

PASADO'S SAFE HAVEN

FINANCIAL REPORT

DECEMBER 31, 2010

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CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Pasado's Safe Haven as of December 31, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the management of Pasado's Safe Haven. 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 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 audits provide 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 Pasado's Safe Haven as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Peterson Sullivan LLP

September 15, 2011

PASADO'S SAFE HAVEN

STATEMENTS OF FINANCIAL POSITION

December 31, 2010 and 2009

ASSETS	<u>2010</u>	<u>2009</u>
Current Assets		
Cash and cash equivalents	\$ 2,929,597	\$ 2,166,425
Investments	151,122	1,658,122
Contribution receivable	614	45,000
Inventory	47,164	36,353
	<u>3,128,497</u>	<u>3,905,900</u>
Property and Equipment, net	2,802,881	2,826,489
Assets Held for Lease, net	33,099	71,485
	<u>5,964,477</u>	<u>\$ 6,803,874</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 11,921	\$ 23,426
Accrued salaries and benefits	42,988	5,753
Donations payable		221,308
	<u>54,909</u>	<u>250,487</u>
Net Assets		
Unrestricted	5,909,568	6,553,387
	<u>\$ 5,964,477</u>	<u>\$ 6,803,874</u>

See Notes to Financial Statements

PASADO'S SAFE HAVEN

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2010 and 2009

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Contributions	\$ 1,008,587	\$ -	\$ 1,008,587	\$ 1,827,987	\$ -	\$ 1,827,987
Bequests	336,236		336,236	326,259		326,259
Non-cash contributions	30,115		30,115	23,400		23,400
Sales, net of cost of goods sold of \$11,819 and \$4,347 in 2010 and 2009, respectively	5,354		5,354	1,669		1,669
Investment income	36,014		36,014	113,931		113,931
Special events revenue	36,476		36,476			
Special events expenses	(48,775)		(48,775)			
Program fees	21,893		21,893	46,684		46,684
Other income				17,188		17,188
Net assets released from restrictions				7,216	(7,216)	
Total support and revenue	1,425,900		1,425,900	2,364,334	(7,216)	2,357,118
Expenses						
Program services	1,669,707		1,669,707	1,569,465		1,569,465
Management and general	376,809		376,809	398,217		398,217
Fundraising	23,203		23,203	44,828		44,828
Total expenses	2,069,719		2,069,719	2,012,510		2,012,510
Change in net assets before impairment of property and equipment	(643,819)		(643,819)	351,824	(7,216)	344,608
Impairment of property and equipment				(203,000)		(203,000)
Change in net assets	(643,819)		(643,819)	148,824	(7,216)	141,608
Net assets, beginning of year	6,553,387		6,553,387	6,404,563	7,216	6,411,779
Net assets, end of year	<u>\$ 5,909,568</u>	<u>\$ -</u>	<u>\$ 5,909,568</u>	<u>\$ 6,553,387</u>	<u>\$ -</u>	<u>\$ 6,553,387</u>

See Notes to Financial Statements

PASADO'S SAFE HAVEN

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2010 and 2009

	2010				2009			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries, payroll taxes and benefits	\$ 941,577	\$ 276,340	\$ 5,785	\$ 1,223,702	\$ 478,629	\$ 171,571	\$ 23,980	\$ 674,180
Professional fees	16,774	25,262		42,036	35,956	105,897		141,853
Supplies	254,586	11,076	996	266,658	268,602	8,203	5,323	282,128
Repairs and maintenance	134,836	21,448	3,106	159,390	117,987	33,640	7,216	158,843
Utilities	28,532	2,052	68	30,652	15,051	5,676	294	21,021
Travel	26,350	2,602	3,436	32,388	14,473	527	37	15,037
Insurance	21,971	6,273		28,244	23,313	(481)		22,832
Postage and shipping	10,544	5,278	9	15,831	17,310	8,338	1,941	27,589
Contract services	7,140		3,300	10,440	59,295	9,372		68,667
Conferences	3,105	808	152	4,065	9,009	2,085		11,094
Employment and recruiting	2,141	2,710	250	5,101	20,890	24,068	3,550	48,508
Donations made to others					360,438			360,438
Depreciation	159,674			159,674	123,249			123,249
Other	62,477	22,960	6,101	91,538	25,263	29,321	2,487	57,071
Total expenses	<u>\$ 1,669,707</u>	<u>\$ 376,809</u>	<u>\$ 23,203</u>	<u>\$ 2,069,719</u>	<u>\$ 1,569,465</u>	<u>\$ 398,217</u>	<u>\$ 44,828</u>	<u>\$ 2,012,510</u>

