

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

**July 31, 2020**

**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 Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-34



## 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, 2020, and the related statements of activities, functional expenses 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, 2020, 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.

*Saggar & Rosenberg P.C.*

Rockville, Maryland  
December 2, 2020

**People for the Ethical Treatment of Animals, Inc.**  
**Statement of Financial Position**  
**July 31, 2020**

**Assets**

Current Assets	
Cash	\$ 4,389,824
Investments, current portion	3,938,842
Property held for sale, current portion	42,730
Legacies receivable	871,284
Other receivables	117,343
Inventory	52,281
Prepaid expenses	751,080
Total Current Assets	10,163,384
Property and Equipment, Net	883,629
Other Assets	
Investments, non-current portion	11,652,381
Property held for sale, non-current portion	1,739,094
Deposits and other assets	31,701
Total Other Assets	13,423,176
Total Assets	\$ 24,470,189
Current Liabilities	
Accounts payable	\$ 1,451,137
Related party payable	2,421,025
Accrued expenses	783,665
Note payable	1,905,465
Deferred rent, current portion	12,750
Annuities payable, current portion	241,866
Total Current Liabilities	6,815,908
Long-Term Liabilities	
Annuities payable, non-current portion	2,534,771
Total Long-Term Liabilities	2,534,771
Total Liabilities	9,350,679
Net Assets	
Without donor restrictions	
Designated by Governing Board for legal matters	1,000,000
Undesignated	8,444,504
With donor restrictions	
Purpose Restricted	2,380,638
Endowment	3,294,368
Total Net Assets	15,119,510
Total Liabilities and Net Assets	\$ 24,470,189

See Accompanying Footnotes

**People for the Ethical Treatment of Animals, Inc.**  
**Statement of Activities**  
**For the Year Ended July 31, 2020**

	<b>With</b>			<b>Total</b>
	<b>Without</b>	<b>Donor Restrictions</b>		
	<b>Donor Restrictions</b>	<b>Temporary</b>	<b>Endowment</b>	
	<b>Restrictions</b>	<b>Restrictions</b>	<b>Funds</b>	
Support and Revenue				
Public support				
Contributions and donations	\$ 47,293,397	\$ 83,656	\$ -	\$ 47,377,053
Legacies and bequests	14,035,609	2,364,770	-	16,400,379
Special event				
Contributions	41,924	-	-	41,924
Special event revenue	13,750	-	-	13,750
Less: cost of direct benefits to donors	(28,418)	-	-	(28,418)
Total public support	<u>61,356,262</u>	<u>2,448,426</u>	<u>-</u>	<u>63,804,688</u>
Other revenue				
Merchandise sales	56,452	-	-	56,452
Net investment and other income	<u>2,410,422</u>	<u>-</u>	<u>6,305</u>	<u>2,416,727</u>
Total other revenue	<u>2,466,874</u>	<u>-</u>	<u>6,305</u>	<u>2,473,179</u>
Net Assets Released from Restrictions				
Satisfaction of program restrictions	<u>2,133,651</u>	<u>(2,133,651)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>65,956,787</u>	<u>314,775</u>	<u>6,305</u>	<u>66,277,867</u>
Expenses				
Program services				
Public Outreach and Education	16,869,378	-	-	16,869,378
International Grassroots				
Campaigns	12,157,145	-	-	12,157,145
Research, Investigations, and Rescue	19,903,446	-	-	19,903,446
Cruelty-Free Merchandise	461,979	-	-	461,979
Total program services	<u>49,391,948</u>	<u>-</u>	<u>-</u>	<u>49,391,948</u>
Supporting services				
Membership development	9,478,100	-	-	9,478,100
Management and general	721,229	-	-	721,229
Total supporting services	<u>10,199,329</u>	<u>-</u>	<u>-</u>	<u>10,199,329</u>
Total Expenses	<u>59,591,277</u>	<u>-</u>	<u>-</u>	<u>59,591,277</u>
Change in Net Assets	6,365,510	314,775	6,305	6,686,590
Net Assets at Beginning of Year	<u>3,078,994</u>	<u>2,065,863</u>	<u>3,288,063</u>	<u>8,432,920</u>
Net Assets at End of Year	<u>\$ 9,444,504</u>	<u>\$ 2,380,638</u>	<u>\$ 3,294,368</u>	<u>\$ 15,119,510</u>

See Accompanying Footnotes

**People for the Ethical Treatment of Animals, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended July 31, 2020**

	<u>Program Services</u>					<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Public Outreach and Education</u>	<u>International Grassroots Campaigns</u>	<u>Research, Investigations and Rescue</u>	<u>Cruelty-Free Merchandise</u>	<u>Total</u>	<u>Membership Development</u>	<u>Management and General</u>	<u>Cost of Direct Benefit to Donors</u>	
Professional services and consultants	\$ 6,383,155	\$ 2,368,240	\$ 8,570,105	\$ 203,689	\$ 17,525,189	\$ 3,923,631	\$ 419,324	\$ -	\$ 21,868,144
Media and press support	4,194,919	235,490	156,507	4,202	4,591,118	564,683	66,798	-	5,222,599
Salaries and related expenses	3,318,814	4,337,849	5,455,568	10,453	13,122,684	20,489	38,055	-	13,181,228
Education and promotional costs	798,188	1,076,013	1,507,739	2,253	3,384,193	3,206,500	175,531	-	6,766,224
Donations to charitable organizations	-	2,179,346	911,847	-	3,091,193	-	-	-	3,091,193
General operating expenses	872,268	569,156	1,315,299	30,188	2,786,911	774,110	8,358	-	3,569,379
Rent and other building expenses	483,521	381,587	525,180	68,534	1,458,822	19,556	9,226	-	1,487,604
Travel and transportation	163,712	217,587	342,470	723	724,492	36,511	2,585	-	763,588
Postage	578,216	719,289	988,677	101,855	2,388,037	729,878	452	-	3,118,367
Special events expenses	-	-	-	-	-	139,882	-	-	139,882
Cost of direct benefits to donors	-	-	-	-	-	-	-	28,418	28,418
Cost of goods sold	-	-	-	35,058	35,058	-	-	-	35,058
Telephone and misc. office expenses	76,585	72,588	130,054	5,024	284,251	62,860	900	-	348,011
<b>Total expenses</b>	<b>\$ 16,869,378</b>	<b>\$ 12,157,145</b>	<b>\$ 19,903,446</b>	<b>\$ 461,979</b>	<b>\$ 49,391,948</b>	<b>\$ 9,478,100</b>	<b>\$ 721,229</b>	<b>\$ 28,418</b>	<b>\$ 59,619,695</b>
Less expenses included with support and revenue on statement of activities									
Cost of direct benefits to donors	-	-	-	-	-	-	-	(28,418)	(28,418)
<b>Total expenses included in the expense section of the statement of activities</b>	<b>\$ 16,869,378</b>	<b>\$ 12,157,145</b>	<b>\$ 19,903,446</b>	<b>\$ 461,979</b>	<b>\$ 49,391,948</b>	<b>\$ 9,478,100</b>	<b>\$ 721,229</b>	<b>\$ -</b>	<b>\$ 59,591,277</b>
Percent of total expenses	28.31%	20.40%	33.40%	0.77%	82.88%	15.91%	1.21%	0.00%	100.00%

