

**ANIMALS' ANGELS, INC.**

**FINANCIAL STATEMENTS FOR THE  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
AND INDEPENDENT AUDITORS' REPORT**

**BECHANAN**  
**& COMPANY, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Animals' Angels, Inc.

We have audited the accompanying financial statements of Animals' Angels, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Animals' Angels, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Bechanan & Company, LLC*

**CERTIFIED PUBLIC ACCOUNTANTS**

February 17, 2016

**ANIMALS' ANGELS, INC.**

**STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2015 AND 2014**

|  | <u>2015</u>              | <u>2014</u>              |
|--|--------------------------|--------------------------|
| <b>ASSETS</b>                                      |                          |                          |
| <b>Current Assets:</b>                             |                          |                          |
| Cash and cash equivalents (Note 1c) . . . . .      | \$ 560,345               | \$ 493,530               |
| Cash on deposit with fund raiser (Note 2). . . . . | 29,752                   | 72,574                   |
| Prepaid expenses . . . . .                         | <u>2,154</u>             | <u>2,101</u>             |
| Total current assets . . . . .                     | <u>592,251</u>           | <u>568,205</u>           |
| <b>Property and Equipment (Note 1e):</b>           |                          |                          |
| Vehicles . . . . .                                 | 30,681                   | 30,681                   |
| Furniture, fixtures and equipment . . . . .        | 51,077                   | 49,645                   |
| Less: accumulated depreciation. . . . .            | <u>(43,115)</u>          | <u>(30,307)</u>          |
| Total property and equipment . . . . .             | <u>38,643</u>            | <u>50,019</u>            |
| Investments (Notes 1d, 3 and 4). . . . .           | 48,332                   | 48,864                   |
| Security deposits . . . . .                        | <u>1,000</u>             | <u>1,000</u>             |
| <b>Total Assets . . . . .</b>                      | <b><u>\$ 680,226</u></b> | <b><u>\$ 668,088</u></b> |
| <b>LIABILITIES AND NET ASSETS</b>                  |                          |                          |
| <b>Current Liabilities:</b>                        |                          |                          |
| Accounts payable and accrued expenses . . . . .    | \$ 156,726               | \$ 74,133                |
| Payroll tax liabilities . . . . .                  | <u>6,619</u>             | <u>6,846</u>             |
| Total current liabilities . . . . .                | <u>163,345</u>           | <u>80,979</u>            |
| <b>Net Assets:</b>                                 |                          |                          |
| Unrestricted net assets (Note 1b) . . . . .        | <u>516,881</u>           | <u>587,109</u>           |
| Total net assets . . . . .                         | <u>516,881</u>           | <u>587,109</u>           |
| <b>Total Liabilities and Net Assets . . . . .</b>  | <b><u>\$ 680,226</u></b> | <b><u>\$ 668,088</u></b> |

See notes to financial statements.

**ANIMALS' ANGELS, INC.**

**STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

|  | <u>2015</u>       | <u>2014</u>       |
|--|-------------------|-------------------|
| <b>REVENUES:</b>                               |                   |                   |
| Contributions .....                            | \$ 955,180        | \$ 1,086,324      |
| Other income .....                             | 24,863            | 31,465            |
| Investment income .....                        | <u>1,337</u>      | <u>543</u>        |
| Total revenues .....                           | <u>981,380</u>    | <u>1,118,332</u>  |
| <b>FUNCTIONAL EXPENSES:</b>                    |                   |                   |
| Management and general .....                   | 51,578            | 49,815            |
| Fund raising .....                             | 90,070            | 128,798           |
| Program services .....                         | <u>909,960</u>    | <u>804,421</u>    |
| Total expenses .....                           | <u>1,051,608</u>  | <u>983,034</u>    |
| <b>Change in unrestricted net assets .....</b> | <u>(70,228)</u>   | <u>135,298</u>    |
| Net assets, beginning of year .....            | <u>587,109</u>    | <u>451,811</u>    |
| Net assets, end of year .....                  | <u>\$ 516,881</u> | <u>\$ 587,109</u> |

See notes to financial statements.

