

**People for the Ethical Treatment of Animals, Inc.  
Financial Statements and  
Supplementary Information  
July 31, 2018**

**With Independent Auditor's Report Thereon**

**People for the Ethical Treatment of Animals, Inc.**

**Table of Contents**

<u>Title</u>	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6-26
Supplementary Information	
Schedule of Functional Expenses	27



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## Independent Auditor's Report

To the Board of Directors of  
People for the Ethical Treatment of Animals, Inc.

We have audited the accompanying financial statements of People for the Ethical Treatment of Animals, Inc. (a nonprofit organization), which comprise the statement of financial position as of July 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our 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 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 People for the Ethical Treatment of Animals, Inc. as of July 31, 2018, 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.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 27 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Saggar & Rosenberg P.C.*

Rockville, Maryland  
November 21, 2018

**People for the Ethical Treatment of Animals, Inc.**  
**Statement of Financial Position**  
**July 31, 2018**

**Assets**

Current Assets	
Cash	\$ 1,747,238
Investments, current portion	652,373
Property held for sale, current portion	36,031
Legacies receivable	621,060
Related party receivables	11,358
Other receivables	52,895
Inventory	103,272
Prepaid expenses	412,293
Total Current Assets	3,636,520
Property and Equipment, Net	1,341,571
Other Assets	
Investments, non-current portion	12,772,220
Prepaid hosting arrangements, net	280,116
Property held for sale, non-current portion	1,077,816
Deposits and other assets	12,322
Total Other Assets	14,142,474
Total Assets	\$ 19,120,565

**Liabilities and Net Assets**

Current Liabilities	
Accounts payable	\$ 2,592,720
Accrued expenses	917,701
Deferred rent, current portion	54,000
Annuities payable, current portion	201,031
Total Current Liabilities	3,765,452
Long-Term Liabilities	
Deferred rent, non-current portion	21,750
Annuities payable, non-current portion	1,796,810
Total Long-Term Liabilities	1,818,560
Total Liabilities	5,584,012
Net Assets	
Unrestricted	
Designated by Governing Board for legal matters	\$ 1,000,000
Undesignated	7,510,356
Total Undesignated	8,510,356
Temporarily restricted	1,798,524
Permanently restricted	3,227,673
Total Net Assets	13,536,553
Total Liabilities and Net Assets	\$ 19,120,565

See Accompanying Notes

**People for the Ethical Treatment of Animals, Inc.**  
**Statement of Activities**  
**For the Year Ended July 31, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenue				
Public support				
Contributions and donations	\$ 38,235,849	\$ 1,360,481	\$ -	\$ 39,596,330
Legacies and bequests	14,266,352	-	-	14,266,352
Special event				
Contributions	421,392	-	-	421,392
Special event revenue	12,394	-	-	12,394
Less: cost of direct benefits to donors	(11,424)	-	-	(11,424)
Total public support	<u>52,924,563</u>	<u>1,360,481</u>	<u>-</u>	<u>54,285,044</u>
Other revenue				
Merchandise sales	361,483	-	-	361,483
Investment and other income	1,499,300	-	25,784	1,525,084
Total other revenue	<u>1,860,783</u>	<u>-</u>	<u>25,784</u>	<u>1,886,567</u>
Net Assets Released from Restrictions				
Satisfaction of program restrictions	1,773,982	(1,773,982)	-	-
Total Support and Revenue	<u>56,559,328</u>	<u>(413,501)</u>	<u>25,784</u>	<u>56,171,611</u>
Expenses				
Program services				
Public Outreach and Education	14,930,085	-	-	14,930,085
International Grassroots				
Campaigns	10,541,738	-	-	10,541,738
Research, Investigations, and				
Rescue	19,887,868	-	-	19,887,868
Cruelty-Free Merchandise	803,055	-	-	803,055
Total program services	<u>46,162,746</u>	<u>-</u>	<u>-</u>	<u>46,162,746</u>
Supporting services				
Membership development	9,133,689	-	-	9,133,689
Management and general	1,073,146	-	-	1,073,146
Total supporting services	<u>10,206,835</u>	<u>-</u>	<u>-</u>	<u>10,206,835</u>
Total Expenses	<u>56,369,581</u>	<u>-</u>	<u>-</u>	<u>56,369,581</u>
Change in Net Assets	189,747	(413,501)	25,784	(197,970)
Net Assets at Beginning of Year	<u>8,320,609</u>	<u>2,212,025</u>	<u>3,201,889</u>	<u>13,734,523</u>
Net Assets at End of Year	<u>\$ 8,510,356</u>	<u>\$ 1,798,524</u>	<u>\$ 3,227,673</u>	<u>\$ 13,536,553</u>

See Accompanying Notes

**People for the Ethical Treatment of Animals, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended July 31, 2018**

Cash Flows From Operating Activities:	
Change in net assets	\$ (197,970)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Property and equipment depreciation and amortization	492,589
Prepaid hosting arrangements amortization	71,368
Loss on disposal of property and equipment	37,398
Amortized interest	(9,717)
Accrued interest payable	8,086
Non-cash donations	(1,869,134)
Net realized and unrealized gains and losses	(320,523)
Net change in deferred rent liability	(54,000)
Net realized and unrealized gains and losses on property held for sale	112,430
Net change in provision on property held for sale	(12,697)
Cash receipts of contributed financial assets	1,847,804
Gain from annuity contracts	(139,858)
Change in assets and liabilities:	
Decrease in legacies receivable	1,058,055
Decrease in related party receivables	117,634
Decrease in other receivables	14,808
Decrease in inventory	66,823
Decrease in prepaid expenses	55,575
Increase in prepaid hosting arrangements	(351,484)
Increase in deposits and other assets	(2,600)
Decrease in accounts payable	(283,839)
Increase in accrued expenses	65,320
Net Cash Provided By Operating Activities	<u>706,068</u>
Cash Flows From Investing Activities:	
Reinvestment of matured securities and purchases of investments	(17,130,444)
Maturities and proceeds from sales of investments	16,071,872
Purchase of property and equipment	(210,497)
Proceeds from sale of property held for sale	30,414
Proceeds from sale of property and equipment	8,382
Net Cash Used In Investing Activities	<u>(1,230,273)</u>
Cash Flows From Financing Activities:	
Proceeds from annuity contracts	90,839
Net gain on permanently restricted assets	(25,784)
Principal payments on annuity contracts	(206,066)
Net Cash Used In Financing Activities	<u>(141,011)</u>
Net Decrease in Cash	(665,216)
Cash at Beginning of Year	<u>2,412,454</u>
Cash at End of Year	<u>\$ 1,747,238</u>

