United Poultry Concerns, Inc.
Financial Statements
December 31, 2007

With Independent Auditors' Report Thereon
# United Poultry Concerns, Inc.
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Independent Auditors' Report

To the Board of Directors
United Poultry Concerns, Inc.
Machipongo, Virginia

We have audited the accompanying statement of financial position of United Poultry Concerns, Inc. as of December 31, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of United Poultry Concerns, Inc. 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 of material misstatement. An audit 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, 2007, and the change in net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

July 21, 2008
Rockville, Maryland

[Signature]
United Poultry Concerns, Inc.  
Statement of Financial Position  
December 31, 2007

Assets

Current Assets
   Cash $ 69,351
   Short-term investments 286,613
   Inventory, stated at lower of cost or market 12,950
   Prepaid expense -
   
   Total current assets 368,914

Property and Equipment, net 98,363

Total Assets $ 467,277

Liabilities and Net Assets

Current Liabilities
   Accounts payable $ 11,866
   Payroll tax liabilities 1,481
   
   Total current liabilities 13,347

Net Assets, Unrestricted 453,930

Total Liabilities and Net Assets $ 467,277

The accompanying notes are an integral part of the financial statements -2-
United Poultry Concerns, Inc.
Statement of Activities
For the Year Ended December 31, 2007

Changes in Unrestricted Net Assets:
Revenue
  Donations $ 462,749
  Inventory sales 7,843
  Cost of inventory sales (3,922)
  Investment income 5,928

Total unrestricted revenue 472,598

Expenses
  Program services 118,586

Supporting services:
  Management and general 8,998
  Fundraising 19,983

Total supporting services 28,981

Total expenses 147,567

Increase in Unrestricted Net Assets 325,031

Net Assets, Beginning Of Year 128,899

Net Assets, End Of Year $ 453,930

The accompanying notes are an integral part of the financial statements
United Poultry Concerns, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2007

Cash Flows From Operating Activities:
Increase in net assets $ 325,031
Adjustments to reconcile changes in net assets to net cash provided by operating activities:
  Depreciation 3,472
  Donated securities (1,028)
  Net unrealized loss on investments 346
  Change in assets and liabilities:
    Increase in inventory (4,550)
    Decrease in prepaid expense 350
    Increase in accounts payable 6,195
    Increase in payroll tax liabilities 74

Net Cash Provided By Operating Activities 329,890

Cash Flows From Investing Activities:
  Purchase of short-term investments (283,590)
  Sale of short-term investments 31,798

Net Cash Used In Investing Activities (251,792)

Cash Flows From Financing Activities:
  Principal payments on mortgage payable (23,459)

Increase in Cash 54,639

Cash at Beginning of Year 14,712

Cash at End of Year $ 69,351

Supplemental Disclosure of Cash Flows Information:
  Interest paid during the year $ 1,552
  Taxes paid during the year $

The accompanying notes are an integral part of the financial statements
-4-
United Poultry Concerns, Inc.
Notes To Financial Statements

Note 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.

United Poultry Concerns seeks to make the public aware of the ways poultry are treated by our society and elsewhere in the world. They assist the public to see how treatment of these birds affects health, ethics, education, occupational safety, and the environment. They inform people about and actively promote alternatives. UPC does this through extensive investigations, their 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.

Note 2: Expenditures

Of the total costs incurred for the year ended December 31, 2007, UPC incurred 80.36% for program services, 6.10% for administrative operations and 13.54% for fundraising.

Note 3: Summary Of Significant Accounting Policies

Basis of Presentation

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

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 organization recognizes contributed services to the extent the services received create or enhance non-financial assets or require specialized skills that would be purchased if not provided by donation.
Note 3: Summary Of Significant Accounting Policies (Continued)

Revenues

Revenues from unrestricted contributions are recognized when received. 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, that is, 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.

The organization received a one time donation from a major donor which accounted for the majority of the donations received.

Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include 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.

Inventory

Inventories are stated at the lower of cost, determined by the first-in, first-out basis, or market.

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. It is the policy of United Poultry Concerns, Inc. to capitalize all property and equipment acquisitions in excess of $500.
Note 3: 

Summary Of Significant Accounting Policies (Continued)

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 other than a private foundation.

Note 3: 

Summary Of Significant Accounting Policies (Continued)

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 for items such as depreciation and salaries.

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.

Note 4: 

Investments

As of December 31, 2007, the aggregate carrying amount of investments by major type is as follows:

<table>
<thead>
<tr>
<th>Type of Investment</th>
<th>Amount</th>
</tr>
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<tbody>
<tr>
<td>Certificates of deposits</td>
<td>$ 286,175</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>438</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 286,613</strong></td>
</tr>
</tbody>
</table>

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, 2007, net realized gains were $0. Net unrealized gains for the year ended December 31, 2007 were $346.
Note 5: Property and Equipment

Property and equipment at December 31, 2006 consist of the following:

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
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<tbody>
<tr>
<td>Building and improvements</td>
<td>$ 83,906</td>
</tr>
<tr>
<td>Land</td>
<td>30,000</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>15,916</td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>-31,459</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 98,363</strong></td>
</tr>
</tbody>
</table>

Depreciation expense for the year ended December 31, 2007 amounted to $3,472.

Note 6: Mortgage Payable

UPC maintained a mortgage secured by the corporation’s building and surrounding land. The mortgage balance was fully paid in October 2007.

Interest expense for the year ended December 31, 2007 totaled $1,552.