

COMPASSION IN WORLD FARMING, INC. New York City, New York

Financial Statements March 31, 2023 and 2022







## CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of financial position	3
Statements of activities	4
Statements of functional expenses	5
Statements of cash flows	6
Notes to the financial statements	7 - 12







#### 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, 2023 and 2022, 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, 2023 and 2022 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 Compassion in World Farming, 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 Compassion in World Farming, 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.

June 19, 2023

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# STATEMENTS OF FINANCIAL POSITION As of March 31, 2023 and 2022

		<u>2023</u>	<u>2022</u>
	ASSETS		
CURRENT ASSETS Cash Pledges receivable Prepaid expenses Total current assets		\$ 2,342,159 150,000 16,406 2,508,565	\$ 2,277,912 125,000 17,929 2,420,841
Total assets		2,508,565	2,420,841
LIABIL	ITIES AND NET AS	SSETS	
CURRENT LIABILITIES Accounts payable Accrued expenses Total current liabilities		\$ 8,952 68,794	\$ 28,233 70,129
NET ASSETS		77,746	98,362
Without donor restrictions With donor restrictions		2,120,167 310,652	1,849,376 473,103
Total net assets		2,430,819	2,322,479
Total liabilities and net assets		\$ 2,508,565	\$ <u>2,420,841</u>

# STATEMENTS OF ACTIVITIES For the years ended March 31, 2023 and 2022

	2023									2022		
		ithout Donor Restrictions		th Donor strictions	_	Total		ithout Donor Restrictions		ith Donor	_	Total
REVENUE AND SUPPORT												
Contributions Non-cash donations Interest income	\$	1,514,211 6,163 303	\$	325,000	\$	1,839,211 6,163 303	\$	1,465,380 10,675 298	\$ 	213,839	\$	1,679,219 10,675 298
Total revenue and support	_	1,520,677		325,000	_	1,845,677	_	1,476,353	_	213,839	_	1,690,192
Net assets released from restrictions	_	487,451		(487,451)	-			797,907		(797,907)	_	<del>-</del>
EXPENSES												
Program services Supporting services Fundraising	_	1,161,019 183,689 392,629		- - -	_	1,161,019 183,689 392,629	_	1,701,879 189,149 365,918	_	- - -	_	1,701,879 189,149 365,918
Total expenses	_	1,737,337			_	1,737,337	_	2,256,946	_		_	2,256,946
CHANGE IN NET ASSETS		270,791		(162,451)		108,340		17,314		(584,068)		(566,754)
NET ASSETS, beginning of year	_	1,849,376		473,103	_	2,322,479	_	1,832,062	_1	1,057,171	_	2,889,233
NET ASSETS, end of year	\$_	2,120,167	\$	310,652	\$_	2,430,819	\$	1,849,376	\$	473,103	\$_	2,322,479

## STATEMENTS OF FUNCTIONAL EXPENSES For the years ended March 31, 2023 and 2022

	2023							2022	2			
		Supporting Services					Supporting Services					
		Program	Management					Program	Management			
		Services	and General	]	Fundraising	Total		Services	and General	Fundraising		Total
EXPENSES												
Advertising and marketing	\$	236,281	\$ 5,589	\$	56,643 \$	298,513	\$	257,114	\$ 5,847	\$ 48,182	\$	311,143
Bank and merchant fees		8,911	1,853		3,635	14,399		10	1,921	11,625		13,556
Computer and technology		41,351	10,430	)	1,365	53,146		22,810	2,715	353		25,878
Conferences, workshops, and												
training		9,486	1,621		981	12,088		4,383	-	-		4,383
Grants awarded		1,347	-		-	1,347		689,871	-	-		689,871
Insurance		44,324	6,560	)	25,243	76,127		56,503	2,926	20,155		79,584
Meals and entertainment		9,558	1,915	;	1,155	12,628		3,830	227	327		4,384
Office expenses		3,501	6,342	,	3,552	13,395		378	4,535	428		5,341
Payroll taxes		47,245	8,683		19,803	75,731		45,421	9,456	19,426		74,303
Printing and reproduction		5,444	169	)	9,187	14,800		707	9	2,204		2,920
Professional fees		61,343	43,360	)	4,312	109,015		61,565	41,449	(1,632)	)	101,382
Rent		-	-		-	-		-	7,711	-		7,711
Retirement plan		11,666	1,326	)	4,892	17,884		9,234	944	5,162		15,340
Salaries and wages		607,819	74,532	,	249,880	932,231		532,127	93,147	259,667		884,941
Travel	_	72,743	21,309	<u> </u>	11,981	106,033		17,926	18,262	21	_	36,209
Total expenses	\$_	1,161,019	\$ 183,689	\$	392,629 \$	1,737,337	\$	1,701,879	\$ <u>189,149</u>	\$ 365,918	\$	2,256,946

## STATEMENTS OF CASH FLOWS

For the years ended March 31, 2023 and 2022

		2023		2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	\$	108,340	\$	(566,754)
Adjustments to reconcile change in net assets to net cash provided by operating activities				
(Increase) decrease in assets:				
Pledges receivable		(25,000)		187,500
Prepaid expenses		1,523		(429)
Increase (decrease) in liabilities:				
Accounts payable		(19,279)		3,354
Accrued expenses		(1,337)		12,863
Related party payable				(47,500)
Total adjustments		(44,093)	_	155,788
Net cash provided by operating activities	_	64,247		(410,966)
NET INCREASE (DECREASE) IN CASH		64,247		(410,966)
Cash, beginning of year		2,277,912		2,688,878
Cash, end of year	\$	2,342,159	\$	2,277,912

#### NOTES TO THE FINANCIAL STATEMENTS March 31, 2023 and 2022

#### 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 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, 2023 and 2022 net assets without donor restrictions were \$2,120,167 and \$1,849,376, 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 \$310,652 and \$473,103 for the years ended March 31, 2023 and 2022, 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 from contributions from various sources. 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.