See Accompanying Footnotes

**People for the Ethical Treatment of Animals, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended July 31, 2020**

Cash Flows From Operating Activities:	
Change in net assets	\$ 6,686,590
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Property and equipment depreciation and amortization	437,060
Prepaid hosting arrangements amortization	199,895
Loss on disposal of property and equipment	7,168
Premium on bonds	3,845
Accrued interest payable	(10,535)
Non-cash donations	(3,548,720)
Net realized and unrealized gains in operating investments	(360,047)
Net realized and unrealized gains in endowment investments	(50,058)
Net change in deferred rent liability	(9,100)
Net realized and unrealized gains on property held for sale	(487,773)
Cash receipts of contributed financial assets	3,483,433
Gain from annuity contracts	(121,274)
Change in assets and liabilities:	
Increase in legacies receivable	(93,289)
Increase in other receivables	(71,760)
Increase in inventory	(1,858)
Increase in prepaid expenses	(199,109)
Increase in deposits and other assets	(11,629)
Decrease in accounts payable	(318,136)
Increase in related party payable	471,706
Decrease in accrued expenses	(207,634)
Net Cash Provided By Operating Activities	<u>5,798,775</u>
Cash Flows From Investing Activities:	
Reinvestment of matured securities and purchases of investments	(15,209,374)
Maturities and proceeds from sales of investments	10,792,573
Purchase of property and equipment	(202,495)
Proceeds from sale of property held for sale	41,804
Proceeds from sale of property and equipment	8,915
Net Cash Used By Investing Activities	<u>(4,568,577)</u>
Cash Flows From Financing Activities:	
Proceeds from annuity contracts	646,898
Proceeds from note payable	2,603,800
Repayments on note payable	(698,335)
Principal payments on annuity contracts	(234,496)
Net Cash Provided By Financing Activities	<u>2,317,867</u>
Net Increase in Cash	3,548,065
Cash at Beginning of Year	<u>841,759</u>
Cash at End of Year	<u>\$ 4,389,824</u>

See Accompanying Footnotes



**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 is classified as other than a private foundation.

The following is a sample of various programs conducted by PETA.

Public Outreach and Information

PETA conducts informative 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 PETA supporters. PETA’s campaigns—which reach millions of people and receive extensive media coverage—involve renowned celebrities, interactive social networking, website features, news articles, and public service announcements, which are typically placed for free in high-exposure outlets.

In fiscal year 2020, PETA secured free advertising space worth over \$2 million and logged more than 3,620 interactions with the media, including radio, TV, and print interviews. PETA’s website received more than 95 million-page views, its social media posts received over 1.9 billion impressions, and its videos were viewed over 660 million times.

Total expenses incurred in this program were \$16,869,378.

International Grassroots Campaigns

PETA organizes campaigns to inform the public about the abuse and killing of animals in the experimentation, food, clothing, and entertainment industries as well as about other types of cruelty to animals. In 2020, PETA organized and led more than 2,000 demonstrations and sent out millions of letters through its online advocacy campaigns to urge companies and individuals to make changes that benefit animals.

PETA launched Students Opposing Speciesism (SOS), led by hundreds of high school and college students in the U.S. and Canada who are challenging human-supremacist norms.

PETA launched a “Tofu Never Caused a Pandemic” ad campaign and placed it in multiple cities to remind meat-eaters that the meat industry breeds killer diseases. A new face mask with that message was created along with another reading, “Meat Markets Breed Killer Diseases. Go Vegan.” Both are bestsellers in PETA’s online catalog, the PETA Shop.

Thousands of students, from preschoolers to high schoolers, enjoyed PETA’s lessons, including vegan cooking demonstrations to health and culinary arts classes and classroom presentations (both in person and via webcam) on ending speciesism. PETA made donations of children’s books to schools, libraries, and low-income families served by its mobile veterinary clinics.

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

Note 1: Organization (continued)

PETA leveraged the massively popular social media influencer convention Playlist Live to spread the animal rights message.

PETA's Campus Rep program—the largest student leadership program of any animal protection organization—had a huge impact, holding powerful campaigns at more than 100 colleges from coast to coast.

More than 18,000 elementary school students watched presentations (both in person and online) by PETA's animatronic ambassadors, Ellie the "elephant" and Carly the "cow," about the harm that circuses and the dairy industry cause animals.

*Animals in the Experimentation Industry*

After 20 years of PETA protests and campaigns as well as dedicated work by PETA scientists, the U.S. Environmental Protection Agency (EPA) made the groundbreaking announcement that the agency will stop funding and requesting tests on mammals by 2035 and will allocate millions of dollars to fund the development of non-animal test methods.

In response to the coronavirus pandemic, PETA called on multiple universities across the country that had suspended "non-essential" animal experiments during COVID-19 shutdowns to explain why they were conducting these animal studies and to use more effective, ethical, economical, human-relevant methods instead.

Engineers at the Catholic University of Bolivia in La Paz successfully developed a new type of automated ventilator to treat COVID-19 patients, testing the machine on an artificial lung that PETA scientists had recommended.

Funding from the PETA International Science Consortium Ltd. helped contribute to the creation of a first-of-its-kind 3D model to study the effects of chemicals and other substances on the deepest part of the human lung. This model can prevent tens of thousands of rats and mice from being confined to small tubes and forced to inhale toxic chemicals for hours or months before being killed.

