

Cheryl Rohlf & Associates, Ltd.

Certified Public Accountants

**FOOD ANIMAL CONCERNS TRUST
(FACT, INC.)**

**FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021**

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INDEPENDENT AUDITOR'S REPORT

September 13, 2022

To the Board of Directors
Food Animal Concerns Trust (FACT, Inc.)
Chicago, Illinois

Opinion

We have audited the accompanying financial statements of Food Animal Concerns Trust (FACT, Inc.), (an Illinois nonprofit organization) which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the fiscal 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 respects, the financial position as of June 30, 2022 and 2021 and the changes in its net assets and its cash flows of Food Animal Concerns Trust (FACT, Inc.) for the years then ended, in conformity with accounting 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 Food Animal Concerns Trust (FACT, 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.

Responsibility 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 Food Animal Concerns Trust (FACT, Inc.)'s ability to continue as a going concern within one year after the date that financial statements are available to be issued

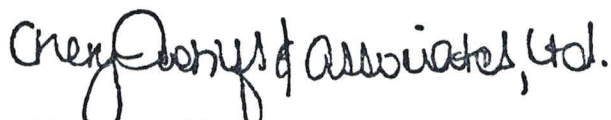
Auditor's Responsibilities for the Audit of the Financial Statements

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 misstatements 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 and opinion on the effectiveness of Food Animal Concerns Trust (FACT, 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 Food Animal Concerns Trust (FACT, 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 of timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CHERYL ROHLFS & ASSOCIATES, LTD.

Northbrook, Illinois

FOOD ANIMAL CONCERNS TRUST (FACT, INC.)
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and Cash Equivalents	\$ 429,264	\$ 188,728
Investments	994,698	999,926
Prepaid Expenses	2,103	402
Property and Equipment:		
Office Equipment	1,658	-
Less: Accumulated Depreciation	<u>(166)</u>	<u>-</u>
Total Property and Equipment	<u>1,492</u>	<u>-</u>
Total Assets	<u>\$ 1,427,557</u>	<u>\$ 1,189,056</u>
LIABILITIES AND NET ASSETS		
Accrued Expenses	<u>20,943</u>	<u>20,535</u>
Total Liabilities	<u>\$ 20,943</u>	<u>\$ 20,535</u>
Net Assets:		
Without Donor Restrictions	<u>1,406,614</u>	<u>1,168,521</u>
Total Net Assets	<u>1,406,614</u>	<u>1,168,521</u>
Total Liabilities and Net Assets	<u>\$ 1,427,557</u>	<u>\$ 1,189,056</u>

See accompanying notes and independent auditor's report.

FOOD ANIMAL CONCERNS TRUST (FACT, INC.)
STATEMENTS OF ACTIVITIES
FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
	Total	Total
REVENUES, GAINS, AND OTHER SUPPORT		
WITHOUT DONOR RESTRICTIONS		
Contributions:		
Individual Contributions	\$ 259,050	\$ 253,999
Bequests	378,628	-
Foundation Contributions	692,355	357,132
Other Contributions	5,000	197,938
Investment Income, Net of Investment Expenses of \$11,000 in 2022 and \$10,917 in 2021	(153,904)	199,938
Miscellaneous Income	1,170	5,293
Total Revenues, Gains and Other Support		
Without Donor Restrictions	\$ 1,182,299	\$ 1,014,300
 EXPENSES		
Program Services	\$ 749,205	\$ 609,462
Supporting Services:		
Management and General	126,029	69,241
Fundraising Expenses	68,972	101,905
Total Expenses	\$ 944,206	\$ 780,608
 INCREASE IN NET ASSETS WITHOUT DONOR		
RESTRICTIONS	\$ 238,093	\$ 233,692
 NET ASSETS AT BEGINNING OF YEAR	\$ 1,168,521	\$ 934,829
 NET ASSETS AT END OF YEAR	\$ 1,406,614	\$ 1,168,521

See accompanying notes and independent auditor's report.

