>	<u>134,131</u>
Total Operating Expenses	<u>1,126,960</u>	<u>886,272</u>
Excess of Operating Revenue Over Operating Expenses	<u>294,501</u>	<u>338,983</u>
NONOPERATING INCOME (EXPENSE)		
Interest and dividends	51,101	29,105
Unrealized gain (loss) on investments	38,912	(42,263)
Other income	<u>-</u>	<u>3,193</u>
Nonoperating Income (Expense)	<u>90,013</u>	<u>(9,965)</u>
Change in Net Assets Without Donor Restrictions	384,514	329,018
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	<u>86,295</u>	<u>-</u>
Change in Net Assets	<u>470,809</u>	<u>329,018</u>
NET ASSETS		
Beginning of year	<u>1,555,997</u>	<u>1,226,979</u>
End of year	<u>\$ 2,026,806</u>	<u>\$ 1,555,997</u>

See notes to financial statements

Nonhuman Rights Project, Inc.

Statement of Functional Expenses
Year Ended December 31, 2019

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
PERSONNEL COSTS				
Salaries	\$ 485,558	\$ 81,104	\$ 77,596	\$ 644,258
Payroll taxes and benefits	<u>35,446</u>	<u>4,946</u>	<u>5,736</u>	<u>46,128</u>
 Total Personnel Costs	 521,004	 86,050	 83,332	 690,386
OTHER THAN PERSONNEL EXPENSES				
Non payroll litigation expense	9,837	-	-	9,837
Independent contractors	24,095	58,617	16,216	98,928
Accounting fees	-	18,100	-	18,100
Public education	56,913	-	154	57,067
Office expense	4,258	12,025	196	16,479
Telephone and postage	20,631	397	3,381	24,409
Travel expense	85,854	6,666	1,858	94,378
Recruiting	1,007	1,275	-	2,282
Insurance	-	3,611	-	3,611
Dues, licenses and permits	8,605	4,021	103	12,729
Non payroll campaign expense	34,102	29	12,849	46,980
Medical benefits	-	21,940	-	21,940
Gifts	-	1,950	1,300	3,250
Other	1,470	6,104	193	7,767
Payment processing fees	-	9,971	981	10,952
Events	6,120	-	511	6,631
Depreciation	-	1,039	-	1,039
Bank service charge	-	<u>195</u>	-	<u>195</u>
 Total Expenses	 <u>\$ 773,896</u>	 <u>\$ 231,990</u>	 <u>\$ 121,074</u>	 <u>\$ 1,126,960</u>

Nonhuman Rights Project, Inc.

Statement of Functional Expenses
Year Ended December 31, 2018

	Program	Administrative	Fundraising	Total
PERSONNEL COSTS				
Salaries	\$ 352,873	\$ 60,730	\$ 101,177	\$ 514,780
Payroll taxes and benefits	25,879	8,784	12,025	46,688
Total Personnel Costs	378,752	69,514	113,202	561,468
OTHER THAN PERSONNEL EXPENSES				
Non payroll litigation expense	31,837	10	20	31,867
Independent contractors	28,661	10,067	-	38,728
Accounting fees	-	38,800	-	38,800
Public education	15,304	-	103	15,407
Office expense	2,350	13,778	515	16,643
Telephone and postage	2,439	101	88	2,628
Travel expense	53,113	13,805	5,280	72,198
Insurance	29	2,444	-	2,473
Dues, licenses and permits	8,136	1,986	2,319	12,441
Non payroll campaign expense	55,490	172	11,516	67,178
Other	125	15,213	6	15,344
Payment processing fees	-	8,199	979	9,178
Events	661	-	103	764
Depreciation	-	792	-	792
Bank service charge	-	363	-	363
Total Expenses	\$ 576,897	\$ 175,244	\$ 134,131	\$ 886,272

Nonhuman Rights Project, Inc.

Statements of Cash Flows

	Year Ended December 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 470,809	\$ 329,018
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	1,039	792
Unrealized (gain) loss on investments	(38,912)	42,263
Changes in operating assets and liabilities		
Contribution receivable	(35,411)	20,273
Other receivables	-	550
Prepaid expenses	-	(6,767)
Assets limited as to use	-	(15,000)
Accounts payable and accrued expenses	31,002	(22,116)
Net Cash from Operating Activities	428,527	349,013
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of office equipment	(931)	(935)
Purchase of investments	(38,425)	(52,413)
Net Cash from Investing Activities	(39,356)	(53,348)
Change in Cash	389,171	295,665
 CASH		
Beginning of year	679,430	383,765
End of year	\$ 1,068,601	\$ 679,430

Nonhuman Rights Project, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

1. Organization

Nonhuman Rights Project, Inc. (the "Organization") is a not-for-profit corporation whose mission is to achieve actual legal rights for members of species other than our own. The Organization's primary source of support is contributions.

The Organization is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to Federal income taxes.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Change in Accounting Principle

Contributions Received and Contributions Made

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made ("ASU 2018-08"). ASU 2018-08 provides a framework for evaluating whether grants and contributions should be accounted for as exchange transactions or as nonexchange transactions. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018 and the Organization adopted ASU 2018-08 on a modified prospective basis and has determined there to be no impact to the its financial statements.

