

**United Poultry Concerns,
Inc.**

**Audited
Financial Statements**

**For the Year Ended
December 31, 2012**

United Poultry Concerns, Inc.
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The Board of Directors
United Poultry Concerns, Inc.
P.O. Box 150
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INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statements of financial position of United Poultry Concerns, Inc. (UPC) as of December 31, 2012, and the related statement of changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibilities of the organization's management. My responsibility is to express an opinion on these financial statements based on my 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UPC's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Poultry Concerns, Inc. as of December 31, 2012, and the changes in its net assets and results of operations, and its cash flows for the period ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The schedule of functional expenses on page 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.



Bourne, Painter, & Bradley, P.C.
Kevin G. Bradley, CPA

August 30, 2013

UNITED POULTRY CONCERNS
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012

ASSETS

Current Assets	
Cash (Notes 4 and 7)	\$ 775,700
Short-term investments (Notes 4 and 5)	249,629
Contributions receivable (Note 4)	15,830
Total Current Assets	<u>1,041,159</u>
Property and Equipment (Notes 4 and 6)	138,685
Less: Accumulated depreciation (Notes 4 and 6)	<u>(47,109)</u>
Total Property and Equipment	91,576
TOTAL ASSETS	<u><u>\$ 1,132,735</u></u>

LIABILITIES AND EQUITY

Current Liabilities	
Payroll tax liabilities	\$ 3,398
Total Current Liabilities	<u>3,398</u>
Total Liabilities	<u>3,398</u>
Equity	
Unrestricted	1,129,337
Total Equity	<u>1,129,337</u>
TOTAL LIABILITIES AND EQUITY	<u><u>\$ 1,132,735</u></u>

See independent auditors' report and notes to the financial statements.

**UNITED POULTRY CONCERNS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012**

	Unrestricted	Total
INCREASES IN NET ASSETS		
Donations (Notes 2, 4, and 8)	\$ 737,719	\$ 737,719
Inventory sales (Note 4)	28,921	28,921
Cost of inventory sold (Note 4)	(9,756)	(9,756)
Interest & Dividends, investment gains and losses (Notes 4 and 5)	276	276
TOTAL INCREASES IN NET ASSETS	<u>757,160</u>	<u>757,160</u>
DECREASES IN NET ASSETS		
Program expenses (Note 2)	205,653	205,653
Operating expenses		
Management and general (Note 2)	16,016	16,016
Fundraising (Note 2)	17,649	17,649
Total operating expenses	<u>33,665</u>	<u>33,665</u>
TOTAL DECREASES IN NET ASSETS	<u>239,318</u>	<u>239,318</u>
Change in Net Assets	517,842	517,842
Net Assets at the Beginning of the Year	<u>611,495</u>	<u>611,495</u>
Net Assets at the End of the Year	<u>\$ 1,129,337</u>	<u>\$ 1,129,337</u>

See independent auditor's report and notes to financial statements

UNITED POULTRY CONCERNS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012

Cash Flows From Operating Activities:	
Increase in net assets	\$ 517,842
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Depreciation (Note 6)	3,337
Net unrealized (gain) on investments (Note 5)	(58)
Changes in assets and liabilities:	
Decrease in inventory	6,744
Decrease in contributions receivable	6,773
(Decrease) in payroll tax liabilities	827
Decrease in prepaid expenses	<u>2,795</u>
Net Cash Used in Operating Activities:	<u>538,260</u>
Cash Flows From Investing Activities:	
Purchase of fixed assets (Note 5)	(630)
Sale of investments (Note 5)	<u>(15,348)</u>
Net Cash Provided by Investing Activities	(15,978)
Increase in Cash	522,282
Cash at the Beginning of the Year	<u>253,418</u>
Cash at the End of the Year (Note 4)	<u><u>\$ 775,700</u></u>
Interest paid during the year	<u><u>\$ -</u></u>
Income taxes paid during the year	<u><u>\$ -</u></u>

See independent auditor's report and notes to financial statements

United Poultry Concerns, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2012

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See accompanying financial statements and Independent Auditor's report.

United Poultry Concerns, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2012

- 1. Organization** – United Poultry Concerns, Inc. (UPC) was incorporated in Maryland in 1990 as a non-profit corporation that addresses the treatment of domestic fowl in food production, science, education, entertainment, and human companionship situations.

UPC seeks to make the public aware of how poultry are treated by our society and elsewhere in the world. UPC assists the public to see how treatment of these birds affects health, education, occupational safety, and the environment. UPC informs people about and actively promotes alternatives. UPC does this through extensive investigation, its chicken sanctuary, public talks, writings, mailings, conferences, information displays, and film presentations using such sources as public interest groups, animal advocacy organizations, poultry trade publications, government agencies, and scientific journals and proceedings.

- 2. Donations** – In 2012 UPC received nearly \$738 thousand in donations from various charitable trusts, estates, foundations, and gift funds. Approximately \$608 thousand was received from the estates of three deceased individuals, \$36 thousand was received in federal grants, and the remainder of the donations came from individual donors.
- 3. Expenditures** – Of the total costs incurred for the year ended December 31, 2011, UPC incurred 85.9 % for program services, 6.7 % for administrative operations and 7.4% for fundraising.

- 4. Summary of Significant Accounting Policies:**

Basis of Presentation – The accompanying financial statements have been prepared using the accrual basis of accounting.

Advertising – Advertising costs are expensed on the Statement of Activities as incurred.

Donated Materials and Services – Donated materials and equipment are reflected as contributions in the accompanying financial statements at their estimated value at the date of receipt. The value of indirect expenses of volunteer services could not be estimated. There were no materials or equipment donated in the year ended December 31, 2012.

See accompanying financial statements and Independent Auditor's report.

