

ANIMAL PLACE
FINANCIAL STATEMENTS
DECEMBER 31, 2018

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DECEMBER 31, 2018**

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INDEPENDENT AUDITOR'S REPORT

To Management and Board of Directors of
Animal Place
Grass Valley, California

We have audited the accompanying financial statements of Animal Place (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, 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 Animal Place as of December 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.



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
September 18, 2019

**ANIMAL PLACE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018**

ASSETS

Current Assets

Cash and Cash Equivalents	\$1,937,265	
Investments	1,307,181	
Inventory - Merchandise	29,565	
Inventory - Animal Place Vegan Republic	11,340	
Prepaid Expenses	3,297	
Total Current Assets		\$ 3,288,648

Fixed Assets

Fixed Assets	8,678,697	
Less: Accumulated Depreciation	(1,116,459)	
Total Net Fixed Assets		7,562,238

Other Assets

Endowment Account	117,983	
Deposits	150	

TOTAL ASSETS	<u><u>\$ 10,969,019</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 957,889	
Payroll Liabilities	24,337	
Current Portion of Note Payable for Vacaville Land	23,853	
Current Portion of Note Payable for Grass Valley Land	30,130	
Total Current Liabilities		\$ 1,036,209

Long Term Liabilities

Compensated Absences Payable	30,284	
Note Payable for Grass Valley Land	163,697	
Long-Term Liabilities		193,981

TOTAL LIABILITIES	\$ 1,230,190
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Net Assets

Without Donor Restrictions	8,355,937	
With Donor Restrictions	1,382,892	

TOTAL NET ASSETS	9,738,829
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 10,969,019</u></u>

See Accompanying Notes

**ANIMAL PLACE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT			
Contributions			
Grants	\$ 51,342	\$ 170,315	\$ 221,657
Bequests	12,273	596,230	608,503
Donations	21,724	3,205,863	3,227,587
Debt Forgiveness	41,041	-	41,041
In-Kind Donations	50,575	-	50,575
Fundraising	22,996	-	22,996
Merchandise Sales	9,293	-	
Less cost of goods sold	<u>(14,255)</u>		
	(4,962)		(4,962)
Animal Place Vegan Republic Sale	532,430		
Less cost of goods sold	<u>(364,212)</u>		
	168,218	-	168,218
Chicken Adoptions	4,741	-	4,741
Guest House Rental	8,731	-	8,731
Tours	16,466	-	16,466
Unrealized Gain (Loss)	(84,749)	-	(84,749)
Interest and Dividends	48,992	-	48,992
Net Assets Released from Restriction	<u>2,895,753</u>	<u>(2,895,753)</u>	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>3,253,141</u>	<u>1,076,655</u>	<u>4,329,796</u>
EXPENSES AND LOSSES			
Program	2,135,707	-	2,135,707
Administrative	166,928	-	166,928
Fundraising	145,179	-	145,179
TOTAL EXPENSES AND LOSSES	<u>2,447,813</u>	<u>-</u>	<u>2,447,813</u>
Change in Net Assets	805,328	1,076,655	1,881,983
Net Assets at December 31, 2017	<u>7,550,609</u>	<u>306,237</u>	<u>7,856,846</u>
NET ASSETS AT December 31, 2018	<u>\$ 8,355,937</u>	<u>\$ 1,382,892</u>	<u>\$ 9,738,829</u>

