

**SOCIALLY RESPONSIBLE
AGRICULTURE PROJECT, INC.**

DECEMBER 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Socially Responsible Agriculture Project, Inc.
Golden, Colorado

Opinion

We have audited the accompanying financial statements of Socially Responsible Agriculture Project, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Socially Responsible Agriculture Project, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance 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. 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 Socially Responsible Agriculture Project, 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 Socially

Responsible Agriculture Project, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 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, including omissions, 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 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 Socially Responsible Agriculture Project, 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 Socially Responsible Agriculture Project, 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.

Sapino and Rhodes, LLP

June 6, 2022

SOCIALLY RESPONSIBLE AGRICULTURE PROJECT, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

ASSETS

Cash	\$ 1,215,185	
Cash restricted for fiscal partners	<u>9,602</u>	
Total cash		\$ 1,224,787
Grants receivable		356,230
Prepaid expenses and other		2,527
Property and equipment, net		<u>10,996</u>
TOTAL ASSETS		<u>\$ 1,594,540</u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$ 9,617	
Accrued expenses and other liabilities	13,491	
Accrued payroll	41,146	
Fiduciary liabilities	<u>9,602</u>	
TOTAL LIABILITIES		\$ 73,856

NET ASSETS:

Without donor restrictions	\$ 1,354,495	
With donor restrictions	<u>166,189</u>	
TOTAL NET ASSETS		<u>1,520,684</u>

TOTAL LIABILITIES AND NET ASSETS		<u>\$ 1,594,540</u>
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The accompanying notes are an integral part of these financial statements.

SOCIALLY RESPONSIBLE AGRICULTURE PROJECT, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE AND GAINS:			
Foundation contributions and grants	\$ 1,671,000	\$ 305,000	\$ 1,976,000
Government grants - PPP loan forgiveness and ERC	503,326	-	503,326
Individual contributions	23,605	600	24,205
Bad debt recovery	20,000	-	20,000
Service fees and other	2,352	-	2,352
Net assets released from restrictions	148,216	(148,216)	-
TOTAL SUPPORT, REVENUE AND GAINS	<u>\$ 2,368,499</u>	<u>\$ 157,384</u>	<u>\$ 2,525,883</u>
EXPENSES:			
Program services:			
Community Support	\$ 768,437	\$ -	\$ 768,437
Food and Farm Network	142,504	-	142,504
Contract Growers Transition	103,759	-	103,759
Water Rangers	78,548	-	78,548
Total program services	<u>\$ 1,093,248</u>	<u>\$ -</u>	<u>\$ 1,093,248</u>
Supporting services:			
Management and general	\$ 322,427	\$ -	\$ 322,427
Fundraising	151,143	-	151,143
Total supporting services	<u>\$ 473,570</u>	<u>\$ -</u>	<u>\$ 473,570</u>
TOTAL EXPENSES	<u>\$ 1,566,818</u>	<u>\$ -</u>	<u>\$ 1,566,818</u>
CHANGE IN NET ASSETS	\$ 801,681	\$ 157,384	\$ 959,065
NET ASSETS, JANUARY 1, 2021	<u>552,814</u>	<u>8,805</u>	<u>561,619</u>
NET ASSETS, DECEMBER 31, 2021	<u><u>\$ 1,354,495</u></u>	<u><u>\$ 166,189</u></u>	<u><u>\$ 1,520,684</u></u>

The accompanying notes are an integral part of these financial statements.

SOCIALLY RESPONSIBLE AGRICULTURE PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services				Supporting Services				
	Community Support	Food and Farm Network	Water Rangers	Contract Growers Transition	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and benefits	\$ 712,955	\$ 129,362	\$ 72,378	\$ 96,267	\$ 1,010,962	\$ 188,959	\$ 134,803	\$ 323,762	\$ 1,334,724
Training	160	29	16	22	227	68,792	5,880	74,672	74,899
Accounting and legal	10,052	4,608	1,020	1,358	17,038	46,435	1,901	48,336	65,374
Communications	17,595	3,193	1,786	2,376	24,950	4,663	3,327	7,990	32,940
Dues and subscriptions	13,057	2,369	1,326	1,763	18,515	3,461	2,469	5,930	24,445
Rent	5,761	1,045	585	778	8,169	1,528	1,089	2,617	10,786
Supplies and other	3,827	694	389	517	5,427	1,015	723	1,738	7,165
Repairs and maintenance	-	291	538	-	829	6,168	-	6,168	6,997
Insurance	2,402	436	244	324	3,406	636	454	1,090	4,496
Travel	1,497	272	152	202	2,123	396	283	679	2,802
Depreciation	772	140	78	104	1,094	205	146	351	1,445
Other expenses	359	65	36	48	508	169	68	237	745
Totals	<u>\$ 768,437</u>	<u>\$ 142,504</u>	<u>\$ 78,548</u>	<u>\$ 103,759</u>	<u>\$ 1,093,248</u>	<u>\$ 322,427</u>	<u>\$ 151,143</u>	<u>\$ 473,570</u>	<u>\$ 1,566,818</u>

The accompanying notes are an integral part of these financial statements.

