

**New Harvest, Inc.
Financial Statements
December 31, 2019**

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Index

| | |
|--------------------------------------|--------|
| Independent Auditor's Report | 1 |
| Financial Statements | |
| Statement of Financial Position | 2 |
| Statement of Activities | 3 |
| Statement of Functional Expenses | 4 |
| Statement of Cash Flows | 5 |
| Notes to Financial Statements | 6 - 10 |

Independent Auditor's Report

To the Board of Directors of
New Harvest, Inc.

We have audited the accompanying financial statements of New Harvest, Inc. which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position New Harvest, Inc., as of December 31, 2019, 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.

Report on Summarized Comparative Information

We have previously audited New Harvest, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 28, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

June 29, 2020



New Harvest, Inc
Statement of Financial Position
December 31, 2019
(With Summarized Financial Information for 2018)

| | <u>2019</u> | <u>2018</u> |
|-----------------------------------|--------------|--------------|
| Assets | | |
| Current Assets | | |
| Cash | \$ 1,569,079 | \$ 1,182,397 |
| Grants receivable | 35,703 | 35,703 |
| Paypal receivable | 11,776 | 5,805 |
| Total Current Assets | 1,616,558 | 1,223,905 |
| Other Assets | | |
| Investments in Securities | 2,054,000 | - |
| Security deposit | 5,268 | 4,485 |
| Total Other Assets | 2,059,268 | 4,485 |
| Total Assets | \$ 3,675,826 | \$ 1,228,390 |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts payable | \$ 17,015 | \$ 9,500 |
| Grants payable | - | 34,334 |
| Total Current Liabilities | 17,015 | 43,834 |
| Net Assets | | |
| With donor restrictions | 29,274 | - |
| Without donor restrictions | 3,629,537 | 1,184,556 |
| Total Net Assets | 3,658,811 | 1,184,556 |
| Total Liabilities and Net Assets | \$ 3,675,826 | \$ 1,228,390 |

See independent auditor's report and accompanying notes to the financial statements.

New Harvest, Inc.
Statement of Activities
Years Ended December 31, 2019
(With Summarized Financial Information for 2018)

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total 2019</u> | <u>2018</u> |
|--|---|--|-----------------------|---------------------|
| Support and Revenue | | | | |
| Contributions | \$ 1,161,989 | \$ 40,000 | \$ 1,201,989 | \$ 1,072,225 |
| Unrealized gain on investments in securities | 2,054,000 | - | 2,054,000 | - |
| Conference Sponsorship Income | 67,500 | - | 67,500 | - |
| Honoraria | 24,590 | - | 24,590 | 6,877 |
| Conference Ticket Sales | 46,747 | - | 46,747 | 38,262 |
| Product sales | 1,716 | - | 1,716 | 827 |
| Investment Income | 11,934 | - | 11,934 | 284 |
| | <u>3,368,476</u> | <u>40,000</u> | <u>3,408,476</u> | <u>1,118,475</u> |
| Net assets released from restrictions | 10,726 | (10,726) | - | - |
| Total Support and Revenue | <u>3,379,202</u> | <u>29,274</u> | <u>3,408,476</u> | <u>1,118,475</u> |
| Expenses | | | | |
| Program Services: | <u>761,484</u> | <u>-</u> | <u>761,484</u> | <u>711,801</u> |
| Supporting Services: | | | | |
| Management and general | 134,706 | - | 134,706 | 122,932 |
| Fundraising | 38,031 | - | 38,031 | 27,935 |
| Total Expenses | <u>934,221</u> | <u>-</u> | <u>934,221</u> | <u>862,668</u> |
| Change in Net Assets | 2,444,981 | 29,274 | 2,474,255 | 255,807 |
| Beginning Net Assets | 1,184,556 | - | 1,184,556 | 928,749 |
| Ending Net Assets | <u>\$ 3,629,537</u> | <u>\$ 29,274</u> | <u>\$ 3,658,811</u> | <u>\$ 1,184,556</u> |

See independent auditor's report and accompanying notes to the financial statements.

New Harvest, Inc.
Statement of Functional Expenses
Year Ended December 31, 2019
(With Summarized Financial Information for 2018)

