

ANIMALS' ANGELS, INC.

**FINANCIAL STATEMENTS FOR THE
YEARS ENDED DECEMBER 31, 2017 AND 2016
AND INDEPENDENT AUDITORS' REPORT**

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

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Members
American Institute of CPA's
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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, 2017 and 2016, 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, 2017 and 2016, 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
Gaithersburg, MD
February 28, 2018

ANIMALS' ANGELS, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Current Assets:		
Cash and cash equivalents (Note 1c)	\$ 555,562	\$ 598,221
Cash on deposit with fund raiser (Note 2)	21,523	23,777
Prepaid expenses	2,208	4,172
Total current assets	579,293	626,170
Property and Equipment (Note 1e):		
Vehicles	30,681	30,681
Furniture, fixtures and equipment	51,841	56,548
Less: accumulated depreciation	(66,121)	(58,306)
Total property and equipment	16,401	28,923
Investments (Notes 1d, 3 and 4)	56,060	49,870
Security deposits	1,000	1,000
Total Assets	\$ 652,754	\$ 705,963
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 17,878	\$ 60,095
Payroll tax liabilities	7,170	6,837
Total current liabilities	25,048	66,932
Net Assets:		
Unrestricted net assets (Note 1b)	627,706	639,031
Total net assets	627,706	639,031
Total Liabilities and Net Assets	\$ 652,754	\$ 705,963

See notes to financial statements.

ANIMALS' ANGELS, INC.

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
REVENUES:		
Contributions	\$ 876,433	\$ 1,163,532
Other income	11,213	12,886
Investment income	8,022	3,431
Total revenues	<u>895,668</u>	<u>1,179,849</u>
FUNCTIONAL EXPENSES:		
Management and general	46,773	48,398
Fund raising	90,974	132,688
Program services	769,246	876,613
Total expenses	<u>906,993</u>	<u>1,057,699</u>
Change in unrestricted net assets	<u>(11,325)</u>	<u>122,150</u>
Net assets, beginning of year	<u>639,031</u>	<u>516,881</u>
Net assets, end of year	<u>\$ 627,706</u>	<u>\$ 639,031</u>

See notes to financial statements.

ANIMALS' ANGELS, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (11,325)	\$ 122,150
Reconciliation of change in net assets to net cash provided:		
Depreciation	15,651	15,191
Loss on the disposition of fixed assets	1,320	0
(Gain) or loss on the sale of investments.	(1)	170
(Gain) or loss in market value of investments.	(4,133)	(1,166)
Decrease/(increase) in assets:		
Cash on deposit with fund raiser	2,254	5,975
Prepaid expenses	1,964	(2,018)
Increase/(decrease) in liabilities:		
Accounts payable and accrued expenses	(42,217)	(96,631)
Payroll tax liabilities	333	218
Net cash from operating activities	(36,154)	43,889
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment.	(4,709)	(5,471)
Proceeds from the sale of investments.	24,090	12,338
Proceeds from the sale of equipment.	260	0
Purchase of investments.	(26,146)	(12,880)
Net cash used in investing activities	(6,505)	(6,013)
Increase/(Decrease) in cash and cash equivalents	(42,659)	37,876
Cash, beginning of year	598,221	560,345
Cash, end of year	\$ 555,562	\$ 598,221
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, 2017

	Management and General	Fund Raising	Program Services	Total
Accounting fees	\$ 5,400	\$ -	\$ -	\$ 5,400
Advertising expense - in-kind	-	-	83,634	83,634
Agency fees	-	11,762	52,008	63,770
Bank fees	967	3,591	3,019	7,577
Business registration fees	-	3,411	-	3,411
Contribution processing	-	2,723	10,973	13,696
Depreciation	2,598	-	13,053	15,651
Facilities	2,503	-	12,399	14,902
Insurance	1,681	-	17,582	19,263
Legal fees	3,500	-	1,150	4,650
Loss on disposition of fixed assets	866	-	454	1,320
Other expenses	1,506	-	2,432	3,938
Outside services	1,548	16,425	25,857	43,830
Payroll taxes	1,526	-	16,264	17,790
Postage	39	20,245	166,349	186,633
Printing	76	25,780	87,694	113,550
Salaries	20,087	-	211,238	231,325
Subscriptions	271	4,111	17,960	22,342
Supplies	2,306	1,459	3,831	7,596
Telephone	222	-	5,633	5,855
Travel	1,677	1,467	37,716	40,860
Total expenses	<u>\$ 46,773</u>	<u>\$ 90,974</u>	<u>\$ 769,246</u>	<u>\$ 906,993</u>