SOCIALLY RESPONSIBLE AGRICULTURE PROJECT, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 959,065
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,445
Changes in assets and liabilities:	
(Increase) decrease in operational assets:	
Increase in prepaid expenses and other	(1,446)
Increase in grants receivable	(356,230)
Increase (decrease) in operational liabilities:	
Increase in accounts payable	1,353
Increase in accrued expenses and other liabilities	13,491
Increase in accrued payroll	6,621
Decrease in fiduciary liabilities	(87)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 624,212</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sale of property and equipment	\$ 3,805
Purchases of property and equipment	(1,455)
Payments received on note receivable	<u>60,000</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>\$ 62,350</u>
NET INCREASE IN CASH	\$ 686,562
CASH, JANUARY 1, 2021	<u>538,225</u>
CASH, DECEMBER 31, 2021	<u><u>\$ 1,224,787</u></u>

The accompanying notes are an integral part of these financial statements.

SOCIALLY RESPONSIBLE AGRICULTURE PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 1. **Organization and Summary of Significant Accounting Policies**

Organization - Socially Responsible Agriculture Project, Inc. (SRAP) was incorporated in the state of Delaware as a non-profit organization on March 13, 2007. SRAP is dedicated to informing the public about the negative effects of industrial livestock operations - also known as factory farms or concentrated animal feeding operations (CAFOs) - while providing direct assistance to communities impacted by this destructive industry. Through education, advocacy, and community organizing, SRAP empowers people to protect public health, environmental quality, and local economies from the damaging impacts of factory farms, and to advocate for a socially responsible food future. The following are the main programs of SRAP:

- ***Community Support Program:*** SRAP empowers communities to protect themselves from the devastating public health, environmental, and socioeconomic damages caused by industrial livestock production. For more than 20 years, our team has worked throughout the U.S. to provide free assistance to any community that requests our help when facing the threats posed by factory farms.

SRAP's field operations team includes technical experts, independent farmers, and rural residents who, like the communities we serve, have experienced the impacts of industrial livestock production firsthand. Our team offers technical and strategic support to help people educate and mobilize their communities, navigate regulatory processes, engage lawmakers, publicize their stories, and ultimately build coalitions to reject harmful industrial agricultural practices and advocate for a socially responsible food future.

SRAP also links the people most profoundly impacted by our broken food system with a network of academic institutions, government agencies, public interest groups, and political players who can help. We connect local efforts with state and national movements to unite in our cause, collectively working to bring back the socially responsible, independent farms needed to feed America.

- ***Food and Farm Network:*** SRAP understands the threats community members face when an industrial livestock facility comes to town. We also know the importance and need for organizing to build a better food future. Through tech talks, webinars, action alerts, and agriculture policy briefings, the Socially Responsible Food & Farm Network empowers advocates to unite.

SOCIALLY RESPONSIBLE AGRICULTURE PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 1. **Organization and Summary of Significant Accounting Policies - (Continued)**

An extension of our core mission to offer outreach, base building, education, and leadership development opportunities, this free national network builds on SRAP's strengths - and the team's decades-long experience - to advise and mobilize advocates beyond the CAFO issue. The network engages farmers and community members to advocate on behalf of regenerative food systems, social justice, climate initiatives, public health, animal welfare, and other critical issues. With regular opportunities to connect with state, regional, and national coalitions and organizations, plus additional access to training events and educational materials, network participants will learn to more effectively influence policymakers and U.S. residents, alike, on the food and agriculture concerns that matter most.

- ***Contract Grower Transition Program:*** The Contract Grower Transition Program allows SRAP to further transform rural communities by engaging contract growers and producers struggling within the industrial agriculture system. Through the Transition Program, SRAP enables contract growers to leave this system behind by training them to work with the communities most harmed by industrial agriculture. SRAP aims to simultaneously reduce the number of contract growers trapped by the corporate agriculture model, while empowering them to advocate for a socially responsible animal agriculture system that prioritizes public health, the environment, and animal welfare.

