

COMPASSION IN
WORLD FARMING
Decatur, Georgia

Financial Statements
March 31, 2019 and 2018

COMPASSION IN WORLD FARMING
DECATUR, GEORGIA

FINANCIAL STATEMENTS

MARCH 31, 2019 and 2018

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of financial position	2
Statements of activities	3
Statements of functional expenses	4
Statements of cash flows	5
Notes to the financial statements	6 - 10



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Compassion in World Farming

We have audited the accompanying financial statements of Compassion in World Farming (a nonprofit organization), which comprise the statements of financial position as of March 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the year and three-months then ended, respectfully, 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 Compassion in World Farming as of March 31, 2019 and 2018, and the changes in its net assets and its cash flows for the year and three months then ended, respectfully, in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink that reads "Wilson Lewis".

Duluth, Georgia
July 31, 2019

COMPASSION IN WORLD FARMING
STATEMENTS OF FINANCIAL POSITION
As of March 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 988,471	\$ 876,241
Pledges receivable	813,787	865,000
Prepaid expenses	16,575	8,560
Total current assets	1,818,833	1,749,801
LONG-TERM ASSETS		
Long-term pledges receivable, net	489,093	1,256,158
Total long-term assets	489,093	1,256,158
Total assets	\$ 2,307,926	\$ 3,005,959
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 11,583	\$ -
Employee payable	2,200	-
Related party payable	50,000	-
Accrued expenses	71,337	14,911
Deferred rent	1,302	2,962
Total current liabilities	136,422	17,873
NET ASSETS		
Net assets without donor restrictions	1,885,851	2,614,933
Net assets with donor restrictions	285,653	373,153
Total net assets	2,171,504	2,988,086
Total liabilities and net assets	\$ 2,307,926	\$ 3,005,959

See accompanying notes and independent auditor's report

COMPASSION IN WORLD FARMING

STATEMENTS OF ACTIVITIES

For the year ended March 31, 2019 and for the three months ended March 31, 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions	\$ 458,011	\$ 75,000	\$ 533,011	\$ 89,251	\$ -	\$ 89,251
Income from trusts and foundations	76,500	-	76,500	1,923,256	-	1,923,256
Royalties	12,878	-	12,878	-	-	-
Interest income	-	-	-	19	-	19
Total revenue and support	547,389	75,000	622,389	2,012,526	-	2,012,526
Net assets released from restrictions	162,500	(162,500)	-	-	-	-
EXPENSES						
Program services	800,159	-	800,159	98,470	-	98,470
Supporting services	189,352	-	189,352	38,227	-	38,227
Fundraising	449,460	-	449,460	129,145	-	129,145
Total expenses	1,438,971	-	1,438,971	265,842	-	265,842
CHANGE IN NET ASSETS	(729,082)	(87,500)	(816,582)	1,746,684	-	1,746,684
NET ASSETS, beginning of year	2,614,933	373,153	2,988,086	868,249	373,153	1,241,402
NET ASSETS, end of year	<u>\$ 1,885,851</u>	<u>\$ 285,653</u>	<u>\$ 2,171,504</u>	<u>\$ 2,614,933</u>	<u>\$ 373,153</u>	<u>\$ 2,988,086</u>

See accompanying notes and independent auditor's report

COMPASSION IN WORLD FARMING

STATEMENTS OF FUNCTIONAL EXPENSES

For the year ended March 31, 2019 and for the three months ended March 31, 2018

	2019				2018			
	Program Services	Supporting Services	Fundraising	Total	Program Services	Supporting Services	Fundraising	Total
OPERATING EXPENSES								
Advertising and marketing	\$ -	\$ -	\$ 264,385	\$ 264,385	\$ -	\$ -	\$ 91,578	\$ 91,578
Auto	-	-	-	-	-	21	-	21
Bank / merchant fees	-	6,604	-	6,604	-	1,919	-	1,919
Computer	7,829	7,829	-	15,658	1,966	1,966	-	3,932
Campaign materials	-	-	-	-	-	-	-	-
Donations	185,000	-	-	185,000	-	-	-	-
Dues and subscriptions	14,749	14,749	-	29,498	1,871	1,870	-	3,741
Equipment rental	-	-	-	-	342	-	-	342
Employee benefits	712	279	279	1,270	1,420	558	557	2,535
Insurance	2,710	1,161	-	3,871	416	178	-	594
Meals and entertainment	9,772	2,094	2,094	13,960	1,172	251	251	1,674
Office	18,765	9,384	9,384	37,533	4,574	2,287	2,286	9,147
Postage	-	90	810	900	-	14	122	136
Printing and reproduction	53,479	5,942	-	59,421	-	69	621	690
Professional fees	33,084	16,542	16,542	66,168	4,584	2,292	2,292	9,168
Rent	12,719	2,725	2,725	18,169	3,168	679	678	4,525
Repairs and maintenance	-	1,655	-	1,655	-	-	-	-
Retirement plan	-	15,757	-	15,757	-	1,470	-	1,470
Salaries and wages	380,613	94,084	124,020	598,717	58,428	22,699	23,156	104,283
Taxes - payroll	26,280	10,325	10,325	46,930	4,757	1,869	1,868	8,494
Telephone	-	132	747	879	-	85	479	564
Travel	54,447	-	18,149	72,596	15,772	-	5,257	21,029
Total expenses	\$ 800,159	\$ 189,352	449,460	1,438,971	\$ 98,470	\$ 38,227	129,145	265,842