See Accompanying Notes

ANIMAL PLACE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services	Administrative Expenses	Fundraising Expenses	Total Expenses
Personnel Costs	\$ 734,979	\$ 141,899	\$ 14,935	\$ 891,813
Advertising	6,464	-	-	6,464
Animal Care	111,396	-	-	111,396
Bank & Credit Card Fees	29,507	3,647	-	33,154
Computer Services	54,275	-	-	54,275
Conferences	8,444	-	-	8,444
Contract Services	387,509	6,580	22,609	416,697
Dues & Subscriptions	19,665	-	-	19,665
Education & Outreach	172,727	-	-	172,727
Events - Classes, Open House	10,934	-	-	10,934
Filing Fees	-	-	2,179	2,179
Grants Awarded	8,950	-	-	8,950
In-Kind Donations	41,575	-	-	41,575
Insurance	35,326	-	-	35,326
Interest Expense	-	14,802	-	14,802
Miscellaneous	1,300	-	-	1,300
Postage	15,927	-	47,781	63,708
Printing	36,325	-	57,675	94,000
Property Taxes & Water Rights	15,515	-	-	15,515
Rent - Animal Place Vegan Republic	33,090	-	-	33,090
Repairs & Maintenance	41,189	-	-	41,189
Sales Taxes	6,994	-	-	6,994
Supplies	85,001	-	-	85,001
Telephone	14,278	-	-	14,278
Travel	18,830	-	-	18,830
Utilities	59,622	-	-	59,622
Vehicle Expenses	19,311	-	-	19,311
Total Expenses before Depreciation	1,969,133	166,928	145,179	2,281,239
Depreciation Expense	166,574	-	-	166,574
TOTAL EXPENSES	\$ 2,135,707	\$ 166,928	\$ 145,179	\$ 2,447,813

See Accompanying Notes

**ANIMAL PLACE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Cash Flows From Operating Activities

Change in Net Assets	\$ 1,881,983
Adjustments to Reconcile Change in Net Assets to Net Cash	
Depreciation and Amortization	166,574
Unrealized Gains on Investments	84,749
(Increase) Decrease in Operating Assets	
Grants Receivable	177,345
Loans Receivable	15,000
Inventory - Merchandise	(16,537)
Inventory - Animal Place Vegan Republic	14,255
Increase (Decrease) in Operating Liabilities	
Accounts Payable	916,150
Payroll Liabilities	1,657
Compensated Absences Payable	3,265
Net Cash Provided by Operating Activities	3,244,441

Cash Flows From Investing Activities

Stock Liquidations (Purchases)	189,927
Investment Gains and Income Reinvested	(38,094)
Purchases of Capital Assets	(1,800,933)
Net Cash Used by Investing Activities	(1,649,100)

Cash Flows From Financing Activities

Payments of Principal for Vacaville Land	(22,758)
Loan Forgiveness	(28,380)
Net Cash Used by Financing Activities	(51,138)

Net Increase in Cash	1,544,203
Beginning Cash at December 31, 2017	393,062
Ending Cash at December 31, 2018	\$ 1,937,265

Supplemental Information:

Interest expense for the year ended December 31, 2018 was \$14,802.
\$12,560 of this amount was forgiven by a private lender.

Income taxes paid in 2018 was \$0.

See Accompanying Notes

**ANIMAL PLACE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 1: Nature of the Organization

Incorporated in the State of California in 1989, Animal Place is one of the oldest and largest sanctuaries for farmed animals in the country. Nestled on 600-acres in Grass Valley, CA, Animal Place provides refuge to hundreds of neglected farmed animals. In addition to permanent sanctuary, Animal Place's Rescue Ranch is a 60-acre adoption center, placing needy farmed animals into permanent homes. Each year, more than 4,000 birds are rescued from egg farms, rehabilitated, and placed in forever homes.

Sanctuary is important work, but Animal Place strives to create meaningful change for farmed animals through advocacy and education. Thousands of visitors flock to the sanctuary each year to learn more about the animals and farming. Volunteer classes introduce folks to the more intense ways people can help. Animal Place operates a residential student internship program. Interns come from around the world to immerse themselves for 2-3 months in sanctuary work. It is a life-changing experience.

Animal Place promotes a vegan diet through its publications, e-alerts, cooking classes, and popular events such as Thank the Turkeys at Thanksgiving, Chicken Care Classes that teach people the basics of chicken care, and our Farmed Animal Conference. Animal Place also operates the Animal Place Vegan Republic, an all-vegan specialty store in Berkeley, California which supports animals at the sanctuary.

Animal Place operates at its Grass Valley sanctuary the first of its kind Museum of Animal Farming which will further educate the public about where their food comes from. Its mission is simple - to extend compassion to all life.

