COMPASSION IN
WORLD FARMING, INC.
Atlanta, Georgia

Financial Statements
March 31, 2020 and 2019

COMPASSION IN WORLD FARMING, INC.
ATLANTA, GEORGIA

FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Compassion in World Farming, Inc.
Atlanta, Georgia

We have audited the accompanying financial statements of Compassion in World Farming, Inc. (a nonprofit organization) which comprise the statements of financial position as of March 31, 2020 and 2019, 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 audit. We conducted our audit 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 of 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, Inc. as of March 31, 2020 and 2019, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Wilson Lewis

December 2, 2020
Duluth, Georgia

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COMPASSION IN WORLD FARMING, INC.

STATEMENTS OF FINANCIAL POSITION
As of March 31, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	$ 1,069,878	$ 988,471
Pledges receivable	962,500	813,787
Prepaid expenses	17,548	16,575
Total current assets	2,049,926	1,818,833
OTHER ASSETS		
Long-term pledges receivable, net	250,000	489,093
Total other assets	250,000	489,093
Total assets	2,299,926	2,307,926
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 492	$ 11,583
Accrued expenses	53,631	73,537
Related party payable	22,500	50,000
Deferred rent	-	1,302
Total current liabilities	76,623	136,422
NET ASSETS		
Without donor restrictions	2,084,042	1,885,851
With donor restrictions	139,261	285,653
Total net assets	2,223,303	2,171,504
Total liabilities and net assets	$ 2,299,926	$ 2,307,926

See accompanying notes and independent auditor's report

COMPASSION IN WORLD FARMING, INC.

STATEMENTS OF ACTIVITIES
For the years ended March 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions, net	$ 1,499,909	$ 127,500	$ 1,627,409	$ 534,639	$ 75,000	$ 609,639
Royalty income	-	-	-	12,750	-	12,750
Total revenue and support	1,499,909	127,500	1,627,409	547,389	75,000	622,389
Net assets released from restrictions	273,892	(273,892)	-	162,500	(162,500)	-
EXPENSES						
Program services	873,606	-	873,606	713,080	-	713,080
Supporting services	193,704	-	193,704	222,043	-	222,043
Fundraising	508,300	-	508,300	503,848	-	503,848
Total expenses	1,575,610	-	1,575,610	1,438,971	-	1,438,971
CHANGE IN NET ASSETS	198,191	(146,392)	51,799	(729,082)	(87,500)	(816,582)
NET ASSETS, beginning of year	1,885,851	285,653	2,171,504	2,614,933	373,153	2,988,086
NET ASSETS, end of year	$ 2,084,042	$ 139,261	$ 2,223,303	$ 1,885,851	$ 285,653	$ 2,171,504

See accompanying notes and independent auditor's report

COMPASSION IN WORLD FARMING, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
For the years ended March 31, 2020 and 2019

	2020				2019			
		Supporting Services				Supporting Services		
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
EXPENSES								
Advertising and marketing	$ -	$ -	$ 227,993	$ 227,993	$ -	$ -	$ 286,792	$ 286,792
Bank and merchant fees	-	11,067	-	11,067	-	6,604	-	6,604
Computer and technology	6,557	6,557	-	13,114	9,158	9,158	-	18,316
Conferences, workshops, and training	22,443	5,623	-	28,066	25,544	157	-	25,701
Grants awarded	209,500	-	-	209,500	185,000	-	-	185,000
Insurance	12,318	1,721	5,088	19,127	4,425	1,048	1,420	6,893
Meals and entertainment	-	11,239	-	11,239	-	13,960	-	13,960
Office expenses	-	4,440	-	4,440	-	6,604	-	6,604
Payroll taxes	32,233	4,505	13,313	50,051	30,129	7,133	9,668	46,930
Printing and reproduction	-	-	26,870	26,870	-	-	59,421	59,421
Professional fees	-	47,806	-	47,806	-	66,168	-	66,168
Rent	13,405	2,873	2,872	19,150	12,718	2,725	2,726	18,169
Retirement plan	-	28,127	-	28,127	-	15,757	-	15,757
Salaries and wages	499,068	69,746	206,137	774,951	391,659	92,729	125,672	610,060
Travel	78,082	-	26,027	104,109	54,447	-	18,149	72,596
Total expenses	$ 873,606	$ 193,704	$ 508,300	$ 1,575,610	$ 713,080	$ 222,043	$ 503,848	$ 1,438,971