See Accompanying Notes

**People for the Ethical Treatment of Animals, Inc.**  
**Notes to Financial Statements**

Note 1: Organization

People for the Ethical Treatment of Animals, Inc. (“PETA” or the “Organization”), a nonprofit organization formed in 1980, disseminates information about animal abuse, animal protection, and related subjects to the public and encourages people to make compassionate choices. PETA is a charity exempt from income tax under section 501(c)(3) of the Internal Revenue Code and are classified as other than a private foundation.

The following is a list of the various programs conducted by PETA:

Public Outreach and Information

PETA conducts informational campaigns and publishes materials for children, high school and college students, and educators as well as factsheets, booklets, fliers, posters, and a magazine, PETA Global, for the public and supporters. PETA’s campaigns—which reach millions of people and receive extensive media coverage—involve renowned celebrities, interactive social networking, website features, blog posts, and public service announcements (PSAs), which are typically placed for free in high-exposure outlets.

In fiscal year 2018, PETA secured free advertising space worth more than \$1 million and logged more than 3,500 interactions with the media via letters and tweets as well as radio, TV, and print interviews. PETA’s various websites received more than 115 million visits, assorted Facebook posts received over 2.7 billion impressions, and videos were viewed over 702 million times.

Total expenses incurred in this program were \$14,930,085.

International Grassroots Campaigns

PETA organizes campaigns to inform the public about the abuse and slaughter of animals in the experimentation, food, clothing, and entertainment industries, among other types of cruelty. In 2018, PETA organized and led more than 3,500 demonstrations and sent out millions of letters through PETA’s online advocacy campaigns to urge companies and individuals to make changes that benefit animals.

PETA’s youth division, peta2, influenced students at more than 70 colleges and universities, including Harvard, Columbia, and Cornell, with PETA’s “How Bigotry Begins” talk, which explores the links between racism, sexism, and speciesism. The peta2 Campus Rep Program—the first and largest student leadership program of any animal charity—helped students on more than 100 college campuses carry out more than 1,400 actions. Students held vegan food giveaways, got all-vegan stations opened in their dining halls, stopped cruel animal exhibitors from coming to campus, and screened hard-hitting documentaries such as Earthlings and What the Health. PETA’s five-day,



**People for the Ethical Treatment of Animals, Inc.**  
**Notes to Financial Statements**

Note 1: Organization (continued)

intensive Campus Rep Summit trained students from all over North America to be the vanguard of the animal rights movement.

TeachKind, PETA's humane education division, distributed materials on vegan eating and animal rights, potentially reaching more than 1.4 million children. Its Share the World program—a free empathy-building video and curriculum kit for elementary school educators—has been accepted by Discovery Education, which serves 50 million students in half of the classrooms in the U.S., 50 percent of all primary schools in the U.K., and more than 50 countries.

*Animals in the Experimentation Industry*

Following an intensive PETA campaign that included more than 129,000 e-mails and phone calls, a condemning print ad, criticism from experts, and multiple spirited public demonstrations, University of Pittsburgh experimenter Rajesh Aneja—who tormented hundreds of mice in painful and deadly sepsis experiments—is without funding from the National Institutes of Health for the first time in more than a decade.

Keeping constant pressure on Texas A&M University to close its cruel muscular dystrophy dog laboratory, PETA held highly publicized protests at every Board of Regents meeting as well as at alumni events, sporting events, and graduation ceremonies and even during the school's Belk Bowl football game.

*Animals in the Food Industry*

Following years of PETA protests against foie gras, which is produced by force-feeding ducks and geese until their livers become diseased and grossly distended, the U.S. Court of Appeals for the Ninth Circuit ruled that California can prohibit its sale.

In response to a lawsuit filed by PETA and a coalition of public interest groups and journalists, the U.S. Court of Appeals for the Ninth Circuit became the first federal appellate court to strike down provisions of an “ag-gag” law. This victory for free speech upholds the district court's decision that Idaho's ban on recording conditions at factory farms and slaughterhouses violates the First Amendment.

PETA expanded its “I'm ME, Not MEAT. See the Individual. Go Vegan” ad series to include fish, lobsters, and crabs and placed billboards with this message in various cities following the crashes of trucks that were transporting animals to slaughterhouses. PETA persuaded Postmates to stop delivering foie gras and to remove two billboards mocking vegan eating; influenced The Habit Burger Grill to make all its buns, other breads, and veggie burger vegan and TGI Fridays to introduce the vegan Beyond Burger; and persuaded Pret A Manger, Rapid Fired Pizza, and Amy's Ice Creams to add more vegan options. After being contacted

**People for the Ethical Treatment of Animals, Inc.**  
**Notes to Financial Statements**

Note 1: Organization (continued)

by PETA, Walmart-owned online retailer Jet.com—as well as eBay and many other retailers and other businesses—pledged to remove all products containing ejiao, a traditional Chinese “medicine” made from gelatin extracted from boiled donkey hides.

