

PASADO'S SAFE HAVEN

FINANCIAL REPORT

DECEMBER 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Pasado's Safe Haven
Monroe, Washington

We have audited the accompanying financial statements of Pasado's Safe Haven, which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years 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; 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 of Pasado's Safe Haven as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Peterson Sullivan LLP.

July 6, 2015

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PASADO'S SAFE HAVEN

STATEMENTS OF FINANCIAL POSITION

December 31, 2014 and 2013

ASSETS	2014	2013
Current Assets		
Cash and cash equivalents	\$ 1,227,295	\$ 1,702,126
Investments	790,500	714,578
Property held for sale	315,000	315,000
Inventory	76,339	78,029
Prepaid expenses	11,304	4,313
Total current assets	2,420,438	2,814,046
Property and Equipment, net	2,379,056	2,556,844
Total assets	\$ 4,799,494	\$ 5,370,890
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 70,903	\$ 30,210
Accrued salaries and benefits	78,474	45,578
Total current liabilities	149,377	75,788
Net Assets		
Unrestricted	4,625,825	4,731,865
Temporarily restricted	24,292	563,237
Total net assets	4,650,117	5,295,102
Total liabilities and net assets	\$ 4,799,494	\$ 5,370,890

See Notes to Financial Statements

PASADO'S SAFE HAVEN

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Contributions	\$ 1,050,628	\$ 52,704	\$ 1,103,332	\$ 865,706	\$ 5,000	\$ 870,706
Bequests	405,279		405,279	213,444		213,444
Grants		39,006	39,006	8,059	846,427	854,486
Non-cash contributions	10,903		10,903	7,139		7,139
Sales, net of cost of goods sold of \$5,791 and \$4,479 in 2014 and 2013, respectively	54,862		54,862	41,628		41,628
Investment income	80,985		80,985	45,402		45,402
Program fees	121,604		121,604	33,746		33,746
Net assets released from restrictions	630,655	(630,655)		590,169	(590,169)	
Total support and revenue	2,354,916	(538,945)	1,815,971	1,805,293	261,258	2,066,551
Expenses						
Program services	2,053,977		2,053,977	1,856,314		1,856,314
Management and general	209,767		209,767	421,315		421,315
Fundraising	197,212		197,212	51,016		51,016
Total expenses	2,460,956		2,460,956	2,328,645		2,328,645
Change in net assets before impairment of property	(106,040)	(538,945)	(644,985)	(523,352)	261,258	(262,094)
Impairment of property				(193,466)		(193,466)
Change in net assets	(106,040)	(538,945)	(644,985)	(716,818)	261,258	(455,560)
Net assets, beginning of year	4,731,865	563,237	5,295,102	5,448,683	301,979	5,750,662
Net assets, end of year	\$ 4,625,825	\$ 24,292	\$ 4,650,117	\$ 4,731,865	\$ 563,237	\$ 5,295,102

See Notes to Financial Statements

PASADO'S SAFE HAVEN

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended December 31, 2014 and 2013

	2014				2013			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries, payroll taxes and benefits	\$ 1,151,002	\$ 87,021	\$ 94,396	\$ 1,332,419	\$ 887,912	\$ 270,203	\$ 26,017	\$ 1,184,132
Supplies	327,261	6,776	3,594	337,631	315,486	11,070	3,242	329,798
Contract services	150,006		150	150,156	236,151	49,971	4,290	290,412
Depreciation	129,412			129,412	119,299		9,420	119,299
Fundraising and marketing	117		79,232	79,349	2,751	1,872		14,043
Professional fees	15,475	50,080	881	66,436	5,208	30,499		35,707
Repairs and maintenance	56,569	3,650	504	60,723	90,714	11,676	938	103,328
Return of grant award	57,104			57,104				
Travel	51,646	878	627	53,151	60,966	3,007	1,489	65,462
Taxes, licenses, and fees	11,038	26,792	7,201	45,031	24,481	17,192	109	41,782
Loss on sale of property	41,419			41,419				
Utilities	33,547	6,869		40,416	40,876	2,992	381	44,249
Insurance	12,372	18,558		30,930	47,084	6,585	140	53,669
Rent	4,409	1,873	312	6,594	9,481	2,235		11,856
Postage and shipping	896	2,740	1,642	5,278	1,258	5,199	4,656	11,113
Advertising	802	187	3,833	4,822				
Training and education	2,428	360		2,788	9,603	263	334	9,866
Other	8,474	3,983	4,840	17,297	5,044	8,551		13,929
Total expenses	\$ 2,053,977	\$ 209,767	\$ 197,212	\$ 2,460,956	\$ 1,856,314	\$ 421,315	\$ 51,016	\$ 2,328,645