| | Program Services | Supporting Services | | | |
|---------------------------|---------------------|----------------------------------|------------------|---------------|------------|
| | | General and Administrative | Fund- Raising | | |
| | | | | Total 2019 | |
| | | | | Total 2018 | |
| Salaries | \$ 217,786 | \$ 73,663 | \$ 28,825 | \$ 320,274 | \$ 223,803 |
| Payroll taxes and fees | 38,512 | 13,026 | 5,097 | 56,635 | 41,304 |
| Research grants | 334,919 | - | - | 334,919 | 335,851 |
| Contract services | 101,492 | 15,166 | - | 116,658 | 141,185 |
| Occupancy | 22,466 | - | - | 22,466 | 27,254 |
| Travel | 22,832 | 531 | 3,186 | 26,549 | 28,299 |
| Office and other expenses | 12,921 | 4,615 | 923 | 18,459 | 18,081 |
| Accounting | - | 12,200 | - | 12,200 | 26,096 |
| Website maintenance | - | 9,133 | - | 9,133 | 8,930 |
| Meals | 6,463 | 881 | - | 7,344 | 2,709 |
| Insurance | 3,608 | 902 | - | 4,510 | 2,605 |
| Banking and finance fees | - | 4,510 | - | 4,510 | 2,053 |
| Subscriptions and books | 485 | 79 | - | 564 | 1,644 |
| Internships | - | - | - | - | 2,000 |
| Merchandise | - | - | - | - | 855 |
| Total Expenses | \$ 761,484 | \$ 134,706 | \$ 38,031 | \$ 934,221 | \$ 862,668 |

See independent auditor's report and accompanying notes to the financial statements.

New Harvest, Inc.
Statement of Cash Flows
Years Ended December 31, 2019
(With Summarized Financial Information for 2018)

| Cash Flows from Operating Activities | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| Change in Net Assets | \$ 2,474,255 | \$ 255,807 |
| Adjustment to reconcile changes in net assets to net cash provided by operating activities: | | |
| Depreciation expense | - | 3,360 |
| Unrealized gain on investments | (2,054,000) | - |
| (Increase) decrease in operating assets: | | |
| Grants receivable | - | 39,785 |
| Paypal receivable | (5,971) | - |
| Security Deposit | (783) | - |
| Increase (decrease) in operating liabilities: | | |
| Grants payable | (34,334) | 42,609 |
| Accounts payable | 7,515 | (12,850) |
| Net cash provided by operating activities | <u>386,682</u> | <u>328,711</u> |
| Increase in Cash | 386,682 | 328,712 |
| Beginning Cash | 1,182,397 | 853,685 |
| Ending Cash | <u>\$ 1,569,079</u> | <u>\$ 1,182,397</u> |

See independent auditor's report and accompanying notes to the financial statements.

New Harvest, Inc.
Notes to Financial Statements
December 31, 2019

Note 1 - Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

New Harvest, Inc. (the Organization) is a not-for-profit organization dedicated to expanding the field of cellular agriculture so that traditional animal products can be produced from cell cultures, not animals. New Harvest, Inc. fosters and funds research in cellular agriculture and works to educate the public, the media, and the scientific community on the benefits and feasibility of producing traditional animal products by cellular agriculture instead of by obtaining such products from animals.

The Organization was incorporated in the State of Delaware on July 23, 2004.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and donor restricted net assets.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors. Donor restricted contributions that are expended for their restricted purpose in the same reporting period as received may be recorded as without donor restrictions.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash

Cash consists of demand deposit accounts held at a major financial institution and may at times exceed the insurable amount. Management believes it mitigates its risk by depositing cash in a major financial institution that is U.S. Federal government insured. Recoverability of investments is dependent upon the performance of the issuer.

Donated Services

Donated services are recognized as contributions if the services (1) create or enhance nonfinancial assets or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers provide various services that are not recognized as contributions in the financial statements since the recognition criteria were not met.

New Harvest, Inc.
Notes to Financial Statements
December 31, 2019

Note 1 - (Continued)

Revenue Recognition

Contribution Revenue

Contribution revenue is recognized when the donor makes a promise to give to the Organization that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the same reporting period in which the Contribution revenue is recognized. All other donor restricted contributions are reported as increases in donor restricted net assets. When a restriction expires donor restricted net assets are reclassified to net assets without donor restrictions.

Revenue from Contracts with Customers

Revenue is recognized when control of the control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those goods or services. Revenue from contracts with customers is disaggregated between Conference Tickets and Conference Sponsorships on the statement of activities.

The Organization conducts an annual conference to explore the opportunities, challenges, and realities of cellular agriculture. Performance obligations are satisfied and the related revenue is recognized upon completion and delivery of the contract specified Conference services. It should be noted that the 2020 conference has been cancelled due to health concerns surrounding COVID-19.

Grants Receivable

Unconditional promises to give are recognized in the period received both as revenues or gains and as assets, decreases of liabilities, or expenses, depending on the form of benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through adjustments to valuation allowances based on its assessment of the current status of individual receivables. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. For the year ended December 31, 2019 the allowance for doubtful accounts was \$0.

All Grants receivable are expected to be received within the current operating cycle of one year.

Property and Equipment

Property and equipment are recorded at cost or, if donated, the approximate fair value at the date of donation.

It is the policy of the Organization to capitalize items with a value greater than \$10,000.

Expenditures for maintenance and repairs are charged to operations as incurred. Significant renovations and replacements, which improve and extend the life of the assets, are capitalized.