**ANIMALS' ANGELS, INC.**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

|  | <u>2015</u>       | <u>2014</u>       |
|--|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                 |                   |                   |
| Change in net assets . . . . .                               | \$ (70,228)       | \$ 135,298        |
| Reconciliation of change in net assets to net cash provided: |                   |                   |
| Depreciation . . . . .                                       | 15,027            | 14,645            |
| Loss on the disposition of fixed assets . . . . .            | 1,419             | 1,699             |
| (Gain) on the sale of investments . . . . .                  | (70)              | 0                 |
| Loss or (gain) in market value of investments . . . . .      | 1,879             | 183               |
| Decrease/(increase) in assets:                               |                   |                   |
| Cash on deposit with fund raiser . . . . .                   | 42,822            | (32,911)          |
| Prepaid expenses . . . . .                                   | (53)              | (51)              |
| Increase/(decrease) in liabilities:                          |                   |                   |
| Accounts payable and accrued expenses . . . . .              | 82,593            | 17,798            |
| Payroll tax liabilities . . . . .                            | <u>(227)</u>      | <u>215</u>        |
| Net cash from operating activities . . . . .                 | <u>73,162</u>     | <u>136,876</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                 |                   |                   |
| Purchase of equipment . . . . .                              | (5,070)           | (12,480)          |
| Proceeds from the sale of investments . . . . .              | 7,244             | 0                 |
| Purchase of investments . . . . .                            | <u>(8,521)</u>    | <u>(49,047)</u>   |
| Net cash used in investing activities . . . . .              | <u>(6,347)</u>    | <u>(61,527)</u>   |
| Increase/(decrease) in cash and cash equivalents . . . . .   | 66,815            | 75,349            |
| Cash, beginning of year . . . . .                            | <u>493,530</u>    | <u>418,181</u>    |
| Cash, end of year . . . . .                                  | <u>\$ 560,345</u> | <u>\$ 493,530</u> |
| <b>SUPPLEMENTAL DISCLOSURES:</b>                             |                   |                   |
| Interest paid . . . . .                                      | <u>\$ -</u>       | <u>\$ -</u>       |
| Income taxes paid . . . . .                                  | <u>\$ -</u>       | <u>\$ -</u>       |

See notes to financial statements.

**ANIMALS' ANGELS, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

|   | <b>Management<br/>and<br/>General</b> | <b>Fund<br/>Raising</b> | <b>Program<br/>Services</b> | <b>Total</b>        |
|---|---------------------------------------|-------------------------|-----------------------------|---------------------|
| Accounting fees .....                     | \$ 10,000                             | \$ 4,150                | \$ -                        | \$ 14,150           |
| Agency fees .....                         | -                                     | 11,972                  | 89,269                      | 101,241             |
| Bank fees .....                           | 1,102                                 | 4,813                   | 2,076                       | 7,991               |
| Business registration fees .....          | -                                     | 3,486                   | -                           | 3,486               |
| Contribution processing .....             | -                                     | 3,088                   | 17,725                      | 20,813              |
| Depreciation .....                        | 5,060                                 | -                       | 9,967                       | 15,027              |
| Facilities .....                          | 2,648                                 | -                       | 11,181                      | 13,829              |
| Insurance .....                           | 145                                   | -                       | 13,071                      | 13,216              |
| Legal fees .....                          | 2,291                                 | -                       | 13,099                      | 15,390              |
| Loss on disposition of fixed assets ..... | -                                     | -                       | 1,419                       | 1,419               |
| Other expenses .....                      | 1,522                                 | 1,100                   | 5,175                       | 7,797               |
| Outside services .....                    | 936                                   | 677                     | 17,413                      | 19,026              |
| Payroll taxes .....                       | 1,700                                 | -                       | 15,161                      | 16,861              |
| Postage .....                             | 108                                   | 21,924                  | 282,818                     | 304,850             |
| Printing .....                            | 160                                   | 33,059                  | 147,667                     | 180,886             |
| Salaries .....                            | 22,215                                | -                       | 197,957                     | 220,172             |
| Subscriptions .....                       | 1,126                                 | 4,828                   | 25,030                      | 30,984              |
| Supplies .....                            | 693                                   | 353                     | 6,542                       | 7,588               |
| Telephone .....                           | 137                                   | -                       | 5,056                       | 5,193               |
| Travel .....                              | 1,735                                 | 620                     | 49,334                      | 51,689              |
| <b>Total expenses .....</b>               | <b>\$ 51,578</b>                      | <b>\$ 90,070</b>        | <b>\$ 909,960</b>           | <b>\$ 1,051,608</b> |

See notes to financial statements.

