

COMPASSION IN
WORLD FARMING, INC.
Atlanta, Georgia

Financial Statements
March 31, 2022 and 2021

COMPASSION IN WORLD FARMING, INC.
ATLANTA, GEORGIA

FINANCIAL STATEMENTS

MARCH 31, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Compassion in World Farming, Inc.
New York City, New York

Opinion

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, 2022 and 2021, 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 aspects, the financial position of Compassion in World Farming, Inc. as of March 31, 2022 and 2021 and the changes in its net assets and its cash flows for the years then ended in accordance with accounts 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 Compassion in World Farming, 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 these 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 Compassion in World Farming, 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 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 ABC Organization'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 ABC Organization'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.

Wilson Lewis

June 25, 2022

COMPASSION IN WORLD FARMING, INC.

STATEMENTS OF FINANCIAL POSITION

As of March 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,277,912	\$ 2,688,878
Pledges receivable	125,000	187,500
Prepaid expenses	<u>17,929</u>	<u>17,500</u>
Total current assets	<u>2,420,841</u>	<u>2,893,878</u>
OTHER ASSETS		
Long-term pledges receivable	<u>-</u>	<u>125,000</u>
Total other assets	<u>-</u>	<u>125,000</u>
Total assets	<u>2,420,841</u>	<u>3,018,878</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 28,233	\$ 24,879
Accrued expenses	70,129	57,266
Related party payable	<u>-</u>	<u>47,500</u>
Total current liabilities	<u>98,362</u>	<u>129,645</u>
NET ASSETS		
Without donor restrictions	1,974,376	2,144,562
With donor restrictions	<u>348,103</u>	<u>744,671</u>
Total net assets	<u>2,322,479</u>	<u>2,889,233</u>
Total liabilities and net assets	<u>\$ 2,420,841</u>	<u>\$ 3,018,878</u>

See accompanying notes and independent auditor's report

COMPASSION IN WORLD FARMING, INC.

STATEMENTS OF ACTIVITIES
For the years ended March 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions, net	\$ 1,476,055	\$ 213,839	\$ 1,689,894	\$ 919,277	\$ 976,676	\$ 1,895,953
Interest income	<u>298</u>	<u>-</u>	<u>298</u>	<u>253</u>	<u>-</u>	<u>253</u>
Total revenue and support	<u>1,476,353</u>	<u>213,839</u>	<u>1,690,192</u>	<u>919,530</u>	<u>976,676</u>	<u>1,896,206</u>
Net assets released from restrictions	<u>610,407</u>	<u>(610,407)</u>	<u>-</u>	<u>371,266</u>	<u>(371,266)</u>	<u>-</u>
EXPENSES						
Program services	1,701,877	-	1,701,877	876,699	-	876,699
Supporting services	189,149	-	189,149	156,504	-	156,504
Fundraising	<u>365,920</u>	<u>-</u>	<u>365,920</u>	<u>197,073</u>	<u>-</u>	<u>197,073</u>
Total expenses	<u>2,256,946</u>	<u>-</u>	<u>2,256,946</u>	<u>1,230,276</u>	<u>-</u>	<u>1,230,276</u>
CHANGE IN NET ASSETS	(170,186)	(396,568)	(566,754)	60,520	605,410	665,930
NET ASSETS, beginning of year	<u>2,144,562</u>	<u>744,671</u>	<u>2,889,233</u>	<u>2,084,042</u>	<u>139,261</u>	<u>2,223,303</u>
NET ASSETS, end of year	<u>\$ 1,974,376</u>	<u>\$ 348,103</u>	<u>\$ 2,322,479</u>	<u>\$ 2,144,562</u>	<u>\$ 744,671</u>	<u>\$ 2,889,233</u>

See accompanying notes and independent auditor's report

COMPASSION IN WORLD FARMING, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended March 31, 2022 and 2021