A project funded by the Science Consortium succeeded in creating fully human-derived antibodies capable of blocking the poisonous toxin that causes diphtheria.

For the past 35 years, the EPA required a toxicity test on birds in order to assess the potential risk of pesticides to birds in the environment. A collaborative analysis between the Science Consortium and the agency resulted in a publication reporting that the test is not used in chemical risk assessment and does not protect birds in the environment. The publication was referenced in an EPA policy that will allow new sources of scientific information to support chemical risk assessment, which will spare hundreds of mallards and bobwhite quail each year while still protecting the environment.

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

Note 1: Organization (continued)

PETA had already helped persuade the U.S., Canada, the European Union, Japan, and South Korea to drop a pesticide test in which dogs are repeatedly poisoned over the course of a year and then killed—and Brazil dropped the test this fiscal year.

To produce antibodies, each year, millions of mice, rats, goats, and other animals are injected with foreign substances and then repeatedly bled or needles are inserted into their abdomens to extract the antibodies produced by their immune system. The Science Consortium and a government office (the National Toxicology Program Interagency Center for the Evaluation of Alternative Toxicological Methods) co-led an expert meeting to outline a plan to make the transition to animal-free antibodies.

After years of working with PETA, more major personal-care brands, including Unilever's Suave as well as Procter & Gamble's Secret deodorant and Aussie, banned all tests on animals and joined PETA's Global Beauty Without Bunnies program. Avon Products, Inc., stopped all tests on animals everywhere in the world and was officially added to PETA's "Working for Regulatory Change" list.

PETA worked with leading surgical training model manufacturer SynDaver to help fund and develop a hyper-realistic, dissectible synthetic frog with removable organs that will reduce the number of real frogs killed for classroom dissection.

In May, PETA broke an undercover investigation into the Cleveland Clinic, one of the largest laboratories in the nation, revealing that the skulls of mice were cut open, the animals were denied pain relief for prolapsed organs, and they were forced to drag their paralyzed hind legs. PETA filed a formal complaint with the National Institutes of Health (NIH), and a PETA investigator rescued three rat sisters, who were then adopted.

After a wide-ranging PETA campaign, Pfizer, the world's third-largest pharmaceutical company; GlaxoSmithKline, one of the world's 10 largest pharmaceutical companies; Bayer, the world's fifth-largest pharmaceutical company; Bristol Myers Squibb; and pharmaceutical companies AstraZeneca, Novo Nordisk A/S, and Sage Therapeutics all banned the forced swim test, in which small animals are dropped into inescapable beakers of water and made to swim for their lives, supposedly to gauge the effectiveness of drugs to treat depression in humans.

Following discussions with PETA, the W.K. Kellogg Foundation—the eighth-largest philanthropic foundation in the U.S.—confirmed that after decades of supporting invasive and deadly experiments on animals, its current grantmaking framework does not include funding or support for programs that involve animal testing. Ingredion Incorporated—a multibillion-dollar global ingredients provider—implemented a new policy banning all experiments on animals for basic research. Takasago International Corporation, Japan's largest flavor and aroma company, banned all animal tests to establish health claims for marketing ingredients.

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

Note 1: Organization (continued)

PETA released never-before-seen video footage obtained through the Freedom of Information Act showing brain-damaged monkeys being terrorized with rubber snakes and spiders in “psychology” experiments at an NIH laboratory in Maryland and filed complaints; held two powerful protests outside the Department of Health and Human Services in Washington, D.C.; placed multiple TV, newspaper, and online ads; and worked with numerous scientists to object to the flawed science.

PETA pressured Texas A&M University to close its heinous muscular dystrophy breeding laboratory with a compelling ad blitz in the state of Texas. Several dogs were removed from the laboratory and placed in homes.

*Animals in the Food Industry*

After talks with PETA, Denny’s launched the Beyond Burger nationwide, Dunkin’ went national with the Beyond Sausage sandwich, Baskin-Robbins introduced three dairy-free ice cream options, UNO Pizzeria & Grill added the Beyond Burger and Daiya vegan cheese for both its pizzas and a vegan cheeseburger, and Dairy Queen launched a vegan Dilly Bar ice cream treat nationwide.

After years of pressure from PETA, KFC gave vegan chicken a trial run in Atlanta and sold out in less than five hours. The chain then expanded its Beyond Chicken offerings to more than 50 Southern California locations, and KFC Canada permanently added a vegan chicken sandwich to the menu.

PETA’s hard work led the New York City Council to ban the sale of foie gras.

*Animals in the Clothing Industry*

Following years of pressure from PETA, numerous designers and brands banned fur, including Karl Lagerfeld, G-III Apparel Group (whose brands include Andrew Marc and Karl Lagerfeld Paris), and Rebecca Minkoff (who sells at Bergdorf, Nordstrom, Shopbop, Bloomingdale’s, REVOLVE, and Saks Fifth Avenue).

Macy’s Inc. announced that it will no longer sell fur as of the end of 2020. This move will include all of Macy’s and Bloomingdale’s private brands and items sold by partners, and the company will be closing its Fur Vaults and salons.

Paragon Sports confirmed that Winter 2020 will be the last season it sells fur, including items made by Canada Goose.

Sephora, Velour, Coco Mink Lashes, and Glad Girl confirmed that they’d banned mink fur eyelashes—and brands Pomades, RoyalShave, and TheStache.com along with companies Morphe and NARS Cosmetics agreed to ban badger hair.

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

Note 1: Organization (continued)

After 30 years and because designers and retailers are dropping fur left and right, PETA retired its iconic “Rather Go Naked Than Wear Fur” campaign to focus instead on the leather, wool, and exotic-skins industries. The decision was widely reported.

Brooks Brothers (the oldest retailer in the U.S.) and PVH brands, including Calvin Klein and Tommy Hilfiger, confirmed that they had stopped ordering products made of exotic skins, joining luxury fashion brand Jil Sander, which confirmed that it had stopped using skins from alligators, crocodiles, ostriches, lizards, and snakes in its designs.

After viewing a first-of-its-kind PETA investigation revealing that crying alpacas were roughly shorn, cut open, and left bleeding from deep wounds, many companies—including the third-largest clothing retailer in the world, UNIQLO, as well as Columbia Sportswear and its brands prAna, SOREL, and Mountain Hardwear—agreed to ban alpaca fleece. Luxury fashion brand Valentino will discontinue the production of garments made using alpaca by the end of 2021.