*Animals in the Clothing Industry*

After appeals from PETA and local activists, San Francisco became the largest U.S. city to ban fur sales, with a unanimous vote from its Board of Supervisors. In another monumental victory for animals, Gucci announced that it will no longer use fur, following nearly 20 years of pressure from PETA. G-III Apparel Group—whose brands include Donna Karan and DKNY—also banned fur after more than two decades of PETA protests. Donatella Versace—the creative director of luxury brand Versace—told The Economist's 1843 magazine that she is done with fur and doesn't want to “kill animals to make fashion,” saying that it “doesn't feel right.” This momentous announcement came after decades of pressure from PETA and messages from the public urging her to stop using fur. PETA also helped persuade many other designers, brands, and retailers to stop using and selling fur, including Furla, Rent the Runway, Patricia Nash Designs, Burlington Coat Factory, BCBG, Michael Kors, and John Galliano. ASOS—which sells more than 850 labels as well as its own brand of clothing and accessories—confirmed that it will also ban cashmere, silk, down, and feathers across its entire platform by the end of January 2019.

PETA kept the pressure on Canada Goose to stop using real fur and down, with dozens of protests throughout North America, a TV ad, a personal e-mail from Pamela Anderson to hundreds of Canada Goose employees informing them that coyotes are cruelly trapped and killed for fur, and more. FashionUnited covered the cruelty inherent in Canada Goose jackets, and as a result of PETA's efforts, the Pantone Color Institute ended a partnership with the company.

*Animals in the Entertainment Industry*

Following declining ticket sales and public outrage over its cruel animal acts, the owner of longtime PETA target Kelly Miller Circus was forced to sell the business and retire at the end of its 2017 season, and the new owner made it animal-free. The license of notorious animal exhibitor Hawthorn Corporation was canceled following years of PETA protests, \$272,500 in penalties from the U.S. Department of Agriculture (USDA), and the deaths of dozens of tigers. Circus Pages shut down following years of PETA-supported protests across the country; after hearing from local residents and more than 23,000 PETA members and supporters, the Highlands County Fair Association in Sebring, Florida, canceled planned Loomis Bros. Circus shows; and Stardust Circus stopped using elephants. PETA's lawyers prevented Garden Bros. Circus from exhibiting animals in multiple cities across the country, and after hearing from PETA, the University of

**People for the Ethical Treatment of Animals, Inc.**  
**Notes to Financial Statements**

Note 1: Organization (continued)

South Carolina–Aiken, Illinois’ Lockport Township Park District, the Arkansas National Guard, Minnesota’s Hastings Civic Arena, and numerous other venues vowed not to host circuses that use animals. Thanks to PETA’s efforts, now more than 620 venues do not allow animal exhibits.

PETA persuaded several more companies, including Adventures Within Reach, Gate 1 Travel, Overseas Adventures Travel, smarTours, Tours4Fun, and ElderTreks not to offer elephant rides or other activities that exploit these sensitive animals.

Alamy, Dreamstime, Pond5, and Shutterstock no longer accept images or videos of apes or monkeys in unnatural situations and are removing those that don’t meet the new guidelines after hearing from PETA. And Getty Images no longer accepts any images or videos of wild animals taken in locations other than natural environments or zoos.

PETA’s vigorous campaign against the Iditarod has resulted in the deadly dog race losing numerous sponsors. After correspondence with PETA, the Brown-Forman Corporation, the parent company of Jack Daniel’s, confirmed that it was ending its 15-year sponsorship of the event. Young Living Essential Oils also announced that it would end its sponsorship of musher Mitch Seavey. After PETA revealed that more than 350 dogs were pulled from the 2018 Iditarod—likely because of illness, exhaustion, or injury—the Iditarod Trail Committee amended its rules to state that mushers will be scratched or withdrawn from the event if one of their dogs dies, “unless the death was caused solely by unforeseeable, external forces.”

SeaWorld eliminated an additional 475 positions in the company, bringing the total to more than 1,100 eliminated in recent years. Its largest shareholder, Zhonghong, had to sell off an island resort complex that was to be turned into a SeaWorld facility, and the marine park agreed to pay a proposed \$4 million to settle allegations that it had violated federal securities laws. These events follow PETA’s dedicated campaign against the park, which this year included calling for an end to the breeding of all animals there and saw celebrities P!nk, Bella Thorne, Dulce María, Luisa Mell, and James Cromwell speak out after seven marine mammals, including three orcas, died in 2017.

*Other Cruelty to Animals*

At PETA’s urging, many of the largest mall management groups in the country, including CBL Properties, Macerich, GGP, and Simon Property Group, posted PSAs warning customers of the dangers of leaving children and animals in hot cars. Canadian dollar-store chain Buck or Two Plus! agreed to ban the sale of glue traps at its nearly 50 locations, and more than 100 airports and numerous other

**People for the Ethical Treatment of Animals, Inc.**  
**Notes to Financial Statements**

Note 1: Organization (continued)

businesses and institutions have committed to not using glue traps after hearing from PETA.

Total expenses incurred in this program were \$10,541,738.

Research, Investigations, and Rescues

Receiving hundreds of complaints related to animal abuse and neglect each week, PETA works to rescue abused, neglected, and at-risk animals and organize care for them. PETA also investigate cruelty cases, conduct investigations, gather evidence of legal violations, and take action to ensure the enforcement of laws and regulations.

*Animals in the Experimentation Industry*

Based on PETA's evidence and following a police investigation, the Alexandria City Attorney's Office in Minnesota filed 25 cruelty-to-animals charges against Bio Corporation—a company that sells animals slated for classroom dissection to school districts across the country—related to drowning pigeons and injecting live crayfish with liquid latex. This landmark victory is the first time in history that cruelty charges have been filed in a case involving invertebrate animals.