See Notes to Financial Statements

PASADO'S SAFE HAVEN

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (643,819)	\$ 141,608
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Unrealized gains on investments	(16,054)	(49,568)
Depreciation	159,674	123,249
Impairment of property and equipment		203,000
Change in operating assets and liabilities		
Contribution receivable	44,386	(45,000)
Inventory	(10,811)	(10,257)
Accounts payable	(11,505)	(10,290)
Accrued salaries and benefits	37,235	820
Donations payable	(221,308)	221,308
	<u>(662,202)</u>	<u>574,870</u>
Cash flows from operating activities	(662,202)	574,870
Cash Flows from Investing Activities		
Sales of investments	1,523,054	1,298,421
Purchase of property and equipment	(97,680)	(589,198)
	<u>1,425,374</u>	<u>709,223</u>
Cash flows from investing activities	1,425,374	709,223
Net change in cash	763,172	1,284,093
Cash, beginning of year	<u>2,166,425</u>	<u>882,332</u>
Cash, end of year	<u>\$ 2,929,597</u>	<u>\$ 2,166,425</u>

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Significant Accounting Policies

Organization

Pasado's Safe Haven ("PSH") is an animal welfare organization founded in 1993. Its mission is to help those animals not served by other agencies-those who "fall through the cracks." PSH opened an 80-acre sanctuary in Monroe, Washington, in 1998, and the organization employs 17 FTE on-site and an independent contracted veterinary staff. PSH serves the population of Western Washington in rescue, shelter, and pet sterilization services. It is currently expanding into national and international animal welfare areas including disaster animal aid, animal cruelty legislation, and spay/neuter services.

One-of-a-kind programs include: the only 24-hour rescue of dogs, cats, and farm animals in the Pacific Northwest, cruelty investigations, rewards seeking perpetrators of animal cruelty, disaster relief animal aid, aggressive mobile "big rig" pet sterilization clinics that serve a multi-county area, and have provided 40,000 free (or low-cost) pet sterilizations to pets of low-income families. Our programs also include lobbying on behalf of animal cruelty bills resulting in a record number of animal cruelty laws passed including elevating animal neglect (starvation, dehydration, suffocation) from a misdemeanor to a felony; defining "animal abandonment" for the first time under Washington State animal cruelty statutes (and prescribing penalties); one of the first non-ambulatory livestock laws to assure "downer" cows and other "food" animals too weak or ill to stand and walk are humanely euthanized prior to transport; and other laws. Other programs include the Pacific Northwest's first program to rescue senior dogs and cats from shelter euthanasia; A.A.R.F.F., the American Association of Retired Felines and Fido's on-site at PSH, is home to elderly and infirm animals that roam 28 gentle acres. No animal at Pasado's lives in a cage or kennel. Dogs live and share (with 6-8 other residents) heated cabins in the woods and enjoy gentle walking paths under giant cedar trees. Cats live in Misty's Kitty City where they can hunt mice in the middle of the night, outside, securely, or snooze their days away indoors. Animals who are not adopted live out their lives indulged in the love of volunteers and staff and are afforded the best veterinary medical care.

A 60-plus acre parcel of pastoral land was donated to PSH for future development in Lewis County. A rehabilitation facility is now under construction on-site at PSH's Monroe location. This will afford more isolation space for incoming rescued dogs, cats, and farm animals. Additional dog isolation will allow more senior shelter rescues to be quarantined, enabling an area called Dog Towne to resume expansion. Special rehabilitation will be afforded to recovering or senior animals including aqua-therapy and large-animal extreme weight rehabilitation.