**ANIMALS' ANGELS, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

|   | <b>Management<br/>and<br/>General</b> | <b>Fund<br/>Raising</b> | <b>Program<br/>Services</b> | <b>Total</b>      |
|---|---------------------------------------|-------------------------|-----------------------------|-------------------|
| Accounting fees .....                     | \$ 9,500                              | \$ -                    | \$ -                        | \$ 9,500          |
| Agency fees .....                         | -                                     | 26,125                  | 70,802                      | 96,927            |
| Bank fees .....                           | 450                                   | 5,326                   | 1,735                       | 7,511             |
| Business registration fees .....          | -                                     | 3,490                   | -                           | 3,490             |
| Contribution processing .....             | -                                     | 5,588                   | 17,563                      | 23,151            |
| Depreciation .....                        | 5,623                                 | -                       | 9,022                       | 14,645            |
| Facilities .....                          | 2,322                                 | -                       | 11,494                      | 13,816            |
| Insurance .....                           | 580                                   | -                       | 5,294                       | 5,874             |
| Legal fees .....                          | 5,094                                 | -                       | 22,038                      | 27,132            |
| Loss on disposition of fixed assets ..... | 1,312                                 | -                       | 387                         | 1,699             |
| Other expenses .....                      | 623                                   | 3,853                   | 10,359                      | 14,835            |
| Outside services .....                    | 1,064                                 | 376                     | 9,657                       | 11,097            |
| Payroll taxes .....                       | 1,481                                 | -                       | 15,561                      | 17,042            |
| Postage .....                             | 93                                    | 50,406                  | 245,431                     | 295,930           |
| Printing .....                            | -                                     | 28,689                  | 97,764                      | 126,453           |
| Salaries .....                            | 19,445                                | -                       | 200,662                     | 220,107           |
| Subscriptions .....                       | 335                                   | 3,819                   | 22,323                      | 26,477            |
| Supplies .....                            | 474                                   | 121                     | 4,787                       | 5,382             |
| Telephone .....                           | 194                                   | -                       | 4,738                       | 4,932             |
| Travel .....                              | 1,225                                 | 1,005                   | 54,804                      | 57,034            |
| <b>Total expenses .....</b>               | <b>\$ 49,815</b>                      | <b>\$ 128,798</b>       | <b>\$ 804,421</b>           | <b>\$ 983,034</b> |

See notes to financial statements.

# ANIMALS' ANGELS, INC.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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### 1. SIGNIFICANT ACCOUNTING POLICIES

Animals' Angels, Inc. (the Organization) is a non-profit corporation incorporated on January 22, 2007 in the state of Maryland to prevent cruelty, to improve conditions for farm animals and to end farm animal abuse in the United States. This is accomplished by working in the field to trail livestock trucks on highways, and visiting markets, collecting stations and slaughterhouses. Documented reports and video coverage are produced as a public service by Animals' Angels to encourage positive change in the treatment of farm animals.

#### a) Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting.

#### b) Basis of Presentation

Net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted - Net assets subject to donor-imposed stipulations that will be met either by fulfillment of the restriction and/or the passage of time.

Permanently Restricted - Net assets subject to donor-imposed stipulations that are maintained permanently by the Organization.

Revenues are reported as increases in unrestricted net assets, unless the use of the related assets is limited by donor-imposed restrictions in which case increases are reported as temporarily or permanently restricted net assets as appropriate. Expenses are reported as decreases in unrestricted net assets. Expenditures that meet donor-imposed restrictions are reflected as net assets released from restrictions.

The Organization has no temporarily restricted or permanently restricted net assets as of December 31, 2015.

#### c) Cash and cash equivalents

Cash and cash equivalents include cash on deposit with financial institutions.

#### d) Investments

Investments are recorded at their fair value at year end. The unrealized loss on investments is reflected in the statement of activities.

#### e) Property and equipment

Property and equipment is recorded at cost if purchased or at its fair market value at the date of gift if it was donated. Depreciation for property and equipment is computed using the straight-line method over the lives of the assets, ranging from five to ten years.

**ANIMALS' ANGELS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**f) Allocation of expenses**

Expenses are reported when costs are incurred. The costs of providing program services and supporting activities of the Organization have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the program services and reporting activities benefited.

