

Animals Asia Foundation Limited

Financial Statements &
Independent Auditor's Report
for the Year Ended
December 31, 2019

**COOK &
COMPANY**

A PROFESSIONAL ACCOUNTANCY CORPORATION

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A PROFESSIONAL ACCOUNTANCY CORPORATION

Independent Auditor's Report

To the Board of Directors
Animals Asia Foundation Limited
Los Angeles, California

We have audited the accompanying financial statements of Animals Asia Foundation Limited (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, the related statements of activities and changes in net assets, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of the 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Animals Asia Foundation Limited, as of December 31, 2019, 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.

Cook & Company

A Professional Accountancy Corporation
San Francisco, California
October 27, 2020

Animals Asia

Statement of Financial Position December 31, 2019

ASSETS

Current Assets:

Cash & equivalents	\$ 896,426
Contributions receivable (Note 3)	111,683
Prepaid expenses & deposits	<u>12,506</u>
Total current assets	1,020,615

Property & equipment, net (Note 4)	<u>1,979</u>
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TOTAL ASSETS	<u><u>\$ 1,022,594</u></u>
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LIABILITIES & NET ASSETS

Current Liabilities:

Accounts payable & accrued expenses	\$ 91,282
Accrued vacation pay	<u>22,734</u>

TOTAL LIABILITIES	114,016
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Net Assets

Without donor restrictions	788,217
With donor restrictions (Note 5)	<u>120,361</u>

TOTAL NET ASSETS	908,578
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TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 1,022,594</u></u>
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See accompanying notes to financial statements
and independent auditor's report.

Animals Asia

Statement of Activities and Changes in Net Assets for the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support & Revenue:			
Contributions	\$1,704,853	\$ 122,420	\$ 1,827,273
Net assets released from restriction:			
Satisfaction of donor restrictions	161,514	(161,514)	-
Contributed services (Note 6)	235,577	-	235,577
Miscellaneous revenue	1,247		1,247
	<hr/>	<hr/>	<hr/>
Total support & revenue	2,103,191	(39,094)	2,064,097
Expenses:			
Programs	1,222,633		1,222,633
General & administrative	263,935		263,935
Fundraising	358,638		358,638
	<hr/>	<hr/>	<hr/>
Total expenses	1,845,206	-	1,845,206
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	257,985	(39,094)	218,891
NET ASSETS, January 1			
As previously stated	530,232	67,455	597,687
Prior period adjustment (Note 7)	-	92,000	92,000
As restated	<hr/>	<hr/>	<hr/>
	530,232	159,455	689,687
	<hr/>	<hr/>	<hr/>
NET ASSETS, December 31	<u>\$ 788,217</u>	<u>\$ 120,361</u>	<u>\$ 908,578</u>

See accompanying notes to financial statements
and independent auditor's report.

Animals Asia

Statement of Functional Expenses for the Year Ended December 31, 2019

	Programs	General & Administrative	Fundraising	Total
Salaries	\$ 43,047	\$ 86,093	\$ 157,838	\$ 286,978
Payroll taxes	3,502	7,007	12,845	23,354
Employee benefits	3,609	6,868	12,417	22,894
Grants made	918,325	-	-	918,325
Professional fees	9,187	33,311	33,147	75,645
Contributed services (Note 6)	109,807	100,460	25,310	235,577
Occupancy	3,327	9,981	3,327	16,635
Office supplies & small equipment	6,028	1,056	5,486	12,570
Postage	6,074	3,215	5,910	15,199
Insurance	-	3,689	-	3,689
Travel	10,177	549	13,345	24,071
Advertising & promotions	87,581	1,494	88,706	177,781
Bank fees	20,612	8,831	(4)	29,439
Depreciation	311	932	311	1,554
Miscellaneous expense	1,046	449	-	1,495
Total Expenses	\$ 1,222,633	\$ 263,935	\$ 358,638	\$ 1,845,206

See accompanying notes to financial statements
and independent auditor's report.

