VEGAN OUTREACH, INC.
DAVIS, CALIFORNIA

FINANCIAL STATEMENTS
JUNE 30, 2021

VEGAN OUTREACH, INC.
DAVIS, CALIFORNIA

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Rojas & Associates, CPAs

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To the Board of Directors
Vegan Outreach, Inc.
Davis, California

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Vegan Outreach, Inc., which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditors' 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 from material misstatements.

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 Vegan Outreach, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

ROJAS & ASSOCIATES, CPAs

Rojas & Associates, CPAs

Sacramento, California
October 27, 2021

VEGAN OUTREACH, INC.
DAVIS, CALIFORNIA

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS	
Cash and cash equivalents	$ 1,271,444
Investments	438,111
Accounts receivable	42,594
Inventory	81,604
Prepaid expenses	1,879
TOTAL ASSETS	$1,835,632
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts payable and accrued expenses	$ 125,657
Accrued payroll liabilities	47,012
Total current liabilities	172,669
LONG-TERM LIABILITIES	
Paycheck protection program loan	258,713
Total long-term liability	258,713
Total liabilities	431,382
Net Assets:	
Without donor restrictions	1,392,813
With donor restrictions	11,437
Total net assets	1,404,250
TOTAL LIABILITIES AND NET ASSETS	$1,835,632

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STATEMENT OF ACTIVITIES
JULY 1, 2020 TO JUNE 30, 2021

REVENUES AND SUPPORT	Without Donor Restrictions	With Donor Restrictions	Total
Contributions	$2,351,398	$1,243,161	$3,594,559
Merchandise sales, net	312	0	312
Loan forgiveness	258,714	0	258,714
Net assets released from restrictions	1,231,724	(1,231,724)	0
Total revenues and support	3,842,148	11,437	3,853,585
EXPENSES			
Program	3,494,046	0	3,494,046
General and Administration	206,389	0	206,389
Fundraising	229,230	0	229,230
Total expenses	3,929,665	0	3,929,665
OTHER REVENUES (EXPENSES)			
Interest and dividends	3,661	0	3,661
Net realized and unrealized gains on investments	15,542	0	15,542
Total other revenues (expenses)	19,203	0	19,203
CHANGE IN NET ASSETS	(68,314)	11,437	(56,877)
NET ASSETS			
Net assets, as of the beginning of the year	1,461,127	0	1,461,127
Net assets, as of the end of the year	$1,392,813	$ 11,437	$1,404,250

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STATEMENT OF FUNCTIONAL EXPENSES
JULY 1, 2020 TO JUNE 30, 2021

	Program Services	Administration	Fundraising	Total
Advertising	$ 644,881	$ 0	$ 256	$ 645,137
Audit and Tax	0	8,510	0	8,510
Bank Fees	3,116	22,106	0	25,222
Books & Video Design	23,538	0	0	23,538
Conferences & Festivals	36	0	0	36
Consultants / Contract Services	219,352	1,606	26	220,984
Cost of Literature	1,694	0	0	1,694
Donor Database	23,909		13,164	37,073
Dues & Subscriptions	2,009	7,113	0	9,122
Employee Benefits	84,457	19,023	19,113	122,593
Food for Outreach	1,631,962	0	0	1,631,962
Gifts, Meals, Donations	396	762	164	1,322
Insurance (General liability & WC)	0	15,834	0	15,834
IC Transfer Fees	87	0	0	87
IRA Contributions	9,601	1,904	3,438	14,943
Legal Fees	0	1,975	0	1,975
Licenses and Fees	0	4,832	0	4,832
Merch Gifts – Shipping Cost	1,010	18	21	1,049
Payroll Taxes	54,427	9,229	14,088	77,744
Postage and Shipping	9,612	1,703	4,061	15,376
Salaries and Wages	705,638	108,872	173,501	988,011
Sales Tax	0	17	0	17
Storage	6,289	0	0	6,289
Supplies	37,620	297	796	38,713
Training	188	2,077	159	2,424
Travel	32,628	33	87	32,748
Use Tax	27	0	0	27
Utilities	753	478	356	1,587
Website Maintenance	816	0	0	816
Total Functional Expenses	$3,494,046	$206,389	$229,230	$3,929,665

VEGAN OUTREACH, INC.
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STATEMENT OF CASH FLOWS
JULY 1, 2020 TO JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	($ 56,877)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Revenues from contributed securities	(195,243)
Realized and unrealized gains on securities	(15,542)
Loan forgiveness income	(258,714)
Proceeds from sales of contributed securities	196,231
Increase in accounts receivable	(39,194)
Decrease in inventory	2,702
Decrease in prepaid expenses	1,652
Increase in accounts payable and accrued expenses	65,538
Decrease in accrued payroll liabilities	(153)
Decrease in accrued paid leave	(2,360)
Net cash used in operating activities	(301,960)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from paycheck protection program loan	258,713
Net cash provided by financing activities	258,713
CHANGE IN CASH AND CASH EQUIVALENTS	
Net decrease in cash and cash equivalents	(43,247)
Cash and cash equivalents, as of the beginning of the year	1,314,691
Cash and cash equivalents, as of the end of the year	$1,271,444

NOTE 1. NATURE OF OPERATIONS

Vegan Outreach, Inc. ("the Organization") is a not-for-profit corporation which was incorporated in the State of Delaware on August 29, 1996. The purpose of the Organization is to educate the public about veganism and the prevention of cruelty to animals. Vegan Outreach, Inc. prints and distributes educational booklets throughout the United States and maintains websites for public access to educational materials. The Organization's support comes primarily from contributions from individual donors and from organizational grants.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Contributions Receivable

