

ANIMALS' ANGELS, INC.

**FINANCIAL STATEMENTS FOR THE
YEARS ENDED DECEMBER 31, 2021 AND 2020
AND INDEPENDENT AUDITORS' REPORT**

BECHANAN
& COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Animals' Angels, Inc.

Opinion

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 Animals' Angels, Inc. as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Animals' Angels, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Animals' Angels, Inc.'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 Animals' Angels, Inc.'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 Animals' Angels, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate 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.



CERTIFIED PUBLIC ACCOUNTANTS

February 14, 2022

ANIMALS' ANGELS, INC.

STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 981,419	\$ 794,794
Cash on deposit with fund raiser	43,184	52,587
Prepaid expenses	6,329	3,872
Total current assets	1,030,932	851,253
Property and Equipment:		
Vehicles	30,681	30,681
Furniture, fixtures and equipment	56,260	55,143
Less: accumulated depreciation	(79,222)	(76,538)
Total property and equipment	7,719	9,286
Investments	710,671	102,506
Security deposits	1,000	1,000
Total Assets	\$ 1,750,322	\$ 964,045
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 44,937	\$ 31,050
Payroll tax liabilities	5,821	5,854
Total current liabilities	50,758	36,904
Net Assets:		
Net assets - without donor restrictions	1,699,564	927,141
Total net assets	1,699,564	927,141
Total Liabilities and Net Assets	\$ 1,750,322	\$ 964,045

See notes to financial statements.

ANIMALS' ANGELS, INC.

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
REVENUES:		
Contributions	\$ 1,567,909	\$ 861,249
Contributions - in-kind	97,380	85,474
Grant income	29,800	70,590
Other income	5,572	4,558
Investment income	<u>48,506</u>	<u>14,332</u>
Total revenues	<u>1,749,167</u>	<u>1,036,203</u>
EXPENSES:		
Management and general	40,366	39,672
Fund raising	109,980	168,794
Program services	<u>826,398</u>	<u>595,170</u>
Total expenses	<u>976,744</u>	<u>803,636</u>
Changes in net assets without donor restrictions	<u>772,423</u>	<u>232,567</u>
Net assets, beginning of year	<u>927,141</u>	<u>694,574</u>
Net assets, end of year	<u>\$ 1,699,564</u>	<u>\$ 927,141</u>

See notes to financial statements.

ANIMALS' ANGELS, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 772,423	\$ 232,567
Reconciliation of change in net assets to net cash provided:		
Depreciation	3,154	2,983
Donated investments	(573,919)	(7,031)
Loss on the disposition of fixed assets	633	0
(Gain) on the sale of investments.	(5,419)	(1,374)
(Gain) in market value of investments.	(4,236)	(9,562)
Decrease/(increase) in assets:		
Cash on deposit with fund raiser	9,403	(33,956)
Prepaid expenses	(2,457)	(1,609)
Increase/(decrease) in liabilities:		
Accounts payable and accrued expenses	13,887	(16,645)
Payroll tax liabilities	(33)	(193)
Net cash from operating activities	213,436	165,180
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment.	(2,220)	(4,664)
Proceeds from the sale of donated investments.	573,919	7,031
Proceeds from the sale of investments.	5,603	15,649
Purchase of investments.	(604,113)	(23,050)
Net cash used in investing activities	(26,811)	(5,034)
Increase/(Decrease) in cash and cash equivalents	186,625	160,146
Cash, beginning of year	794,794	634,648
Cash, end of year	\$ 981,419	\$ 794,794
SUPPLEMENTAL DISCLOSURES:		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

See notes to financial statements.

ANIMALS' ANGELS, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2021

	Management and General	Fund Raising	Program Services	Total
Agency fees	\$ -	\$ 15,207	\$ 124,628	\$ 139,835
Bank fees	242	4,672	4,050	8,964
Business registration fees	-	3,423	-	3,423
Contribution processing	-	3,778	11,518	15,296
Depreciation	483	-	2,671	3,154
Facilities	2,405	-	13,576	15,981
Insurance	1,356	-	21,535	22,891
Loss on the disposition of fixed assets	-	-	633	633
Other expenses	625	-	538	1,163
Outside services	5,786	1,445	7,306	14,537
Payroll taxes	1,361	-	13,533	14,894
Postage	172	45,340	176,646	222,158
Printing	-	27,539	85,546	113,085
Professional fees	8,250	-	-	8,250
Public outreach	-	-	23,619	23,619
Public outreach - in-kind	-	-	97,380	97,380
Salaries	17,518	-	169,385	186,903
Subscriptions	241	5,346	23,959	29,546
Supplies	1,264	3,021	1,997	6,282
Telephone	436	-	8,566	9,002
Travel	227	209	39,312	39,748
Total expenses	<u>\$ 40,366</u>	<u>\$ 109,980</u>	<u>\$ 826,398</u>	<u>\$ 976,744</u>

See notes to financial statements.

