

Animals Asia Foundation Limited

Financial Statements &
Independent Auditor's Report
for the Year Ended
December 31, 2021

**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

Opinion

We have audited the financial statements Animals Asia Foundation Limited (“AAFL” or “the Organization”), which comprise the statement of financial position as of December 31, 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AAFL as of December 31, 2021, the changes in its net assets, its functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that were communicated with those charged with governance and, in our professional judgment, were of most significance in our audit of the financial statements of the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition and Classification of Revenue and Support in the Financial Statements

We consider the recognition and classification of revenue and support, which is discussed in Note 2 of the accompanying financial statements, to be a key audit matter. This area of accounting requires the Organization to record contributions to the financial statements for the correct year. It also requires categorizing revenue and support to the appropriate category based on its reciprocal or nonreciprocal nature as well as the absence or existence of donor restrictions and/or conditions. In addition, this area requires that the Organization reliably determine when performance obligations to customers are satisfied, when donor conditions are met, and when restricted amounts should be released from restriction.

This matter is considered a key audit matter because the recognition and classification of support and revenue has a pervasive effect on the Organization's financial statements, including its changes in net assets, total current assets, and composition amongst *net assets without donor restrictions* and *net assets with donor restrictions*. This area of accounting also requires the Organization to exercise significant judgment in its application of accounting standards, which have undergone changes in the past few years.

This matter was addressed in the current audit through the examination of documentary evidence that supports the recognition and classification of contributed support and contracts with customers. These procedures were instrumental in forming our opinion on the financial statements as a whole.

Allocation of Expenses to Functional Groupings in the Financial Statements

We consider the allocation of natural expense categories amongst functional groupings (i.e., *program services, management & general, and fundraising*) to be a key audit matter. This is discussed in Note 2 of the financial statements.

This matter is considered a key audit matter because certain charity rating services and some institutional funding sources have been known to evaluate nonprofit organizations according to the overall proportion of expenses allocated to program services. Furthermore, because the expense allocations are based on year-end time-and-effort estimates rather than factual data (e.g., timesheets), they require the Organization's personnel to exercise significant judgment.

This matter was addressed during the current audit through analysis of the design and execution of the Organization's cost allocation methodology. We assessed the methodology's consistency with GAAP, reviewed the underlying employee time-and-effort estimates for reasonableness and consistency with job titles, and verified through reperformance certain allocation calculations as part of forming our opinion on the financial statements as a whole.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate, and have communicated, with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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Independent Auditor's Report
August 25, 2022
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Report on Summarized Comparative Information

We have previously audited the 2020 financial statements of Animals Asia Foundation Limited, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 7, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in blue ink that reads "Cook & Company". The signature is written in a cursive, flowing style.

A Professional Accountancy Corporation
San Francisco, California
August 25, 2022

Animals Asia

Statement of Financial Position December 31, 2021 with Comparative Totals for December 31, 2020

	<u>12/31/21</u>	<u>12/31/20</u> (Note 2)
ASSETS		
Current Assets:		
Cash & equivalents	\$ 2,161,236	\$ 1,342,354
Contributions receivable	272,954	87,119
Prepaid expenses & deposits	<u>13,908</u>	<u>13,678</u>
Total current assets	2,448,098	1,443,151
Property & equipment, net (Note 3)	<u>939</u>	<u>2,396</u>
TOTAL ASSETS	<u><u>\$ 2,449,037</u></u>	<u><u>\$ 1,445,547</u></u>
LIABILITIES & NET ASSETS		
Current Liabilities:		
Accounts payable & accrued expenses	\$ 32,169	\$ 54,626
Accrued vacation pay	<u>15,783</u>	<u>11,617</u>
TOTAL LIABILITIES	47,952	66,243
Net Assets		
Without donor restrictions	2,008,305	1,227,801
With donor restrictions (Note 4)	<u>392,780</u>	<u>151,503</u>
TOTAL NET ASSETS	<u>2,401,085</u>	<u>1,379,304</u>
TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 2,449,037</u></u>	<u><u>\$ 1,445,547</u></u>