Following communications with PETA, the American Red Cross and Redfora—the company selling The Earthquake Bag—pledged to a replace all leather gloves with durable synthetic options.

During the COVID-19 stock market downturn, PETA purchased stocks in nearly two dozen companies—including Guess, Ralph Lauren, and Urban Outfitters—in order to pressure them to ban wool, cashmere, and mohair.

*Animals in the Entertainment Industry*

PETA worked with numerous venues to ban animal performances or get them canceled. Florida’s Highlands County Fair Association in Sebring canceled a tiger show. An elephant act in the Garden Bros. Circus in Hope, Arkansas; Roanoke, Virginia; and Kentucky was canceled. A ban on the use of wild animals in traveling acts was instituted in the town of Wilmington, Massachusetts; and a ban on public contact with dangerous captive animals, including bears, primates, and certain big cats, was implemented in Virginia. After 26 years of hosting animal circuses, the Dalton Lions Club in Massachusetts announced that it would no longer host them.

California’s Circus Cruelty Prevention Act, a bill cosponsored by PETA, passed, banning the use of most animals in circuses. It was followed by a unanimous vote, supported by PETA, by the Los Angeles City Council to ban the use of wild and exotic animals in circuses, performing acts, and house parties and to prohibit public contact with dangerous animals.

The Association of Zoos and Aquariums announced a new policy to phase out the use of bullhooks to train or control elephants in zoos. The long-overdue ban will end the routine use of these cruel weapons by January 21, 2021 and end all use of them by January 2023. PETA has campaigned long and hard against their use.

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

Note 1: Organization (continued)

Following a months-long PETA campaign, SeaWorld agreed to stop making trainers stand on dolphins' faces and ride on their backs as though they were surfboards in cruel and demeaning circus-style shows, prompting a new campaign demanding an end to the marine park's sordid dolphin- and whale-breeding programs. PETA offered to donate a quarter of a million dollars toward building a seaside sanctuary if SeaWorld would agree to release these long-suffering animals to such a sanctuary.

After hearing from PETA and more than 300,000 PETA supporters, Booking.com enacted a policy against selling tickets for elephant rides, aquariums that hold dolphins and whales captive (including SeaWorld), and performances and direct interactions with certain wild-animal species.

After hearing from PETA, PETA France, and other animal rights groups, Pernod Ricard—which owns over 90 wine and spirits brands, including Absolut Vodka, Malibu, and Ballantine's—ended its financial support of the Union of Paul Ricard Bullfighting Clubs, the largest bullfighting organization in the world. The company also agreed to stop testing its products on animals and will require its 1,600 ingredient suppliers to comply with the policy.

Thanks to an intense PETA campaign in which more than a dozen protesters chained themselves to barrels outside the LA Auto Show, Anchorage Chrysler Dodge Jeep Ram Center—an independently owned Fiat Chrysler Automobiles dealership that has sponsored the Iditarod since 2007—dropped its sponsorship of the race. Alaska Airlines and Baird Private Wealth Management also ended their sponsorship.

A bettor who filed a first-of-its-kind, PETA-supported lawsuit alleging that a horse trainer and an owner violated state and federal racketeering laws and engaged in fraud by illegally doping a horse used for harness racing secured a \$20,000 settlement.

*Other Cruelty to Animals*

Following a decade-long PETA effort and urging from tens of thousands of PETA supporters, Walmart ended its sale of all live fish.

Total expenses incurred in this program were \$12,157,145.

Research, Investigations, and Rescues

Receiving hundreds of complaints related to cruelty to animals each week, PETA works to rescue abused, neglected, and at-risk animals and organizes care for them. It also investigates cruelty cases, conducts investigations, gathers evidence of legal violations, and takes action to ensure the enforcement of laws and regulations.

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

Note 1: Organization (continued)

*Animals in the Experimentation Industry*

PETA's groundbreaking free-speech lawsuit filed in May 2018 challenged Texas A&M University's use of a word filter on its public Facebook page. The filter automatically deleted visitor posts and comments if they contained words such as "PETA," "cruelty," "lab," or "abuse" or other terms associated with PETA's high-profile campaign against the school's muscular dystrophy experiments on dogs. Texas A&M agreed to remove the word filter on its Facebook page and to pay PETA's attorneys' fees in an agreed-to amount of \$75,000.

PETA won a public records lawsuit against Oregon Health & Science University, which was ordered to provide 74 videos of taxpayer-funded experiments on monkeys that took place at the university's primate research center. These experiments involved impregnating macaque monkeys, feeding the mothers various experimental diets, separating them from their offspring, and deliberately frightening the young monkeys.

PETA won a public records lawsuit against the U.S. Department of Health and Human Services after the agency refused to release information related to cruel maternal deprivation studies on primates. The court agreed that the information was improperly withheld and ordered its release.

*Animals in the Food Industry*

In a still-pending lawsuit challenging Iowa's second ag-gag law, designed to silence whistleblowers and undercover activists by punishing them for recording video footage or taking photos inside factory farms, slaughterhouses, and puppy mills, a U.S. district court issued a preliminary injunction preventing the state from enforcing the new law while the lawsuit to block it proceeds. The court also denied the state's attempt to have the lawsuit dismissed. The court's granting of a preliminary injunction means that the case will likely succeed on its merits.

A federal court denied Nellie's Free-Range Eggs' attempt to dismiss a lawsuit challenging the humane-washing imagery and slogans on its packaging. PETA Foundation attorneys filed this lawsuit in 2019 on behalf of consumers based in New York, who were misled into buying eggs sold under the Nellie's Free-Range Eggs label. Egg sellers can't deceptively depict hens frolicking outdoors.

After four years of litigation, including a successful appeal to the Fourth Circuit Court of Appeals by PETA and its coalition of plaintiffs on the issue of standing, the U.S. District Court for the Middle District of North Carolina struck every challenged section of the state's ag-gag statute as unconstitutional under the Free Speech Clause.

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

Note 1: Organization (continued)

*Animals in the Clothing Industry*

After nearly 8,000 PETA supporters wrote to their representatives in support, California passed Assembly Bill 44, making it the first state to ban the sale and manufacture of new fur items. AB 1260 was also passed, banning the sales of skins and other body parts from hippos, caimans, and certain lizards in California.