See accompanying notes and independent auditor's report

COMPASSION IN WORLD FARMING, INC.

STATEMENTS OF CASH FLOWS
For the years ended March 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 51,799	$ (816,582)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Amortization of discount on pledges receivable	(10,907)	-
Deferred rent	(1,302)	(1,660)
(Increase) decrease in assets:		
Pledges receivable	101,287	818,278
Prepaid expenses	(973)	(8,015)
Increase (decrease) in liabilities:		
Accounts payable	(11,090)	11,583
Accrued expenses	(19,907)	58,626
Related party payable	(27,500)	50,000
Total adjustments	29,608	928,812
Net cash provided by operating activities	81,407	112,230
NET INCREASE (DECREASE) IN CASH	81,407	112,230
Cash, beginning of year	988,471	876,241
Cash, end of year	$ 1,069,878	$ 988,471

See accompanying notes and independent auditor's report

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Compassion in World Farming, Inc. (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 U.K. 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 without donor restrictions and net assets with 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, 2020 and 2019 net assets without donor restrictions were $2,084,042 and $1,885,851, 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, net assets with donor restrictions are reclassified to net assets without donor restrictions. Net assets with donor restrictions were $139,261 and $285,653 for the years ended March 31, 2020 and 2019, 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 for the year ended March 31, 2019

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 for the years ended March 31, 2020 and 2019.

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

The Organization also generates royalty income from book sales of a book authored by an employee of the Organization. Royalty income for the years ended March 31, 2020 and 2019 were $- and $12,750, respectively.

Revenue Recognition for the year ended March 31, 2020

The Organization recognizes income under ASU 2018-08 and under ASC 606. Under ASU 2018-08, 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 for the year ended March 31, 2020.

Under ASC 606, the Organization generates revenue from royalty income which is recognized when the Organization fulfills its obligations specified in the underlying royalty agreement. Certain contribution revenue is also recognized under ASC 606.

The Organization recognizes certain revenue from contracts with grantors in accordance with ASC Topic 606 Revenue from Contracts with Customers. ASC 606 provides for a five-step model for recognizing revenue from contracts with grantors as follows:

1. Identify the contract
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price
5. Recognize revenue

Revenue is disaggregated based on the timing of the transfer of services and the type of services transferred. The transaction price is the amount of consideration to which the Organization expects to be entitled in exchange for transferring services under the grant contract. The transaction price generally includes fixed amounts but may from time to time include variable amounts to the extent that a significant reversal of revenue recognized will not occur when the uncertainty associated with variable consideration is subsequently resolved, that is, it is probable and estimable.

Generally, the Organization's contracts with grantors contain one performance obligation. Performance obligations related to contracts with grantors for certain contribution revenue streams are satisfied at a point in time because the performance of the contract typically creates or enhances an asset that the recipients control as the asset is created. Performance obligations related to royalty revenue streams are satisfied over time because the performance of the contract typically creates or enhances an asset that the grantor controls as the asset is created or provided over time. Revenue is recognized as performance obligations are satisfied and control of the promised goods and / or service is transferred to the recipients. Revenue that is recognized at a point in time as control is transferred is done by measuring the progress

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

toward complete satisfaction of the performance obligation using the units delivered output method which is generally the best depiction of transfer of control. For revenue that is recognized over time as control is transferred is done by measuring the milestones reached output method which is generally the best depiction of transfer of control.