Animals Asia

Statement of Cash Flows for the Year Ended December 31, 2019

Cash flows from operating activities:	
Cash received from grantors/contributors	\$ 1,863,391
Cash received from other sources	1,247
Cash generated from operating activities	<u>1,864,638</u>
Cash paid to, or for the benefit of, employees	(331,584)
Cash grants paid	(918,325)
Cash paid to contractors and suppliers	(318,026)
Cash disbursed for operating activities	<u>(1,567,935)</u>
Net cash flows generated from operating activities	<u>296,703</u>
NET CHANGE IN CASH	296,703
CASH & CASH EQUIVALENTS, beginning of year	<u>599,723</u>
CASH & CASH EQUIVALENTS, end of year	<u><u>\$ 896,426</u></u>

Supplemental information:

Reconciliation of change in net assets to cash flows generated from operating activities:

Change in net assets	\$ 218,891
Adjustments to reconcile change in net assets to net cash from (used for) operating activities	
Depreciation expense	1,554
Changes in assets and liabilities:	
Grants & contracts receivable	36,118
Prepaid expenses and other current assets	(7,702)
Accounts payable	46,200
Accrued vacation	1,642
Net cash flows generated from operating activities	<u><u>\$ 296,703</u></u>

See accompanying notes to financial statements
and independent auditor's report.

Animals Asia Foundation Limited

Notes to the Financial Statements for the Year Ended December 31, 2019

1. The Organization

Nature of Activities

Animals Asia Foundation Limited (AAFL or the Organization), a nonprofit corporation headquartered in Los Angeles, California, is the independent U.S. affiliate of Animals Asia, an international animal welfare organization.

Founded in 1998 by Jill Robinson, from her home in Hong Kong, Animals Asia promotes compassion and respect for all animals and works to bring about long-term change. The Organization works to end the barbaric bear bile trade in China and Vietnam. Animals Asia also works to end the trade in dogs and cats for food in China and Vietnam, and lobbies to improve the welfare of companion animals, promote humane population management and prevent the cross-border export of "meat dogs" in Asia.

In addition, Animals Asia campaigns for an end to abusive animal practices in zoos and safari parks in Asia, and works closely with governing authorities to improve animal management and increase awareness of the welfare needs of captive animals.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, support is recognized when it is awarded, revenue is recognized when it is earned and realizable, and expenses are recognized when they are incurred.

Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions, which includes resources not subject to, or no longer subject to, donor-imposed stipulations.

Net assets with donor restrictions, which includes resources whose use is limited by donor-imposed time and/or purpose restrictions.

Revenue and support are reported as increases in *net assets without donor restrictions* unless use of the contributed assets is limited by donor-imposed stipulations. All expenses, including those funded by restricted contributions, are reported as decreases in *net assets without donor restrictions*. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in *net assets without donor restrictions* unless they are encumbered by explicit donor stipulation or by law. Expirations of donor-restrictions (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time-period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Cash & Cash Equivalents

The balance of cash and equivalents primarily includes deposits held in bank checking and savings accounts.

Animals Asia Foundation Limited

Notes to the Financial Statements for the Year Ended December 31, 2019

Contributions Receivable

Contributions receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on management's judgment, an allowance for doubtful accounts has been recorded. Since all amounts are due within one year of the balance sheet, a present value discount has not been recorded.

Fair Value of Financial Instruments

The carrying amounts of cash, receivables, and accounts payable approximate fair value because of the short maturity of these instruments.

Property & Equipment

Capitalized purchases of assets (consisting of office furnishings and equipment) are depreciated on a straight-line basis over their estimated useful life, which is three years for assets currently on the books.

Contributed Services

The Organization receives donated professional services from its international affiliate, Animals Asia, in Hong Kong. These services are recognized as revenue and expense at their estimated fair market value.

Functional Expenses

The Organization presents its expenses by function and natural category. The cost of each employee's salary is allocated amongst program and supporting services according to management's estimate of time and effort. Fringe benefits, payroll taxes and shared office expenses (e.g. supplies, postage, printing, and telephone) are then allocated according to each function's proportionate share of salaries expense. Other expenses are charged directly to the appropriate function based on specific identification.

Income Taxes

As a public charity, the Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3), except on activities unrelated to its mission. Since management believes that all of the Organization's activities are directly related to its mission, no provision has been made for income tax expense. The Organization's federal *Return of Organization Exempt from Income Tax* (Form 990) filings for the tax years ending in 2017 through 2019 are subject to examination by the Internal Revenue Service, generally for three years after they were filed. The Organization's California *Exempt Organization Annual Information Return* (Form 199) filings for the tax years ending in 2016 through 2019 are subject to examination by the Franchise Tax Board, generally for four years after they were filed.

Use of Estimates

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

Upcoming Accounting Pronouncement

Accounting Standards Update No. 2014-09— *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09) was issued by the Financial Accounting Standards Board (FASB) in May 2014 and is effective for nonpublic entities in calendar years ending in 2020 and beyond.