Anti-Canada Goose public service announcements were placed across the U.S. and Canada. Because of the company's ties with the film industry, an ad also ran in The Hollywood Reporter's Sundance Film Festival issue and PETA maintained a presence throughout the Toronto International Film Festival (TIFF) to urge industry leaders to cut ties with the cruel company. Pamela Anderson signed a public appeal to TIFF Co-Head Cameron Bailey, urging him to do just that. PETA held a "fur crawl" protest outside Canada Goose's New York City flagship store during the company's virtual annual meeting. Under pressure, Canada Goose announced that it would be switching to "reclaimed" fur by 2022 and to "responsible" down. PETA blasted out a response that these materials are still a product of cruelty, as coyotes can still be caught in painful steel traps—no matter when the fur was stolen—and the down standards are essentially meaningless, as all down used by Canada Goose comes from birds who died violently.

*Animals in the Entertainment Industry*

Joseph Maldonado-Passage ("Joe Exotic" of Tiger King)—formerly the operator of the notorious Greater Wynnewood Exotic Animal Park and the primary supplier of big-cat cubs for the cub-petting industry—was sentenced to 22 years in prison on two counts of murder for hire and 17 counts of wildlife-related federal crimes, including for killing five tigers just to make more cage space at his roadside zoo and trafficking in endangered animals. A PETA Foundation attorney testified at the trial.

PETA was awarded a default judgment and permanent injunction in its Endangered Species Act (ESA) lawsuit against Dade City's Wild Things, which is now permanently banned from owning or possessing endangered tigers and has reportedly closed its doors for good. The roadside zoo offered "swim with tigers" and tiger-cub encounter programs. The tigers were relocated to The Wild Animal Sanctuary in Colorado and Turpentine Creek Wildlife Refuge in Arkansas.

Following numerous requests from PETA, the U.S. Department of Agriculture (USDA) terminated the federal Animal Welfare Act (AWA) license of notorious elephant exhibitor Hugo Liebel, who had spent decades using Nosey, an ailing elephant, for rides and circus shows. The circuit court for Lawrence County, Alabama, dismissed an appeal by Hugo and Franciszka Liebel, who sought to overturn an order that granted custody of Nosey to a Lawrence County animal control officer. The dismissal means that Nosey remains safe at The Elephant Sanctuary in Tennessee.



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

Note 1: Organization (continued)

The U.S. District Court for the Eastern District of Missouri granted PETA's motion for summary judgment against Andrew Sawyer, who boarded a chimpanzee named Joey in solitary confinement at the Missouri Primate Foundation for years. The district court ruled that Sawyer violated the ESA by failing to meet Joey's fundamental social, physical, and psychological needs and ordered that he be transferred to an accredited sanctuary where he can live for the rest of his life.

Following a vigorous, months-long PETA campaign, Dillan, a morbidly obese Asiatic black bear suffering from painful and life-threatening dental disease, was rescued. He had been held in a cramped, concrete cage at a Pennsylvania roadside zoo, where he was denied veterinary care for his advanced dental disease. He was transferred to The Wild Animal Sanctuary.

Following a six-day bench trial in PETA's ESA lawsuit against the Tri-State Zoological Park in Maryland, a federal court ruled that Tri-State had violated the ESA by failing to provide tigers, lions, and lemurs—including five animals who died—with adequate veterinary care. The facility is now prohibited from owning or possessing endangered or threatened species in the future, and the two surviving tigers and a lion were transferred to The Wild Animal Sanctuary.

The USDA issued an order to revoke the AWA license of notorious animal exhibitor Tim Stark permanently and ordered him and his facility, Wildlife in Need, to pay a total of \$340,000 in civil penalties. The order found numerous violations of the AWA at the Indiana facility, including when patrons were instructed to hit big-cat cubs during so-called "Tiger Baby Playtime" events, monkeys were swung and tossed by their tails during public encounters, and a leopard was bludgeoned to death with a baseball bat. PETA also had a pending ESA lawsuit against the facility, and the Indiana Attorney General's Office filed a civil complaint against Stark, for which PETA provided evidence.

*Companion-Animal Issues*

PETA's mobile spay/neuter clinics sterilized 12,742 animals during the fiscal year 2020. The clinics completed 2,589 free surgeries, 711 of them for pit bulls. Veterinary staff also performed 1,491 surgeries at low cost. In addition to giving out hundreds of bags of dog and cat food to clients directly, PETA donated more than 100 bags to the Foodbank of Southeastern Virginia and the Eastern Shore and set up a food donation box at the Sam Simon Center, PETA's headquarters in Norfolk, Virginia.

For at least six years, a miniature horse named Bea went without veterinary care. PETA's field team rescued her, and after some vital, lifesaving care, she's living at a new home in New Mexico that she shares with Toby, a fellow miniature horse also rescued by PETA.

Alerted by a call to PETA's local emergency pager, a fieldworker discovered a cat named Oreo with what looked like a bad leg injury, crying and unable to walk without falling over. His owner was identified and signed him over to PETA. Technicians found that this cat

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

Note 1: Organization (continued)

had an elastic ponytail holder wrapped around a rear leg and another one wrapped around a front leg. Part of his rear leg was missing, with bone and tissue exposed, and he had severe maggot infestations. A front paw was necrotic and swollen. PETA staffers returned to investigate further and discovered that the responsible party was a developmentally disabled 10-year-old child who admitted to banding the cat's legs. PETA is working with the child's mother, who was charged with animal abuse and failure to provide duties of ownership, and local authorities to get this child the help that he needs and to ensure that the family doesn't acquire any more animals.

In similar cases, after PETA provided police in Plainfield, New Jersey, with evidence, a chronically abused cocker spaniel was confiscated and his young abuser underwent psychological treatment—and in Stevens Point, Wisconsin, charges were filed against a juvenile posting animal torture videos that PETA took to local authorities, who promptly seized the animal victim. PETA provided the British Columbia SPCA and the Royal Canadian Mounted Police with extensive forensic research results, helping authorities find and quickly serve an arrest warrant on a 20-year-old man who had repeatedly posted videos of himself torturing and drowning hamsters he had apparently purchased at PetSmart. He was charged with several counts of cruelty to animals and taken into custody. With an action alert that garnered record-breaking traffic, PETA persuaded Pinckneyville, Illinois, prosecutors to file felony torture charges against a juvenile who was videotaped kicking a baby deer to death.