Subsequent to the inception of a contract, the transaction price could change for various reasons, including a credit that can be applied to amounts owed, or that will be owed, or a full or partial refund. Changes that are accounted for as an adjustment to existing performance obligations are allocated on the same basis at contract inception. Otherwise, changes are accounted for as separate performance obligations and the separate transaction price is allocated as discussed above.

Pledges Receivable

Pledges receivable are recorded at the amount the Organization expects to collect on donations and pledges made. Unconditional promises to give 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. The effective interest rate for calculating the discount is the treasury rate. Amortization of the discount is recorded annually as additional contribution revenue. Management closely monitors promises to give and writes off, 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. The Organization has determined there are no significant financing components in contracts during the years ended March 31, 2020 and 2019. Based on the history of collecting these promises to give, there was no allowance for doubtful accounts as of March 31, 2020 and 2019.

Advertising and Marketing

Advertising and marketing costs are expensed as they are paid. Advertising and marketing costs for the years ended March 31, 2020 and 2019 were $227,993 and $286,792, respectively.

Income Taxes

The Organization is a nonprofit 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. Accordingly, certain costs have been allocated among the program and supporting services benefited. 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 general the expense.

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

Fair Value of Financial Instruments

The Organization's financial instruments, are carried at cost, which approximates their fair value because of the short-term nature of these financial instruments. The Organization's long-term pledges receivable are recorded at fair value.

2. ACCOUNTING POLICY CHANGES

The Financial Accounting Standards Board (FASB) released ASU 2018-08 Not-for-Profit Entities in June 2018. This amendment clarifies current guidance for contributions received and contributions made regarding whether a transfer of assets is considered a contribution or an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The amendment is effective for fiscal years beginning after December 15, 2018, should be applied on a modified prospective basis, which means the update is applied to agreements that are either not completed as of the effective date or entered into after the effective date, and early adoption is permitted. The Organization has adopted this amendment for the year ended March 31, 2020.

The Financial Accounting Standards Board (FASB) issued ASC Topic 606 (ASC 606) Revenue from Contracts with Customers in May 2014 and subsequently issued several related ASU's, which provide guidance for recognizing revenue from contracts with customers. The core principle of this new standard is that revenue will be recognized when promised goods or services are transferred to customers in an amount that reflects consideration for which entitlement is expected in exchange for those goods or services. This new standard is effective for annual periods beginning after December 15, 2018 and can be applied using either of two methods: retrospectively to each prior reporting period presented, or retrospectively with the cumulative effect of initially applying this update recognized at the date of initial application. The Organization has adopted the amendment for the year ended March 31, 2020.

Transitional Disclosures for ASC 606
The Organization has elected to adopt ASC 606 using the modified retrospective transition approach, which resulted in recognizing the cumulative effect of initially applying the new guidance as an adjustment to the opening balance of net assets at April 1, 2019. Therefore, the comparative information has not been adjusted and continues to be reported under the previous revenue guidance.

As part of the adoption of ASC 606, the Organization has elected to use the following transition practical expedients: 1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and 2) ASC 606 is applied only to contracts that are not complete as of April 1, 2019. The Organization does not expect a significant impact as a result of electing these practical expedients.

The adoption had no impact on the beginning balance of net assets as of April 1, 2019.

3. FAIR VALUE MEASUREMENTS

The Organization applies the provisions of ASC 820, *Fair Value Measurements and Disclosures*, for fair value measurements that are recognized and disclosed at fair value in the financial statements on a recurring basis. ASC 820 defines fair value as the exchange price that would be received for an asset or

3. FAIR VALUE MEASUREMENTS *(continued)*

paid to transfer a liability in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants on the measurement date. ASC 820 also established a fair value hierarchy that requires the Organization to maximize the use of observable inputs when measuring fair value. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Organization's market assumptions. The three levels of the fair value hierarchy are as follows:

Level 1 - Quoted prices for identical assets or liabilities in active markets.

Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; or market - corroborated inputs.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Pledges receivable are stated at their estimated present values using appropriate rates of return and are considered Level 2 fair values There were no transfers in or out of Level 1 or 2 within the fair value hierarchy as of March 31, 2020 or 2019.

4. PLEDGES RECEIVABLE

Pledges receivable consist of the following:

	2020	2019
Pledges receivable - due in less than one year	$ 962,500	$ 813,787
Pledges receivable - due between one and three years	250,000	500,000
Total promises to give	1,212,500	1,313,787
Less: discount of long-term promises to give	-	(10,907)
Total promises to give, net	$ 1,212,500	$ 1,302,880

The discount on the long-term promises to give has been calculated using the three-year treasury rates which were 0% and 2.23% as of March 31, 2020 and 2019, respectively.

5. RELATED PARTY TRANSACTIONS

The Organization is part of a global network of non-profit organizations under substantially the same management and Board of Directors groups. The Organization may donate funds to a related party non-profit in the United Kingdom to execute the global programs of the Organization. During the years ended March 31, 2020 and 2019, grants made by the Organization to the United Kingdom related party non-profit were $200,000 and $185,000, respectively. Of these grants awarded, $22,500 and $50,000 remained payable to the related party as of March 31, 2020 and 2019, respectively.

6. NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
Aquaculture fish program	$ 49,261	$ 99,261
China program	-	148,892
25 by 25 program / Eat Plants for a Change	87,500	37,500
International efforts	2,500	-
Total	$ 139,261	$ 285,653

Net assets released from donor restrictions are as follows:

	2020	2019
Aquaculture fish program	$ 50,000	$ 50,000
China program	148,892	75,000
25 by 25 program / Eat Plants for a Change	75,000	37,500
Total	$ 273,892	$ 162,500

7. 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:

	2020	2019
Cash	$ 1,069,878	$ 988,471
Pledges receivable (current and unrestricted)	900,000	650,000
Total	$ 1,969,878	$ 1,638,471

The Organization has a goal to maintain a cash balance to meet several months of operating expenses which were on average $131,301 and $119,914 per month for the years ended March 31, 2020 and 2019, respectively. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

8. 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 years ended March 31, 2020 and 2019 were $28,127 and $15,757, respectively.

9. OPERATING LEASE

The Organization leases office space. The rent agreement was effective in September 2016, with a renewal in May 2019, and maturity date in November 2021. The agreement contains an escalation clause and the straight-lined rent per month is $1,747. Rent expense for the years ended March 31, 2020 and

9. OPERATING LEASES *(continued)*

2019 was $19,150 and $18,169, respectively.

Future minimum lease commitments under this operating lease is as follows:

2021	$	20,859
2022		14,181
Total minimum payments	$	35,040

10. 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

For the years ended March 31, 2020 and 2019, three donors contributed 51% and 41%, respectively of the total revenue and support received. These donors accounted for approximately 49% and 3% of pledges receivable at March 31, 2020 and 2019, respectively.

11. RECLASSIFICATIONS

Certain reclassifications have been made to the March 31, 2019 financial statement presentation to correspond to the current year's format. Total net assets and total changes in net assets are unchanged due to these reclassifications.

12. EXTRAORDINARY EVENT

During the year ended March 31, 2020, there was a worldwide public health emergency declared related to COVID-19. The response to this public health emergency mandated by United States government officials included forced closures of various businesses and organizations for a length of time. These closures and the health emergency have affected normal day to day operations of the Organization, its donors, its vendors, and it's ability to execute it's program, the impact of which still continues through the date these financial statements were issued. Whilst COVID-10 has increased the level of uncertainty over future fundraising, management does not expect any material changes to the level of donations over the next twelve months and has taken measures to manage the cost base over this same period.

13. DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events as of December 2, 2020, the date the financial statements were available for issue. 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.