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, 2021 with Comparative Totals for the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total (Note 2)
Support & Revenue:				
Contributions	\$4,138,690	\$ 447,752	\$ 4,586,442	\$ 2,595,985
Government grants	-	-	-	59,700
Net assets released from restriction:				
Satisfaction of donor restrictions	206,475	(206,475)	-	-
Contributed services	-	-	-	224,526
Miscellaneous revenue	830	-	830	559
Total support & revenue	4,345,995	241,277	4,587,272	2,880,770
Expenses:				
Program services	2,793,288	-	2,793,288	1,774,383
Management & general	249,568	-	249,568	250,073
Fundraising	522,635	-	522,635	385,588
Total expenses	3,565,491	-	3,565,491	2,410,044
CHANGE IN NET ASSETS	780,504	241,277	1,021,781	470,726
NET ASSETS, January 1	1,227,801	151,503	1,379,304	908,578
NET ASSETS, December 31	<u>\$2,008,305</u>	<u>\$ 392,780</u>	<u>\$ 2,401,085</u>	<u>\$ 1,379,304</u>

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

Animals Asia

Statement of Functional Expenses for the Year Ended December 31, 2021 with Comparative Totals for the Year Ended December 31, 2020

	Program Services	Management & General	Fundraising	2021 Total	2020 Total (Note 2)
Salaries	\$ 73,731	\$ 77,449	\$ 166,831	\$ 318,011	\$ 270,286
Payroll taxes	6,240	6,555	14,119	26,914	19,209
Employee benefits	5,876	6,172	13,295	25,343	1,054
Recruitment	-	-	-	-	15,186
Grants made	2,435,011	-	-	2,435,011	1,417,197
Professional fees	1,351	45,398	17,057	63,806	44,268
Outside services (Note 5)	99,724	103,261	23,086	226,071	224,526
Occupancy	10,572	4,531	15,103	30,206	32,597
Office supplies & small equipment	4,035	-	6,051	10,086	17,074
Postage	5,991	-	8,986	14,977	11,693
Insurance	827	869	1,872	3,568	3,382
Travel	1,705	-	2,558	4,263	15,961
Advertising & promotions	146,865	-	146,865	293,730	272,629
Bank fees	-	1,717	104,515	106,232	60,593
Depreciation	338	355	765	1,458	1,053
Miscellaneous expense	1,022	3,261	1,532	5,815	3,336
Total Expenses	\$ 2,793,288	\$ 249,568	\$ 522,635	\$ 3,565,491	\$ 2,410,044

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

Animals Asia

Statement of Cash Flows for the Year Ended December 31, 2021 with Comparative Totals for the Year Ended December 31, 2020

	2021	2020
Cash flows from operating activities:		
Cash received from grantors/contributors	\$4,400,607	\$ 2,680,249
Cash received from other sources	830	559
Cash generated from operating activities	4,401,437	2,680,808
Cash paid to, or for the benefit of, employees	(366,102)	(301,666)
Cash grants paid	(2,435,011)	(1,417,197)
Cash paid to contractors and suppliers	(781,442)	(514,547)
Cash disbursed for operating activities	(3,582,555)	(2,233,410)
Net cash flows generated from operating activities	818,882	447,398
Cash flows from investing activities:		
Purchases of fixed assets	-	(1,470)
Net cash flows from investing activities	-	(1,470)
NET CHANGE IN CASH	818,882	445,928
CASH & CASH EQUIVALENTS, beginning of year	1,342,354	896,426
CASH & CASH EQUIVALENTS, end of year	\$2,161,236	\$ 1,342,354

Supplemental information:

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

Change in net assets	\$1,021,781	\$ 470,726
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation expense	1,458	1,053
Changes in assets and liabilities:		
Contributions receivable	(185,835)	24,564
Prepaid expenses and other current assets	(230)	(1,172)
Accounts payable	(22,458)	(36,656)
Accrued vacation	4,166	(11,117)
Net cash flows generated from operating activities	\$ 818,882	\$ 447,398

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, 2021

1. The Organization

Animals Asia Foundation Limited (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.

As a grantmaking foundation, the Organization fulfills its mission primarily through the provision of charitable grants to program partners abroad.

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.