Revenue Recognition

Effective January 1, 2019, the Organization adopted new U.S. GAAP revenue recognition guidance. The new revenue recognition guidance provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The core principle of the new guidance is that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those promised goods or services to customers. The guidance includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers. This guidance also requires new or expanded disclosures related to judgments made by entities when following this framework. Adoption of the new guidance did not result in a change to previously recognized revenue, nor any change with the way the Organization recognizes revenue.

Nonhuman Rights Project, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Contributions, including unconditional promises to give (pledges), are recognized as income in the period received. Conditional contributions are recognized as income when the conditions on which they depend have been substantially met. Amounts reflected in the financial statements are net of an allowance for uncollectible gifts, and accordingly, include adjustments, based upon estimates of collectability. Promises to give due in excess of one year are recognized net of a discount to present value.

Net Asset Presentation

Net assets are classified based on the existence or absence of donor-imposed restrictions.

Without donor restrictions – net assets represent resources that are not subject to donor-imposed restrictions.

With donor restrictions – net assets which contain donor impose restrictions that permit the Organization to use or expend the assets as specified. Net assets released from restrictions represent the passage of time or the satisfaction of restricted purposes.

Contributions

All contributions are considered available for general use, unless specifically restricted by the donor or subject to other legal restrictions. The Organization's policy is to report contributions with donor-imposed restrictions as net assets without donor restrictions when the restrictions are met in the same year that the contributions are received.

Contribution Receivable

All contributions receivable are due within less than one year.

Allowance for Uncollectible Receivables

An allowance for uncollectible receivables is estimated based on a combination of write-offs history, aging analysis and any specific known troubled accounts. As of December 31, 2019 and 2018, management has concluded that an allowance for doubtful accounts is not necessary.

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effect of tax positions only when they are more likely than not to be sustained. Management has determined that the Organization had no uncertain tax positions that that would require financial statement recognition or disclosure. The Organization is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to December 31, 2016.

Nonhuman Rights Project, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The Organization follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the assumptions used in pricing assets or liabilities. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investments and Investment Income Recognition

Investments are valued at fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the record date. Realized and unrealized gains and losses are included in the determination of change in net assets.

Assets Limited as to Use

Limited use assets consist of assets set aside under the terms of various trust agreements, under the control of the trustee, to be used for the beneficiary as needed. The Organization is the grantor of three revocable trusts (the "trusts"). The trusts provide that, for the beneficiaries' lifetime the trustee will distribute assets of the trusts for the beneficiary as needed. The Organization has the right to revoke the assets in the trusts at any point.

Office Equipment

Office equipment is reported at its original cost less applicable depreciation. Depreciation is calculated using the straight-line method over the estimated useful life of the asset. The estimated useful life of the office equipment is 5 years.

Functional Expenses

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications on the basis of employee salaries and other bases as determined by management of the Organization to be appropriate.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is June 15, 2020.

Nonhuman Rights Project, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

3. Concentration of Credit Risk

The Organization maintains cash balances with a banking institution which from time to time may exceed the Federal Deposit Insurance Corporation's insurable limit. Additionally, the Organization has various investments in stocks and mutual funds. These investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet and the statement of income.

4. Investments

As of December 31, 2019 and 2018, investments consisted of the following:

	<u>2019</u>	<u>2018</u>
Quoted in Active Markets for Identical Assets (Level 1)		
Mutual funds	\$ 952,294	\$ 860,870
Equities	17,999	32,086
	<u>\$ 970,293</u>	<u>\$ 892,956</u>

Return on investment for the years ended December 31, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 51,101	\$ 29,105
Unrealized gain (loss)	38,912	(42,263)
	<u>\$ 90,013</u>	<u>\$ (13,158)</u>

5. Office Equipment

Office equipment as of December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Office equipment	\$ 5,360	\$ 4,429
Accumulated depreciation	(2,598)	(1,559)
	<u>\$ 2,762</u>	<u>\$ 2,870</u>

6. Net Assets with Donor Restrictions

At December 31, 2019, net assets with donor restrictions of \$86,295 consisted entirely of purpose restricted net assets.

Nonhuman Rights Project, Inc.

Notes to Financial Statements
December 31, 2019 and 2018

7. Liquidity and Availability of Financial Assets

The Organization's cash flows are primarily driven by contributions from individual and corporate donors.

The following reflects the Organization's financial assets as of December 31 2019, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual designations. Amounts not available include assets limited as to use with respect to trusts for which the Organization is the grantor.

Financial Assets:

Cash	\$ 1,068,601
Investments	970,293
Contributions receivable	35,411
Assets limited as to use	<u>15,000</u>
Total Financial Assets	<u>2,089,305</u>
Less contractually restricted amounts	
Purpose restriction	86,295
Assets limited as to use	<u>15,000</u>
	<u>101,295</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,988,010</u>

8. Subsequent Event

The Organization's activities have been affected by the recent and ongoing outbreak of the coronavirus disease 2019 ("COVID-19"), which was declared a pandemic by the World Health Organization in March 2020. Many countries around the world, including the United States, have significant governmental measures being implemented to control the spread of COVID-19, including temporary closures of businesses, severe restrictions on travel and the movement of people and other material limitations on the conduct of business.

While these restrictions have impacted how the Organization has carried on activities, it has not materially impacted the Organization in an adverse manner. Employees are able to work from home, and the Organization expects to continue to receive contributions. As of the report date, investment impact from COVID-19 was consistent with normal investment fluctuation.

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