	2022				2021			
	<u>Supporting Services</u>				<u>Supporting Services</u>			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
EXPENSES								
Advertising and marketing	\$ 257,114	\$ 5,847	\$ 48,182	\$ 311,143	\$ 136,376	\$ 124	\$ 1,490	\$ 137,990
Bank and merchant fees	10	1,921	11,625	13,556	13	-	12,648	12,661
Computer and technology	22,810	2,715	353	25,878	75,290	1,994	-	77,284
Conferences, workshops, and training	4,383	-	-	4,383	296	-	-	296
Grants awarded	689,871	-	-	689,871	-	-	-	-
Insurance	56,503	2,926	20,155	79,584	30,937	-	5,298	36,235
Meals and entertainment	3,830	227	327	4,384	382	20	-	402
Office expenses	378	4,535	428	5,341	157	2,099	217	2,473
Payroll taxes	45,421	9,456	19,426	74,303	43,337	12,331	14,040	69,708
Printing and reproduction	707	9	2,204	2,920	28,009	-	2,479	30,488
Professional fees	61,563	41,449	(1,630)	101,382	19,310	62,666	2,753	84,729
Rent	-	7,711	-	7,711	-	20,859	-	20,859
Retirement plan	9,234	944	5,162	15,340	10,476	892	2,356	13,724
Salaries and wages	532,127	93,147	259,667	884,941	532,012	55,447	155,792	743,251
Travel	17,926	18,262	21	36,209	104	72	-	176
Total expenses	<u>\$ 1,701,877</u>	<u>\$ 189,149</u>	<u>\$ 365,920</u>	<u>\$ 2,256,946</u>	<u>\$ 876,699</u>	<u>\$ 156,504</u>	<u>\$ 197,073</u>	<u>\$ 1,230,276</u>

See accompanying notes and independent auditor's report

COMPASSION IN WORLD FARMING, INC.

STATEMENTS OF CASH FLOWS
For the years ended March 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (566,754)	\$ 665,930
Adjustments to reconcile change in net assets to net cash provided by operating activities		
(Increase) decrease in assets:		
Pledges receivable	187,500	900,000
Prepaid expenses	(429)	969
Increase (decrease) in liabilities:		
Accounts payable	3,354	24,387
Accrued expenses	12,863	2,714
Related party payable	<u>(47,500)</u>	<u>25,000</u>
Total adjustments	<u>155,788</u>	<u>953,070</u>
Net cash provided by operating activities	<u>(410,966)</u>	<u>1,619,000</u>
NET INCREASE (DECREASE) IN CASH	(410,966)	1,619,000
Cash, beginning of year	<u>2,688,878</u>	<u>1,069,878</u>
Cash, end of year	<u>\$ 2,277,912</u>	<u>\$ 2,688,878</u>

See accompanying notes and independent auditor's report

COMPASSION IN WORLD FARMING, INC.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2022 and 2021

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, 2022 and 2021 net assets without donor restrictions were \$1,974,376 and \$2,144,562, 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 \$348,103 and \$744,671 for the years ended March 31, 2022 and 2021, 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 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 years ended March 31, 2022 or 2021.

COMPASSION IN WORLD FARMING, INC.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2022 and 2021

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

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 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.

COMPASSION IN WORLD FARMING, INC.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2022 and 2021

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

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, 2022 and 2021. Based on the history of collecting these promises to give, there was no allowance for doubtful accounts as of March 31, 2022 and 2021.

Paycheck Protection Program Loan

During the year ended March 31, 2022, the Organization received loan proceeds under the Paycheck Protection Program (PPP) from the Small Business Administration (SBA). The loan has conditions that must be met within a specified time from the date of receipt in order to be considered for forgiveness. This loan has been recorded as a restricted government grant. The transaction records related to funds spent by the Company are subject to examination by the SBA and the SBA Inspector General for six years after the loan was approved.

Contributed Services

Contributed services are reported at fair value in the financial statements for voluntary donations of services when those services (1) create or enhance nonfinancial assets or (2) require specialized skills provided by individual possessing those skills and are services which would be typically purchased if not provided by donation. Contributed services revenue and related expense for the years ended March 31, 2022 and 2021 were \$10,675 and \$15,400, respectively.

Advertising and Marketing

Advertising and marketing costs are expensed as they are paid. Advertising and marketing costs for the years ended March 31, 2022 and 2021 were \$311,143 and \$137,990, 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.