ANIMALS' ANGELS, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2020

	Management and General	Fund Raising	Program Services	Total
Agency fees	\$ -	\$ 27,036	\$ 34,739	\$ 61,775
Bank fees	239	3,941	2,829	7,009
Business registration fees	-	2,943	-	2,943
Contribution processing	-	5,755	8,796	14,551
Depreciation	570	-	2,413	2,983
Facilities	2,405	-	12,638	15,043
Insurance	2,221	-	20,108	22,329
Interest expense	-	-	-	-
Other expenses	511	18	542	1,071
Outside services	-	953	5,544	6,497
Payroll taxes	1,614	-	13,046	14,660
Postage	96	61,586	133,437	195,119
Printing	-	56,681	57,568	114,249
Professional fees	7,487	-	(300)	7,187
Public outreach	-	100	1,904	2,004
Public outreach - in-kind	-	-	85,474	85,474
Salaries	21,644	-	168,769	190,413
Subscriptions	268	8,241	19,544	28,053
Supplies	1,794	1,540	765	4,099
Telephone	294	-	7,756	8,050
Travel	529	-	19,598	20,127
Total expenses	<u>\$ 39,672</u>	<u>\$ 168,794</u>	<u>\$ 595,170</u>	<u>\$ 803,636</u>

See notes to financial statements.

ANIMALS' ANGELS, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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 the 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, 2021 and 2020.

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, 2021 AND 2020

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. The Organization has not taken any uncertain tax positions requiring disclosure during the years ended December 31, 2021 and 2020.

i) Newly Adopted Accounting Pronouncements

In May, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers." This standard, along with its related amendments, requires organizations to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard has been implemented by the Organization beginning on January 1, 2019. The adoption of this standard did not have an impact on the Organization's financial position or changes in its net assets.

In June, 2018, the FASB issued ASU 2018-08, "Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made." This standard clarifies and improves the reporting for contributions received and contributions made by providing guidance for evaluating whether transactions should be accounted for as contributions or as exchange transactions. This standard has also been implemented by the Organization beginning on January 1, 2019. The adoption of this standard also did not have an impact on the Organization's financial position or changes in its net assets.

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, 2021 and 2020, contributions of \$43,184 and \$52,587, respectively, had been collected for Animals' Angels but had not yet been distributed to them. Additionally, \$33,975 and \$21,359, respectively, were owed to the fund raiser at December 31, 2021 and 2020 for expenses incurred in the collection of revenue in 2021 and 2020. Both of these amounts are reflected in the financial statements for Animals' Angels.

ANIMALS' ANGELS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

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, 2021 and 2020:

2021	Fair Value	Cost
Equities – mutual funds.	\$ 457,051	\$ 458,698
Fixed income – mutual funds	226,543	226,455
Real estate ETF – mutual fund.	<u>27,077</u>	<u>24,925</u>
	<u>\$ 710,671</u>	<u>\$ 710,078</u>

2020	Fair Value	Cost
Equities – mutual funds.	\$ 68,491	\$ 55,657
Fixed income – mutual funds	31,415	29,418
Real estate ETF – mutual fund.	<u>2,600</u>	<u>2,348</u>
	<u>\$ 102,506</u>	<u>\$ 87,423</u>

Investment income includes for the years ended December 31, 2021 and 2020:

	2021	2020
Interest and dividend income	\$ 40,488	\$ 5,114
Realized gain in disposition of investments	5,419	1,374
Investment expenses.	(1,637)	(1,718)
Unrealized gain in market value of investments.	4,236	9,562
Total investment income	<u>\$ 48,506</u>	<u>\$ 14,332</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.

ANIMALS' ANGELS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

4. FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2021:

	Level 1	Level 2	Level 3	Total
Equities – mutual funds	\$ 457,051	\$ 0	\$ 0	\$ 457,051
Fixed income – mutual funds .	226,543	0	0	226,543
Real estate ETF - mutual fund	27,077	0	0	27,077
Total	<u>\$ 710,671</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 710,671</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2020:

	Level 1	Level 2	Level 3	Total
Equities – mutual funds	\$ 68,491	\$ 0	\$ 0	\$ 68,491
Fixed income – mutual funds	31,415	0	0	31,415
Real estate ETF– mutual fund	2,600	0	0	2,600
Total	<u>\$ 102,506</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 102,506</u>

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, 2022. The rent expense for the years ending December 31, 2021 and 2020 was \$13,494 and \$13,577, respectively.

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.

ANIMALS' ANGELS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

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 2021 and 2020. The estimated fair value of the advertising included in the financial statements for the year ended December 31, 2021 was \$97,380 and for the year ended December 31, 2020 it was \$85,474. 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:

	2021	2020
Cash and cash equivalents	\$ 981,419	\$ 794,794
Cash on deposit with fund raiser	43,184	52,587
Investments	710,671	102,506
Financial assets available to meet cash needs for expenditures within one year.	<u>\$ 1,735,274</u>	<u>\$ 949,887</u>

10. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through February 14, 2022, the date on which the financial statements were available to be issued.