After PETA scientists persuaded the U.S. Food and Drug Administration to allow non-animal skin and allergy testing methods for a personal lubricant, the agency also approved a project led by the PETA International Science Consortium to replace vaginal irritation tests on rabbits for the first time. The project is underway and being presented at international conferences as a template for replacing animal use in other government-required experiments.

The PETA International Science Consortium also launched a free online training tool that shows researchers how to replace animals in skin irritation and corrosion testing and spearheaded a peer-reviewed journal edition detailing ways to replace animals in inhalation tests.

After receiving extensive input from PETA and others, 16 federal government agencies submitted a plan to replace the use of animals in toxicity testing, and after hearing from PETA scientists for three years, Japan stopped requiring gruesome poisoning tests in which dogs were locked in cages and forced over the course of a year to eat pesticide-laced food or breathe pesticide fumes before being killed and dissected.

Four major Japanese food and beverage companies agreed to end their cruel experiments on animals after talks with PETA, saving countless animals from being force-fed, starved, and injected with drugs in painful tests. Food giant

**People for the Ethical Treatment of Animals, Inc.**  
**Notes to Financial Statements**

Note 1: Organization (continued)

General Mills also agreed to ban all experiments on animals conducted in order to make health claims about its foods.

Volkswagen ended all tests on animals not required by law following PETA Germany's communications with its executives, protests at the company's headquarters, and an overwhelming number of e-mails from PETA supporters after its outrageous and cruel inhalation tests on monkeys were exposed.

AirBridgeCargo Airlines banned the transportation of monkeys to laboratories anywhere in the world after tens of thousands of PETA supporters urged it to stop participating in this sordid trade.

Following campaigning and lobbying by PETA, President Donald J. Trump signed the John S. McCain National Defense Authorization Act, which includes a landmark animal-protection provision. The Department of Defense must now use medical-simulation technology in trauma-skills training "to the maximum extent practicable" before resorting to harming animals in these deadly drills, and animals can be used only if this is approved by someone in the medical chain of command rather than by nonmedical personnel.

PETA's Beauty Without Bunnies team negotiated with companies to urge them to go cruelty-free, withdraw from or refuse to enter the Chinese market until requirements for tests on animals are lifted, and switch from putting animal fur and hair in cosmetics brushes to using vegan alternatives. PETA also continued to work closely with the team of experts that PETA funded in China to push for the acceptance of non-animal test methods, and PETA celebrated the opening of that country's first non-animal testing laboratory.

*Animals in the Food Industry*

PETA released an eyewitness exposé of Nellie's Free Range Eggs, which claims to sell eggs from "happy hens" who "roam where they please." PETA's video footage from a farm that supplies "certified humane" eggs to stores like Harris Teeter, Walmart, and Whole Foods revealed that hens were crammed into a shed in which they had only occasional, severely restricted access to the outdoors and just over a square foot of floor space each, which was barely larger than their bodies.

On June 1, Israel's ban on the importation of "shackle and hoist" kosher beef went into effect. Resulting from PETA's South America kosher-slaughter investigations, this regulation requires more than 40 slaughterhouses in Argentina, Brazil, Paraguay, and Uruguay to install modern restraint pens or stop conducting kosher slaughter. In response to PETA's campaign to urge the U.S. to ban this violent slaughter method, the largest U.S. kosher certifier announced in July that

**People for the Ethical Treatment of Animals, Inc.**  
**Notes to Financial Statements**

Note 1: Organization (continued)

it will stop accepting “shackle and hoist” beef from South America, a historic victory capping off a campaign that PETA began in 2007.

*Animals in the Clothing Industry*

A groundbreaking PETA Asia investigation of 12 angora goat farms and a slaughterhouse in South Africa, the world’s top mohair producer, revealed that workers dragged, roughly handled, threw, and mutilated goats and cut their throats as they cried out. After hearing from PETA, nearly 320 brands worldwide have banned mohair, such as Arcadia Group, including Topshop and its other seven brands; Gap Inc., including Gap, Old Navy, Banana Republic, and Athleta; H&M Group; Inditex’s apparel brands, including Zara, Ralph Lauren, Diane von Furstenberg, ESPRIT, UNIQLO, Zappos.com, Eddie Bauer, and Lands’ End; and many others.

PETA’s eyewitness exposé of Canada Goose’s featured down supplier, which claimed that it provided geese with “tender loving care,” revealed rampant abuse. While loading animals for transport to slaughter, workers picked up geese by the neck, sometimes carrying two in each hand, and caused terrified birds to pile on top of each other, crushing those beneath. At the slaughterhouse, geese were again grabbed by the neck and electrically stunned, and their throats were cut in view of other terrified birds. PETA is urging Canada Goose to stop using down as well as fur.

*Animals in the Entertainment Industry*

Nearly 14 years of diligent efforts by PETA to help Nosey—an ailing elephant who, for decades, was neglected, abused, kept tightly chained, and forced to give rides—paid off when she was finally seized from her abuser and given refuge at a sanctuary. Veterinarians found that she had urinary tract and skin infections, intestinal parasites, and painful osteoarthritis, and she showed signs of dehydration and malnutrition. Now, she receives daily veterinary care and can finally live as an elephant should—scratching on trees, taking dust baths, wallowing in the mud, and roaming her habitat. The USDA has informed her abuser, the notorious elephant exhibitor Hugo Liebel, of its intent to initiate proceedings to terminate his federal exhibitor’s license.

PETA also secured the first-ever court injunction—an extraordinary form of relief that’s issued when a court finds that irreparable injury will result without it—against Tim and Melisa Stark and their roadside zoo, Wildlife in Need, immediately stopping them from declawing big cats, separating cubs from their mothers, and exhibiting the animals.