A 40-acre farm, near to PSH's sanctuary, was purchased in 2008 to expand rescue for cows, horses, and other animals requiring pasture. During 2011, PSH decided to offer this piece of property for sale. Its carrying value at December 31, 2010, was \$540,288.

Concentrations

There were no contributions from any one entity comprising more than 10% of contribution revenue for 2010. Contributions from one entity represented 13% of contribution revenue for 2009.

Bequests are from individual estates and trusts. Bequests from three entities represent 73% of bequest revenue for 2010. Bequests from two entities represent 91% of bequest revenue for 2009.

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.

Income Taxes

PSH is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. PSH's federal tax returns are open to examination for the years ended December 31, 2007 to 2010.

Financial Statement Presentation

At December 31, 2010 and 2009, PSH only has unrestricted net assets. All temporary restricted net assets were released from restriction when expended in 2009. PSH has no permanently restricted net assets. Contributions received are recorded as unrestricted or temporarily restricted support depending on the existence and/or nature of any donor restrictions.

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.

Cash and Cash Equivalents

PSH has amounts deposited with a financial institution in excess of federally insured limits. PSH considers highly liquid investments with an original maturity of three months or less to be cash equivalents.

Contributions Receivable

Contribution revenue is recognized when the pledge is made. A contribution receivable from one foundation represented the total contributions receivable balance at December 31, 2009.

Inventory

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

Property and Equipment

Property and equipment are recorded at cost if purchased, or at fair market 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.

In-Kind Contributions

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.

Reclassifications

Certain items from the December 31, 2009, financial statements have been reclassified to conform to the current year presentation.

Subsequent Events

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

Note 2. Investments

Investments are reported at their 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:

	<u>2010</u>	<u>2009</u>
Common stock	\$ 120,500	\$ 100,497
Municipal bonds	25,191	24,984
Mutual funds	5,431	4,670
Certificates of deposit		1,527,971
	<u>\$ 151,122</u>	<u>\$ 1,658,122</u>

At December 31, 2010, investments in common stocks include a variety of companies, but investments in two companies represent 57% of the total amount.

Investment income consists of the following:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 19,960	\$ 64,363
Unrealized gains	16,054	49,568
	<u>\$ 36,014</u>	<u>\$ 113,931</u>

Note 3. Property and Equipment

Property and equipment consists of the following at December 31:

	2010	2009
Buildings	\$ 1,234,019	\$ 1,128,636
Machinery and equipment	120,840	118,723
Temporary structures and improvements	323,697	251,869
Vehicles	97,401	92,496
Mobile clinic (for PSH use)	159,203	
Furniture and fixtures	26,699	12,816
	<u>1,961,859</u>	<u>1,604,540</u>
Less: accumulated depreciation	<u>(612,265)</u>	<u>(331,774)</u>
	1,349,594	1,272,766
Land	1,443,287	1,443,287
Construction in progress	<u>10,000</u>	<u>110,436</u>
	<u>\$ 2,802,881</u>	<u>\$ 2,826,489</u>

Construction in progress at December 31, 2010, consists of a deposit made for the remodel of the rehabilitation barn. All construction in progress at December 31, 2009, was completed in 2010.

Due to a decline in the fair value of the land, an impairment of \$203,000 was recorded during 2009. The impairment was determined based on an appraisal of the property value. This impairment has been presented separately on the 2009 statement of activities as it was outside the normal course of operations.

Note 4. Assets Held for Lease

PSH is the lessor of property under an operating lease. Following is a summary of the assets held for lease at December 31:

	2010	2009
Mobile clinics	\$ 191,931	\$ 351,134
Less: accumulated depreciation	<u>(158,832)</u>	<u>(279,649)</u>
Net	<u>\$ 33,099</u>	<u>\$ 71,485</u>

PSH owns two mobile clinics. The mobile clinics are generally leased over short-term periods. At December 31, 2009, both clinics were leased. During 2010, PSH took over the operation of one of the clinics, and, therefore, its cost and accumulated depreciation were moved to property and equipment (Note 3). The other clinic is leased under a contract which expires in September 2011.