**g) Use of estimates**

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

**h) Income taxes**

The Organization is exempt from Federal income tax as an organization described in Section 501c3 of the Internal Revenue Code. The Organization's income tax returns are subject to possible examination by taxing authorities for federal income tax purposes, for a period of three years after the respective filing deadlines for those returns.

**2. CASH ON DEPOSIT WITH A FUND RAISER**

The Organization is working with a professional fund raising firm to assist them in raising support for their programs. At December 31, 2015 and 2014, contributions of \$29,752 and \$72,574 had been collected for Animals' Angels but had not yet been distributed to them. Additionally, \$149,767 and \$67,366, respectively were owed to the fund raiser at December 31, 2015 and 2014 for expenses incurred in the collection of revenue in 2015 and 2014. Both of these amounts are reflected in the financial statements for Animals' Angels.

**3. INVESTMENTS**

Investments held by the Organization are reported in the financial statements at their market value and consisted of the following at December 31, 2015 and 2014:

| <b>2015</b>                           | <b>Fair Value</b> | <b>Cost</b>      |
|---------------------------------------|-------------------|------------------|
| Equities – mutual funds. . . . .      | \$ 21,001         | \$ 21,945        |
| Fixed income – mutual funds . . . . . | 27,331            | 28,448           |
|                                       | <u>\$ 48,332</u>  | <u>\$ 50,393</u> |
|                                       |                   |                  |
| <b>2014</b>                           | <b>Fair Value</b> | <b>Cost</b>      |
| Equities – mutual funds. . . . .      | \$ 20,788         | \$ 21,034        |
| Fixed income – mutual funds . . . . . | 28,076            | 28,013           |
|                                       | <u>\$ 48,864</u>  | <u>\$ 49,047</u> |

**ANIMALS' ANGELS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

**4. FAIR VALUE MEASUREMENTS**

FASB ASC 820 of the FASB Accounting Standards Codification, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

- Level 1      Inputs that reflect quoted prices in active markets for identical assets or liabilities.
- Level 2      Inputs that reflect quoted prices for similar assets or liabilities in active markets.
- Level 3      Inputs that are unobservable for the asset or liability.

The Organization's investments were valued by reference to quoted market prices generated by market transactions and listed on an active market.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2015 and 2014:

| <b>2015</b>            | <b>Level 1</b>   | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>     |
|------------------------|------------------|----------------|----------------|------------------|
| Mutual funds . . . . . | \$ 48,332        | \$ 0           | \$ 0           | \$ 48,332        |
| <b>Total . . . . .</b> | <b>\$ 48,332</b> | <b>\$ 0</b>    | <b>\$ 0</b>    | <b>\$ 48,332</b> |

| <b>2014</b>            | <b>Level 1</b>   | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>     |
|------------------------|------------------|----------------|----------------|------------------|
| Mutual funds . . . . . | \$ 48,864        | \$ 0           | \$ 0           | \$ 48,864        |
| <b>Total . . . . .</b> | <b>\$ 48,864</b> | <b>\$ 0</b>    | <b>\$ 0</b>    | <b>\$ 48,864</b> |

**5. OFFICE LEASE**

The Organization entered into a lease for office space in Maryland in February, 2013. On February 1, 2016, the Organization renewed the lease and it now expires on February 28, 2017. The rent expense for the years ending December 31, 2015 and 2014 was \$12,870 and \$12,556, respectively. The future minimum rental payments for this office space are as follows:

|                             |                  |
|-----------------------------|------------------|
| December 31, 2016 . . . . . | \$ 13,192        |
| December 31, 2017 . . . . . | 2,208            |
|                             | <u>\$ 15,400</u> |

**ANIMALS' ANGELS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

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**6. CONCENTRATIONS OF RISK**

The Organization has concentrated its credit risk for cash by maintaining cash balances with two high quality financial institutions, which may at times exceed the amount covered by the U.S. Federal Deposit Insurance Corporation (FDIC). The Organization has not experienced any losses in these accounts and believes the Organization is not exposed to a significant credit risk on uninsured cash.

**7. RECLASSIFICATIONS**

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's financial statements presentation.

**8. SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through February 17, 2016, the date on which the financial statements were available to be issued.