After four legislative sessions, countless discussions, supportive editorials, hard-fought compromises, and bipartisan collaborations, the Virginia General Assembly voted to pass animal protection bills that prohibit keeping dogs tethered outside during below-freezing temperatures, extreme heat, hurricanes, thunderstorms, and other severe weather.

After nearly a decade of PETA's campaigning, attending meetings, collaborating on drafts, compromising on language, speaking at county commissioner meetings, and more, effective January 1, 2020, the unattended tethering of dogs became illegal in Halifax County, North Carolina. PETA worked with the county health department to write, design, and produce a leaflet inserted into more than 8,000 water bills and secured several highly visible billboards on roads and highways in the county in order to get the word out.

PETA's investigation into the Taiwan pigeon-racing industry found illegal gambling and the use of performance-enhancing drugs on the birds. Two more club officials were sentenced to jail and 16 others were fined, bringing the number of people convicted to 239 (the most charged as a result of any PETA investigation).

A similar investigation exposed the mass suffering and death of birds used in the grueling South African Million Dollar Pigeon Race. PETA and its affiliates urged Queen Elizabeth II to sever ties with the race, end her involvement in pigeon racing, and convert her breeding loft into a sanctuary. Investigators found that for the 2020 race, fewer than 800 birds of approximately 5,000 entered in the competition survived to the end; over 1,000 pigeons, including all eight of the birds sent by the Queen, died during quarantine; and

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

Note 1: Organization (continued)

thousands more died during long training flights and preliminary races under the blazing South African sun.

In response to PETA's video of shocking abuse and the killing of horses at a large slaughterhouse in Jeju, South Korea, North American conglomerate The Stronach Group announced a policy prohibiting any of its racehorses from being exported to South Korea. The Korea Racing Authority (KRA) issued a new retirement plan that will provide financial support for hundreds of retired horses. At PETA's request, the KRA also issued a directive instructing workers not to breed horses who are experiencing health conditions and to minimize the use of "physical correction tools" such as lip twitches to hold mares in place.

A first-of-its-kind PETA undercover investigation into Mallkini—the world's largest privately owned alpaca farm, in Peru—reveals that workers held struggling, crying alpacas by the ears as they were roughly shorn with electric clippers, causing some to vomit out of fear. Workers slammed the alpacas—some of whom were pregnant—onto tables, tied them to a medieval-looking restraining device, and pulled hard, nearly wrenching their legs out of their sockets. The quick, rough shearing left the animals cut up and bleeding from deep wounds, which were sewn up without adequate pain relief.

PETA exposed an Ohio factory farm producing eggs that are sold widely under Walmart's Great Value brand, revealing widespread, severe abuse of laying hens and hundreds of dead hens, many of whom were left to decompose alongside survivors in small, cramped cages. PETA's investigator found a severely injured hen still alive in a trash bin, and a worker was seen pulling a live hen's head off. PETA is calling on Walmart to reconsider its relationship with the company.

After PETA uncovered that a business called Animal Blood Resources International (ABRI) took at least 27 homeless cats from two Michigan animal shelters under the guise of adoption, only to warehouse and bleed them repeatedly for profit, the shelters confirmed that they had stopped sending homeless animals to ABRI.

PETA exposed the following: a Wisconsin slaughterhouse where workers repeatedly electroshocked a crying pig, hung her upside down, and cut her throat while she was conscious; an Idaho slaughterhouse where workers repeatedly shot a cow in the head, hung her upside down, and cut her throat twice as she cried out in pain; a Pennsylvania slaughterhouse worker who beat a frail, elderly cow who'd been used for milk; another Pennsylvania kill floor where workers shot a pig as she cried out and cut a conscious cow's throat; an Indiana slaughterhouse where cows were repeatedly shot in the head; an Arizona slaughterhouse where workers shot a pig in the head at least twice and repeatedly electroshocked the conscious, crying animal; and a Kentucky slaughterhouse whose staff shot a cow four times in the head as she cried out. PETA also prompted a criminal investigation into a Virginia kill floor where a cow was left with a metal bolt lodged in her skull.

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

Note 1: Organization (continued)

After PETA's intervention, turtle and hamster races were permanently stopped at a Fort Worth, Texas, bar; a planned raffle of a python was canceled at the Greenville, North Carolina, Comic-Con; Canfield, Ohio, fair organizers stopped giving away iguanas and hermit crabs as prizes and imposed a permanent policy against live-animal giveaways; and a Richmond, Kentucky, church-based men's group agreed to stop holding cruel pig chases.

It took months of effort, but PETA persuaded MGM Resorts in Las Vegas to stop trapping pigeons and to deter them with humane methods instead.

After learning that the Wisconsin Department of Natural Resources condones drowning as a method of wildlife "euthanasia," PETA fired off a letter reminding it of its own regulations and of state law prohibiting this method—and staff members were retrained on acceptable wildlife euthanasia methods.

After learning that maintenance staff at Johnson University in Knoxville, Tennessee, were drowning skunks, PETA quickly contacted university officials and the school is now implementing humane euthanasia methods.

PETA persuaded a school district in Santa Barbara, California, to stop using glue traps after whistleblowers reported that trapped rodents were self-mutilating and "making a bloody mess."

Within 24 hours, the property managers of a Lakewood, Colorado, apartment complex were pressured by PETA to discontinue a raccoon-trapping initiative that was fully underway.

PETA assisted law enforcement in securing Wisconsin's first convictions stemming from an attempt to neuter an animal at home. Concerned relatives contacted PETA after seeing family members post on Facebook about using a rubber band to try to neuter their kitten, which blocked his urethra and led to his death. PETA provided officials with inside information on the location of the kitten's corpse and paid for the body to be necropsied, resulting in the conviction of all three humans involved.

PETA assisted the under-resourced sheriff's department of Nash County, North Carolina, in coordinating transportation and placement for more than 20 animals abandoned on a rural property by their owner, who received a felony charge of cruelty to animals.

PETA assisted a concerned neighbor in obtaining video evidence that two pit bulls were beaten and thrown then gave the footage to Mooresville, North Carolina, law-enforcement officials, who didn't seem inclined to act until PETA pushed supervisors. Both abusers were arrested, and the dogs were seized and later adopted by a bailiff.