See Notes to Financial Statements

PASADO'S SAFE HAVEN

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities		
Change in net assets	\$ (644,985)	\$ (455,560)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Unrealized gains on investments	(72,792)	(39,195)
Depreciation	129,412	119,299
Loss on sale of property	41,419	
Impairment of property		193,466
Change in operating assets and liabilities		
Contributions receivable		177,280
Inventory	1,690	(5,067)
Prepaid expenses	(6,991)	389
Accounts payable	40,693	5,909
Accrued salaries and benefits	32,896	(2,276)
	(478,658)	(5,755)
Cash Flows from Investing Activities		
Purchase of investments	(3,130)	(499,543)
Purchase of property and equipment	(171,716)	(367,276)
Sale of property	178,673	
	3,827	(866,819)
Net change in cash	(474,831)	(872,574)
Cash and cash equivalents, beginning of year	1,702,126	2,574,700
Cash and cash equivalents, end of year	\$ 1,227,295	\$ 1,702,126

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Significant Accounting Policies

Organization

Founded in 1993, Pasado's Safe Haven ("PSH") is a non-profit animal welfare organization dedicated to ending animal cruelty. PSH's vision is a world where every animal is recognized as an individual who is free from abuse, abandonment, neglect, and exploitation.

PSH offers an integrated approach to ending suffering for companion and farmed animals. PSH's comprehensive programs include:

- Sanctuary: The 85 acre sanctuary is home to over 200 dogs, cats, and farmed animals, most of whom arrived from cases of cruelty or neglect.
- Cruelty Investigations and Rescue: PSH is helping improve the response to crimes against animals through investigations, rescue, and training programs.
- Outreach: PSH helps people connect with animals in new ways through public tours, events, educational programs, and advocacy.
- Homelessness Prevention: PSH is preventing unwanted animals and shelter overpopulation through spay and neuter and food bank programs.

PSH strives to make a significant difference in the lives of animals and the people who love them. The following is a summary of PSH's general impact in 2014 (unaudited):

Sanctuary

- 200+ animals continued to live in peace and safety onsite and 121 animals were adopted into loving homes
- Opened a new custom-designed waterfowl area and a refurbished chicken barn (via grant funding)
- Built an industrial compost facility on site to sustainably manage animal waste (via matching grant)

Animal Cruelty Investigations and Rescue

- 500+ cases of cruelty and neglect investigated or resourced in 25 counties
- Four trainings, reaching 220 animal control officers, rescue workers, Humane Society agents and police officers
- Presented cruelty investigation seminar at the National Animal Control Conference

Outreach

- 400+ students learned about compassion through PSH's C.A.R.E. education program
- 1,100 people engaged with the PSH mission through sanctuary events
- 222+ current volunteers logged more than 4,000 hours
- Hosted Seattle premier of nationally recognized film, "Cowspiracy"

Homelessness Prevention

- 4,900+ dogs and cats were spayed/neutered for income-qualified families
- 7+ tons of pet food were distributed to families in need
- Started a new spay and neuter clinic to serve income qualified residents in Snohomish County

Animal cruelty is a complex issue, and we know that we have to have a thoughtful, coordinated response to work toward ending it. We believe our unique combination of programs fights the issue from every angle. We not only work to get laws changed, we also provide law enforcement and animal control with the training they need to effectively enforce these laws. We not only investigate animal cruelty and rescue animals from dire situations, but also provide sanctuary and medical treatment for these animals to heal while we work to place them in loving homes. We continue to work to educate the public about all the many ways they can help end animal cruelty, from reporting suspected abuse/neglect to spaying/neutering their animals, to eating plant-based diets.

Use of Estimates

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

Financial Statement Presentation

PSH reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor restrictions. PSH had no permanently restricted net assets at either December 31, 2014 or 2013.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of unexpended contributions restricted for particular purposes or time periods. Temporarily restricted net assets are transferred to unrestricted net assets as expenditures are incurred for the restricted purpose, or as time restrictions are met. Temporarily restricted net assets consist of the following at December 31:

	2014	2013
Food bank - Pierce County	\$ 16,177	\$ 53,500
Other purpose restrictions	8,115	5,000
Spay station - Pierce County		267,524
Spay station - South King County		69,846
Chicken barn		65,000
Mini excavator		58,688
Water fowl area		43,679
	\$ 24,292	\$ 563,237

Fair Value Measurements

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels which prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

PSH reports its investments (discussed in Note 2) at fair value using Level 1 inputs (quoted prices on national exchanges).

Cash and Cash Equivalents

PSH considers highly liquid investments with an original maturity of three months or less to be cash equivalents (unless comingled with investments, see Note 2). PSH has amounts deposited with a financial institution in excess of federally insured limits.

Contributions Receivable

Contributions receivable are stated at the outstanding principal balances and consist of amounts due from bequests and pledges from contributors that are expected to be collected within one year. Management reviews the collectibility of receivables on a periodic basis and determines the appropriate amount of any allowance. PSH charges off receivables to the allowance when management determines that a receivable is not collectible. There were no contributions receivable at December 31, 2014 or 2013.

Inventory

Inventory is stated at the lower of average cost or market and consists of merchandise to be sold through PSH's gift shop, dog and cat food stored in the food bank, and veterinary supplies used by PSH's in-house veterinarian.