PETA helped find new homes for numerous animals from cruel pseudo-sanctuaries, roadside zoos, and traveling shows, including 39 tigers, four

**People for the Ethical Treatment of Animals, Inc.**  
**Notes to Financial Statements**

Note 1: Organization (continued)

chimpanzees, two baboons, and 10 bears. Two bears who were confined to virtually barren cages and deprived of veterinary care at Tregembo Animal Park, a decrepit roadside zoo in North Carolina, were moved to a sanctuary. This followed the settlement of a cruelty-to-animals lawsuit filed by two North Carolina residents—who were represented by PETA Foundation lawyers. And after a dedicated PETA campaign, The Great Bear Show shut down—five American black bears are now enjoying life at a lush sanctuary instead of being caged, chained, and forced to perform uncomfortable tricks.

*Companion-Animal Issues*

PETA's exposé of three PetSmart stores in Arizona, Florida, and Tennessee broke as Nashville law-enforcement officials, acting on PETA's evidence, raided a store there, seizing documents as well as severely ill guinea pigs and other small animals. Animals in the stores faced systemic neglect and widespread suffering, and managers repeatedly refused to provide sick, injured, and dying guinea pigs, mice, hamsters, a bird, and other animals with veterinary care. In Nashville, managers denied animals veterinary care in order to "keep costs down" so that they would receive bonuses. Three pleaded guilty to cruelty-to-animals charges and must perform community service and repay more than \$16,000 that officials spent on caring for the sick and injured animals seized from the store.

The Pet Blood Bank in Cherokee, Texas, closed and transferred all the dogs it held to adoption programs following PETA's exposé of the facility, which showed dogs going insane from constant confinement to dirt-floored wire kennels; suffering from severe dental issues, infections, and sores; and repeatedly being drained of blood.

Because of PETA's efforts, an elderly dog in Pensacola, Florida, who was chained without shelter and was underweight, missing fur, infested with fleas and tapeworms, and suffering from severely enlarged genitals, was rescued and his suffering ended. His abusive owner was charged with felony cruelty to animals. PETA also obtained convictions for a number of other individuals around the country who had abused or neglected animals.

PETA's Community Animal Project, which offers animals in the Hampton Roads region of Virginia hands-on care, responded to more than 2,300 calls for assistance and helped more than 3,000 animals. It also built and delivered more than 280 free doghouses—bringing the total number distributed since the program began to more than 7,080—and bagged 1,864 bales of straw, providing dogs forced to live outdoors with warm, dry shelter. PETA's Mobile Clinics Division spayed and neutered 12,025 cats and dogs—including 515 feral cats and 1,126 pit bulls—in southeastern Virginia and northeastern North Carolina at a reduced cost or free of charge.

**People for the Ethical Treatment of Animals, Inc.**  
**Notes to Financial Statements**

Note 1: Organization (continued)

Finally, PETA sent a rescue team to Texas following the historic devastation caused by Hurricane Harvey to assist with relief efforts and search for abandoned, lost, and injured animals. When Hurricane Maria tore through Puerto Rico soon after, PETA chartered a plane to take the highly skilled team and their equipment to the island, where they rescued distressed and injured animals from the streets and took them to veterinary clinics for care, assisted with cleanup and recovery efforts at shelters, and delivered supplies to those in need. The teams returned to Virginia with nearly 80 animals who had been homeless before the storms, and they were put up for adoption.

Total expenses incurred in this program were \$19,887,868.

Cruelty-Free Merchandise Program

PETA encourages and facilitates cruelty-free living by providing compassionate people around the world with consumer products—such as cosmetics and household cleaners that aren't tested on animals, animal-care products, and animal rights T-shirts—informational videos and books, animal-rescue equipment, and campaign materials. These items are available online through the PETA Mall and the PETA Catalog.

PETA's online lists of cosmetics and household-product companies that do and that don't test on animals are among the most visited pages on PETA.org, garnering millions of views this year. PETA also work to persuade companies to enact bans on all animal tests. This fiscal year, 831 companies joined PETA's list—415 of which are also vegan—and 603 licensed PETA's logo, bringing the total number of companies on the list to 3,429.

Total expenses incurred in this program were \$803,055.

Note 2: Summary of Significant Accounting Policies

*Basis of Accounting*

PETA maintains its records on the accrual basis of accounting.

*Investments*

Investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair value in the Statement of Financial Position. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.



**People for the Ethical Treatment of Animals, Inc.**  
**Notes to Financial Statements**

Note 2: Summary of Significant Accounting Policies (continued)

Short-term investments consist of money market funds. Long-term investments consist of marketable equity, debt securities, and certificates of deposit with original maturities greater than twelve months.

Promises to Give

PETA records unconditional promises to give expected to be collected within one year at net realizable value. Unconditional promises to give that are 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. Conditional promises to give are not included as support until the conditions are substantially met.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is established through charges to the provision for bad debts. The Organization evaluates the adequacy of the allowance for doubtful accounts on a periodic basis. The evaluation includes historical trends in collections and write-offs, management's judgement of the probability of collecting accounts and management's evaluation of business risk. Management estimates all promises to give at July 31, 2018 are collectible; therefore, no allowance for doubtful accounts has been made.

Property and Equipment

PETA capitalizes property, equipment, and betterments over \$1,000 with a useful life greater than one year. Property and equipment are recorded at cost. Property and equipment donated to PETA are recorded at fair market value at the date of donation. The cost of maintenance and repairs is recorded as an expense when incurred.

PETA capitalizes certain costs of software developed for internal use when preliminary development efforts are successfully completed, management has committed project resourcing, and it is probable that the project will be completed and the software will be used as intended. Such costs are amortized over a straight-line basis of the estimated useful life of the related asset. Costs incurred prior to meeting these criteria, together with costs incurred for training and maintenance, are expensed as incurred.