This update supersedes or replaces nearly all GAAP revenue recognition guidance for reciprocal transactions. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue.

Animals Asia Foundation Limited

Notes to the Financial Statements for the Year Ended December 31, 2019

The enactment of this pronouncement will be reflected in the Organization's financial statements for the year ended December 31, 2020.

New Accounting Pronouncement in Effect

These financial statements reflect the provisions Accounting Standards Update No. 2018-08—*Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Made and Contributions Received* (ASU 2018-08), which the FASB enacted in June 2018 in response to concerns and questions relating to the applicability of ASU 2014-09 to nonprofit organizations.

This update provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal) or exchange transactions (reciprocal) and (2) determining whether a contribution is conditional. The update will result in more governmental contracts being accounted for as contributions and may delay recognition for certain grants and contributions that no longer meet the definition of unconditional.

This pronouncement is effective for calendar years ending in 2019 and beyond. There is no effect on the Organization's beginning net assets in connection with the enactment of ASU 2018-08.

3. Contributions Receivable

Contributions receivable (due within 6 months)	\$114,280
Less: allowance for uncollectible amounts	<u>(2,597)</u>
Contributions receivable, net	\$111,683

4. Property & Equipment

Furnishings & equipment	\$13,310
Less: accumulated depreciation	<u>(11,331)</u>
Property & equipment, net	\$1,979

5. Net Assets with Donor Restrictions

Donor-restricted net assets represent amounts that are donor-restricted for the following:

Animal-welfare education project in China	\$46,000
Bear house construction	35,189
Development of a comprehensive plan to end bear bile farming	30,000
Other activities	<u>9,172</u>
Total	\$120,361

Animals Asia Foundation Limited

Notes to the Financial Statements for the Year Ended December 31, 2019

6. Contributed Services

Management, information technology, human resources and finance	\$100,460
Program support	76,933
Marketing	50,619
CRM systems	<u>7,565</u>
Total	\$235,577

7. Prior Period Adjustment – Correction of an Error

During the course of preparing the 2019 financial statements, it was discovered that a grant was awarded in December 2018 but not recognized in the financial statements until 2019 when the first cash installment was received. In accordance with accounting principles generally accepted in the United States of America (US GAAP), a correction has been made to properly reflect the grant in the December 31, 2018, balance of *net assets with donor restrictions*.

8. Operating Leases

During most of 2019, the Organization rented office space in San Francisco office on a month-to-month basis. In October 2019, the organization entered into a 12-month agreement to occupy space in a co-working facility in Los Angeles for a monthly fee of \$2,318.

9. Cash Deposits in Excess of FDIC Insurance Limits

The Organization maintains substantially all of its cash deposits with one financial institution. Such amounts may at times exceed Federal Deposit Insurance Corporation limits, however, management believes the risk of loss is minimal. To date, the Organization has not experienced any losses in these accounts.

10. Contingencies – Satisfaction of Donor Requirements

The Organization receives contributions that are restricted for a specific program or purpose. If such restrictions are not met in accordance with the funding source agreement, there is the possibility that funds would have to be returned to the donor. It is management's opinion that all donor restrictions have been satisfied for grants and contributions that have either been released from restriction or recorded directly to *net assets without donor restrictions*.

11. Liquidity & Availability

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments.

For purposes of analyzing resources available to meet general expenditures over a 3-month period, the organization considers all expenditures related to its ongoing activities as well as the expenditures needed for general operations.

Animals Asia Foundation Limited

Notes to the Financial Statements for the Year Ended December 31, 2019

In addition to financial assets available to meet general expenditures (excluding grants) over approximately 15 months, the organization operates with a balanced budget during 2019 and anticipates collecting sufficient revenue to cover general expenditures. Cash flows have seasonal variations during the year attributable to four quarterly appeals, and a concentration of contributions received near calendar year-end. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash.

As of December 31, 2019, the following tables show the total financial assets held by the Organization and the amounts of those financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

Cash & equivalents	\$896,426
Contributions receivable	111,683
Less: net assets with donor restrictions	<u>(120,361)</u>
Total	\$887,748

12. Subsequent Events – Financial Statement Presentation

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 27, 2020, which is the date the financial statements were available to be issued.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact the Organization's ability to conduct program activities or raise contributions. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. As such, the financial impact of this crisis cannot be reasonably estimated at this time.