The majority of the funding for this Organization comes from individual donations. Animal Place is a not-for-profit corporation exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, respectively. It is classified as an Organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code and qualifies for the 50% charitable contribution deduction for individual donors. During the year ended December 31, 2018 the Organization did not have any unrelated business income.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting. Revenue is recognized when earned and expenditures are recognized when the liability is incurred, rather than when cash is received or disbursed.

Classes of Net Assets

The financial statements report amounts by class of net assets:

Net Assets Without Donor Restrictions are those currently available for use in the activities of the Organization under the direction of the board, and unrestricted resources invested in land, buildings, equipment, and furniture.

**ANIMAL PLACE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 2: Summary of Significant Accounting Policies – continued

Net Assets With Donor Restrictions are those stipulated by donors for specific operating purposes or for the acquisition of property and equipment; or those not currently available for use until commitments regarding their use have been fulfilled or lifetime beneficiary interests have ceased.

If situations arise where there is a possibility of assignment into more than one class of net assets, the Organization's practice is to reduce the net assets with donor restrictions first, followed by the net assets without donor restrictions.

Contributions

Under Statement of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958, *Financial Statements of Not-for-Profit Organizations*, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions.

Equipment

The Organization capitalizes all asset purchases and donations with a value over \$1,000. Purchased fixed assets are capitalized at historical cost. Donated fixed assets are recorded as contributions at their estimated fair market value. Such donations are recorded as unrestricted unless the donor has restricted the donated asset to a specific purpose. Maintenance and repairs are expensed when incurred, while betterments are capitalized and depreciated. Depreciation is recognized using the straight-line method over the estimated useful lives of the assets.

Cash and Cash Equivalents

For purposes of the cash flow statement, cash and cash equivalents are considered to be highly liquid depository accounts with a maturity of less than three months.

Investments

Investments in marketable equity securities with readily determinable fair values are stated at fair value based on quoted prices in active markets (all Level 1 measurements). Equity securities without readily determinable fair values are stated at cost.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates. Actual results could differ from those estimates.

**ANIMAL PLACE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 3: Concentrations

Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits, investments in stocks, bonds, mutual funds and money market accounts.

The Organization places its cash deposits with a creditworthy, high quality financial institution. At December 31, 2018, the balance held with this institution did not exceed the \$250,000 insured by the Federal Deposit Insurance Corporation (FDIC) or a related entity.

The Organization's investments in stocks, bonds, mutual funds and money market accounts are held with internationally recognized investment companies. These funds are not insured by the Federal Deposit Insurance Corporation (FDIC) or a related entity. Although market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Organization and its beneficiaries. At December 31, 2018, the Organization had approximately \$2,206,387 of investments and cash in money market accounts that were not insured by the FDIC or a related entity.

Major Donors

During the year ended December 31, 2018, the Organization received 17% of its revenues and other support from a continuing donor and the donor's foundation.

Note 4: Liquidity And Availability of Resources

The Organization has \$1,990,446 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of substantially cash and cash equivalents and investments, less amounts on hand with donor restrictions. The Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, the Organization invests cash in excess of daily requirements in various short-term investments, including mutual funds.

The Organization's financial assets available within one year from December 31, 2018 for expenditures are:

	<u>Total</u>
Cash and cash equivalents	\$ 1,937,265
Investments	1,307,181
Less: Amounts restricted for Sanctuary program	(1,239,186)
Less: Amounts restricted for Food for Thought program	(14,814)
Total	<u><u>\$ 1,990,446</u></u>

**ANIMAL PLACE
NOTES TO FINANCIAL STATEMENTS
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Note 5: Fair Value Measurements

The following methods and assumptions were used by the Organization in estimating the fair value of its financial instruments:

Cash and cash equivalents – The carrying amount reported in the statement of financial position approximates fair value because of the short maturity of those instruments.

Investments – The fair value of investments in marketable equity and debt securities is based on quoted market prices. Nonmarketable debt securities are valued based on estimated discounted future cash flows; nonmarketable equity securities are carried at estimated current value if it is possible to determine this, otherwise at cost.