Depreciation is calculated using the straight-line method over estimated lives of the assets as follows:

Mobile spay/neuter clinics and other vehicles	3 - 7 years
Office furniture and equipment	3 - 7 years
Software	1 - 10 years
Buildings and improvements	7 - 40 years

**People for the Ethical Treatment of Animals, Inc.**  
**Notes to Financial Statements**

Note 2: Summary of Significant Accounting Policies (continued)

PETA reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. PETA has determined that no long-lived assets were impaired during the fiscal year.

Prepaid Hosting Arrangements

In August 2018, FASB issued ASU 2018-15, Intangibles–Goodwill and Other–Internal-Use Software (“ASU 2018-15”), which requires an organization to follow the guidance in Subtopic 350-40 to determine which costs to capitalize under a service contract for a cloud computing arrangement. This update is effective for financial statements issued for fiscal years beginning after December 15, 2020, with early adoption permitted. During 2018, PETA chose to early adopt this ASU.

Under the terms of the ASU, PETA treats cloud computing arrangements that do not include a software license as a service contract. Fees associated with the hosting element of the arrangement are expensed as incurred. Implementation costs of the arrangement are capitalized and amortized on a straight-line basis over the term of the hosting arrangement. Prepaid hosting arrangements for fiscal year ended July 31, 2018 comprise of prepaid implementation costs on such arrangements.

Inventory

In July 2015, the FASB issued Accounting Standards Update 2015-11, Simplifying the Measurement of Inventory (“ASU 2015-11”), which requires that inventory within the scope of this update, including inventory stated at first in, first out, be measured at the lower of costs and net realizable value. This update is effective for financial statements issued for fiscal years beginning after December 15, 2016. The adoption of ASU 2015-11 did not impact PETA’s financial position.

Inventory consists of cruelty-free merchandise available for sale. Inventory is valued at the lower of cost or net realizable value. Cost is determined by the first in, first out method.

Deferred Rent Liability

PETA received rent abatement under the terms of certain office space leases. Accounting principles generally accepted in the United States of America require that rent expense be straight-lined over the life of the lease. PETA is amortizing the abatement over the life of the lease.

**People for the Ethical Treatment of Animals, Inc.**  
**Notes to Financial Statements**

Note 2: Summary of Significant Accounting Policies (continued)

Charitable Gift Annuities

Under charitable gift annuity contracts, PETA receives immediate and unrestricted title to contributed assets and agrees to make fixed recurring payments over a stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as an unrestricted contribution. In subsequent years, the liability for future annuity payments is reduced by payments made to the specified beneficiaries and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income.

Revenue Recognition

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support which increases those net asset classes. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, PETA reports the support as unrestricted.

Donated assets are recorded at fair value as of the date of gift.

Cruelty-free merchandise sales revenue is recognized upon shipment of goods.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to PETA's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. PETA records donated professional services at the respective fair values of the services received (Note 12).

Advertising Costs

Advertising costs are expensed as incurred and approximated \$3,215,000 for the year ended July 31, 2018.

**People for the Ethical Treatment of Animals, Inc.**  
**Notes to Financial Statements**

Note 2: Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been either directly charged to the programs and supporting services as incurred or allocated based on usage for items such as occupancy and depreciation.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect specific amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

For the year ended July 31, 2018, PETA has evaluated subsequent events for potential recognition and disclosure through November 21, 2018, the date the financial statements were available to be issued, and believe there to be no further potential recognition or disclosure.

Note 3: Net Investment Return

Net investment return consists of the following for the year ended July 31, 2018 and is included as part of investment and other income on the Statement of Activities:

Operating investments	
Interest and dividends	\$ 165,854
Net realized and unrealized gain	407,412
Less: investment management and custodial fees	<u>(45,130)</u>
	<u>528,136</u>
Endowment investments	
Interest and dividends	132,031
Net realized and unrealized loss	(43,503)
Less: investment management and custodial fees	<u>(25,179)</u>
	<u>63,349</u>
	<u>\$ 591,485</u>

**People for the Ethical Treatment of Animals, Inc.**  
**Notes to Financial Statements**

Note 4: Prepaid Hosting Arrangements

Prepaid hosting arrangements at July 31, 2018 consisted of the following:

Prepaid hosting arrangements	\$ 351,484
Less: accumulated amortization	<u>(71,368)</u>
	<u>\$ 280,116</u>

Amortization expense for the year ended July 31, 2018 was \$71,368.

Note 5: Property and Equipment

Property and equipment at July 31, 2018 consisted of the following:

Mobile spay/neuter clinics and other vehicles	\$ 1,602,927
Office furniture and equipment	508,425
Software	1,319,253
Buildings and improvements	251,549
Land	<u>91,170</u>
	3,773,324
Less: accumulated depreciation and amortization	<u>(2,431,753)</u>
Total property and equipment, net	<u>\$ 1,341,571</u>

Depreciation and amortization expense for the year ended July 31, 2018 was \$492,589.

Note 6: Promise to Give

PETA received a conditional promise to give of \$250,000, \$187,500 of which is contingent on PETA entering into a contract for an anti-toxin program. Accordingly, PETA received \$67,500 during the year with the remaining balance to be recorded once the condition has been satisfied. This condition had not been satisfied as of July 31, 2018 and the donation has not been included in support and revenue.

Note 7: Fair Value Measurements

PETA reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or

**People for the Ethical Treatment of Animals, Inc.**  
**Notes to Financial Statements**

Note 7: Fair Value Measurements (continued)

liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

*Level 1:* Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

*Level 2:* Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

*Level 3:* Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

A significant portion of PETA's investment assets are classified within Level 1 because they are comprised of equity securities, exchange traded funds, and stock funds with readily determinable fair values based on the daily redemption values. PETA invests in corporate bonds and real estate funds that are traded in the financial markets. These investments are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, market-rate assumptions, and are classified with Level 2.