New Harvest, Inc.
Notes to Financial Statements
December 31, 2019

Note 1 - (Continued)

Functional Allocation of Expenses

The costs of providing various program and other activities have been summarized on a functional basis in the statement of activities. Certain expenses have been classified based on direct expenditures, other costs were allocated based on estimates made by management such as time spent, quantities of items consumed and the proportion of physical space used.

Concentrations

The Organization maintains its cash accounts in two financial institutions. Cash balances located in one bank are insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000. Cash balance located in an investment company's cash management account are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000. At December 31, 2019, the Organization's uninsured cash balance was \$648,626.

Approximately 37% of the Organization's support and revenue was from one contributor for the year ended December 31, 2019.

Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been provided for in the accompanying financial statements.

The Organization's policy is to record interest expense and penalties in operating expenses. As of December 31, 2019, there was no interest and penalties expense recorded and no accrued interest and penalties.

Fair Value Measurements and Disclosures

Carrying values of financial instruments, including cash and cash equivalents, prepaid expenses, and accrued expenses, approximated their fair values due to the short term nature of these financial instruments. There were no changes in methods or assumptions during the year ending December 31, 2019.

Subsequent Events

In preparing these financial statements, the Organization has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through June 29, 2020, the date the financial statements were available to be issued.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings. The COVID-19 outbreak is also disrupting supply chains and affecting production and sales across a wide range of industries. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter to negatively impact its operating results. The extent of the impact of COVID-19 on the Companies operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Organization's donors and customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition of the Organization or results of operations is uncertain.

New Harvest, Inc.
Notes to Financial Statements
December 31, 2019

Note 1 - (Continued)

Changes in Accounting Principles

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Effective January 1, 2019 the Organization adopted FASB ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This Update affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). The core principle of this Update is that an entity should recognize revenue to depict the transfer of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. This Update requires entities to make new judgements and estimates and provide expended disclosures about revenue. Adoption of these changes resulted in no material changes to prior year amounts.

Note 2 – Net Assets With Donor Restrictions

Net assets with donor restrictions by revenue source and changes therein for the year ended December 31, 2019, were as follows:

| | Balance December 31, <u>2018</u> | <u>Additions</u> | Released From <u>Restrictions</u> | Balance December 31, <u>2019</u> |
|---|---|-------------------------|--|---|
| <u>Restricted as to purpose:</u> | | | | |
| Evaluating Serum | | | | |
| Replacement For Clean Meat | \$ - | \$ 40,000 | \$ 10,726 | \$ 29,274 |
| | \$ - | \$ 40,000 | \$ 10,726 | \$ 29,274 |

Note 3 –Liquidity and Availability of Financial Assets

The Organization’s working capital and cash flows have seasonal variations during the year attributable to the timing of program and fundraising activities. Monthly cash outflows vary each year based on the specific requirements of the program activities. To manage liquidity the Organization budgets cash flow and conducts fundraising activities that are timed to fulfill anticipated funding requirements.

The following reflects the Organization’s financial assets as of the balance sheet date:

| | |
|---|--------------|
| Cash | \$ 1,569,079 |
| Investments in securities | 2,054,000 |
| Accounts receivable | 35,703 |
| Paypal receivable | 11,776 |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 3,670,558 |

See independent auditor's report.

New Harvest, Inc.
Notes to Financial Statements
December 31, 2019

Note 4- Commitments

Lease 1

In August 2019, New Harvest, Inc., entered into a lease for premises which is on month to month basis that commenced August 20, 2019.

Lease 2

In November 2019, New Harvest, Inc., entered into a one year lease for new premises that commenced November 4, 2019 and expires November 3, 2020.

Future minimum rental payments under the lease are as follows:

| | |
|-------------------------------|------------------|
| Year ending December 31, 2020 | \$ <u>24,000</u> |
|-------------------------------|------------------|

Total rent expense was \$22,466 for the year ended December 31, 2019 and is included in occupancy expense on the statement of functional expenses.

Note 5 – Investments in Securities

The Organization's financial assets carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by U.S. generally accepted accounting principles.

Level 1 assets have observable market prices.

Level 2 assets do not have observable prices, but have inputs that are based on observable prices.

Level 3 assets have inputs that do not have observable prices.

As of December 31, 2019, the Organization's investments consist of investments in two privately held companies. These investments were not shown in the financial statements as of December 31, 2018 because the fair values were not available. The fair values became available for the year ended December 31, 2019. Accordingly, the full value has been shown on the statement of activities as unrealized gain on investments for the year ended December 31, 2019.

As of December 31, 2019, the Organization's investments consist of the following:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---------------------------|----------------|----------------|---------------------|--------------------|
| Privately held securities | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,054,000</u> | <u>\$2,054,000</u> |