

ANIMALS ASIA FOUNDATION LIMITED

FINANCIAL STATEMENTS

December 31, 2015



ANIMALS ASIA FOUNDATION LIMITED

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Animals Asia Foundation Limited

We have audited the accompanying financial statements of Animals Asia Foundation Limited (a nonprofit organization) (the "Foundation"), which comprise the statement of financial position as of December 31, 2015, and 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.

Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 Animals Asia Foundation Limited as of December 31, 2015, and changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Burr Pilger Mayer, Inc.

San Francisco, California
October 31, 2016

ANIMALS ASIA FOUNDATION LIMITED

STATEMENT OF FINANCIAL POSITION

December 31, 2015

ASSETS

Assets:

Cash	\$ 392,792
Accounts receivable	5,854
Contributions receivable	45,757
Prepaid expenses and other assets	1,981
Property and equipment, net	<u>1,393</u>
Total assets	<u>\$ 447,777</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued expenses	\$ 17,500
Accrued vacation	<u>19,444</u>
Total liabilities	<u>36,944</u>

Net assets:

Unrestricted	372,833
Temporarily restricted	<u>38,000</u>
Total net assets	<u>410,833</u>
Total liabilities and net assets	<u>\$ 447,777</u>

The accompanying notes are an integral part of these financial statements.

ANIMALS ASIA FOUNDATION LIMITED
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	\$ 1,620,940	\$ 113,510	\$ 1,734,450
Donated services	142,303	-	142,303
Merchandise sales	17,529	-	17,529
Interest and other income	598	-	598
Net assets released from restriction	82,478	(82,478)	-
Total support and revenue	1,863,848	31,032	1,894,880
Expenses:			
Program services	1,619,881	-	1,619,881
Supporting services:			
Management and general	238,266	-	238,266
Fundraising	348,586	-	348,586
Total supporting services	586,852	-	586,852
Total expenses	2,206,733	-	2,206,733
Change in net assets	(342,885)	31,032	(311,853)
Net assets, beginning of year	715,718	6,968	722,686
Net assets, end of year	\$ 372,833	\$ 38,000	\$ 410,833

The accompanying notes are an integral
part of these financial statements.

ANIMALS ASIA FOUNDATION LIMITED

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Expenses:				
Grant expense	\$ 1,389,355	\$ -	\$ -	\$ 1,389,355
Salaries and benefits	157,329	124,532	157,127	438,988
Legal and professional fees	5,766	91,511	76,942	174,219
Advertising and promotion	35,675	-	35,675	71,350
Office costs	14,634	11,582	14,615	40,831
Bank charges and interest	-	-	35,903	35,903
Travel	12,417	-	18,626	31,043
Rental	4,301	3,404	4,295	12,000
Sundry expenses	-	6,134	-	6,134
Merchandise costs	-	-	4,813	4,813
Depreciation	-	960	-	960
Miscellaneous	404	-	590	994
Loss on foreign exchange	-	143	-	143
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 1,619,881</u>	<u>\$ 238,266</u>	<u>\$ 348,586</u>	<u>\$ 2,206,733</u>

The accompanying notes are an integral part of these financial statements.

ANIMALS ASIA FOUNDATION LIMITED

STATEMENT OF CASH FLOWS

For the year ended December 31, 2015

Cash flows from operating activities:	
Change in net assets	\$ (311,853)
Adjustments to reconcile change in net assets to cash used in operating activities:	
Depreciation and amortization	960
Changes in assets and liabilities:	
Decrease in accounts receivable	64,933
Decrease in contributions receivable	5,078
Increase in accounts payable and accrued expenses	17,500
Increase in accrued vacation	<u>19,443</u>
Cash used in operating activities	(203,939)
Cash flows from investing activities:	
Purchase of equipment	<u>(1,305)</u>
Decrease in cash	(205,244)
Cash, beginning of year	<u>598,036</u>
Cash, end of year	<u><u>\$ 392,792</u></u>

The accompanying notes are an integral part of these financial statements.

ANIMALS ASIA FOUNDATION LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

1. Nature of Organization

Founded in 1998, Animals Asia Foundation Limited (Animals Asia Hong Kong), incorporated in Hong Kong, promotes compassion and respect for all animals and works to bring about long-term change. Animals Asia works to end the barbaric bear bile trade, which sees over 10,000 bears kept on bile farms in China, and, according to official figures, about 1,200 suffering the same fate in Vietnam. In 2001, Animals Asia Foundation Limited, a California Nonprofit Public Benefit Corporation, (“Animals Asia” or the “Foundation”) was founded with the same charitable mission and the general intent to support and fund activities in China and other Asian regions through grant making. The Foundation is considered a controlled subsidiary of Animals Asia Hong Kong as the board of the Foundation consists of directors and officers of Animals Asia Hong Kong (see Note 8).

Animals Asia Hong Kong has rescued over 500 bears, caring for them at its award-winning bear sanctuaries in China and Vietnam.

Animals Asia Hong Kong 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 Hong Kong 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 and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

The Foundation reports information regarding its net assets and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Description of Net Assets

Unrestricted Net Assets

Unrestricted net assets consist of all resources of the Foundation that have not been restricted by a donor.