FOOD ANIMAL CONCERNS TRUST (FACT, INC.)
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

	Program Service			Supporting Services		2022 Total
	Safe and Healthy Foods	Humane Farming	Program Communications	Management and General	Fundraising	
Compensation and Related Expenses:						
Compensation	\$ 152,839	\$ 111,594	\$ 91,987	\$ 50,033	\$ 47,982	\$ 454,435
Employee Benefits	18,029	24,625	14,805	8,062	7,769	73,290
Payroll Taxes	8,398	11,470	6,896	3,755	3,618	34,137
	<u>\$ 179,266</u>	<u>\$ 147,689</u>	<u>\$ 113,688</u>	<u>\$ 61,850</u>	<u>\$ 59,369</u>	<u>\$ 561,862</u>
Program Grants and Scholarships	-	211,270	-	-	-	211,270
Professional Fees	10,000	-	-	44,720	-	54,720
Professional Development	-	-	-	2,363	-	2,363
Printing and Postage	6,249	8,535	5,131	2,793	2,693	25,401
Occupancy	4,485	6,126	3,683	2,006	1,933	18,233
Telephone	1,019	1,392	837	456	439	4,143
Meetings	-	-	-	104	1,077	1,181
Insurance	1,856	2,535	1,524	830	800	7,545
Website Services	20,836	3,400	-	-	-	24,236
Memberships and Subscriptions	5,490	7,498	4,508	2,455	2,365	22,316
Bank and Credit Card Fees	687	938	563	307	296	2,791
Travel	-	-	-	6,494	-	6,494
Miscellaneous	-	-	-	1,485	-	1,485
Total Expenses Before Depreciation	<u>\$ 229,888</u>	<u>\$ 389,383</u>	<u>\$ 129,934</u>	<u>\$ 125,863</u>	<u>\$ 68,972</u>	<u>\$ 944,040</u>
Depreciation	-	-	-	166	-	166
TOTAL EXPENSES	<u>\$ 229,888</u>	<u>\$ 389,383</u>	<u>\$ 129,934</u>	<u>\$ 126,029</u>	<u>\$ 68,972</u>	<u>\$ 944,206</u>

See accompanying notes and independent auditor's report.

FOOD ANIMAL CONCERNS TRUST (FACT, INC.)
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021 (CONTINUED)

	Program Service			Supporting Services		2021 Total	
	Safe and Healthy		Total	Management and General			Fundraising
	Foods	Humane Farming		Program Communications			
Compensation and Related Expenses:							
Compensation	\$ 143,504	\$ 116,355	\$ 42,663	\$ 302,522	\$ 19,392	\$ 65,934	\$ 387,848
Employee Benefits	28,844	23,387	8,575	60,806	3,898	13,256	77,960
Payroll Taxes	10,595	8,591	3,150	22,336	1,432	4,868	28,636
	<u>\$ 182,943</u>	<u>\$ 148,333</u>	<u>\$ 54,388</u>	<u>\$ 385,664</u>	<u>\$ 24,722</u>	<u>\$ 84,058</u>	<u>\$ 494,444</u>
Program Grants and Scholarships	-	153,926	2,000	155,926	3,840	-	159,766
Professional Fees	-	-	-	-	24,909	-	24,909
Professional Development	-	-	25	25	1,474	-	1,499
Printing and Postage	17	-	13,471	13,488	1,479	5,167	20,134
Occupancy	4,589	7,265	1,530	13,384	1,530	4,205	19,119
Equipment Rental and Maintenance	-	-	-	-	689	-	689
Supplies	-	-	-	-	1,076	-	1,076
Telephone	1,054	1,669	351	3,074	351	966	4,391
Meetings	-	-	-	-	28	620	648
Insurance	1,809	2,864	603	5,276	603	1,658	7,537
Website Services	29,259	1,680	1,055	31,994	2,254	4,109	38,357
Memberships and Subscriptions	-	500	22	522	5,213	29	5,764
Bank and Credit Card Fees	-	109	-	109	551	1,068	1,728
Travel	-	-	-	-	247	-	247
Miscellaneous	-	-	-	-	275	25	300
TOTAL EXPENSES	<u>\$ 219,671</u>	<u>\$ 316,346</u>	<u>\$ 73,445</u>	<u>\$ 609,462</u>	<u>\$ 69,241</u>	<u>\$ 101,905</u>	<u>\$ 780,608</u>

See accompanying notes and independent auditor's report.