Edinburg, Pennsylvania, authorities were pressured into investigating a notorious breeder of boxers being kept in horrific conditions. All the dogs were seized, and the breeder was charged with multiple counts of cruelty to animals

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

Note 1: Organization (continued)

The organizers of Virginia Beach's Neptune Festival agreed to ban the selling of sugar gliders, which meant that Pocket Pets couldn't sell these tiny marsupials at the event.

The CEO of Weis supermarkets, with locations in Pennsylvania and six other states, assured PETA that the chain is reducing the number of lobsters in tanks in all 198 stores.

A Lakewood, Colorado, supermarket agreed to stop selling live frogs for human consumption.

Total expenses incurred in this program were \$19,903,446.

*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, animal rights T-shirts, informative videos and books, animal-rescue equipment, and campaign materials. These items are available online through the PETA Mall and the PETA Shop.

This fiscal year, PETA added 706 brands and companies to its Global Beauty Without Bunnies list of companies that don't test on animals (and 407 of them are also vegan), bringing the total number to 4,603.

The program was featured in many leading industry publications and media outlets, including Vogue, VegNews, Elle, and Allure. PETA also welcomed the addition of many celebrity-backed brands, including Kesha Rose, Lauren Conrad Beauty, Mille Bobbie Brown's Florence by Mills, and Patricia de Leon's PDL Cosmetics. Dermablend became the first L'Oréal-owned brand on the list of companies that don't test on animals.

In the last year, PETA's Global Beauty Without Bunnies searchable online database received 2.4 million-page views (an average of 220,000-page views per month).

Total expenses incurred in this program were \$461,979.

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

Note 2: Summary of Significant Accounting Policies

*Basis of Accounting*

The financial statements of PETA have been prepared in accordance with U.S Generally Accepted Accounting Principles (“US GAAP”), which require PETA 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 PETA’s management and the board of directors.

*Net Assets With Donor Restrictions-* Net assets subject to stipulations imposed by donors. Some donor-imposed restrictions are temporary in nature; those restrictions will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates 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.

*Investments*

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment expenses.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statement of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

*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 statement of activities. Conditional promises to give are not included as support until the conditions are substantially met.

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

Note 2: Summary of Significant Accounting Policies (continued)

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 is 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	5 - 7 years
Office furniture and equipment	3 - 7 years
Software	1 - 10 years
Buildings and improvements	7 - 40 years

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, 2020 comprise of prepaid implementation costs on such arrangements. The prepaid hosting arrangements became fully amortized during the fiscal year.

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

Note 2: Summary of Significant Accounting Policies (continued)

Inventory

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.

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

Deferred Rent Liability

PETA received rent abatements 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.

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.

Legacies Receivable

PETA receives indications of gifts in the form of bequests, which are typically revocable during the donor's lifetime, as well as bequests from deceased donors. Due to the uncertain nature of the intentions from active donors, PETA considers these to be intentions to give and these are not recognized in the financial statements. PETA records a receivable and will record Legacies and bequests as revenue when they have an irrevocable right to the gift and the proceeds are readily measurable.



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

Note 2: Summary of Significant Accounting Policies (continued)

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of the donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

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 11).

Advertising Costs

Advertising costs are expensed as incurred and totaled \$4,194,672 for the year ended July 31, 2020.

**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 cost of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated amount program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated included the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and related expenses	Time and effort
Rent and other building expenses	Square footage
General Operating Expenses	Time and effort
Donations to charitable organizations	Time and effort
Postage	Time and effort
Media and press support	Time and effort
Telephone and misc. office expenses	Time and effort
Travel and transportation	Time and effort
Special event expenses	Time and effort
Education and promotional costs	Time and effort
Cost of goods sold	Time and effort
Professional services and consultants	Time and effort

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, 2020, PETA has evaluated subsequent events for potential recognition and disclosure through December 2, 2020, the date the financial statements were available to be issued and believe there to be no further potential recognition or disclosure.

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

Note 2: Summary of Significant Accounting Policies

*New Accounting Pronouncements*

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 US 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. However, in May 2020, due to the on-going COVID-19 virus pandemic, the FASB elected to allow postponement for the adoption of Topic 606 for those entities who had not yet completed their annual financial statements until 2020. The Organization has therefore elected to postpone the adoption of Topic 606.

In February 2016, 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, 2021 and interim periods therein. As such, PETA will be required to adopt the standard on August 1, 2022. 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 June 2018, the FASB issued ASU No. 2018-08, Not-For-Profit Entities (Topic 958) Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. The new standard clarifies and improves the scope and accounting guidance for contributions received and contributions made. The effective date for resource recipients is annual reporting periods beginning after December 15, 2018 and interim periods beginning after December 15, 2019. The effective date for resource providers is annual reporting periods beginning after December 15, 2019 and interim periods after December 15, 2020. The adoption of the standard for the year ended July 31, 2020, did not result in a change to the accounting for the Organizations revenue. Management believes the standard improves the usefulness and understandability of the organization’s financial statements.

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

Note 3: Availability and Liquidity

The following represents PETA's financial assets at July 31, 2020:

Financial Assets at year-end:	
Cash and cash equivalents	\$ 4,389,824
Legacy and Accounts receivable	988,627
Operating investments	12,395,725
Endowment investments	3,195,948
Property held for sale	1,781,824
Total financial assets	<u>22,751,948</u>
Less amounts not available to be used within one year:	
Time restricted contributions	(728,450)
Endowment investments	(3,195,948)
Property held for sale	(1,781,824)
Total amounts not available to be used	<u>(5,706,222)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 17,045,726</u>

As part of PETA's liquidity, management has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, PETA invests cash in excess of daily requirements in short- term investments.

Note 4: Prepaid Hosting Arrangements

Prepaid hosting arrangements at July 31, 2020 consisted of the following:

Prepaid hosting arrangements	\$ 442,557
Less: accumulated amortization	<u>(442,557)</u>
	<u>\$ --</u>

Amortization expense for the year ended July 31, 2020 was \$199,895.

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

Note 5: Property and Equipment

Property and equipment at July 31, 2020 consisted of the following:

Mobile spay/neuter clinics and other vehicles	\$ 1,577,315
Office furniture and equipment	373,407
Software	649,570
Buildings and improvements	174,004
Land	<u>91,170</u>
	2,865,466
Less: accumulated depreciation and amortization	<u>(1,981,837)</u>
Total property and equipment, net	<u>\$ 883,629</u>

Depreciation and amortization expense for the year ended July 31, 2020 was \$ 437,060.