Cash & Cash Equivalents

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

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 primarily of office furnishings and equipment with an initial cost of at least \$500) are depreciated on a straight-line basis over a period of three years.

Net Assets

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:

Animals Asia Foundation Limited

Notes to the Financial Statements for the Year Ended December 31, 2021

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.

Recognition of Support and Revenue

In recognizing revenue and support in these financial statements, the Organization follows the provisions of ASC 958, *Not-for-Profit Entities*, and ASC 606, *Revenue from Contracts with Customers*. Amounts received are generally considered contributions recognizable under ASC 958 when the funding sources do not receive direct commensurate value in exchange for resources provided. Conversely, amounts received from a funding source to provide services directly to the resource provider are considered contracts with customers recognizable under ASC 606. As a foundation that relies exclusively on charitable support, the Organization does not currently have any revenue from contracts with customers.

Contributions

The Organization recognizes contributions when it receives cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest.

Contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is limited by donor-imposed stipulations. 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.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met

Functional Expenses

The Organization presents its expenses by function and natural category. *Program services* include the direct conduct and direct supervision of specific program activities. *Fundraising* includes efforts to solicit monetary and nonmonetary contributions. *Management & general* includes general oversight, recordkeeping, regulatory compliance, governance, financial management, and all other activities that do not constitute the direct conduct or direct supervision of specific program services or fundraising activities.

At year-end, the Organization allocates each employee's compensation to the major functions according to management's estimate of that individual's time and effort (based on job titles and major responsibilities). Other shared costs, consisting primarily of occupancy and office expenses, are then allocated according to each major function's proportionate share of salaries expense.

Advertising Costs

The Organization uses advertising to promote its programs among the audiences it serves. All advertising costs are expensed as incurred.

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

Animals Asia Foundation Limited

Notes to the Financial Statements for the Year Ended December 31, 2021

expense. The Organization's federal *Return of Organization Exempt from Income Tax* (Form 990) filings for the tax years ending in 2019 through 2021 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 2018 through 2021 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.

New 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 five-step 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. The enactment of this pronouncement was reflected in the Organization's financial statements for the year ended December 31, 2020. However, the implementation of this pronouncement had no effect on the Organization's financial statements.

Comparative Data

The financial statement information for the year ended December 31, 2020, presented for comparative purposes, is not intended to be a complete financial statement presentation. Certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 presentation. For a complete presentation of 2020, please refer to the financial statements for that fiscal year.

3. Property & Equipment

Furnishings & equipment	\$14,780
Less: accumulated depreciation	<u>(13,841)</u>
Property & equipment, net	\$939

4. Net Assets with Donor Restrictions

The balance of net assets with donor restrictions represents amounts designated for the following:

Grantmaking to support a new sanctuary	\$353,853
Development of a comprehensive plan to end bear bile farming	24,100
Other activities	<u>14,827</u>
Total	\$392,780

Animals Asia Foundation Limited

Notes to the Financial Statements for the Year Ended December 31, 2021

5. Outside Services

Finance, human resources, information technology and management services	\$103,261
Program contactors	69,531
Marketing	46,172
CRM support	<u>7,107</u>
Total	\$226,071

6. Co-working Facility Service Agreement

The Organization occupies space in a co-working facility in Los Angeles on a month-to-month basis. As of December 31, 2021, the monthly fee was \$2,223. Total rent for the year was \$30,206.

7. Contingencies, Risks & Uncertainties

COVID-19

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may 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 situation cannot be reasonably estimated at this time.

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*.

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.

8. Management's Liquidity Disclosure

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.

In addition to financial assets available to meet general expenditures (excluding grants), the organization operates with a balanced budget 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

Animals Asia Foundation Limited

Notes to the Financial Statements for the Year Ended December 31, 2021

which identifies the sources and uses of the Organization's cash and shows positive cash generate by operations for fiscal year 2021.

As of December 31, 2021, the following table shows 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	\$2,161,236
Contributions receivable	272,954
Less: net assets with donor restrictions	<u>(392,780)</u>
Total	\$2,041,410

9. Subsequent Events – Financial Statement Presentation

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 25, 2022, which is the date the financial statements were available to be issued.