United Poultry Concerns, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2012

4. Summary of Significant Accounting Policies (Continued):

Revenues – Revenues from unrestricted contributions are recognized when paid by the donor. Pledges made are not enforceable promises – therefore, they are not accrued unless the contribution was disbursed during the year or actually received in the subsequent period. UPC reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, i.e., when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. Revenue from contracts is recognized as the related qualifying expenses are incurred. Revenue is deferred when funds are received but not yet expended for the contractual purpose.

Cash Equivalents – For purposes of the statement of cash flows, cash equivalents include money markets, time deposits, certificates of deposit, and all highly liquid instruments with original maturities of three months or less. Cash and cash equivalents do not include temporary cash held in custodial accounts or restricted investments.

Fair Value of Financial Instruments – The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which that value is practical to estimate:

- Cash and cash equivalents – For those short-term instruments, the carrying amount is a reasonable estimate of fair value.
- Investments – Carrying amounts and fair values for mutual fund securities are based on quoted market prices. Certificates of deposit are reported at estimated fair value based on the principal balances invested, since due to their relatively short maturities their interest rates approximate current market rates.

Inventory – Inventories are stated at the lower of cost, determined by first-in, first-out basis, or market and generally consist of books, educational materials for children, t-shirts, stickers and buttons, and other items.

See accompanying financial statements and Independent Auditor's report.

United Poultry Concerns, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2012

4. Summary of Significant Accounting Policies (Continued):

Property and Equipment – Property and equipment are stated at historical cost. The cost of maintenance and repairs is recorded as expense when incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, which range from five to 39 years. UPC, Inc.'s policy is to capitalize all property and equipment acquisitions in excess of \$500.

Restricted Funds – UPC had no restricted or temporarily restricted funds in 2012.

Income Taxes – United Poultry Concerns, Inc. is exempt from federal income tax on related income under Section 501(c)(3) of the Internal Revenue Code. The organization is classified as a public charity.

Functional Allocation of Expenses – The costs of providing the programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been either directly charged to the programs and supporting services as incurred or allocated based on usage.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events – The date through which subsequent events were evaluated for disclosure was August 30, 2013, the date the audited financial statements were available for release.

See accompanying financial statements and Independent Auditor's report.

United Poultry Concerns, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2012

5. **Investments** – As of December 31, 2012, the aggregate carrying amount of investments by major type is as follows:

Certificates of deposit	\$243,809
Mutual funds	<u>5,820</u>
Total	<u>\$249,629</u>

Realized and unrealized gains and losses are included in the statement of activities as part of investment and other income. For the year ended December 31, 2012, net realized gains/losses were \$0. Net unrealized gains and losses for the year ended December 31, 2012 were \$58.

UPC reports fair value measurements of financial assets and liabilities using a hierarchy for observable independent market inputs and unobservable market assumptions. Accordingly, the estimates presented above do not necessarily indicate the values that could be realized in a current market exchange. The use of different market assumptions and estimation methodologies may have a material effect on the estimated fair value. The three levels of the hierarchy are described below:

Level 1 – Quoted prices in active markets for identical investments.

Level 2 – Other significant observable inputs (including quoted market prices for similar investments, interest rates, credit risk, etc.).

Level 3 – Significant unobservable inputs (including UPC's own assumptions in determining the fair value of investments).

As of December 31, 2012, mutual funds owned by UPC are measured at fair value using Level 1 inputs, and the certificates of deposit are value using Level 2 inputs.

See accompanying financial statements and Independent Auditor's report.

United Poultry Concerns, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2012

- 6. Property and Equipment** – Property and equipment at December 31, 2012 consists of the following:

Building and improvements	\$90,906
Land	30,000
Machinery and equipment	17,779
Less: Accumulated depreciation	<u>(47,109)</u>
Total	<u>\$91,576</u>

Depreciation expense for the year ended December 31, 2012 totaled \$3,337.

- 7. Concentration of Credit Risk** – UPC maintains bank accounts at two institutions that are insured by Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash balances on one account exceeded federally insured limits by \$439 thousand at December 31, 2012. From time to time, cash balances exceed the FDIC limits. UPC monitors risk, does not anticipate any credit losses and has not experienced any credit losses on these balances.

See accompanying financial statements and Independent Auditor's report.

Supplemental Schedules

UNITED POULTRY CONCERNS, INC
STATEMENT OF FUNCTIONAL EXPENSES
DECEMBER 31, 2012

PROGRAM SERVICES EXPENSES (Note 3)	
Advertising (Note 4)	\$ 23,231
Payroll and payroll taxes	36,183
Postage and delivery	29,402
Printing and reproduction	51,168
Repairs and maintenance	5,157
Travel and entertainment	10,129
Utilities	6,322
Supplies	7,080
Professional fees	5,898
Sanctuary care	4,762
Telephone	2,887
Contributions	550
Depreciation expense	3,003
Veterinarian fees	1,919
Services	1,278
Insurance	4,394
Taxes	1,069
Miscellaneous	11,221
TOTAL PROGRAM SERVICES EXPENSES	<u>205,653</u>
MANAGEMENT AND GENERAL EXPENSES (Note 3)	
Payroll and payroll taxes	6,617
Miscellaneous	4,995
Postage and delivery	1,655
Professional fees	1,663
Bank service charges	1,086
TOTAL MANAGEMENT AND GENERAL EXPENSES	<u>16,016</u>
FUNDRAISING EXPENSES (Note 3)	
Postage and delivery	2,035
Payroll and payroll taxes	1,979
Miscellaneous	2,757
Printing and reproduction	8,297
Advertising (Note 4)	2,581
TOTAL FUNDRAISING EXPENSES	<u>17,649</u>
TOTAL EXPENSES	<u><u>\$ 239,318</u></u>

See independent auditor's report and notes to financial statements