



Regenerative Farms, Inc

Financial Statements

For the Year Ended December 31, 2022

Independent Auditors' Report

To the Board of Directors of
Regenerative Farms, Inc
Williamsburg, MA

We have audited the accompanying financial statements of Regenerative Farms, Inc (a nonprofit Corporation), which comprise the statement of financial position as of December 31, 2022 and the related statement 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 Regenerative Farms, Inc as of December 31, 2022, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Regenerative Farms, 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.

Responsibility of Management's 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; this includes 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 Regenerative Farms, Inc ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility 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.

Auditor's Responsibility (continued)

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 Regenerative Farms, Inc 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 Regenerative Farms, Inc 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.

A handwritten signature in cursive script that reads "Mariya Babson". The signature is written in black ink and includes a horizontal line underneath the name.

Mariya Babson, Certified Public Accountant
Duxbury, Massachusetts
September 29, 2023

Regenerative Farms, Inc

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December 31, 2022

Independent Accountant's Review Report

Financial Statements:

Statement of Financial Position as of December 31, 2022

Statement of Activities for the Year Ended December 31, 2022

Statement of Functional Expenses for the Year Ended December 31, 2022

Statement of Cash Flows for the Years Ended December 31, 2022

Notes to Financial Statements

Regenerative Farms, Inc
Statement of Financial Position
As of December 31, 2022

Assets

Current Assets	<u>2022</u>
Cash and cash equivalents	\$ 112,463
Contributions receivable	343,664
Prepaid expenses	47,423
	<hr/>
Total current assets	503,550
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Total Assets	\$ 503,550

Liabilities and Net Assets

Current Liabilities	
Accounts payable	\$ 1,622
	<hr/>
Total current liabilities	1,622
	<hr/>
Total liabilities	\$ 1,622
	<hr/>
Net Assets	
Without donor restrictions	501,928
With donor restrictions	-
	<hr/>
Total net assets	501,928
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Total Liabilities and Net Assets	\$ 503,550

Regenerative Farms, Inc
Statement of Activities
For the Year Ended December 31, 2022

	<u>2022</u> <u>Total</u>
Revenue and Support	
Contributions	\$ 20,000
Foundation grants	598,664
Interest income	20
Total revenue and support	<u>618,684</u>
Expenses	
Program services	73,938
Management, general and administrative	24,849
Fundraising	<u>50,001</u>
Total expenses	<u>148,788</u>
Change in Net Assets	469,896
Net Assets at Beginning of Year	<u>32,032</u>
Net Assets at End of Year	<u>\$ 501,928</u>

See accountants' audit report and accompanying notes to the financial statements.

Regenerative Farms, Inc
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program	Management General & Administrative	Fundraising	2022 Total
Salaries	\$ 18,750	18,750	18,750	\$ 56,250
Taxes	-	1,557	478	2,035
	<u>18,750</u>	<u>20,307</u>	<u>19,228</u>	<u>58,285</u>
Program expenses	53,978	-	-	53,978
Program materials	500	-	-	500
Fundraising fees & grant writing	-	-	28,467	28,467
Accounting & bookkeeping	-	2,731	-	2,731
Bank & other fees	163	226	170	559
Telecommunication & website	499	1,142	1,701	3,342
Information technology	31	299	436	766
Postage	17	4	-	21
Filing fees	-	140	-	140
Total Functional Expenses	<u>\$ 73,938</u>	<u>24,849</u>	<u>50,002</u>	<u>\$ 148,788</u>

See accountants' audit report and accompanying notes to the financial statements.

Regenerative Farms, Inc
Statement of Cash Flows
For the Year Ended December 31, 2022

	<u>2022</u>
Cash Flows from Operating Activities	
Change in Net Assets	\$ 469,896
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Decrease (increase) in assets	
Contributions receivable	(343,664)
Prepaid expenses	(47,423)
Increase (decrease) in liabilities	
Accounts payable	1,522
Net Cash (Used in) Provided by Operating Activities	<u>80,331</u>
Net Change in Cash, Cash Equivalents, and Restricted Cash	80,331
Cash, Cash Equivalents, and Restricted Cash - Beginning	<u>32,132</u>
Cash, Cash Equivalents, and Restricted Cash - Ending	<u>\$ 112,463</u>

Regenerative Farms, Inc

Notes to Financial Statements

1. Nature of the Business

Regenerative Farms, Inc (the "Organization") was incorporated in 2001 under the provision of the General Laws of Massachusetts. The organization is tax exempt, not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code. The purpose of the Organization is scale up forest protection and transition to regenerative agriculture by incubating adoption of the Regeneration Hub model which includes an innovatively designed, value-added food processing center that not only helps farm families earn better incomes through specialized processing of crops, but it also produces other things farmer need to escape poverty.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis with net assets, revenues, expenses, gains, and losses classified in two categories based on the existence or absence of externally imposed restrictions. Operating revenues consist of those monies received and contributions attributable to the Organization's ongoing efforts. The net assets of the Organization are classified and defined as follows:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations are considered unrestricted. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

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 those resources be maintained in perpetuity. Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Basis of Accounting

In May 2014, the FASB issued Accounting Standards Update ASU No. 2014-09, "*Revenue from Contracts with Customers (Topic 606)*". This ASU amends the guidance for revenue recognition to replace numerous, industry-specific requirements and converges areas under this topic with those of the International Financial Reporting Standards. The Organization has adopted Accounting Standards Update (ASU) No. 2014-09 in 2022 - Revenue from Contracts with Customers (Topic 606), as amended as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Regenerative Farms Inc

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

In 2022 the Organization has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore, no changes to the previously issued tax returns were required.