Beneficial interest in perpetual trust (endowment) – Endowments consisted of an investment held by the Community Foundation of Sonoma County (CFSC). The principal was contributed by a private donor and is held in perpetuity by the CFSC. Income is disbursed at the discretion of the CFSC annually. The endowment is carried at fair market value on the Statement of Financial Position as reported by the trustee.

Fair values of assets measured at December 31, 2018 are as follows:

		Fair Value Measurements at the end of the Reporting Period Using...		
Recurring Fair Value Measurements:		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and Cash Equivalents:	Total	\$ 1,937,265	-	-
Mutual Funds:				
500 Index Fund	510,954	510,954	-	-
GNMA Fund	619,013	619,013	-	-
Mid Cap Index Admiral	82,980	82,980	-	-
Intl Stock Admiral	77,086	77,086	-	-
Stock Mkt Admiral CI	13,933	13,933	-	-
Stocks				
Autodesk Inc	3,215	3,215	-	-
Total Investments	1,307,181	1,307,181	-	-
Beneficial Interest in Perpetual Trust - Endowment	117,983	-	-	\$ 117,983
Total Recurring Fair Value Measurement:	\$3,362,429	\$ 3,244,446	-	\$ 117,983

Fair value for the beneficial interest in a perpetual trust (endowment) is measured using the fair value of the assets held in the trust as reported by the trustee as of December 31, 2018. The Organization considers the measurement of its beneficial interest in the trust to be a Level 3 measurement within the fair value hierarchy because even though that measurement is based on the unadjusted fair values

**ANIMAL PLACE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 5: Fair Value Measurements – continued

of the trust assets reported by the trustee, the Organization will never receive those assets or have the ability to direct the trustee to redeem them.

The Organization recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

The table below presents information about fair value measurements that use significant unobservable inputs (Level 3):

Beneficial interest in a perpetual trust

Balance – January 1, 2018	\$ 130,738
Transfer out to Level 1	(2,123)
Total gains or losses recognized in the change in unrestricted net assets:	
Change in value of perpetual trust	<u>(10,632)</u>
Balance – December 31, 2018	<u>\$ 117,983</u>

The Board of Directors reviews and approves the Organization's fair market value measurement policies and procedures annually. At least quarterly, the finance committee and the Board determine if the valuation techniques used in fair value measurements are still appropriate.

Note 6: Endowment Fund

A. General

The Endowment Fund is a donor-restricted permanent fund created to provide long-term general operating support for Animal Place. The endowment fund is held and managed by the Sonoma County Community Foundation in accordance with their investment policy.

B. Interpretation of Relevant Law

It is the intent of the Sonoma County Community Foundation Board of Directors to have the Investment Advisory Committee apply the investment standards of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as they apply to both Donor Restricted Funds as well as Unrestricted Institutional Funds in the management of the investment assets.

Donor Restricted Funds

Subject to the intent of a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Unless stated otherwise in the gift instrument the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the institution. In making a determination to appropriate or accumulate, the institution shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider the following factors:

- The duration and preservation of the endowment fund.
- The purposes of the institution and the endowment fund.
- General economic conditions.
- The possible effect of inflation or deflation.

**ANIMAL PLACE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 6: Endowment Fund – continued

- The expected total return from income and the appreciation of investments.
- Other resources of the institution.
- The investment policy of the institution.

Unrestricted Institutional Funds

In managing and investing unrestricted institutional funds, all of the following factors, if relevant, must be considered:

- General economic conditions.
- The possible effect of inflation or deflation
- The expected tax consequences, if any, of investment decisions or strategies.
- The role that each investment or course of action plays within the overall investment portfolio of the fund's assets.
- The expected total return from income and the appreciation of investments.
- Other resources of the institution.
- The needs of the institution and the funds to make distributions and to preserve capital.
- An asset's special relationship or special value, if any, to the charitable purposes of the institution.
- Management and investment decisions about an individual asset must be made not in isolation but rather in the context of the institutional fund's portfolio of investments as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the funds and to the institution.
- Except as otherwise provided by law other than this part, an institution may invest in any kind of property or type of investment consistent with the section.

