

ANIMALS' ANGELS, INC.

**FINANCIAL STATEMENTS FOR THE
YEARS ENDED DECEMBER 31, 2019 AND 2018
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, 2019 and 2018, 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

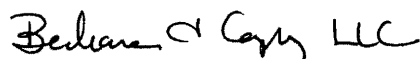
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 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, 2019 and 2018, 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.



CERTIFIED PUBLIC ACCOUNTANTS
Gaithersburg, MD
March 4, 2020

ANIMALS' ANGELS, INC.

STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Current Assets:		
Cash and cash equivalents (Notes 1c and 6)	\$ 634,648	\$ 638,587
Cash on deposit with fund raiser (Note 2)	18,631	31,476
Prepaid expenses	2,263	2,263
Total current assets	655,542	672,326
Property and Equipment (Note 1e):		
Vehicles	30,681	30,681
Furniture, fixtures and equipment	51,909	51,841
Less: accumulated depreciation	(74,985)	(74,713)
Total property and equipment	7,605	7,809
Investments (Notes 1d, 3 and 4)	84,169	52,617
Security deposits	1,000	1,000
Total Assets	\$ 748,316	\$ 733,752
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 47,695	\$ 37,358
Payroll tax liabilities	6,047	6,035
Deferred revenue	0	5,000
Total current liabilities	53,742	48,393
Net Assets:		
Net assets - without donor restrictions (Note 1b)	694,574	685,359
Total net assets	694,574	685,359
Total Liabilities and Net Assets	\$ 748,316	\$ 733,752

See notes to financial statements.

ANIMALS' ANGELS, INC.

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
REVENUES:		
Contributions	\$ 809,074	\$ 885,291
Other income	6,226	6,242
Investment income	<u>14,065</u>	<u>(2,419)</u>
Total revenues	<u>829,365</u>	<u>889,114</u>
EXPENSES:		
Management and general	39,179	38,798
Fund raising	135,308	92,106
Program services	<u>645,663</u>	<u>700,557</u>
Total expenses	<u>820,150</u>	<u>831,461</u>
Change in unrestricted net assets	<u>9,215</u>	<u>57,653</u>
Net assets, beginning of year	<u>685,359</u>	<u>627,706</u>
Net assets, end of year	<u>\$ 694,574</u>	<u>\$ 685,359</u>

See notes to financial statements.

ANIMALS' ANGELS, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 9,215	\$ 57,653
Reconciliation of change in net assets to net cash provided:		
Depreciation	4,178	8,592
Loss on the disposition of fixed assets	1,274	0
(Gain) on the sale of investments.	(225)	(3,030)
(Gain) or loss in market value of investments.	(10,371)	8,719
Decrease/(increase) in assets:		
Cash on deposit with fund raiser	12,845	(9,953)
Prepaid expenses	0	(55)
Increase/(decrease) in liabilities:		
Accounts payable and accrued expenses	10,337	19,480
Payroll tax liabilities	12	(1,135)
Deferred revenue	(5,000)	5,000
Net cash from operating activities	22,265	85,271
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment.	(5,248)	0
Proceeds from the sale of investments.	9,159	53,015
Purchase of investments.	(30,115)	(55,261)
Net cash used in investing activities	(26,204)	(2,246)
Increase/(Decrease) in cash and cash equivalents	(3,939)	83,025
Cash, beginning of year	638,587	555,562
Cash, end of year	\$ 634,648	\$ 638,587
SUPPLEMENTAL DISCLOSURES:		
Interest paid	\$ 65	\$ -
Income taxes paid	\$ -	\$ -

See notes to financial statements.

ANIMALS' ANGELS, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2019

	Management and General	Fund Raising	Program Services	Total
Accounting fees	\$ 7,000	\$ -	\$ -	\$ 7,000
Agency fees	-	25,743	46,070	71,813
Bank fees	1,086	3,020	2,543	6,649
Business registration fees	-	2,968	-	2,968
Contribution processing	-	4,152	10,201	14,353
Depreciation	587	-	3,591	4,178
Facilities	2,404	-	13,062	15,466
Insurance	1,596	-	19,290	20,886
Interest expense	-	-	65	65
Legal fees	994	-	-	994
Loss on the disposition of fixed assets	-	-	1,274	1,274
Other expenses	380	28	124	532
Outside services	105	574	15,010	15,689
Payroll taxes	1,511	-	13,428	14,939
Postage	61	53,424	145,319	198,804
Printing	645	36,216	70,706	107,567
Public outreach	-	13	62,146	62,159
Salaries	20,066	-	173,907	193,973
Subscriptions	1,123	6,380	20,800	28,303
Supplies	992	1,258	1,665	3,915
Telephone	266	-	6,373	6,639
Travel	363	1,532	40,089	41,984
Total expenses	<u>\$ 39,179</u>	<u>\$ 135,308</u>	<u>\$ 645,663</u>	<u>\$ 820,150</u>

See notes to financial statements.

