

Animals Asia Foundation Limited

Financial Statements &
Independent Auditor's Report
for the Year Ended
December 31, 2018

**COOK &
COMPANY**

A PROFESSIONAL ACCOUNTANCY CORPORATION

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS	4
Statement of Financial Position	4
Statement of Activities and Changes in Net Assets.....	5
Statement of Functional Expenses.....	6
Statement of Cash Flows	7
Notes to Financial Statements.....	8

COOK & COMPANY

A PROFESSIONAL ACCOUNTANCY CORPORATION

Independent Auditor's Report

To the Board of Directors
Animals Asia Foundation Limited
San Francisco, 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, 2018, 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.

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, 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.



A Professional Accountancy Corporation
November 20, 2019

Animals Asia

Statement of Financial Position December 31, 2018

ASSETS

Current Assets:

Cash & equivalents	\$ 599,723
Contributions receivable (Note 3)	55,801
Prepaid expenses & deposits	4,804
Total current assets	<u>660,328</u>

Property & equipment, net (Note 4)	<u>3,533</u>
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TOTAL ASSETS	<u>\$ 663,861</u>
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LIABILITIES & NET ASSETS

Liabilities:

Accounts payable & accrued expenses	\$ 45,082
Accrued vacation pay	<u>21,092</u>

TOTAL LIABILITIES	66,174
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Net Assets

Without donor restrictions	530,232
With Donor Restrictions (Note 5)	<u>67,455</u>

TOTAL NET ASSETS	<u>597,687</u>
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TOTAL LIABILITIES & NET ASSETS	<u>\$ 663,861</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, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support & Revenue:			
Contributions	\$1,723,452	\$ 66,525	\$ 1,789,977
Net assets released from restriction:			
Satisfaction of donor restrictions	59,878	(59,878)	-
Contributed services (Note 6)	145,729	-	145,729
Merchandise sales	2,653		2,653
Miscellaneous revenue	778		778
	<hr/>	<hr/>	<hr/>
Total support & revenue	1,932,490	6,647	1,939,137
Expenses:			
Programs	1,383,580		1,383,580
General & administrative	338,252		338,252
Fundraising	334,179		334,179
	<hr/>	<hr/>	<hr/>
Total expenses	2,056,011	-	2,056,011
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	(123,521)	6,647	(116,874)
NET ASSETS, January 1	653,753	60,808	714,561
	<hr/>	<hr/>	<hr/>
NET ASSETS, December 31	<u>\$ 530,232</u>	<u>\$ 67,455</u>	<u>\$ 597,687</u>

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

Animals Asia

Statement of Functional Expenses for the Year Ended December 31, 2018

	General &			Total
	Programs	Administrative	Fundraising	
Salaries	\$ 50,253	\$ 95,982	\$ 126,705	\$ 272,940
Payroll taxes	4,121	7,873	10,394	22,388
Employee benefits	8,578	14,471	18,373	41,422
Grants made	1,292,910	-	-	1,292,910
Professional fees	6,660	34,221	15,785	56,666
Contributed services (Note 6)	9,960	91,775	43,994	145,729
Occupancy	600	10,200	1,200	12,000
Office supplies & small equipment	3,110	4,593	5,597	13,300
Postage	2,533	4,838	6,387	13,758
Insurance	732	1,398	1,846	3,976
Travel	-	4,825	7,240	12,065
Advertising & promotions	-	66,275	68,062	134,337
Bank fees	1,326	568	28,251	30,145
Depreciation	454	-	344	798
Miscellaneous expense	2,343	1,233	1	3,577
Total Expenses	\$ 1,383,580	\$ 338,252	\$ 334,179	\$ 2,056,011

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

Animals Asia

Statement of Cash Flows for the Year Ended December 31, 2018

Cash flows from operating activities:	
Cash received from grantors/contributors	\$ 1,800,542
Cash received from other sources	<u>3,431</u>
Cash generated from operating activities	1,803,973
Cash paid to, or for the benefit of, employees	(339,003)
Cash grants paid	(1,292,910)
Cash paid to contractors and suppliers	<u>(261,014)</u>
Cash disbursed for operating activities	<u>(1,892,927)</u>
Net cash flows generated from operating activities	(88,954)
Cash flows from investing activities:	
Purchases of fixed assets	<u>(3,035)</u>
Net cash flows from investing activities	<u>(3,035)</u>
NET CHANGE IN CASH	(91,989)
CASH & CASH EQUIVALENTS, beginning of year	<u>691,712</u>
CASH & CASH EQUIVALENTS, end of year	<u><u>\$ 599,723</u></u>

Supplemental information:

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

Change in net assets	\$ (116,874)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities	
Depreciation expense	798
Changes in assets and liabilities:	
Grants & contracts receivable	10,565
Prepaid expenses	(1,272)
Accounts payable	20,082
Accrued vacation	<u>(2,253)</u>
Net cash flows generated from operating activities	<u><u>\$ (88,954)</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, 2018

1. The Organization

Nature of Activities

Animals Asia Foundation Limited (AAFL or the Organization), a nonprofit corporation headquartered in San Francisco, 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, 2018

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 2016 through 2018 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 2015 through 2018 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

These financial statements reflect the provisions of Accounting Standards Update No. 2016-14—*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14), which was issued by the Financial Accounting Standards Board (FASB) in August 2016 and effective for calendar years ending in 2018 and beyond.

This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return amongst not-for-profit entities. A key change required by ASU 2016-14 is the net asset class captions displayed in not-for-profit financial statements. Amounts previously reported as *unrestricted net assets* are now reported as *net assets without donor*

Animals Asia Foundation Limited

Notes to the Financial Statements for the Year Ended December 31, 2018

restrictions, and amounts previously reported as *temporarily restricted net assets* and *permanently restricted net assets* are now reported as *net assets with donor restrictions*. A footnote on liquidity has also been added (Note 10).

3. Contributions Receivable

Contributions receivable (due within 30 days)	\$58,398
Less: allowance for uncollectible amounts	<u>(2,597)</u>
Contributions receivable, net	\$55,801

4. Property & Equipment

Furnishings & equipment	\$13,310
Less: accumulated depreciation	<u>(9,777)</u>
Property & equipment, net	\$3,533

5. Net Assets with Donor Restrictions

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

Development of a comprehensive plan to end bear bile farming	\$30,000
Bear bile alternatives	29,930
Other activities	<u>7,525</u>
Total	\$67,455

6. Contributed Services

Management, information technology, human resources and finance	\$91,775
Marketing	43,994
CRM	9,346
Communications	<u>614</u>
Total	\$145,729

7. Operating Leases

The Organization rents its San Francisco office on a month-to-month basis. Total rent for 2018 was \$12,000.

Animals Asia Foundation Limited

Notes to the Financial Statements for the Year Ended December 31, 2018

8. 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.

9. 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*.

10. 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.

In addition to financial assets available to meet general expenditures (excluding grants) over approximately 9 months, 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 which identifies the sources and uses of the Organization's cash.

As of December 31, 2018, 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	\$599,723
Contributions receivable	55,801
Less: net assets with donor restrictions	<u>(67,455)</u>
Total	\$588,069

11. Subsequent Events – Financial Statement Presentation

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 20, 2019, which is the date the financial statements were available to be issued.