There is no better advocate to engage rural communities facing threats of incoming or expanding industrial livestock facilities than the people who, too, were harmed by the industrial system. The SRAP staff members who lead this program are former contract growers who have experienced injustices firsthand. This unique perspective makes them especially effective champions of agricultural reform and enables them to offer invaluable guidance to rural residents suffering due to nearby livestock operations and to current growers struggling to leave the industry.

- ***Water Rangers:*** Industrial livestock operations are among the worst water polluters in the U.S. Because these facilities confine so many animals in one place, they generate vast amounts of waste, which is typically stored onsite before being applied untreated to surrounding land.

Unfortunately, as a result of weak regulatory policies, mismanagement and overapplication of waste is the norm, causing ground and surface waters to be contaminated with pollutants such as nitrogen, phosphorus, organic matter, heavy metals, and harmful pathogens like E. coli, Salmonella, and Cryptosporidium. This contaminates drinking water wells, causes fish kills, spawns toxic algal blooms, and renders local waterways unsafe for swimming, fishing, boating, and other recreational uses. In short, rural residents living near industrial livestock operations are on the front lines of a water pollution crisis that threatens their health, environment, and quality of life.

SOCIALLY RESPONSIBLE AGRICULTURE PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 1. **Organization and Summary of Significant Accounting Policies - (Continued)**

SRAP's Water Rangers program is designed to empower these communities to protect their right to clean water and to hold industrial livestock operations accountable for pollution. We train program participants in EPA-approved water testing techniques, and provide them with tools to collect and analyze water samples. Participants also learn how to effectively document and report pollution violations to regulators in order to prompt enforcement action. The Water Rangers program empowers community members to reverse a decades-long trend of handing industrial agriculture a free pass to pollute.

Basis of Accounting - The financial statements of SRAP have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation - SRAP is required to report information regarding its financial position and activities according to two classes of net assets:

- *Without donor restrictions*: Net assets without donor restrictions represent funds which are fully available, at the discretion of management and the Board of Directors, for SRAP to utilize in any of its program or supporting services.
- *With donor restrictions*: Net assets with donor restrictions are comprised of funds which are restricted by donors for a specific purpose, for a specific time period, or in perpetuity.

Revenue Recognition - Revenue from grants and contributions are recognized at the earlier of when the donor makes a promise to give to SRAP that is, in substance, unconditional or when they are received. Revenue from grants that are considered conditional contributions are recorded in the statements of activities as grants and contributions when the conditions have been met. Contributions are considered to be without donor restrictions unless specifically restricted by the donor for time or purpose. SRAP records contributions in the donor restricted net asset class if they are received with donor stipulations as to their use and/or time. When a donor restriction expires, net assets with donor restrictions are released and reclassified to net assets without donor restrictions in the statements of activities.

Cash - SRAP considers its checking and savings accounts to be cash.

SOCIALLY RESPONSIBLE AGRICULTURE PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 1. **Organization and Summary of Significant Accounting Policies - (Continued)**

Grants Receivable – SRAP is eligible for the Employee Retention Credit under the CARES Act. The Organization filed amended Form 941s (941X) requesting refunds totaling \$356,230 for the quarters ended September 30, 2020, December 31, 2020, March 31, 2021, June 30, 2021, and September 30, 2021. The Organization recognized the refundable credit as a conditional grant during the year ended December 31, 2021, which is the period in eligibility was determined and conditions were met. The entire balance was receivable as of December 31, 2021 and is uncollateralized.

Property and Equipment - Property and equipment is stated at cost. Depreciation is computed using the straight-line method based on estimated useful lives of three to fifteen years. All purchases of equipment over \$1,000 are capitalized. Upon disposal, the cost and accumulated depreciation are removed from the books, with the resultant gain or loss included in the statement of activities. Repairs and maintenance are expensed during the year incurred.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the financial statement date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status - SRAP is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income from unrelated business activities. There was no unrelated business income in 2021.

Functional Allocation of Expenses - The costs of providing program and supporting activities have been summarized in the statement of activities and reported in detail by natural classification in the statement of functional expenses. Expenses directly attributable to specific functional areas are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the functional areas benefitted based on management's estimate of time and effort spent on those functional areas that is consistently applied. Allocated costs that benefitted multiple functional areas consisted primarily of travel-related expenses, training, supplies, dues and subscriptions, repairs and maintenance, and depreciation.

SOCIALLY RESPONSIBLE AGRICULTURE PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 2. **Liquidity and Availability** - The following represents SRAP's financial assets as of December 31, 2021:

Financial assets at year-end:	
Cash	\$ 1,224,787
Less, net assets with donor restrictions	(166,189)
Less, cash held for fiscal partners	<u>(9,602)</u>
Financial assets available for general expenditures within one year	<u>\$ 1,048,996</u>

The financial assets of SRAP are available for general expenditure over the next twelve months from the statement of financial position date. SRAP moves funds in excess of its monthly needs to an interest-bearing account. All funds remain accessible for programmatic and administrative expenses.

