

PASADO'S SAFE HAVEN

FINANCIAL REPORT

DECEMBER 31, 2011

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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, 2011 and 2010, 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, 2011 and 2010, 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.

May 23, 2012

PASADO'S SAFE HAVEN

STATEMENTS OF FINANCIAL POSITION

December 31, 2011 and 2010

ASSETS	<u>2011</u>	<u>2010</u>
Current Assets		
Cash and cash equivalents	\$ 3,023,347	\$ 3,209,597
Investments	160,109	151,122
Contributions receivable		614
Inventory	<u>72,235</u>	<u>47,164</u>
Total current assets	3,255,691	3,408,497
Property and Equipment, net	<u>2,765,996</u>	<u>2,835,980</u>
Total assets	<u>\$ 6,021,687</u>	<u>\$ 6,244,477</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 37,053	\$ 11,921
Accrued salaries and benefits	<u>53,662</u>	<u>42,988</u>
Total current liabilities	90,715	54,909
Net Assets		
Unrestricted	5,689,163	5,909,568
Temporarily restricted	<u>241,809</u>	<u>280,000</u>
Total net assets	<u>5,930,972</u>	<u>6,189,568</u>
Total liabilities and net assets	<u>\$ 6,021,687</u>	<u>\$ 6,244,477</u>

See Notes to Financial Statements

PASADO'S SAFE HAVEN

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2011 and 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Contributions	\$ 889,836	\$ 10,927	\$ 900,763	\$ 1,008,587	\$ -	\$ 1,008,587
Bequests	766,964		766,964	336,236		336,236
Grants		307,326	307,326		280,000	280,000
Non-cash contributions	16,894		16,894	30,115		30,115
Sales, net of cost of goods sold of \$6,395 and \$11,819 in 2011 and 2010, respectively	21,327		21,327	5,354		5,354
Investment income	10,836		10,836	36,014		36,014
Special events revenue	40,322		40,322	36,476		36,476
Special events expenses	(16,114)		(16,114)	(48,775)		(48,775)
Program fees	28,378		28,378	21,893		21,893
Net assets released from restrictions	356,444	(356,444)				
Total support and revenue	2,114,887	(38,191)	2,076,696	1,425,900	280,000	1,705,900
Expenses						
Program services	1,851,696		1,851,696	1,669,707		1,669,707
Management and general	427,166		427,166	376,809		376,809
Fundraising	56,430		56,430	23,203		23,203
Total expenses	2,335,292		2,335,292	2,069,719		2,069,719
Change in net assets	(220,405)	(38,191)	(258,596)	(643,819)	280,000	(363,819)
Net assets, beginning of year	5,909,568	280,000	6,189,568	6,553,387		6,553,387
Net assets, end of year	<u>\$ 5,689,163</u>	<u>\$ 241,809</u>	<u>\$ 5,930,972</u>	<u>\$ 5,909,568</u>	<u>\$ 280,000</u>	<u>\$ 6,189,568</u>

See Notes to Financial Statements

PASADO'S SAFE HAVEN

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2011 and 2010

	2011				2010			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries, payroll taxes and benefits	\$ 800,793	\$ 198,405	\$ 19,100	\$ 1,018,298	\$ 935,167	\$ 276,340	\$ 5,785	\$ 1,217,292
Supplies	309,677	7,657	1,853	319,187	217,473	11,076	713	229,262
Contract services	192,294		14,457	206,751	13,550		3,300	16,850
Depreciation	126,958	34,000		160,958	159,674			159,674
Repairs and maintenance	114,672	43,368	816	158,856	118,299	24,956	1,494	144,749
Insurance	91,044	28,725	200	119,969	24,113	8,984	250	33,347
Professional fees	9,533	81,124		90,657	16,774	25,262		42,036
Postage and shipping	62,315	6,376	8,674	77,365	47,657	5,278	292	53,227
Travel	48,924	7,965	1,994	58,883	29,455	3,548	3,588	36,591
Utilities	42,118	1,407	1,146	44,671	28,532	2,052	69	30,653
Taxes, Licenses, and Fees	24,736	16,766	1,227	42,729	21,358	11,161	281	32,800
Occupancy	7,796		1,608	9,404	483			483
Other	20,836	1,373	5,355	27,564	57,172	8,152	7,431	72,755
Total expenses	<u>\$ 1,851,696</u>	<u>\$ 427,166</u>	<u>\$ 56,430</u>	<u>\$ 2,335,292</u>	<u>\$ 1,669,707</u>	<u>\$ 376,809</u>	<u>\$ 23,203</u>	<u>\$ 2,069,719</u>