Note 6: 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 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.

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

Note 6: Fair Value Measurements

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.

The carrying amount of cash held in money market accounts are accounted for at cost and not categorized in the fair value hierarchy below.

Financial assets measured at fair value on a recurring basis as of July 31, 2020 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>	
Money Market Funds	\$ 3,882,629	\$ --	\$ --	\$ 3,882,629
Corporate bonds	--	2,889,532	--	2,889,532
Equity securities	3,675,828	--	--	3,675,828
Stock Funds	405,373	--	--	405,373
Exchange traded funds	876,672	--	--	876,672
Mutual Funds	270,322	--	--	270,322
Real estate funds	--	394,919	--	394,919
	<u>\$ 9,110,824</u>	<u>\$ 3,284,451</u>	<u>\$ --</u>	<u>\$ 12,395,275</u>

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

Note 6: Fair Value Measurements (continued)

	<u>Endowment Investments</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Money Market Funds	\$ 56,214	\$ --	\$ --	\$ 56,214
Corporate bonds	--	1,701,735	--	1,701,735
Equity securities	1,397,935	--	--	1,397,935
Stock funds	20,504	--	--	20,504
Real estate investment trust	--	19,560	--	19,560
	<u>\$ 1,474,653</u>	<u>\$ 1,721,295</u>	<u>\$ --</u>	<u>\$ 3,195,948</u>

Note 7: Net Assets

Without Donor Restrictions

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.

With Donor Restrictions

Temporarily restricted net assets are available for the following purposes:

Campaigns against animal testing, factory farming, and animal cruelty	\$ 1,572,188
For periods after July 31, 2020	<u>808,450</u>
Total temporarily restricted net assets	<u>\$ 2,380,638</u>

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

Note 7: Net Assets (continued)

Endowments are comprised of five separate endowment funds with a total value of \$3,294,368 as of July 31, 2020. 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. Under the terms of the second endowment fund ordinary earnings from one half of the endowment shall be used for capital expenditures. Under the terms of the third endowment 10% of the earnings is retained to grow the fund, the remaining 90% is available for unrestricted use. Earnings on the remaining two endowment funds are unrestricted.

*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



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

Note 7: Net Assets (continued)

**Endowment Net Asset Composition by Type of Fund  
As of July 31, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
With Donor Restriction			
endowment funds	\$       --	\$ 3,294,368	\$ 3,294,368

**Changes in Endowment Net Assets  
for the Fiscal Year Ended July 31, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$       --	\$ 3,288,063	\$ 3,288,063
Investment return:			
Investment income	--	6,305	6,305
Total investment Return	--	6,305	6,305
Contributions	--	--	--
Endowment net assets, end of year	\$       --	\$ 3,294,368	\$ 3,294,368

**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.

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

Note 8: 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. Employer contributions for the year ended July 31, 2020 were \$122,753.

Note 9: 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 13. Rental payments to FSAP during fiscal year 2020 were \$1,176,210. FSAP also donated \$39,708 of space to PETA during the fiscal year. In addition, the Foundation provided \$15,413,568 in services to PETA during the fiscal year. The Foundation also donated \$4,810,346 to PETA during the year. At year end, PETA owed FSAP \$2,421,024.

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 \$2,874,435 of cash and \$25,318 of in-kind contributions to assist in their operations.

Note 10: Concentration of Credit Risk

The Federal Deposit Insurance Corporation (FDIC) insures accounts up to \$250,000 at each financial institution. At July 31, 2020, PETA exceeded insured levels by \$3,680,538.

Note 11: 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	\$ 248,887	\$ --	\$ --	\$ 248,887
Professional services	1,024,637	45,210	901,540	1,971,387
Advertising	2,393,675	--	1,264	2,394,939
Goods	<u>201,757</u>	<u>170</u>	<u>99,377</u>	<u>301,304</u>
	<u>\$ 3,868,956</u>	<u>\$ 45,380</u>	<u>\$ 1,002,181</u>	<u>\$ 4,916,517</u>

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

Note 12: Allocation of Joint Costs

During the fiscal year, PETA incurred joint costs of \$10,266,111 for educational material and activities that included fund-raising appeals. Based on an analysis of the content of these mailings, \$96,405 was allocated to management and general, \$3,799,530 was allocated to membership development and \$6,370,176 was allocated to program expenses. Of the amount allocated to program expenses, \$1,945,660 was allocated to international grass roots campaigns, \$1,446,950 was allocated to public outreach and education, \$2,959,337 was allocated to research, investigations and rescue, and \$18,229 was allocated to the cost of merchandise.

Note 13: 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,	
2021	\$ 1,176,210
2022	955,710
2023	766,054
2024	721,035
2025	740,880
Thereafter	<u>2,504,329</u>
	<u>\$ 6,864,218</u>

Rent expense for the year ended July 31, 2020 was \$1,265,679.

Note 14: Cash Flows

Supplemental disclosure of cash flow information

PETA paid \$163,838 of interest during the fiscal year.

Note 15: Paycheck Protection Loan

On April 19, 2020, PETA was granted \$2,603,800 loan under the Paycheck Protection Program (“PPP”) loan under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). The PPP loan application required the Company certify in “good faith” that is requesting the loan due to “economic uncertainty,” and that it has no access to credit elsewhere. The Small Business Administration (“SBA”) or U.S. Treasury may audit the Company’s “good faith” certification. Management believes its “good faith” certification will be upheld in the event of an audit.

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

Note 15: Paycheck Protection Loan (continued)

The PPP loan and accrued interest are forgiven contingent upon the Company applying for loan forgiveness, demonstrating loan proceeds were used for eligible purposes, as required by the SBA. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period from the date of the loan. The unforgiven portion of the PPP Loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The unpaid principal amount of the PPP Loan on July 31, 2020 was \$1,905,465.

Note 16: Risk and Contingencies

As a result of the spread of COVID-19 coronavirus, economic uncertainties have arisen, which could impact operations. The extent to which COVID-19 impacts results will depend on future developments, which are highly uncertain and cannot be predicted. Management is evaluating the potential impacts of COVID-19 on the financial statements and believes there to be no further potential recognition or disclosure.