Financial assets measured at fair value on a recurring basis as of July 31, 2018 comprise of PETA's investments summarized in the following tables using the fair value hierarchy:

	<u>Operating Investments</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Corporate bonds	\$ --	\$ 5,709,264	\$ --	\$ 5,709,264
Equity securities	3,451,939	--	--	3,451,939
Exchange traded funds	45,165	--	--	45,165
Stock funds	19,728	--	--	19,728
Real estate funds	--	330,499	--	330,499
	<u>\$ 3,516,832</u>	<u>\$ 6,039,763</u>	<u>\$ --</u>	<u>\$ 9,556,595</u>

**People for the Ethical Treatment of Animals, Inc.**  
**Notes to Financial Statements**

Note 7: Fair Value Measurements (continued)

	<u>Endowment Investments</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate bonds	\$ --	\$ 2,103,336	\$ --	\$ 2,103,336
Equity securities	1,072,258	--	--	1,072,258
Stock funds	32,746	--	--	32,746
Real estate investment trust	--	7,285	--	7,285
	<u>\$ 1,105,004</u>	<u>\$ 2,110,621</u>	<u>\$ --</u>	<u>\$ 3,215,625</u>

Note 8: Net Assets

Board Designated

The Board of Directors designated \$1 million to cover costs of legal matters. These matters would include the challenges brought by PETA to fight animal abuse, and could include defense against challenges made by opponents of animal rights. The Board of Directors wishes to be prepared to defend against future challenges without interrupting PETA's programs.

Temporarily Restricted

Temporarily restricted net assets of \$1,798,524 are available for campaigns against animal testing, factory farming, and animal cruelty.

Permanently Restricted

Permanently restricted net assets are comprised of three separate endowment funds with a total value of \$3,227,673 as of July 31, 2018. Under terms of the first endowment fund, 20% of the ordinary earnings from investments are permanently restricted while 35% are available for unrestricted use and the remaining 45% are donated to other organizations. Earnings on the remaining two endowment funds are unrestricted.

**People for the Ethical Treatment of Animals, Inc.**  
**Notes to Financial Statements**

Note 8: Net Assets (continued)

*Interpretation of Relevant Law*

The Board of Directors of PETA has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, PETA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by PETA in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, PETA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of PETA and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of PETA
- (7) The investment policies of PETA

**Endowment Net Asset Composition by Type of Fund**  
**As of July 31, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted				
endowment funds	\$ --	\$ --	\$ 3,227,673	\$ 3,227,673



**People for the Ethical Treatment of Animals, Inc.**  
**Notes to Financial Statements**

Note 8: Net Assets (continued)

**Changes in Endowment Net Assets  
for the Fiscal Year Ended July 31, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ --	\$ --	\$ 3,201,889	\$ 3,201,889
Investment return:				
Investment income	--	--	25,784	25,784
Total investment return	--	--	25,784	25,784
Reclassification of donor restricted endowment funds	--	--	--	--
Endowment net assets, end of year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 3,227,673</u>	<u>\$ 3,227,673</u>

*Return Object Return Objectives and Risk Parameters*

PETA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that PETA must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to preserve principal while earning as much income as possible assuming a low level of investing risk.

Note 9: Defined Contribution Retirement Plan

PETA is a participating employer in a defined contribution plan. To be an eligible participant of the plan, full time employees (working at least 1,000 hours during the plan year) must be 21 years of age and complete one year of service. Employer matching contributions to the plan are at the discretion of the Board of Directors of PETA. Effective January 1, 2017, PETA increased the employer matching contributions from 25% of a participant's salary deferral to a maximum of 2% of gross annual salary to 33% of a participant's salary deferral to a maximum of 3% of gross annual salary. Employer contributions for the year ended July 31, 2018 were \$135,734.

**People for the Ethical Treatment of Animals, Inc.**  
**Notes to Financial Statements**

Note 10: Related Party Transactions

The Foundation to Support Animal Protection (“FSAP”) is a non-profit organization that supports the activities of various animal protection organizations, including PETA. FSAP and PETA are related through a single common board member.

PETA has entered into agreements to lease office space, tangible and intangible assets from FSAP as more fully described in Note 14. Rental payments to FSAP during fiscal year 2018 were \$1,278,163. FSAP also donated \$42,540 of space to PETA during the fiscal year. In addition, the Foundation provided \$16,448,254 in services to PETA during the fiscal year. The Foundation also donated \$4,720,000 to PETA during the year. At year end, PETA owed FSAP \$827,446.

A PETA director serves on the boards of directors of affiliated animal rights organizations in the United States, France, the Asia-Pacific region, India, Netherlands, the United Kingdom, Germany, Australia, and Switzerland to which during the fiscal year PETA donated \$2,426,298 to assist in their operations.

Note 11: Concentration of Credit Risk

The Federal Deposit Insurance Corporation (FDIC) insures accounts up to \$250,000 at each financial institution. At July 31, 2018, PETA exceeded insured levels by \$286,398.

Note 12: Donated Professional Services and Materials

PETA received donated professional services and goods as follows during the fiscal year:

	Program Services	Management and General	Fundraising and Development	Total
Legal Services	\$ 237,193	\$ 904	\$ --	\$ 238,097
Advertising	1,184,390	29,468	--	1,213,858
Goods	<u>49,459</u>	<u>162,346</u>	<u>--</u>	<u>211,805</u>
	<u>\$ 1,471,042</u>	<u>\$ 192,718</u>	<u>\$ --</u>	<u>\$ 1,663,760</u>

Note 13: Allocation of Joint Costs

During the fiscal year, PETA incurred joint costs of \$8,866,846 for educational material and activities that included fund-raising appeals. Based on an analysis of the content of these mailings, \$3,100,200 was allocated to membership development and \$5,766,646 was allocated to program expenses. Of the amount allocated to program expenses, \$1,760,590 was allocated to international grassroots campaigns, \$1,316,211 was allocated

**People for the Ethical Treatment of Animals, Inc.**  
**Notes to Financial Statements**

Note 13: Allocation of Joint Costs (continued)

to public outreach and education, and \$2,689,845 was allocated to research, investigations and rescue.