Property and Equipment

Property and equipment are recorded at cost, if purchased, or at fair value at the date of receipt if donated (unless the estimated future undiscounted cash flows expected to result from either the use of an asset or its eventual disposition is less than the carrying amount, in which case an impairment loss is recognized based on the fair value of the asset). PSH's policy is to capitalize assets with a cost greater than \$2,500 and a useful life greater than three years. Depreciation of property and equipment is computed by the straight-line method over the estimated useful lives of the assets as follows:

Buildings and building improvements	7-39 years
Land improvements	15-20 years
Equipment	5-10 years
Furniture and fixtures	5-10 years
Temporary structures	3-7 years
Vehicles	3-6 years

Contribution and Grant Revenue Recognition

Contributions and grants are recorded when unconditionally pledged as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. During the year ended December 31, 2014, contributions from one donor comprised 23% of total contributions revenue. There were no contribution concentrations during the year ended December 31, 2013. During the year ended December 31, 2014, 100% of grants awarded were from five grantors. During the year ended December 31, 2013, 90% of grants awarded were from one foundation.

During 2014, management determined that PSH could not comply with certain restrictions related to a grant recognized as revenue in 2013. As such, the grant was repaid in 2014 and has been included as an expense on the statement of functional expenses for the year ended December 31, 2014.

Bequest Revenue Recognition

PSH records bequests as revenue after the death of the donor and PSH is notified by the executor as to the amount of the bequest to be received. During the year ended December 31, 2014, 68% of bequests revenue was received from three estates. During the year ended December 31, 2013, 65% of bequest revenue was received from two estates.

Program Fee Revenue Recognition

Program fees are earned primarily through adoption fees and Spay station services. Program fee revenue is recognized when the adoption or service takes place.

Non-Cash Contributions

Non-cash contributions consist of donated vehicles and food for animals. Revenue for vehicle donations is recognized upon sale of the vehicles. Revenue for donated animal food is recognized at fair value on the donation date.

A substantial number of unpaid volunteers have made significant contributions of their time to develop PSH's programs, principally in assisting operations and fundraising events. The value of this contributed time is not reflected in these statements as it does not meet accounting requirements for recognition.

Functional Allocation of Expenses

The costs of providing the various program services and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated between the program and supporting services benefited.

Income Taxes

PSH is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Subsequent Events

PSH has evaluated subsequent events through the date these financial statements were available to be issued, which was the same date as the independent auditors' report.

Note 2. Investments

Investments are reported at fair value in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Investments consist of the following at December 31:

	2014	2013
Cash and money market	\$ 2,686	\$ 2,728
Common stocks	217,456	164,522
Municipal bonds	32,636	29,253
Mutual funds		
Large growth	141,211	130,424
World allocation	105,360	100,981
Aggressive allocation	64,826	61,179
Mid-cap growth	41,001	41,738
World stock	42,320	40,963
Multisector bond	36,276	34,943
High yield bond	34,882	34,875
World bond	34,475	34,725
Diversified emerging markets	28,588	30,224
Large blend	8,783	8,023
	<u>\$ 790,500</u>	<u>\$ 714,578</u>

Investments in common stocks include a variety of companies, but investments in three companies represent 56% and 62% of the total amount at December 31, 2014 and 2013, respectively.

Investments in mutual funds include a variety of funds, but investments in two funds represent 24% and 23% of the total amount at December 31, 2014 and 2013, respectively.

Investment income consists of the following:

	2014	2013
Interest and dividends	\$ 8,193	\$ 6,207
Unrealized gains	72,792	39,195
	<u>\$ 80,985</u>	<u>\$ 45,402</u>

Note 3. Lease Obligations

During 2013, PSH leased office space in Pierce County for the purpose of animal cruelty investigations and educational purposes. The lease ended in 2013. Rent expense under this lease was \$3,600 in 2013, and is included in rent on the statements of functional expenses. There are no significant future minimum payments under any lease subsequent to the year ended December 31, 2014.

Note 4. Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2014</u>	<u>2013</u>
Buildings and improvements	\$ 1,479,627	\$ 1,583,225
Temporary structures and improvements	592,471	494,204
Mobile clinics (Spay stations)	351,134	351,134
Machinery and equipment	227,953	154,505
Vehicles	131,307	131,307
Furniture and fixtures	<u>26,774</u>	<u>26,774</u>
	2,809,266	2,741,149
Less: accumulated depreciation	<u>(1,252,577)</u>	<u>(1,158,074)</u>
	1,556,689	1,583,075
Land	822,367	971,287
Construction in progress	<u> </u>	<u>2,482</u>
	<u>\$ 2,379,056</u>	<u>\$ 2,556,844</u>

During 2014 and 2013, the Cedar Ponds property, purchased in 2008, was held for sale. Management expects to sell the property for \$315,000, net of costs to sell; therefore, an impairment loss of \$193,466 was recorded in 2013. This impairment has been presented separately on the statements of activities.