ANIMALS' ANGELS, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2018

	Management and General	Fund Raising	Program Services	Total
Accounting fees	\$ 6,000	\$ -	\$ -	\$ 6,000
Agency fees	-	13,503	59,624	73,127
Bank fees	50	3,440	2,729	6,219
Business registration fees	-	2,966	-	2,966
Contribution processing	-	3,148	11,161	14,309
Depreciation	1,240	-	7,352	8,592
Facilities	2,398	-	13,058	15,456
Insurance	1,861	-	18,088	19,949
Legal fees	-	-	(3,108)	(3,108)
Other expenses	472	305	1,135	1,912
Outside services	310	3,280	4,754	8,344
Payroll taxes	1,644	-	14,285	15,929
Postage	14	34,181	184,584	218,779
Printing	-	21,608	81,951	103,559
Public outreach	-	-	53,857	53,857
Salaries	21,751	-	184,743	206,494
Subscriptions	268	7,307	19,544	27,119
Supplies	1,070	1,234	1,814	4,118
Telephone	350	0	6,149	6,499
Travel	1,370	1,134	38,837	41,341
Total expenses	<u>\$ 38,798</u>	<u>\$ 92,106</u>	<u>\$ 700,557</u>	<u>\$ 831,461</u>

See notes to financial statements.

ANIMALS' ANGELS, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

The Organization presents information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets that are not subject to or are no longer subject to donor-imposed restrictions.

Net Assets With Donor Restrictions – Net assets whose use is limited by donor imposed time and/or program restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

The Organization has no net assets with donor restrictions as of December 31, 2019 and 2018.

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 gain/loss on investments is included in the statement of activities as part of investment income.

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.

f) Functional 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. Salaries, facilities, agency fees, postage, printing, subscriptions, and contribution processing costs are the primary costs that are allocated. Allocations are based on the time spent on the program and supporting activities

ANIMALS' ANGELS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

i) Management evaluation

The Organization has evaluated subsequent events through March 4, 2020, the date on which the financial statements were available to be issued.

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, 2019 and 2018, contributions of \$18,631 and \$31,476, respectively, had been collected for Animals' Angels but had not yet been distributed to them. Additionally, \$42,673 and \$34,655, respectively, were owed to the fund raiser at December 31, 2019 and 2018 for expenses incurred in the collection of revenue in 2019 and 2018. 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, 2019 and 2018:

2019	Fair Value	Cost
Equities – mutual funds.	\$ 55,371	\$ 51,615
Fixed income – mutual funds	26,325	25,633
Real estate ETF – mutual fund.	2,473	2,032
	<u>\$ 84,169</u>	<u>\$ 79,280</u>
2018	Fair Value	Cost
Equities – mutual funds.	\$ 32,338	\$ 36,687
Fixed income – mutual funds	18,496	19,636
Real estate ETF – mutual fund.	1,783	1,776
	<u>\$ 52,617</u>	<u>\$ 58,099</u>

ANIMALS' ANGELS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

3. INVESTMENTS (Continued)

Investment income includes for the years ended December 31, 2019 and 2018:

	2019	2018
Interest and dividend income	\$ 3,469	\$ 4,120
Realized gain in disposition of investments	225	3,030
Investment expenses.	0	(850)
Unrealized gain/(loss) in market value of investments. . .	10,371	(8,719)
Total investment income	<u>\$ 14,065</u>	<u>\$ (2,419)</u>

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 Organization's investments were valued by reference to quoted market prices generated by market transactions and listed on an active market. All investments of the Organization are valued using Level 1.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2019:

	Level 1	Level 2	Level 3	Total
Equities – mutual funds	\$ 55,371	\$ 0	\$ 0	\$ 55,371
Fixed income – mutual funds	26,325	0	0	26,325
Real estate ETF - mutual fund	2,473	0	0	2,473
Total	<u>\$ 84,169</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 84,169</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2018:

	Level 1	Level 2	Level 3	Total
Equities – mutual funds	\$ 32,338	\$ 0	\$ 0	\$ 32,338
Fixed income – mutual funds	18,496	0	0	18,496
Real estate ETF– mutual fund	1,783	0	0	1,783
Total	<u>\$ 52,617</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 52,617</u>

ANIMALS' ANGELS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

5. OFFICE LEASE

The Organization entered into a lease for office space in Maryland in February, 2013. The Organization renewed the lease and pre-paid the rent for the year of the lease which now expires on February 28, 2020. The rent expense for both of the years ending December 31, 2019 and 2018 was \$13,577.

6. CONCENTRATIONS OF RISK

The Organization has concentrated its credit risk for cash by maintaining cash balances with a high quality financial institution, which has exceeded 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. IN-KIND CONTRIBUTIONS

Contributions of financial assets and property with a readily determinable value are recognized as income in the period when received. Contributions of donated services that create or enhance non-financial assets or require specialized skills, and would typically be purchased if not provided by donation, are recorded at fair value in the period received. The Organization received online advertising as an in-kind contribution from Google in both 2019 and 2018. The estimated fair value of the advertising included in the financial statements for the year ended December 31, 2019 was \$59,268 and for the year ended December 31, 2018 it was \$51,837. It is included in Public Outreach expenses in the accompanying statements of functional expenses.

9. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization monitors its liquidity so that it is able to meet its operating needs and contractual commitments while maximizing the investment of its excess operating cash. The Organization has the following financial assets that could readily be made available within one year of the balance sheet date to fund expenses without limitations:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 634,648	\$ 638,587
Investments	84,169	52,617
Financial assets available to meet cash needs for expenditures within one year.	<u>\$ 718,817</u>	<u>\$ 691,204</u>