

**United Poultry Concerns,
Inc.**

**Audited
Financial Statements**

**For the Year Ended
December 31, 2011**

United Poultry Concerns, Inc.
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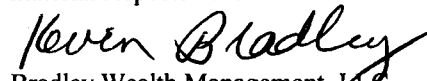
INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statements of financial position of United Poultry Concerns, Inc. (UPC) as of December 31, 2011, and the related statement of changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibilities of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UPC's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Poultry Concerns, Inc. as of December 31, 2011, and the changes in its net assets and results of operations, and its cash flows for the period ended in conformity with accounting principles generally accepted in the United States of America.

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


Bradley Wealth Management, LLC
Kevin G. Bradley, CPA
President

September 18, 2012

**UNITED POULTRY CONCERNS
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2011**

ASSETS

Current Assets	
Cash (Notes 4 and 7)	\$ 253,419
Short-term investments (Notes 4 and 5)	234,223
Contributions receivable (Note 4)	22,603
Inventory (Note 4)	6,744
Prepaid Expenses	<u>2,796</u>
Total Current Assets	519,785
Property and Equipment (Notes 4 and 6)	138,055
Less: Accumulated depreciation (Notes 4 and 6)	<u>(43,772)</u>
Total Property and Equipment	94,283
TOTAL ASSETS	<u>\$ 614,068</u>

LIABILITIES AND EQUITY

Current Liabilities	
Payroll tax liabilities	<u>\$ 2,571</u>
Total Current Liabilities	2,571
Total Liabilities	<u>2,571</u>
Equity	
Unrestricted	<u>611,497</u>
Total Equity	611,497
TOTAL LIABILITIES AND EQUITY	<u>\$ 614,068</u>

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

**UNITED POULTRY CONCERNS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011**

	Unrestricted	Temporarily Restricted	Total
INCREASES IN NET ASSETS			
Donations (Notes 2, 4, and 8)	\$ 394,732	\$ -	\$ 394,732
Inventory sales (Note 4)	26,581		26,581
Cost of inventory sold (Note 4)	(13,290)		(13,290)
Interest & Dividends, investment gains and losses (Notes 4 and 5)	694		694
Net assets released from restrictions (Note 4)	7,000	(7,000)	-
TOTAL INCREASES IN NET ASSETS	<u>415,716</u>	<u>(7,000)</u>	<u>408,717</u>
DECREASES IN NET ASSETS			
Program expenses (Note 2)	176,095		176,095
Operating expenses			
Management and general (Note 2)	11,224		11,224
Fundraising (Note 2)	13,502		13,502
Total operating expenses	<u>24,726</u>	-	<u>24,726</u>
TOTAL DECREASES IN NET ASSETS	<u>200,821</u>	<u>-</u>	<u>200,821</u>
Change in Net Assets	214,895	(7,000)	207,896
Net Assets at the Beginning of the Year	<u>396,601</u>	<u>7,000</u>	<u>403,601</u>
Net Assets at the End of the Year	<u>\$ 611,496</u>	<u>\$ -</u>	<u>\$ 611,497</u>

See independent auditor's report and notes to financial statements

**UNITED POULTRY CONCERNS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2011**

Cash Flows From Operating Activities:	
Increase in net assets	\$ 207,896
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Depreciation (Note 6)	2,237
Net unrealized (gain) on investments (Note 5)	(11)
Changes in assets and liabilities:	
Decrease in inventory	85
(Increase) in contributions receivable	(6,829)
(Decrease) in accounts payable	(11,129)
Increase in payroll tax liabilities	697
(Increase) in prepaid expenses	<u>(2,796)</u>
Net Cash Used in Operating Activities:	<u>190,150</u>
Cash Flows From Investing Activities:	
Purchase of investments (Note 5)	(1,246)
Sale of investments (Note 5)	<u>1,051</u>
Net Cash Provided by Investing Activities	(195)
Increase in Cash	189,955
Cash at the Beginning of the Year	<u>63,464</u>
Cash at the End of the Year (Note 4)	<u><u>\$ 253,419</u></u>
Interest paid during the year	<u><u>\$ -</u></u>
Income taxes paid during the year	<u><u>\$ -</u></u>

See independent auditor's report and notes to financial statements

United Poultry Concerns, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2011

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See accompanying financial statements and Independent Auditor's report.