From time to time, the fair value of assets associated with the endowment fund may fall below the level that the donor requires be retained as a fund of perpetual duration. In accordance with GAAP, Animal Place reports deficiencies of this nature in unrestricted net assets.

Note 7: Fixed Assets

Fixed assets dedicated to the purposes of the program are stated at cost or fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives are:

Buildings	30 years
Building Improvements	10-30 years
Small Barns	10 years
Transportation Equipment	5 years
Equipment	5-10 years

**ANIMAL PLACE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 7: Fixed Assets - continued

Fixed assets and changes in fixed assets are summarized by major classification as follows:

	2017	Additions	Disposals	2018
Transportation Equipment	\$ 211,772	\$ 17,000	\$ -	\$ 228,772
Buildings	1,584,258	16,471	-	1,600,729
Computer and Other Equipment	155,692	1,328	-	157,020
Furniture and Fixtures	7,053	-	-	7,053
Leasehold Improvements	721,667	16,134	-	737,801
Animal Place's Vegan Republic	110,000	-	-	110,000
Land	4,087,322	1,750,000	-	5,837,322
Total	6,877,764	1,800,933	-	8,678,697
Less Accumulated Depreciation	(949,885)	(166,574)	-	(1,116,459)
Total Net Property Plant and Equipment	\$ 5,927,879	\$ 1,634,359	\$ -	\$ 7,562,238

Note 8: Contributions

The Organization reports gifts of cash and other assets as restricted support if they are pledged or received with donor stipulations that limit the use of the donation. When a donor restriction expires, that is when a stipulated time ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed assets are recorded at fair market value when the Organization obtains possession of the asset or an unconditional promise to give is made. During the year ended December 31, 2018, the Organization received \$50,575 of in-kind donations of food for the support of the animals at the sanctuary.

During the year ended December 31, 2018, volunteer hours were provided for both program and fund-raising services but were not recognized as contributions in the financial statements as they did not meet the criteria of FASB ASC 958.

Note 9: Long-Term Debt Obligations

On September 10, 2008, the Organization obtained a 20-year loan for \$1,175,000 at 6% interest, payable to a private foundation for the purchase of land in Grass Valley, California. Monthly payments were \$8,418 including interest. In July 2009, the private lender forgave \$750,000 of principal on this note. The balance at December 31, 2018 was \$193,827. For the remainder of the term of the loan the monthly payments will be \$3,412.

The foundation forgave twelve monthly loan payments in 2018 for a total of \$41,041.

In August of 2007, the Organization purchased from one of its board members 50% of the land on which they conduct their activities in Vacaville, California. The terms of this purchase were a total purchase price of \$323,775 with a deposit of \$100,000 and annual payments of \$25,000 including interest accruing at 4.81% on a secured promissory note which requires the lender's written approval prior to any sale, conveyance, or alienation of the property. The balance of this loan at December 31, 2018 was \$23,853.

**ANIMAL PLACE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

Note 9: Long-Term Debt Obligations - continued

Future maturities of long term debt, for both of the above loans, are as follows as of December 31, 2018:

<u>Year Ended</u>	<u>Amount</u>
2019	53,983
2020	31,989
2021	33,961
2022	36,056
2023	38,280
Thereafter	<u>23,411</u>
	<u>\$ 217,680</u>

Note 9: Functional Expenses

The costs of providing the programs and other activities have been summarized in the accompanying Statement of Functional Expenses. The Statement of Functional Expenses presents expenses by functional classification. Direct expenses to the programs, administration, or fundraising are classified accordingly. Personnel costs are allocated to the functions based on management's perception of time spent, and job descriptions.

Note 10: Advertising and Publicity

Advertising costs are expensed as incurred. Advertising expense was \$6,464 for the year ended December 31, 2018.

Note 11: Subsequent Events

Events subsequent to December 31, 2018 have been evaluated through September 18, 2019, the date at which the Organization's audited financial statements were available to be issued.

The following subsequent event required disclosure:

In 2019, the Organization sold the Vacaville, California property. The sale of the property was expected and a replacement property was purchased in 2018 in Petaluma, California.