Note 3. **Note Receivable** - In 2017, SRAP entered into an agreement for the sale of a trailer with a contract price of \$100,000. The agreement called for an initial payment of \$10,000 at the time of the sale with the balance payable in the form of an interest-free note with minimum annual installments of \$20,000 and final payment due March 31, 2022. The note was collected in full during 2021, including \$20,000 that had previously been written off and is recorded as bad debt recovery on the statement of activities.

Note 4. **Property and Equipment** - Property and equipment consists of the following as of December 31, 2021:

Computers	\$ 13,806
Testing equipment	<u>9,972</u>
Subtotal	23,778
Less, accumulated depreciation	<u>(12,782)</u>
Total	<u>\$ 10,996</u>

Depreciation expense for the year ended December 31, 2021 was \$1,445.

Note 5. **Fiduciary Liabilities** - SRAP has entered into a service agreement with some small unincorporated affiliated organizations for management and safekeeping of funds collected on their behalf. Total fiduciary liabilities as of December 31, 2021 was \$9,602. Accordingly, SRAP accounts for these funds separately and are presented as "Cash restricted for fiscal partners" in the statement of financial position with a corresponding amount.

SOCIALLY RESPONSIBLE AGRICULTURE PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 6. **Net Assets with Donor Restrictions** - Net assets with donor restrictions are restricted under the following programs at December 31, 2021:

	Community Support	Contract Growers Transition	Total
Right to Harm Funds	\$ 7,333	\$ -	\$ 7,333
Biogas Funds	11,999	-	11,999
Poultry Litter Project	53,998	-	53,998
ASPCA Grant	-	92,859	92,859
Total	\$ 73,330	\$ 92,859	\$ 166,189

Note 7. **Retirement Plan** - SRAP adopted a 403(b) retirement plan (the Plan) for its employees in January 2021. All employees are eligible to receive the employer discretionary non-elective contribution upon completion of thirty days of service. For the year ended December 31, 2021, employer contributions to the Plan was \$18,809. Employees can also elect to defer part of their compensation within IRS limitations.

Note 8. **Conditional Promises to Give** – On September 9, 2021, SRAP was awarded a \$300,000 grant for general operations. The organization received \$100,000 of this grant on September 10, 2021. The remaining \$200,000 is to be received in \$100,000 installments through September 2023 and is dependent on market conditions and the availability of assets of the donor. The balance will be recognized as grant revenue when received.

Note 9. **Concentrations:**

Credit Risk - Financial instruments which potentially subject SRAP to concentrations of credit risk include cash deposits with commercial banks. SRAP’s cash management policies limit its exposure to concentrations of credit risk by maintaining cash accounts at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Balances in these accounts may exceed the FDIC coverage limit at times throughout the year. As of December 31, 2021, there were \$669,457 cash balances in excess of the FDIC limit of coverage.

SRAP also maintain cash accounts at financial institutions whose deposits are insured by the National Credit Union Administration (NCUA). Cash balances in these accounts did not exceed the NCUA coverage limit.

Revenue - SRAP received approximately 77% of its total revenue from three contributors. This represents a substantial amount of SRAP’s operating support. Any significant reduction in the level of contribution could have an adverse effect on SRAP’s operations.

SOCIALLY RESPONSIBLE AGRICULTURE PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

- Note 10. **Paycheck Protection Program Loan** - The Organization was granted a loan from Elevations Credit Union under the Paycheck Protection Program (PPP) for \$147,096 in March 2021. The full amount of the loan was forgiven on July 7, 2021, as authorized by Section 1106 of the CARES Act and is recognized a grant revenue on the statement of activities.
- Note 11. **Employee Retention Credit** – SRAP is eligible for the Employee Retention Credit under the CARES Act. The Organization filed amended Form 941s (941X) requesting refunds totaling \$356,230 for the quarters ended September 30, 2020, December 31, 2020, March 31, 2021, June 30, 2021, and September 30, 2021. The Organization recognized the refundable credit as a conditional grant during the year ended December 31, 2021, which is the period in eligibility was determined and conditions were met. The balance was receivable as of December 31, 2021 and is uncollateralized.
- Note 12. **Subsequent Events** - In preparation of these financial statements, SRAP has evaluated events and transactions for potential recognition or disclosure through June 6, 2022, which is the date the financial statements were available to be issued.