United Poultry Concerns, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2011

- 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 2011 UPC received nearly \$280 thousand in donations from various charitable trusts, estates, foundations, and gift funds. Approximately \$36 thousand was received in federal grants, and the remainder of the donations came from individual donors.
- 3. Expenditures** – Of the total costs incurred for the year ended December 31, 2011, UPC incurred 87.7 % for program services, 5.7 % for administrative operations and 6.7% for fundraising.

4. Summary of Significant Accounting Policies:

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

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

Donated Materials and Services – Donated materials and equipment are reflected as contributions in the accompanying financial statements at their estimated value at the date of receipt. The value of indirect expenses of volunteer services could not be estimated. There were no materials or equipment donated in the year ended December 31, 2011.

See accompanying financial statements and Independent Auditor's report.

United Poultry Concerns, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2011

4. Summary of Significant Accounting Policies (Continued):

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

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

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

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

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

See accompanying financial statements and Independent Auditor's report.

United Poultry Concerns, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2011

4. Summary of Significant Accounting Policies (Continued):

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

Restricted Funds - In 2009 UPC received \$7,000 in restricted income, in which the donor specified the amount was to be used build a chicken coop. The restricted amount was spent in 2011 and is included in the financial statements under Temporarily Restricted Revenue that was released from restrictions in 2011.

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

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

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

Subsequent events – The date through which subsequent events were evaluated for disclosure was September 18, 2012, the date the audited financial statements were available for release.

See accompanying financial statements and Independent Auditor's report.

United Poultry Concerns, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2011

5. **Investments** – As of December 31, 2011, the aggregate carrying amount of investments by major type is as follows:

Certificates of deposit	\$233,819
Mutual funds	<u>404</u>
Total	<u>\$234,223</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, 2011, net realized losses were \$16. Net unrealized gains and losses for the year ended December 31, 2011 were \$11.

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

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

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

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

As of December 31, 2011, mutual funds owned by UPC are measured at fair value using Level 1 inputs, and the certificates of deposit are value using Level 2 inputs.

See accompanying financial statements and Independent Auditor's report.

United Poultry Concerns, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2011

6. Property and Equipment – Property and equipment at December 31, 2011 consists of the following:

Building and improvements	\$90,906
Land	30,000
Machinery and equipment	17,149
Less: Accumulated depreciation	<u>(43,772)</u>
Total	<u>\$94,283</u>

Depreciation expense for the year ended December 31, 2011 totaled \$2,237.

- 7. Concentration of Credit Risk** – UPC maintains a bank account at an institution that is insured by Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash and CD balances at Bank of America exceeded federally insured limits as of December 31, 2011 by \$223,186. In March 2012, UPC transferred nearly \$190 thousand to a bank account at another FDIC insured institution to mitigate such concentration of credit risk. United Poultry Concerns, Inc. monitors the risk, does not anticipate any credit losses and has not experienced any credit losses on these balances.
- 8. Subsequent Events** – In August 2012, UPC received two major cash donations totaling \$157 thousand from separate bequests, the source of the donations being the estates of two deceased individuals.

See accompanying financial statements and Independent Auditor's report.

Supplemental Schedules

UNITED POULTRY CONCERNS, INC
STATEMENT OF FUNCTIONAL EXPENSES
DECEMBER 31, 2011

PROGRAM SERVICES EXPENSES (Note 3)	
Advertising (Note 4)	\$ 40,524
Payroll and payroll taxes	31,999
Postage and delivery	25,188
Printing and reproduction	24,295
Repairs and maintenance	5,283
Travel and entertainment	7,094
Net assets released from restrictions (Note 4)	7,000
Utilities	5,752
Supplies	5,253
Professional fees	5,150
Sanctuary care	5,018
Telephone	3,096
Contributions	2,117
Depreciation expense	2,013
Veterinarian fees	1,845
Services	1,640
Insurance	1,134
Taxes	1,041
Miscellaneous	653
TOTAL PROGRAM SERVICES EXPENSES	<u>176,095</u>
MANAGEMENT AND GENERAL EXPENSES (Note 3)	
Payroll and payroll taxes	4,000
Miscellaneous	2,984
Postage and delivery	1,500
Professional fees	1,453
Bank service charges	1,288
TOTAL MANAGEMENT AND GENERAL EXPENSES	<u>11,225</u>
FUNDRAISING EXPENSES (Note 3)	
Postage and delivery	4,199
Payroll and payroll taxes	4,000
Miscellaneous	2,896
Printing and reproduction	1,326
Advertising (Note 4)	1,080
TOTAL FUNDRAISING EXPENSES	<u>13,501</u>
TOTAL EXPENSES	<u>\$ 200,821</u>

See independent auditor's report and notes to financial statements