Note 14: Operating Leases

PETA leases office space and tangible and intangible assets from FSAP. The leases are non-cancelable and expire at various times through July 2029. Future minimum rental payments under the non-cancelable operating leases are:

Year ending July 31,	
2019	\$ 1,289,310
2020	1,308,210
2021	1,308,210
2022	1,091,560
2023	945,171
Thereafter	<u>4,885,479</u>
	<u>\$ 10,827,940</u>

Rent expense for the year ended July 31, 2018 was \$1,319,465.

Note 15: Cash Flows

Supplemental disclosure of cash flow information

PETA paid \$110,818 of interest during the fiscal year.

Note 16: Accounting Standards Update

In May 2014, the FASB issued guidance codified in ASC 606, *Revenue Recognition – Revenue from Contracts with Customers*, which amends the guidance in former ASC 605, *Revenue Recognition*, and most other existing revenue guidance in U.S. Generally Accepted Accounting Principles (GAAP), to require an entity to recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to customers and provide additional disclosures. As amended, the effective date for nonpublic entities is annual reporting periods beginning after December 15, 2018 and interim periods therein. As such, PETA will be required to adopt the standard on August 1, 2019. Early adoption is not permitted before the first quarter of fiscal year 2017. ASC 606 may be adopted either using a full retrospective approach, in which the standard is applied to all of the periods presented, or a modified retrospective approach. PETA is currently evaluating which transition method

**People for the Ethical Treatment of Animals, Inc.**  
**Notes to Financial Statements**

Note 16: Accounting Standards Update (continued)

to use and how ASC 606 will affect its financial statements.

In February 2017, the FASB issued guidance codified in ASC 842, *Leases*, which amends the guidance in former ASC 840, *Leases*, requiring the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous U.S. GAAP. The effective date for nonpublic entities is annual reporting periods beginning after December 15, 2019 and interim periods therein. As such, PETA will be required to adopt the standard on August 1, 2020. Early adoption is permitted. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. PETA is currently evaluating how the changes in ASC 842 will affect its financial statements.

In August 2017, the FASB issued guidance codified in ASC 958, *Not-for-Profit Entities*, which changes certain requirements for the financial statements of not-for-profit entities. The effective date is annual reporting periods beginning after December 15, 2017 and interim periods therein. As such, PETA adopted the standard on August 1, 2018.

**People for the Ethical Treatment of Animals, Inc.**  
**Schedule of Functional Expenses**  
**For the Year Ended July 31, 2018**

	Program Services					Supporting Services			Total Expenses
	Public Outreach and Education	International Grassroots Campaigns	Research, Investigations and Rescue	Cruelty-Free Merchandise	Total	Membership Development	Management and General	Cost of Goods Sold	
Professional services and consultants	\$ 5,049,741	\$ 1,776,447	\$ 8,385,143	\$ 201,525	\$ 15,412,856	\$ 3,696,319	\$ 800,600	\$ -	\$ 19,909,775
Media and press support	2,582,210	153,046	68,799	111	2,804,166	433,931	161,690	-	3,399,787
Salaries and related expenses	3,910,091	3,157,584	5,783,588	19,909	12,871,172	18,376	18,259	-	12,907,807
Education and promotional costs	979,407	1,177,264	1,368,796	3,069	3,528,536	2,589,003	75,000	-	6,192,539
Donations to charitable organizations	40	1,970,037	772,019	-	2,742,096	5	5	-	2,742,106
General operating expenses	923,105	547,740	1,325,636	37,226	2,833,707	705,646	7,382	-	3,546,735
Rent and other building expenses	486,353	473,671	490,768	61,718	1,512,510	20,352	7,127	-	1,539,989
Travel and transportation	284,444	403,599	607,261	83	1,295,387	58,349	2,199	-	1,355,935
Postage	657,656	813,917	985,013	229,466	2,686,052	1,379,870	218	-	4,066,140
Special events expenses	-	73	494	-	567	187,212	-	-	187,779
Cost of direct benefits to donors	-	-	-	-	-	-	-	11,424	11,424
Cost of goods sold	-	-	-	244,709	244,709	-	-	-	244,709
Telephone and misc. office expenses	57,038	68,360	100,351	5,239	230,988	44,626	666	-	276,280
<b>Total expenses</b>	<b>\$ 14,930,085</b>	<b>\$ 10,541,738</b>	<b>\$ 19,887,868</b>	<b>\$ 803,055</b>	<b>\$ 46,162,746</b>	<b>\$ 9,133,689</b>	<b>\$ 1,073,146</b>	<b>\$ 11,424</b>	<b>\$ 56,381,005</b>
Less expenses included with support and revenue on statement of activities									
Cost of direct benefits to donors	-	-	-	-	-	-	-	(11,424)	(11,424)
<b>Total expenses included in the expense section of the statement of activities</b>	<b>\$ 14,930,085</b>	<b>\$ 10,541,738</b>	<b>\$ 19,887,868</b>	<b>\$ 803,055</b>	<b>\$ 46,162,746</b>	<b>\$ 9,133,689</b>	<b>\$ 1,073,146</b>	<b>\$ -</b>	<b>\$ 56,369,581</b>
Percent of total expenses	26.49%	18.70%	35.29%	1.42%	81.90%	16.20%	1.90%	0.00%	100.00%

See Accompanying Notes