

**United Poultry Concerns,
Inc.**

**Compiled
Financial Statements**

**For the Year Ended
December 31, 2017**

United Poultry Concerns, Inc.
Table of Contents

<u>Title</u>	<u>Page</u>
Accountants' Compilation Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5
Supplemental Schedules	
Statement of Functional Expenses	6

Bourne, Painter, & Bradley, P.C.
Certified Public Accountants
12069 Tech Road
Silver Spring MD 20904

Philip E. Bourne, CPA
Harold W. Painter, CPA
Kevin G. Bradley, CPA

Phone: (301) 680-8900
Fax: (301) 680-9102

The Board of Directors
United Poultry Concerns, Inc.
P.O. Box 150
Machipongo, VA 23405

Accountants' Compilation Report

Management is responsible for the accompanying financial statements of United Poultry Concerns, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The supplementary information defined in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the representation of management. The information was subject to our compilation engagement. However, we have not audited or reviewed the supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such supplementary information.

Bourne, Painter, & Bradley, P.C.
Bourne, Painter, & Bradley, P.C.
Silver Spring, MD

August 27, 2018

**UNITED POULTRY CONCERNS
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017**

ASSETS

Current Assets	
Cash (Notes 4 and 7)	\$ 303,142
Short-term investments (Notes 4 and 5)	558,724
Contributions receivable (Note 4)	76,249
Inventory (Note 4)	2,765
Other assets	<u>267</u>
Total Current Assets	941,147
Property and Equipment (Notes 4 and 6)	224,709
Less: Accumulated depreciation (Notes 4 and 6)	<u>(68,005)</u>
Total Property and Equipment	156,704
TOTAL ASSETS	<u>\$ 1,097,851</u>

LIABILITIES AND EQUITY

Current Liabilities	
Accounts payable	\$ -
Payroll tax liabilities	4,754
Accrued liabilities	<u>1,312</u>
Total Current Liabilities	6,066
Total Liabilities	<u>6,066</u>
Equity	
Unrestricted	1,060,599
Temporarily restricted (Note 2)	<u>31,186</u>
Total Equity	1,091,785
TOTAL LIABILITIES AND EQUITY	<u>\$ 1,097,851</u>

See independent accountants' compilation report and notes to the financial statements.

**UNITED POULTRY CONCERNS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

	Unrestricted	Temporarily Restricted	Total
INCREASES IN NET ASSETS			
Donations (Notes 2 and 4)	\$ 457,652	\$ 31,186	\$ 488,838
Merchandise sales, net (Note 4)	2,286		2,286
Cost of inventory sold (Note 4)	(2,014)		(2,014)
Interest & Dividends, investment gains and losses (Notes 4 and 5)	8,216		8,216
Assets released from restrictions	68,371	(68,371)	-
TOTAL INCREASES IN NET ASSETS	<u>534,511</u>	<u>(37,185)</u>	<u>497,326</u>
DECREASES IN NET ASSETS	534,511	(37,185)	497,326
Program expenses (Note 2)	396,480		396,480
Operating expenses			
Management and general (Note 2)	32,088		32,088
Fundraising (Note 2)	35,012		35,012
Total operating expenses	<u>67,100</u>	-	<u>67,100</u>
TOTAL DECREASES IN NET ASSETS	<u>463,580</u>	<u>-</u>	<u>463,580</u>
Change in Net Assets	70,931	(37,185)	33,746
Net Assets at the Beginning of the Year	989,668	68,371	1,058,039
Adjusted net assets at the Beginning of the Year	<u>989,668</u>	<u>68,371</u>	<u>1,058,039</u>
Net Assets at the End of the Year	<u>\$ 1,060,599</u>	<u>\$ 31,186</u>	<u>\$ 1,091,785</u>

See independent accountants' compilation report and notes to financial statements.

**UNITED POULTRY CONCERNS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017**

Cash Flows From Operating Activities:	
Increase in net assets	\$ 33,746
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Depreciation (Note 6)	4,663
Net unrealized loss on investments (Note 5)	3,032
Changes in assets and liabilities:	
(Increase) in contributions receivable	(46,799)
Increase in accrued liabilities	(4,717)
Decrease in inventories	-
Net Cash Used in Operating Activities:	<u>(10,075)</u>
Cash Flows From Investing Activities:	
Purchase of investments (Note 5)	88,770
Purchase of fixed assets	-
Net Cash Provided by Investing Activities	<u>88,770</u>
Increase in Cash	78,695
Cash at the Beginning of the Year	<u>224,447</u>
Cash at the End of the Year (Note 4)	<u>\$ 303,142</u>
Interest paid during the year	<u>\$ -</u>
Income taxes paid during the year (Note 4)	<u>\$ -</u>

See independent accountants' compilation report and notes to financial statements.

United Poultry Concerns, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2017

INDEX

1. Organization	F-1
2. Donations	F-1
3. Expenditures	F-1
4. Summary of Significant Accounting Policies	F-1
5. Investments	F-4
6. Property and Equipment	F-5
7. Concentration of Credit Risk	F-5
8. Related Party Transactions	F-5

See accompanying financial statements and Independent Accountants' Compilation report.