See notes to financial statements.

ANIMALS' ANGELS, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Management and General	Fund Raising	Program Services	Total
Accounting fees	\$ 6,250	\$ -	\$ -	\$ 6,250
Agency fees	-	38,804	58,417	97,221
Bank fees	1,173	5,429	2,674	9,276
Business registration fees	-	2,935	-	2,935
Contribution processing	-	4,650	16,700	21,350
Depreciation	1,918	-	13,273	15,191
Facilities	2,443	-	11,614	14,057
Insurance	1,393	-	14,306	15,699
Legal fees	167	-	-	167
Loss on disposition of fixed assets	-	-	-	-
Other expenses	1,938	1,096	8,132	11,166
Outside services	1,264	1,053	16,344	18,661
Payroll taxes	2,001	-	15,439	17,440
Postage	730	52,362	319,312	372,404
Printing	562	12,360	131,944	144,866
Salaries	25,309	-	200,983	226,292
Subscriptions	323	12,156	21,942	34,421
Supplies	1,183	997	3,292	5,472
Telephone	194	-	5,668	5,862
Travel	1,550	846	36,573	38,969
Total expenses	\$ 48,398	\$ 132,688	\$ 876,613	\$ 1,057,699

See notes to financial statements.

ANIMALS' ANGELS, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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, 2017.

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, 2017 AND 2016

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, 2017 and 2016, contributions of \$21,523 and \$23,777, respectively, had been collected for Animals' Angels but had not yet been distributed to them. Additionally, \$14,552 and \$54,971, respectively, were owed to the fund raiser at December 31, 2017 and 2016 for expenses incurred in the collection of revenue in 2017 and 2016. 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, 2017 and 2016:

2017	Fair Value	Cost
Equities – mutual funds.	\$ 29,915	\$ 26,660
Fixed income – mutual funds	26,145	26,163
	<u>\$ 56,060</u>	<u>\$ 52,823</u>
2016	Fair Value	Cost
Equities – mutual funds.	\$ 21,285	\$ 21,681
Fixed income – mutual funds	28,585	29,085
	<u>\$ 49,870</u>	<u>\$ 50,766</u>

ANIMALS' ANGELS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

3. INVESTMENTS (Continued)

Investment income includes for the years ended December 31, 2017 and 2016:

	2017	2016
Interest and dividend income	\$ 3,888	\$ 2,435
Realized gain/(loss) in disposition of investments	1	(170)
Unrealized gain/(loss) in market value of investments. . .	4,133	1,166
Total investment income	<u>\$ 8,022</u>	<u>\$ 3,431</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 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, 2017 and 2016:

2017	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Mutual funds	\$ 56,060	\$ 56,060
Total	<u>\$ 56,060</u>	<u>\$ 56,060</u>

ANIMALS' ANGELS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

4. FAIR VALUE MEASUREMENTS (Continued)

2016	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Mutual funds	\$ 49,870	\$ 49,870
Total	<u>\$ 49,870</u>	<u>\$ 49,870</u>

5. OFFICE LEASE

The Organization entered into a lease for office space in Maryland in February, 2013. On March 5, 2017, the Organization renewed the lease and it now expires on February 28, 2018. The rent expense for the years ending December 31, 2017 and 2016 was \$13,246 and \$13,192, respectively. The future minimum rental payments for this office space are as follows:

December 31, 2018	<u>\$ 2,208</u>
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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 28, 2018, the date on which the financial statements were available to be issued.