#### NOTES TO THE FINANCIAL STATEMENTS March 31, 2023 and 2022

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

#### 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. Based on the history of collecting these promises to give, there was no allowance for doubtful accounts as of March 31, 2023 and 2022. There were no conditional promises to give for the years ended March 31, 2023 or 2022.

#### Paycheck Protection Program Loan

During the year ended March 31, 2021, the Organization received loan proceeds under the Paycheck Protection Program (PPP) from the Small Business Administration (SBA). The loan was forgiven, and 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

Donated goods and services are reported as contributions at their estimated fair value on the date of receipt and reported as expenses when utilized. Donated goods and services are valued based upon estimates of fair market or wholesale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor. Donated services are used by the Organization. Donated goods may be sold depending upon their nature and use to the Organization.

#### Advertising and Marketing

Advertising and marketing costs are expensed as they are paid. Advertising and marketing costs for the years ended March 31, 2023 and 2022 were \$298,513 and \$311,143, 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.

## NOTES TO THE FINANCIAL STATEMENTS March 31, 2023 and 2022

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

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.

Variable Interest Entities

The Organization has elected the accounting alternative under ASU 2018-17 to not to apply variable interest entity guidance to legal entities under common control.

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 STANDARDS UPDATES

#### Contributed Non-Financial Assets

The Financial Accounting Standards Board (FASB) issued ASU 2020-07 *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* in September 2020. This new standard changes the presentation and disclosure requirements for contributions of non-financial assets. This new standard is effective for annual periods beginning after June 15, 2022, is applied on a retrospective basis and early adoption is permitted. Adoption did not have a significant impact on the financial statements, with the exception of increased disclosure.

#### 3. PLEDGES RECEIVABLE

Pledges receivable consist of the following:

	<u>202</u>	<u> 202</u> 2	<u> </u>	
Pledges receivable - due in less than one year	\$	150,000	· : —	125,000
Total promises to give	\$	150,000		125,000

2022

2022

#### NOTES TO THE FINANCIAL STATEMENTS March 31, 2023 and 2022

#### 4. CONTRIBUTED GOODS AND SERVICES

For the years ended March 31, 2023 and 2022, the following contributions of goods and services were received:

		<u>2023</u>			
Professional fees	\$_	6,163	\$	10,675	
Total	\$	6,163	\$	10,675	

The Organization's policy on monetizing or utilizing contributed non-financial assets varies based on the type of asset received. There were no donor-imposed restrictions on any of the nonfinancial assets received during the years ended December 31, 2022 or 2021.

The following valuation methodologies are followed for the various contributed goods and services:

Professional Services – Based on standard pricing provided by the donor.

#### 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 other countries to execute the global programs of the Organization. During the years ended March 31, 2023 and 2022, restricted grants made by the Organization to the United Kingdom related party were \$0 and \$687,371, 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. During the year ended March 31, 2023, the Organization received donations from a related party in the amount of \$10,000.

#### 6. NET ASSETS WITH DONOR RESTRICTIONS

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

		<u>2023                                   </u>		<u>2022</u>
Farm and animal welfare - Southeast Asia	\$	155,652	\$	348,103
Conributions receivable		150,000		125,000
International efforts		5,000	_	
Total	\$ <u></u>	310,652	\$_	473,103
Net assets released from donor restrictions are as follows:				
		<u>2023</u>		<u>2022</u>
Aquaculture fish program	\$	-	\$	49,260
Farm and animal welfare - Southeast Asia		362,451		450,607
25 by 25 program / Eat Plants for a Change		-		108,040
International efforts		-		2,500
Contributions receivable		125,000		187,500
Total	\$	487,451	\$_	797,907

2022

2022

#### NOTES TO THE FINANCIAL STATEMENTS March 31, 2023 and 2022

#### 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:

	<u>20</u>	<u>)23</u>	<u>2022</u>				
Cash	\$	2,342,159	\$	2,277,912			
Pledges receivable (current)	_	150,000	_	125,000			
Total	\$_	2,492,159	\$_	2,402,912			

The Organization has a goal to maintain a cash balance to meet several months of operating expenses which were on average \$144,778 and \$188,079 per month for the years ended March 31, 2023 and 2022, 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, 2023 and 2022 were \$17,884 and \$15,340, respectively.

#### 9. LEASES

During the year ended March 31, 2022, the Organization leased office space. The rent agreement was effective in September 2016, with a renewal in May 2019, a maturity date in November 2021, however the lease was terminated early in June 2021. The agreement contained an escalation clause and the straight-lined rent per month was \$1,747. Rent expense for the year ended March 31, 2022 was \$7,711.

#### 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 year ended March 31, 2023, one donor contributed 30% of the total revenue and support received.

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

## NOTES TO THE FINANCIAL STATEMENTS March 31, 2023 and 2022

#### 11. RECLASSIFICATIONS

Certain reclassifications have been made to the March 31, 2022 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. DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events as of June 19, 2023, 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.