See Notes to Financial Statements

PASADO'S SAFE HAVEN

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Change in net assets	\$ (258,596)	\$ (363,819)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Unrealized gains on investments	(2,612)	(16,054)
Depreciation	160,958	159,674
Change in operating assets and liabilities		
Contributions receivable	614	44,386
Inventory	(25,071)	(10,811)
Accounts payable	25,132	(11,505)
Accrued salaries and benefits	10,674	37,235
Donations payable		(221,308)
	(88,901)	(382,202)
Cash flows from operating activities		
Cash Flows from Investing Activities		
Sales (purchases) of investments	(6,375)	1,523,054
Purchase of property and equipment	(90,974)	(97,680)
	(97,349)	1,425,374
Cash flows from investing activities		
Net change in cash	(186,250)	1,043,172
Cash, beginning of year	3,209,597	2,166,425
Cash, end of year	\$ 3,023,347	\$ 3,209,597

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 education 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.

During 2011, through a grant received, PSH leased office space in Pierce County for the purpose of animal cruelty investigation and educational purposes. Also during 2011, PSH leased a building in Whidbey Island for the purpose of dog and cat adoptions (see lease obligations at Note 3).

Concentrations

There were no contributions from any one entity comprising more than 10% of contribution revenue for 2011 or 2010.

Bequests are from individual estates and trusts. Bequests from two trusts represent 62% of bequest revenue for 2011. Bequests from three trusts represent 73% of bequest revenue for 2010.

All grants received in both 2011 and 2010 were from one foundation.

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, 2008 to 2011.

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, 2011 or 2010.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of unexpended contributions restricted for particular programs or time periods temporarily restricted net assets are transferred to unrestricted net assets as expenditures are incurred for the restricted programs or as the time restrictions are met.

Temporarily restricted net assets consists of the following at December 31:

	<u>2011</u>	<u>2010</u>
Cruelty investigations	\$ 149,331	\$ -
Vaccine treatments	65,400	
Spay station	22,940	280,000
Whidbey Island program	4,138	
	<u>\$ 241,809</u>	<u>\$ 280,000</u>

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 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.

Inventory

Inventory is stated at the lower of average cost or market and consists of merchandise to be sold through PSH's gift shop 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 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.

Non-Cash Contributions

Non-cash contributions consist of donated vehicles. Revenue for these donations is recognized upon sale of the vehicles.

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, 2010, 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 was 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>2011</u>	<u>2010</u>
Common stock	\$ 126,792	\$ 120,500
Municipal bonds	28,161	25,191
Mutual funds	5,156	5,431
	<u>\$ 160,109</u>	<u>\$ 151,122</u>

Investments in common stocks include a variety of companies, but investments in three and two companies represent 66% and 57% of the total amount at December 31, 2011 and 2010, respectively.

Investment income consists of the following:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 8,224	\$ 19,960
Unrealized gains	2,612	16,054
	<u>\$ 10,836</u>	<u>\$ 36,014</u>

Note 3. Lease Obligations

As discussed in Note 1, in 2011, PSH entered into two noncancellable operating leases for a building and office space. Rent expense under these leases was \$9,404 in 2011. Future minimum payments under these leases for the years ending December 31 are as follows:

2012	\$ 35,300
2013	38,500
	<u>73,800</u>
	<u>\$ 73,800</u>

Note 4. Property and Equipment

Property and equipment consists of the following at December 31:

	2011	2010
Buildings and improvements	\$ 1,265,585	\$ 1,234,019
Machinery and equipment	124,340	120,840
Temporary structures and improvements	342,893	323,697
Vehicles	131,307	97,401
Mobile clinics (for PSH use)	351,134	351,134
Furniture and fixtures	26,699	26,699
	<u>2,241,958</u>	<u>2,153,790</u>
Less: accumulated depreciation	<u>(932,055)</u>	<u>(771,097)</u>
	1,309,903	1,382,693
Land	1,443,287	1,443,287
Construction in progress	12,806	10,000
	<u>\$ 2,765,996</u>	<u>\$ 2,835,980</u>

Note 5. Restatement of Previously Issued Financial Statements

PSH has restated its 2010 financial statements to correct for a \$280,000 temporarily restricted grant received prior to December 31, 2010, that was excluded from the previously issued December 31, 2010, financial statements. Changes to the financial statements to correct for this error are as follows:

- Increase cash and temporarily restricted net assets by \$280,000 in the statement of financial position at December 31, 2010.
- Increase temporarily restricted grant revenue by \$280,000 in the statement of activities, thereby increasing the change in net assets from \$(643,819) to \$(363,819) for the year ended December 31, 2010.
- Increasing the change in net assets from \$(643,819) to \$(363,819) in the statement of cash flows, thereby increasing the cash flows from operating activities from \$(662,202) to \$(382,202), and net change in cash from \$763,172 to \$1,043,172 for the year ended December 31, 2010.