See accompanying notes and independent auditor's report

COMPASSION IN WORLD FARMING

STATEMENTS OF CASH FLOWS

For the year ended March 31, 2019 and for the three months ended March 31, 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (816,582)	\$ 1,746,684
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Rent expense	(1,660)	(342)
(Increase) decrease in assets:		
Pledges receivable	818,278	(1,230,000)
Prepaid expenses	(8,015)	1,423
Increase (decrease) in liabilities:		
Accounts payable	11,583	-
Employee payable	2,200	(122)
Related party payable	50,000	-
Accrued expenses	56,426	(33,483)
Total adjustments	<u>928,812</u>	<u>(1,262,524)</u>
Net cash provided by operating activities	<u>112,230</u>	<u>484,160</u>
NET INCREASE IN CASH	112,230	484,160
Cash, beginning of year	<u>876,241</u>	<u>392,081</u>
Cash, end of year	<u>\$ 988,471</u>	<u>\$ 876,241</u>

See accompanying notes and independent auditor's report

COMPASSION IN WORLD FARMING

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Compassion in World Farming ("the Organization") campaigns peacefully on a global level to end all cruel factory farming practices, specializing in farm animal welfare. The Organization was founded in the UK in 1967 and expanded its operation to further its mission in the United States in 2013.

Basis of Accounting

The Organization recognizes revenue and expenses on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The Organization presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 *Not-for-Profit-Entities*. Accordingly, the Organization reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Net assets without donor restrictions include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Organization. As of March 31, 2019 and 2018, net assets without donor restrictions were \$1,885,851 and \$2,614,933, respectively.

Net assets with donor restrictions are amounts subject to donor-imposed stipulations that may, or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires or the Organization has satisfied the restriction, donor restricted net assets are reclassified to non-donor restricted net assets. As of March 31, 2019 and 2018, net assets with donor restrictions were \$285,653 and \$373,153, respectively.

Use of Estimates

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

Revenue Recognition

The Organization generates revenue from contributions received from individuals, trusts, and foundations. Contributions and unconditional promises to give are recognized at the earlier of when the promises to give are made or the cash is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be received in the following year are recorded at their net realizable value and those due in more than one year are reflected at the present value of estimated future cash flows. Restricted contributions are recorded as an increase in net assets with donor restrictions, depending upon the nature of the restriction. When the restriction expires or the Organization has satisfied the restriction, the applicable net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. There were no conditional promises to give

COMPASSION IN WORLD FARMING

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

for the year ended March 31, 2019 and the three months ended March 31, 2018. Royalty income is recognized on an accrual basis in accordance with the substance of the relevant agreements.

Pledges Receivable

Pledges receivable are recorded at the amount the Organization expects to collect on donations and pledges made. Unconditional pledges are recognized in the statement of activities in the period received. Pledges to be received after one year are discounted at an appropriate discount rate based on management's estimate of the risks involved. Amortization of the discount is recorded annually as additional contribution revenue. Management closely monitors promises to give and reserves for, as of year end, any balances that are considered to be uncollectible. Management will write off any pledges receivable that remain outstanding after reasonable collection efforts have been used. Based on the history of collecting these pledges receivable, there was no allowance for doubtful accounts as of March 31, 2019 and 2018.

Income Taxes

The Organization is a non-profit organization which has been determined by the Internal Revenue Service to be exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Organization's income tax returns are subject to examination by the appropriate regulatory authorities and remain open for examination for a period of three years after the respective filing deadlines of those returns.

Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses reports certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses are allocated based on use of the related assets or on time and effort used to generate the expense.