COMPASSION IN WORLD FARMING, INC.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2022 and 2021

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

Variable Interest Entities

The Financial Accounting Standards Board (FASB) issued ASU 2018-17 Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities in October 2018. This new standard allows private companies to elect not to apply variable interest entity guidance to legal entities under common control if both the parent and the legal entity being evaluated for consolidation are not public business entities. This new standard is effective for annual periods beginning after December 15, 2020 and is required to be applied retrospectively with the cumulative effect adjustment to retained earnings at the beginning of the earliest period presented. Early adoption is permitted. The Organization has elected to apply the amendment for the year ended March 31, 2021. There were no changes to prior periods for adoption of this standard.

3. PLEDGES RECEIVABLE

Pledges receivable consist of the following:

	<u>2022</u>	<u>2021</u>
Pledges receivable - due in less than one year	\$ 125,000	\$ 187,500
Pledges receivable - due between one and three years	<u>-</u>	<u>125,000</u>
Total promises to give	<u>\$ 125,000</u>	<u>\$ 312,500</u>

4. 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, 2022 and 2021, restricted grants made by the Organization to the United Kingdom related party were \$687,371 and \$0, respectively. Of these grants awarded, \$0 and \$47,500 remained payable to the related party as of March 31, 2022 and 2021, respectively. The other related party entities are self-sustaining and as such, management has determined there is no financial exposure to the Organization for the liabilities of these related parties.

COMPASSION IN WORLD FARMING, INC.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2022 and 2021

5. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Aquaculture fish program	\$ -	\$ 49,260
Farm and animal welfare - Southeast Asia	348,103	634,871
25 by 25 program / Eat Plants for a Change	-	58,040
International efforts	-	<u>2,500</u>
Total	<u>\$ 348,103</u>	<u>\$ 744,671</u>

Net assets released from donor restrictions are as follows:

	<u>2022</u>	<u>2021</u>
Aquaculture fish program	\$ 49,260	\$ 1
Farm and animal welfare - Southeast Asia	450,607	-
25 by 25 program / Eat Plants for a Change	108,040	154,460
International efforts	2,500	-
Eggtrack	-	78,750
PPP Loan	-	<u>138,055</u>
Total	<u>\$ 610,407</u>	<u>\$ 371,266</u>

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>2022</u>	<u>2021</u>
Cash	\$ 2,277,912	\$ 2,688,878
Pledges receivable (current and unrestricted)	<u>125,000</u>	<u>125,000</u>
Total	<u>\$ 2,402,912</u>	<u>\$ 2,813,878</u>

The Organization has a goal to maintain a cash balance to meet several months of operating expenses which were on average \$188,079 and \$102,523 per month for the years ended March 31, 2022 and 2021, 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 years ended March 31, 2022 and 2021 were \$15,340 and \$13,724, respectively.

COMPASSION IN WORLD FARMING, INC.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2022 and 2021

8. SBA LOAN - PAYCHECK PROTECTION PROGRAM

During the year ended March 31, 2021, the Organization received a Paycheck Protection Program loan of \$138,055 from the Small Business Administration applied for under the CARES Act. This is a forgivable loan as long as the following condition is met during the specified period: the Company is required to spend a minimum of 75% of the loan proceeds on payroll costs, interest on mortgages, rent, and utilities. Loan payments are deferred for six months from the date of receipt, they have a maturity date of two years from the date of receipt, and an interest rate of 1% if not forgiven. The loan is unsecured. The Organization spent the loan proceeds in a manner consistent with the loan agreement and the full balance of the loan was forgiven on March 15, 2021.

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

For the year ended March 31, 2022, one donor contributed 33% of the total revenue and support received.

For the year ended March 31, 2021, two donors contributed 53% of the total revenue and support received. These donors accounted for approximately 80% of pledges receivable at March 31, 2021.

10. RECLASSIFICATIONS

Certain reclassifications have been made to the March 31, 2021 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.

11. UNCERTAINTY

During the year ended March 31, 2021, 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 its ability to execute its program.

12. DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events as of June 25, 2022, 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.