VEGAN OUTREACH, INC.
DAVIS, CALIFORNIA

FINANCIAL STATEMENTS
JUNE 30, 2022

VEGAN OUTREACH, INC.
DAVIS, CALIFORNIA

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1300 S Street, Sacramento, California 95811 www.rojascpa.com

Phone - 916-362-4040

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

INDEPENDENT AUDITORS' REPORT

Opinion

We have audited the financial statements of Vegan Outreach, Inc., which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Vegan Outreach, Inc. as of June 30, 2022, and the change in its net assets, functional expenses and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Vegan Outreach, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 the 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 Vegan Outreach, Inc.'s ability to continue as a going concern for twelve months.

Auditors' 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 auditors' 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 GAAS 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, 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 Vegan Outreach, 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 Vegan Outreach, 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.

ROJAS & ASSOCIATES, CPAs

Rojas & Associates, CPAs

Sacramento, California
February 3, 2023

VEGAN OUTREACH, INC.
DAVIS, CALIFORNIA

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS	
Cash and cash equivalents	$ 1,986,566
Investments	412,091
Accounts receivable	24,503
Inventory	72,400
Prepaid expenses	2,405
TOTAL ASSETS	$2,497,965
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts payable and accrued expenses	$ 55,310
Accrued payroll liabilities	43,495
Deferred revenue	105,830
Total current liabilities	204,635
Total liabilities	204,635
Net Assets:	
Without donor restrictions	98,500
With donor restrictions	2,194,830
Total net assets	2,293,330
TOTAL LIABILITIES AND NET ASSETS	$2,497,965

See independent auditors' report and notes to financial statements.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
JULY 1, 2021 TO JUNE 30, 2022

REVENUES AND SUPPORT	Without Donor Restrictions	With Donor Restrictions	Total
Contributions	$1,988,622	$2,368,211	$4,356,833
Other income	848	0	848
Loan forgiveness	258,713	0	258,713
Net assets released from restrictions	2,281,148	(2,281,148)	0
Total revenues and support	4,529,331	87,063	4,616,394
EXPENSES			
Program	3,241,097	0	3,241,097
General and Administration	214,803	0	214,803
Fundraising	246,612	0	246,612
Total expenses	3,702,512	0	3,702,512
OTHER REVENUES (EXPENSES)			
Interest and dividends	2,368	0	2,368
Net realized and unrealized loss on investments	(27,170)	0	(27,170)
Total other revenues (expenses)	(24,802)	0	(24,802)
CHANGE IN NET ASSETS	802,017	87,063	889,080
NET ASSETS			
Net assets, as of the beginning of the year	1,392,813	11,437	1,404,250
Net assets, as of the end of the year	$2,194,830	$ 98,500	$2,293,330

See independent auditors' report and notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES
JULY 1, 2021 TO JUNE 30, 2022

	Program Services	Administration	Fundraising	Total
Advertising	$1,112,408	$ 0	$ 0	$ 1,112,048
Audit and Tax	0	13,500	0	13,500
Bank Fees	340	27,137	0	27,477
Consultants / Contract Services	235,485	27,467	122	263,074
Cost of Literature	9,315	0	0	9,315
Donor Database	29,718	0	11,903	41,621
Dues & Subscriptions	2,884	7,641	0	10,525
Employee Benefits	95,269	17,142	22,811	135,222
Food for Outreach	905,302	0	0	905,302
Gifts, Meals, Donations	84	606	128	818
Insurance (General liability & WC)	2,094	17,940	0	20,034
IRA Contributions	10,136	1,559	3,616	15,311
Licenses and Fees	0	3,779	0	3,779
Other expense	3,103	32	337	3,472
Payroll Taxes	56,704	7,265	15,502	79,471
Postage and Shipping	39,323	1,947	2,667	43,937
Salaries and Wages	697,147	85,566	187,520	970,233
Storage	7,290	0	0	7,290
Supplies	14,114	245	256	14,615
Training	63	2,699	69	2,831
Travel	19,646	278	1,681	21,605
Website Maintenance	1,032	0	0	1,032
Total Functional Expenses	$3,241,097	$214,803	$246,612	$3,702,512

See independent auditors' report and notes to financial statements.

STATEMENT OF CASH FLOWS
JULY 1, 2021 TO JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 889,080
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Revenues from contributed securities	(94,551)
Realized and unrealized losses on securities	27,170
Loan forgiveness income	(258,713)
Proceeds from sales of contributed securities	93,401
Decrease in accounts receivable	18,091
Decrease in inventory	9,204
Increase in prepaid expenses	(526)
Decrease in accounts payable and accrued expenses	(70,347)
Decrease in accrued payroll liabilities	(3,517)
Increase in deferred revenue	105,830
Net cash provided by operating activities	715,122
CHANGE IN CASH AND CASH EQUIVALENTS	
Net increase in cash and cash equivalents	715,122
Cash and cash equivalents, as of the beginning of the year	1,271,444
Cash and cash equivalents, as of the end of the year	$1,986,566

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.

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, 2022, the Organization had $721,210 in excess of the FDIC insured limit.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2022, 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.

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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2022. Tax years 2017 through 2022 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.

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 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.

NOTE 3. FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

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	$ 356,516	$356,616	$ 0	$ 0
Certificates of deposit	55,575	0	55,575	0
	$ 412,091	$356,616	$55,575	$ 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	$1,986,566
Investments	412,091
Accounts receivable	24,503
Total financial assets	$2,423,160

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 $310,000 per month, and therefore the Organization has sufficient liquidity reserves to fund approximately eight months of operations.

NOTE 5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets released from restrictions during the year ended June 30, 2022, consisted of the following:

Satisfaction of purpose restrictions	
Vegan food aid	$2,010,686
Communications	18,496
Mexico	6,000
India	21,841
International outreach	6,800
Vegan Chef Challenge	4,988
Funded sponsorship	212,337
	$2,281,148

As of June 30, 2022, the net assets with donor restrictions balance of $98,500 consisted of $58,500 for India and $40,000 for communications.

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. The Organization applied for and received full forgiveness of the loan balance of $258,713 in September 2021.

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

Management has evaluated subsequent events through February 3, 2023, 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.