Fair Value of Financial Instruments

The Organization's financial instruments, including current assets and current liabilities, are carried at cost, which approximates their fair value because of the short-term nature of these financial instruments. The Organization's unconditional promises to give are carried at fair value.

2. ACCOUNTING POLICY CHANGE

The Financial Accounting Standards Board (FASB) released ASU 2016-14 Not-for-Profit Entities in August 2016. This amendment changes the presentation of net assets from the previously required three classes: unrestricted, temporarily restricted, and permanently restricted net assets, to two classes, net assets with donor restrictions and net assets without donor restrictions. The amendment also requires additional disclosures regarding net assets with donor restrictions and internally restricted net assets. The amendment is effective for fiscal years beginning after December 15, 2017, should be applied retrospectively, and early adoption is permitted. The Organization adopted this amendment for the three months ended March 31, 2018.

COMPASSION IN WORLD FARMING

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2019 and 2018

3. PLEDGES RECEIVABLE

Pledges receivable consist of the following:

	2019	2018
Pledges receivable, current	\$ 813,787	\$ 865,000
Pledges receivable, long-term	500,000	1,275,000
Total	1,313,787	2,140,000
Present value discount at 2.23% for 2019 and 1.5% for 2018	(10,907)	(18,842)
Pledges receivable, net	<u>\$ 1,302,880</u>	<u>\$ 2,121,158</u>

Collections on pledges receivable are scheduled to be paid as follows:

2020	\$ 813,787
2021	500,000
Total	<u>\$ 1,313,787</u>

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

	2019	2018
Aquaculture fish program	\$ 99,261	\$ 149,261
Hiring of staff	148,892	223,892
25 by 25 program	37,500	-
Total	<u>\$ 285,653</u>	<u>\$ 373,153</u>

Net assets released from donor restrictions are as follows:

	2019	2018
Aquaculture fish program	\$ 50,000	\$ -
Hiring of staff	75,000	-
25 by 25 program	37,500	-
Total	<u>\$ 162,500</u>	<u>\$ -</u>

5. NET ASSETS WITH INTERNALLY-DIRECTED RESTRICTIONS

For the three months ended March 31, 2018 the Organization's governing board has designated from net assets without donor restrictions \$150,000 for the 25 by 25 program. There were no internal restrictions made of the year ended March 31, 2019.

COMPASSION IN WORLD FARMING

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2019 and 2018

6. NET ASSETS LIQUIDITY AND AVAILABILITY

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2019</u>	<u>2018</u>
Cash	\$ 988,471	\$ 876,241
Pledges receivable - current	650,000	705,000
Total	<u>\$ 1,638,471</u>	<u>\$ 1,581,241</u>

Pledges receivable in the amounts of \$162,500 and \$160,000 as of March 31, 2019 and 2018, respectively, are subject to donor restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The pledges receivable are subject to implied time restrictions but are expected to be collected within one year. The Organization has a goal to maintain a cash balance to meet several months of operating expenses which were on average \$119,914 and \$88,614 per month for the year ended March 31, 2019 and for the three months ended March 31, 2018, respectively. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

7. RETIREMENT PLAN

The Organization maintained a 403(b) Thrift Plan for all employees. Employees can elect to contribute a portion of their gross salary subject to federal tax law limits. The plan does not provide employer matching contributions but does provide for employer base contributions which equal 2% of the employees compensation for the plan year. The employer contributions made for the year ended March 31, 2019 and for the three months ended March 31, 2018 were \$15,757 and \$1,470, respectively.

8. OPERATING LEASE

The Organization leases office space. The rent agreement was effective in September 2016 and expires November 2019. The agreement contains an escalation clause and the straight-lined rent per month is \$1,508. Future minimum rental commitments under this operating lease is as follows:

2020	<u>\$ 12,066</u>
------	------------------

Total rent expense for the year ended March 31, 2019 and for the three months ended March 31, 2018 was \$18,169 and \$4,525, respectively.

COMPASSION IN WORLD FARMING

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2019 and 2018

9. CONCENTRATIONS

Cash

The Organization maintains its cash with federally insured financial institutions. At times during the year, the balances at these financial institutions exceeded the FDIC insured limit of \$250,000.

Contributions

During the year ended March 31, 2019, three donors contributed 41% of the revenue and support earned. These donors accounted for approximately 3% of pledges receivable at March 31, 2019.

During the three months ended March 31, 2018, two donors contributed 97% of the revenue and support earned. These donors accounted for approximately 75% of pledges receivable at March 31, 2018.

9. DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through June 26, 2019, the date on which the financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the report date but prior to the filing of this report that would have a material impact on the financial statements.