United Poultry Concerns, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2017

- 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 2017, UPC received \$489 thousand in donations, including \$229 thousand from three different major donors. These donors included charitable trusts, estates, foundations, and gift funds. The remainder was received in federal grants, individual donors, foundations, gift funds, and charitable trusts.

Restricted Funds and Temporarily Restricted Funds – UPC had no restricted funds and \$22,725 of temporarily restricted funds at December 31, 2017. The temporary restriction was made for the purpose of raising funds for a campaign to educate the public and end the use of ritualistic slaughter of fowl in a religious ritual known as Kaporos. This effort includes obtaining relief through the judicial system in New York State.

- 3. Expenditures** – Of the total costs incurred for the year ended December 31, 2017, UPC incurred 85.5% for program services, 6.9% for administrative operations and 7.6% for fundraising.

- 4. Summary of Significant Accounting Policies:**

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

See accompanying financial statements and Independent Accountants' Compilation report.

United Poultry Concerns, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2017

4. Summary of Significant Accounting Policies (Continued):

Advertising – Advertising costs are expensed as incurred, as advertising campaigns generally are for periods of less than one year.

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, 2017.

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 for the 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 donations. 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 market, 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.

See accompanying financial statements and Independent Accountants' Compilation report.

United Poultry Concerns, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2017

4. Summary of Significant Accounting Policies (Continued):

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.

Merchandise inventory – Inventories are stated at the lower of cost, determined by first-in, first-out basis, or market. They generally consist of books, educational materials for children, t-shirts, stickers, buttons, and other items. The balance on hand was \$2,765 at December 31, 2017.

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.

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. UPC files a Form 990 annually, and taxable years 2015, 2016, and 2017 are all open tax years for purposes of Internal Revenue Service examinations.

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.

See accompanying financial statements and Independent Accountants' Compilation report.

United Poultry Concerns, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2017

4. Summary of Significant Accounting Policies (Continued):

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 26, 2018, the date the audited financial statements were available for release. There were no subsequent events deemed material by management that required disclosure.

5. Investments – As of December 31, 2017, the aggregate cost and carrying amount of investments by major type is as follows:

	<u>Carrying value</u>	<u>Cost</u>	<u>Unrealized Gain</u>
Certificates of deposit	\$ 61,261	\$ 61,261	\$ -
Mutual funds	497,463	400,000	97,463
Total	<u>\$558,724</u>	<u>\$461,261</u>	<u>\$ 97,463</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, 2017, net realized gains/losses were \$0. Net unrealized losses for the year ended December 31, 2017 were \$3,032.

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:

See accompanying financial statements and Independent Accountants' Compilation report.

United Poultry Concerns, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2017

5. Investments (Continued):

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, 2016, 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.

6. Property and Equipment – Property and equipment at December 31, 2017 consists of the following:

Building and improvements	\$176,930
Land	30,000
Machinery and equipment	17,777
Less: Accumulated depreciation	<u>(63,340)</u>
Total	<u>\$161,367</u>

Depreciation expense for the year ended December 31, 2017 totaled \$4,663.

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. No balance of cash and certificates of deposit at any bank exceeded federally insured limits on deposits at December 31, 2016. UPC monitors risk, does not anticipate any credit losses and has not experienced any credit losses on any of these balances.

8. Related Party Transactions—UPC’s Board of Directors consists of five members, which are considered related parties. One of these individuals is the President and CEO of UPC who receives a salary as an employee. Another individual is Treasurer of UPC who is paid as a contractor for her services as Treasurer. There were no related party transactions other than these payments.

See accompanying financial statements and Independent Accountants’ Compilation report.

Supplemental Schedules

UNITED POULTRY CONCERNS, INC
STATEMENT OF FUNCTIONAL EXPENSES
DECEMBER 31, 2017

PROGRAM SERVICES EXPENSES (Note 3)	
Advertising (Note 4)	\$ 108,199
Payroll and payroll taxes	86,222
Printing and reproduction	58,780
Postage and delivery	22,981
Services	34,564
Miscellaneous	5,916
Contributions	10,621
Travel and entertainment	7,277
Professional fees	35,100
Utilities	4,294
Supplies	2,879
Conference and exhibitor	8,018
Depreciation expense	4,196
Insurance	2,595
Telephone	1,547
Taxes	1,060
Veterinarian fees	2,229
TOTAL PROGRAM SERVICES EXPENSES	<u>396,480</u>
MANAGEMENT AND GENERAL EXPENSES (Note 3)	
Payroll and payroll taxes	10,546
Professional fees	11,820
Postage and delivery	2,873
Miscellaneous	5,770
Office expenses	863
Bank service charges	216
TOTAL MANAGEMENT AND GENERAL EXPENSES	<u>32,088</u>
FUNDRAISING EXPENSES (Note 3)	
Advertising (Note 4)	12,022
Printing and reproduction	10,373
Postage and delivery	2,873
Payroll and payroll taxes	5,093
Miscellaneous	3,761
Conference and exhibitor	891
TOTAL FUNDRAISING EXPENSES	<u>35,012</u>
TOTAL EXPENSES	<u>\$ 463,580</u>

See independent accountants' compilation report and notes to financial statements.