Temporarily Restricted Net Assets

Temporarily restricted net assets are net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Continued

ANIMALS ASIA FOUNDATION LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2. Summary of Significant Accounting Policies, continued

Description of Net Assets, continued

Permanently Restricted Net Assets

Permanently restricted net assets are net assets subject to donor-imposed stipulations that they must be maintained permanently by the donor. The Foundation did not have any permanently restricted net assets at December 31, 2015.

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.

Cash

The Foundation considers cash all highly liquid investments with original maturities of three months or less. Cash consists of bank deposits.

Accounts Receivable

Accounts receivable consists of trade and other receivables recorded at fair value. When necessary, the Foundation recognizes an allowance for doubtful accounts based on historical collections experience. As of December 31, 2015, all accounts receivable were deemed collectible.

Contributions and Promises to Give

Contributions are recognized at their fair value when the donor makes an unconditional promise to give to the Foundation. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributions receivable are recognized when an unconditional promise to give is received. Contributions receivable that extend beyond one year are discounted to reflect their net present value at the date of contribution. Contributions receivable of \$45,757 at December 31, 2015 are expected to be collected within one year.

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair value at the date of donation. Acquisitions of property and equipment with a useful life of more than one year are capitalized. Depreciation of equipment is done over three years and is calculated using a straight-line method of depreciation.

Continued

ANIMALS ASIA FOUNDATION LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

2. Summary of Significant Accounting Policies, continued

Donated Assets and Services

Noncash donations are recorded as contributions at fair value at the date of donation. Donated services are only recognized as in-kind contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. Contributions of tangible assets are reflected as contributions at their estimated fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. During the year ended December 31, 2015, the Foundation recognized \$142,303 in professional services. The in-kind contributions were used for general operations and fundraising.

Promotions and Advertising

Costs of promotions and advertising are expensed as incurred. Total promotion and advertising expenses were \$71,350 for the year ended December 31, 2015.

Merchandise Sales

The Foundation derives revenue from the sale of mission related merchandise through its website and catalog. The Foundation records sales, net of sales discounts and allowances, when all of the following have occurred: an agreement of sale exists, product delivery and acceptance has occurred and collection is reasonably assured. Product delivery is deemed to have occurred when products are shipped (i.e. FOB shipping point). Based on historical trends and experience, no allowance for sales returns is recorded for the year ended December 31, 2015.

Income Taxes

The Internal Revenue Service has determined that the Foundation is exempt from federal income tax under Section 501(c)(3) in the Internal Revenue Code. Additionally, the California Franchise Tax Board has determined that the Foundation is exempt from California franchise and/or income tax under California Revenue and Taxation Code, Section 23701(d). However, income from activities not related to its tax-exempt purpose may be subject to taxation as unrelated business income.

Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Expenses applicable to more than one program or activity have been allocated among the programs and supporting services based on usage and management estimates.

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ANIMALS ASIA FOUNDATION LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

3. Property and Equipment

Property and equipment consist of the following at December 31, 2015:

Computers and technology equipment	\$	3,336
Furniture and fixtures		<u>4,675</u>
Total property and equipment		8,011
Less accumulated depreciation		<u>(6,618)</u>
Property and equipment, net	\$	<u><u>1,393</u></u>

Depreciation expense was \$960 for the year ended December 31, 2015.

4. Temporarily Restricted Net Assets

Temporarily restricted net assets are held for the following purposes at December 31, 2015:

Chinese Zoos and Safari Parks Investigations	\$	10,000
ZSP Campaign		<u>28,000</u>
Total	\$	<u><u>38,000</u></u>

Net assets were released from donor restrictions as follows for the year ended December 31, 2015:

Anti-AP Investigation Work	\$	10,000
Asia for Animals Coalition		9,300
China Cetacean Alliance		2,500
Companions Animals Symposium		38,710
Japan Fieldwork		3,128
Nanning Bear Farm		10,000
Support for Wendy and Dolly Bears		3,840
UK - Vietnam Zoo Exchange		<u>5,000</u>
Total	\$	<u><u>82,478</u></u>

5. Lease Commitments

The Foundation has entered into a lease agreement for 500 square feet of office space on a month-to-month basis. Rent expense for the year ended December 31, 2015 was \$12,000.

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ANIMALS ASIA FOUNDATION LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

6. Concentration of Credit Risk

For the year ended December 31, 2015, one donor contributed 10% of total contributions and grants. As of December 31, 2015, one donor represented 23% of contributions receivable.

Financial instruments that potentially expose the Foundation to concentrations of credit risk consist primarily of cash, accounts receivable, and contributions receivable. The Foundation limits its exposure to credit loss by placing its cash with a financial institution that management believes is credit worthy. Balances may periodically exceed federal deposit insurance limits.

7. Related Party Transactions

The Foundation donates to Animals Asia related entities in China, Vietnam and Hong Kong in the form of grants to aid animals in the region. The Hong Kong entity will also contribute to the U.S. entity in the form of in-kind contributions for professional services. During the year ended December 31, 2015, the Foundation recognized revenue and related expense of \$142,303 for contributed services received from the Hong Kong entity.

8. Subsequent Events

The Foundation evaluated subsequent events for recognition and disclosure through October 31, 2016, the date these financial statements were available to be issued. Over the course of 2015, the Foundation has been working towards creating an independent governing body from Animals Asia Hong Kong. This was successfully accomplished in 2016 as the majority of the Foundation's directors and officers were independent from Animals Asia Hong Kong.

Management concluded that no additional material subsequent events have occurred since December 31, 2015 that require recognition or disclosure in such financial statements.