During 2022, the Organization has adopted ASU 2019-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU amends the presentation of restricted cash within the statements of cash flows. The new guidance required that restricted cash and cash equivalents be added to cash and cash equivalents for the purposes of the statement of cash flows.

In 2022 the Organization has adopted Accounting Standards Update ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, gives donors better information without causing nonprofits to incur too much cost to provide the information. The undated standard will provide more prominent presentation of gifts-in-kind by requiring nonprofits to show contributed nonfinancial assets as a separate line item in the Statement of Activities, apart from contributions of cash and other financial assets. It only calls for enhanced disclosures about the valuation of those contributions and their use in programs and other activities. Nonprofits will be required to split out the amount of contributed nonfinancial assets it received by category and it footnotes to the financial statements. However, the new rule did not change the recognition and measurement requirements for those assets.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less, when acquired, to be cash equivalents.

Concentrations of credit risk

Financial instruments that potentially subject Regenerative Farms, Inc to concentrations of credit risk consist of cash and cash equivalents. The Organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federal insured limits. The Organization accounts have been placed with high credit quality financial institutions. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed by using risk adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenues.

Contributions and Grant Revenue

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of

Regenerative Farms Inc

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (Contributions and Grant Revenue continued)

return – are not recognized until the conditions on which they depend have been met. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restriction, depending on the nature of the restriction. When restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restrictions.

Contributed Goods and Services

Contributed services are recognized for services that require specialized skills and are provided by persons possessing those skills in the period in which they are received in accordance with GAAP. Contributed services are recorded at fair value at the date of donation. A substantial number of volunteers have contributed numerous hours or service throughout the year presented; however, these services did not meet the recognition criteria in accordance with GAAP, accordingly, these financial statements do not reflect the value of those donated services.

Income Taxes

The Organization is a tax-exempt entity under Code Section 501(c)(3) of the Internal Revenue Code (the "Code") and is not considered a private foundation. Accordingly, no provision for income taxes is included in these financial statements. The Organization complies with the provisions of GAAP related to the accounting for the uncertainty in income taxes. As required, the Organization has evaluated its tax positions, applying a "more likely than not" threshold and believes that there would be no material changes to the results of its operation or financial position as a result of an audit by the applicable taxing authorities, federal or state. The Organization has filed all of its known and required tax returns in a timely manner, including as permitted, allowed extensions.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis amongst its various activities. All of the Organization's allocated expenditures have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services. Management, general and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization and include those costs related to the internal management and accounting for program services. Payroll and associated costs are allocated to functions based upon actual time charges and / or time studies.

4. Liquidity and Availability

The Organization has a goal to maintain cash and liquid short-term investments on hand at an amount equal to cover at least 60 days' worth of annual normal expenditures. As of December 31, 2022, the Organization's financial assets available within one year of the financial statement date for general expenditures is comprised of the following:

Regenerative Farms Inc

Notes to the Financial Statements

4. Liquidity and Availability (continued)

	<u>2022</u>
Cash and cash equivalents	\$ 112,463
Contributions receivable	343,664
Prepaid expenses	47,423
Financial assets available for one year of general expenditures	<u>\$ 503,550</u>

5. Revenues Concentration

During the year ended on December 31, 2022, 96% of revenues was derived from one resource provider. Based on information known to management the donor concentration makes the organization vulnerable to the risk of not able to meet its obligations in the future in case no other funding is received and the existing donor withdraw their support. However, the Organization's management is planning to apply for other different grants related to the program during next year and expects to continues the program's growth.

6. Contribution Receivable & Concentration

A contribution due from one foundation as of December 31, 2022, represented 100% of total contribution receivables. As of December 31, 2022, contribution receivables consisted of unconditional promise to give in amount of \$350,000. Part of the contribution receivable is to be collected in less than one year in amount of \$200,000 during the year ending on December 31, 2023. Second part of the same unconditional promise to give will be collected in two years in amount of \$150,000 during the year ending on December 31, 2024. Second part of the contribution receivables was recorded at its present value of its estimated future cash flow. Discount amortization is included in contribution receivable which was calculated by using a risk-free rate of 4.41%.

7. Related Party Disclosure

The organization has received \$12,000 donations from members of the Board of Directors during the year ended on December 31, 2022. Board President is also an Executive Director who received salaries which totaled \$56,250 during 2022 and has voting rights.

8. Subsequent Events

Management has evaluated events and transactions which occurred through September 29, 2023, the date on which the financial statements were available to be issued. There were no significant subsequent events requiring recognition or disclosure in the financial statements.