We record unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. We determine the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

General support, including pledges, as well as any other unconditional promises to give, are recognized as revenue in the period pledged. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Special event revenues are recognized when earned, whereas expenses are recognized when incurred. Grants represent contributions if the resources provider receives no value in exchange for the assets transferred, or if the value received is incidental to the potential public benefit to be provided by using the assets. Grants represent an exchange transaction if the potential public benefit to be derived is secondary to the potential benefit received by the resource provider.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited. General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization. Fundraising costs are expenses as incurred, even though they may result in contributions received in future years.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. At June 30, 2021, the Organization had $228,613 in excess of the FDIC insured limit.

Property and Equipment

These are recorded at historical cost or fair market value at the date of donation, if donated. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire depreciable items, are reported as restricted support. Absent explicit donor stipulations about how these long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed into service. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 10 years. The Organization capitalizes all assets acquired through purchase or donation with a cost or fair value of greater than $1,000, which is considered tangible personal or real property.

Accounts Receivable

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectable amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance for doubtful accounts at June 30, 2021, was $0. Accounts receivable includes amounts owed on grants and donations.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is a tax-exempt corporation ("other than private foundation") under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code for revenue generated from its exempt purpose activities. However, the Organization remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption.

ASC topic 740, *Income Taxes,* prescribed a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on de-recognition, classification, interest and penalties, disclosure, and transition. Management believes that no such uncertain tax positions existed for the Organization as of June 30, 2021. Tax years 2017 through 2021 remain subject to examination by taxing authorities.

Donated Materials and Services

If material or other noncash contributions are received through donation, their value is reflected in the accompanying statements at their estimated fair market value at the date of receipt. Contribution of services are recognized if the services received, create or enhance nonfinancial assets, require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements as there is no objective basis of deriving their value.

Investments

Investments consist of certificates of deposit with terms greater than three months and equity securities. Investments, other than certificates of deposit, are reported at fair market value. Realized and unrealized gains and losses are included as unrestricted revenue in the statement of activities. Donated investments are recorded at fair value on the date of donation and thereafter carried in accordance with the above provisions.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventories of books, leaflets and t-shirts are stated at the lower of costs or market using the first-in, first out (FIFO) method.

Recent Accounting Pronouncements

In February 2016, FASB issued ASU No. 2016-02, Leases. ASU No. 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statement of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2021. Early application is permitted. Upon adoption, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. The Organization is currently evaluating the effect the provisions of this ASU will have on the financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2019. The Organization implemented this ASU effective July 1, 2020, and there were no significant impacts to the financial statements.

NOTE 3. FAIR VALUE MEASUREMENTS AND DISCLOSURES

We report certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would

NOTE 3. FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include 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, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

The assets measured at fair value are as follows:

	Fair Value	Level 1	Level 2	Level 3
Bonds held in mutual funds	$ 383,061	$383,061	$ 0	$ 0
Certificates of deposit	55,050	0	55,050	0
	$ 438,111	$383,061	$55,050	$ 0

NOTE 4. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	$1,271,444
Investments	438,111
Accounts receivable	42,594
Total financial assets	$1,752,149

The Organization occasionally receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity with the principle of maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be met.

The majority of the Organization's expenses come in the form of payroll and contractor costs which are funded with contributions. The Organization's operating expenses average approximately $328,000 per month, and therefore the Organization has sufficient liquidity reserves to fund approximately six months of operations.

NOTE 5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets released from restrictions during the year ended June 30, 2021, consisted of the following:

Satisfaction of purpose restrictions	
Vegan food aid	$1,200,000
Funded sponsorship	31,724
	$1,231,724

NOTE 6. PAYCHECK PROTECTION PROGRAM LOAN AND LOAN FORGIVENESS

The Organization applied for and received a loan from the SBA on February 24, 2021, under the Paycheck Protection Program. The loan bears interest at a rate of 1% per annum and is scheduled to mature February 24, 2026. Loan payments are deferred to either the date that SBA remits the borrower's loan forgiveness amount to the lender, or if the borrower does not apply for loan forgiveness, ten months after the end of the borrower's loan forgiveness covered period. This program allows for full forgiveness of the loan and interest if the funds are used for payroll costs, interest on mortgage loans, rent, and utilities. Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease. As of June 30, 2021, the Foundation had not yet applied for, but anticipated receiving full forgiveness of this loan.

Following is a schedule by years of future minimum principal payments required under the terms of these loans as of June 30, 2021:

Year ended June 30,	
2022	$ 0
2023	67,303
2024	71,264
2025	71,980
2026	48,166
Total principal payments required	$258,713

The Organization also applied for and received a loan from the SBA on April 16, 2020, under the Paycheck Protection Program in the amount of $258,714. This loan was fully forgiven January 27, 2021 and was recognized as loan forgiveness income.

NOTE 7. FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

NOTE 8. SUBSEQUENT EVENTS

In March of 2020, the World Health Organization declared COVID-19 to be a pandemic and an outbreak of the virus in the United States has caused most states to severely limit public gatherings. The short-term and long-term impacts to both the United States and specifically to the Organization are still unknown.

Management has evaluated subsequent events through October 27, 2021, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosures in these financial statements.