**FOOD ANIMAL CONCERNS TRUST (FACT, INC.)
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in Net Assets	\$ 238,093	\$ 233,692
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	166	-
Forgiveness of Paycheck Protection Plan Loan	-	(68,892)
Realized (Gains) on Sales of Investments	(43,161)	(7,478)
Unrealized (Gains) on Investments	194,551	(180,904)
(Increase) Decrease in Operating Assets:		
Prepaid Expenses	(1,701)	9,658
Increase (Decrease) in Operating Liabilities:		
Accrued Expenses	<u>408</u>	<u>18,746</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 388,356</u>	<u>\$ 4,514</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Purchases) Proceeds From Investments	(146,162)	(1,320)
Purchase of Equipment	<u>(1,658)</u>	<u>-</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>\$ (147,820)</u>	<u>\$ (1,320)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	<u>\$ -</u>	<u>\$ -</u>
NET INCREASE IN CASH AND CASH CASH EQUIVALENTS	<u>\$ 240,536</u>	<u>\$ 3,194</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>188,728</u>	<u>185,534</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 429,264</u></u>	<u><u>\$ 188,728</u></u>

See accompanying notes and independent auditor's report

**FOOD ANIMAL CONCERNS TRUST (FACT, INC.)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

1. NATURE OF THE ORGANIZATION

Food Animal Concerns Trust (FACT, INC.) is an Illinois not-for-profit corporation. Food Animal Concerns Trust (FACT, INC.) (“the Organization”) advances our vision that all food-producing animals are raised in a humane and healthy manner. We accomplish this by supporting humane farmers, promoting policies that make foods from animals safe and healthy to eat, and helping consumers make informed food choices.

- A. Safe and Healthy Foods Program - to identify and advocate for steps farmers should take to keep their cattle, pigs, turkeys and chickens from being the cause of human disease. In addressing the goal FACT staffs and leads the Keep Antibiotic working Coalition (KAW), seeking to reduce the use of medically important feed grade antibiotics in animal agriculture.
- B. Humane Farming Program - to encourage farmers to use humane practices to improve farm animal welfare and to empower members of the public to support humane farms. The program’s Fund-a-Farmer Project provides grants to farmers for projects that enable them to transition to or make improvements to pasture, thereby improving animal welfare; and facilitates peer-to-peer farmer education through webinars and conference scholarships to increase the knowledge and use of humane farming practices.
- C. Program Communications - to inform and educate the general public on issues central to Fact’s mission including farm animal welfare, humane farming, antibiotic use and harmful drugs used in food animals, and human food options.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets with donor restrictions are subject to donor-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, such as those that the donor stipulates that resources be maintained in perpetuity.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

The Organization's unspent contributions are reported in net assets with donor restrictions if the donor limited their use, as are promised contributions that are not yet due. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Cash and Cash Equivalents

The Organization considers cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Property and Equipment

It is the Organization's policy to capitalize property and equipment expenditures greater than \$500. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation.

Property and Equipment are depreciated using the straight-line method over the estimated useful lives, with office equipment over 5 years.

Contributions

Contributions are recognized when cash, or other assets, and unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions.

Revenues and Revenue Recognition

The Organization recognizes revenue as it satisfies a performance obligation by transferring control over a product or a service to a customer. Revenue is measured at the transaction price, which is based on the amount of consideration that the Organization expects to receive in exchange for transferring the promised good or service to the customer. Revenues received in advance are deferred to the applicable period in which they related services are performed, or expenditures are incurred, respectively.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 exempt from Federal and state income taxes under Internal Revenue Code Section 501(c)(3) and similar state provisions. The Organization's income tax filings are subject to audit by various taxing authorities generally for three years after filing. In evaluating the Organization's activities, management believes its position of tax-exempt status is based on current facts and circumstances and there have been no uncertain positions taken related to recording income taxes. In the opinion of management there are no activities unrelated to the purpose of the Organization and therefore no tax is to be recognized.

The Organization files U.S. federal and Illinois state information returns. The federal and state informational tax returns for tax fiscal years 2020, 2021, and 2022 can be subject to examinations by tax authorities, generally for three years from the date of filing.

Expense Allocations

The costs of providing program and supporting services have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, costs have been allocated between the program services and the supporting services in a direct functional method, when applicable, and on the basis of proportional use of the service provided.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals possessing those skills, and would typically need to be purchased by the Organization. Volunteers also provided additional services throughout the fiscal years that are not recognized as contributions in the financial statements, since the recognition criteria were not met.

3. CHANGE IN ACCOUNTING PRINCIPLES

In February 2016, the Financial Accounting Standards Board (FASB) issued its much anticipated lease accounting standard in ASU 2016-02, *Leases*, (ASC Topic 842) for both lessees and lessors. Under this standard, a lessee will recognize right-of-use asset and related lease liabilities on the statement of financial position for all arrangements with terms longer than 12 months. The goal of the new standard is to streamline the accounting for leases under U.S. generally accepted accounting principles, reduce off-balance-sheet activities, and enhance transparency into liabilities resulting from leasing arrangements. This standard is effective for nonprofit organizations with annual reporting periods beginning after December 15, 2021.

4. CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED AMOUNTS

The Organization maintains cash accounts at a financial institution. As of June 30, 2022 and 2021, balances at this institution did not exceed the FDIC insured limits of \$250,000.

5. FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at June 30, 2022 are as follows:

Fair Value Measurements at Reporting Date Using:

	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs
	Fair Value (Level 1)	(Level 2)
Mutual Funds:		
Equity Securities	\$ 565,652	\$ -
Fixed Income	<u>429,046</u>	<u>429,046</u>
Total	<u>\$ 994,698</u>	<u>\$ 429,046</u>

Fair values of assets measured on a recurring basis at June 30, 2021 are as follows:

Fair Value Measurements at Reporting Date Using:

	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs
	Fair Value (Level 1)	(Level 2)
Mutual Funds:		
Equity Securities	\$ 657,848	\$ -
Fixed Income	<u>342,078</u>	<u>342,078</u>
Total	<u>\$ 999,926</u>	<u>\$ 342,078</u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Equity mutual funds that trade in active markets are valued using quoted market prices and are classified as Level 1. Fixed income mutual funds invested in corporate bonds are valued at closing price on national exchanges if available, or by using pricing models maximizing the use of observable inputs for similar securities and are classified as Level 2.

6. INVESTMENTS

The Organization invested in the following as of June 30:

	<u>2022</u>	<u>2021</u>
Mutual Funds:		
Equity Securities	\$ 565,652	\$ 657,848
Fixed Income	<u>429,046</u>	<u>342,078</u>
	<u>\$ 994,698</u>	<u>\$ 999,926</u>

Investment return is comprised of the following for the fiscal year ended June 30:

	<u>2022</u>	<u>2021</u>
Dividend and Interest Income	\$ 8,486	\$ 22,473
Realized Gains on Sales of Investments	43,161	7,478
Unrealized Gains on Investments	(194,551)	180,904
Investment Fee Expense	<u>(11,000)</u>	<u>(10,917)</u>
Total Investment Return	<u>\$ (153,904)</u>	<u>\$ 199,938</u>

7. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following are Food Animal Concerns Trust's financial assets as of the date of the statement of financial position reduced by amounts not available for general use within one year:

Financial Assets at June 30:

	<u>2022</u>	<u>2021</u>
Cash	\$ 429,264	\$ 188,728
Investments	<u>994,698</u>	<u>999,926</u>
Total Financial Assets	\$ 1,423,962	\$ 1,188,654
Less: amount not available to be used within one year		
Net Assets with Donor Restrictions	<u>-</u>	<u>-</u>
Financial Assets available to meet general expenditures over the next twelve months	<u>\$ 1,423,962</u>	<u>\$ 1,188,654</u>

The Organization regularly monitors the availability of resources to meet its operating needs and other commitments. For the purpose of analyzing resources available to meet general expenditures over a twelve-month period, the Organization considers all expenditures related to its ongoing programs including administration costs. In addition to financial assets available to meet general expenditures over the next twelve months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

8. LEASE OBLIGATION

The Organization entered into a lease agreement from September 1, 2020 to August 31, 2025. The monthly rental was \$1,486 and \$1,410 for the lease years ended August 31, 2022 and 2021, respectively. Each year of the lease will have an increase in rent of 3% or the Consumer Price Index, whichever is larger.

Future minimum lease payments are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2023	\$ 17,864
2024	18,402
2025	18,952
2026	<u>3,174</u>
Total	<u>\$ 58,392</u>

9. THE COVID-19 PANDEMIC

The COVID-19 global outbreak has caused economic disruption through mandated and voluntary closings of businesses, schools, and organizations. Since March 2020, the Board of Directors and management have been actively monitoring the events and circumstances surrounding the spread of COVID-19 with their primary concern being the health and wellness of the staff and volunteers.

The Organization has complied with restricting physical gatherings with each phase of Restore Illinois. At this point, the extent to which COVID-19 may impact the Organization's financial condition or results of operations for the fiscal year ending June 30, 2023 is uncertain.

10. EVALUATION OF SUBSEQUENT EVENTS

Management has reviewed and evaluated subsequent events from June 30, 2021, the date of the financial statements, through September 13, 2022, the date which the financial statements were available to be issued.