

**PASADO'S SAFE HAVEN**

FINANCIAL REPORT

DECEMBER 31, 2013

## C O N T E N T S

	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT .....</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
STATEMENTS OF FINANCIAL POSITION .....	2
STATEMENTS OF ACTIVITIES.....	3
STATEMENTS OF FUNCTIONAL EXPENSES .....	4
STATEMENTS OF CASH FLOWS.....	5
NOTES TO FINANCIAL STATEMENTS .....	6 - 11

**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, 2013 and 2012, 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, 2013 and 2012, 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 7, 2014

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**PASADO'S SAFE HAVEN**

STATEMENTS OF FINANCIAL POSITION

December 31, 2013 and 2012

ASSETS	2013	2012
Current Assets		
Cash and cash equivalents	\$ 1,702,126	\$ 2,574,700
Investments	714,578	175,840
Property held for sale	315,000	
Contributions receivable		177,280
Inventory	78,029	72,962
Prepaid expenses	4,313	4,702
Total current assets	2,814,046	3,005,484
Property and Equipment, net	2,556,844	2,817,333
Total assets	<u>\$ 5,370,890</u>	<u>\$ 5,822,817</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 30,210	\$ 24,301
Accrued salaries and benefits	45,578	47,854
Total current liabilities	75,788	72,155
Net Assets		
Unrestricted	4,731,865	5,448,683
Temporarily restricted	563,237	301,979
Total net assets	5,295,102	5,750,662
Total liabilities and net assets	<u>\$ 5,370,890</u>	<u>\$ 5,822,817</u>

See Notes to Financial Statements

**PASADO'S SAFE HAVEN**

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2013 and 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Contributions	\$ 865,706	\$ 5,000	\$ 870,706	\$ 860,411	\$ 950	\$ 861,361
Bequests	213,444		213,444	781,783		781,783
Grants	8,059	846,427	854,486		691,752	691,752
Non-cash contributions	7,139		7,139	9,100		9,100
Sales, net of cost of goods sold of \$4,479 and \$6,839 in 2013 and 2012, respectively	41,628		41,628	19,286		19,286
Investment income	45,402		45,402	20,985		20,985
Program fees	33,746		33,746	30,118		30,118
Special events revenue				36,827		36,827
Special events expenses				(36,875)		(36,875)
Net assets released from restrictions	590,169	(590,169)		632,532	(632,532)	
Total support and revenue	1,805,293	261,258	2,066,551	2,354,167	60,170	2,414,337
Expenses						
Program services	1,856,314		1,856,314	2,140,768		2,140,768
Management and general	421,315		421,315	427,661		427,661
Fundraising	51,016		51,016	26,218		26,218
Total expenses	2,328,645		2,328,645	2,594,647		2,594,647
Change in net assets before impairment of property	(523,352)	261,258	(262,094)	(240,480)	60,170	(180,310)
Impairment of property	(193,466)		(193,466)			
<b>Change in net assets</b>	<b>(716,818)</b>	<b>261,258</b>	<b>(455,560)</b>	<b>(240,480)</b>	<b>60,170</b>	<b>(180,310)</b>
Net assets, beginning of year	5,448,683	301,979	5,750,662	5,689,163	241,809	5,930,972
Net assets, end of year	\$ 4,731,865	\$ 563,237	\$ 5,295,102	\$ 5,448,683	\$ 301,979	\$ 5,750,662

See Notes to Financial Statements

**PASADO'S SAFE HAVEN**

STATEMENTS OF FUNCTIONAL EXPENSES  
For the Years Ended December 31, 2013 and 2012

	2013				2012			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries, payroll taxes and benefits	\$ 887,912	\$ 270,203	\$ 26,017	\$ 1,184,132	\$ 923,721	\$ 283,790	\$ 13,359	\$ 1,220,870
Supplies	315,486	11,070	3,242	329,798	416,489	9,457	4,451	430,397
Contract services	236,151	49,971	4,290	290,412	287,181	13,076		300,257
Depreciation	119,299			119,299	120,254			120,254
Repairs and maintenance	90,714	11,676	938	103,328	140,534	46,409	1,774	188,717
Travel	60,966	3,007	1,489	65,462	61,210	1,842	1,712	64,764
Insurance	47,084	6,585		53,669	34,709	28		34,737
Utilities	40,876	2,992	381	44,249	53,256	2,993	736	56,985
Taxes, licenses, and fees	24,481	17,192	109	41,782	22,210	18,788	160	41,158
Professional fees	5,208	30,499		35,707	9,280	24,565		33,845
Rent	9,481	2,235	140	11,856	45,406	3,649		49,055
Postage and shipping	1,258	5,199	4,656	11,113	462	9,718		10,180
Training and education	9,603	263		9,866	14,225	1,573	259	16,057
Other	7,795	10,423	9,754	27,972	11,831	11,773	3,767	27,371
<b>Total expenses</b>	<b>\$ 1,856,314</b>	<b>\$ 421,315</b>	<b>\$ 51,016</b>	<b>\$ 2,328,645</b>	<b>\$ 2,140,768</b>	<b>\$ 427,661</b>	<b>\$ 26,218</b>	<b>\$ 2,594,647</b>

See Notes to Financial Statements

**PASADO'S SAFE HAVEN**

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (455,560)	\$ (180,310)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Unrealized gains on investments	(39,195)	(14,735)
Depreciation	119,299	120,254
Impairment of property	193,466	
Change in operating assets and liabilities		
Contributions receivable	177,280	(177,280)
Inventory	(5,067)	(727)
Prepaid expenses	389	(4,702)
Accounts payable	5,909	(12,752)
Accrued salaries and benefits	(2,276)	(5,808)
	<u>(5,755)</u>	<u>(276,060)</u>
Cash flows from operating activities	(5,755)	(276,060)
Cash Flows from Investing Activities		
Purchase of investments	(499,543)	(996)
Purchase of property and equipment	(367,276)	(171,591)
	<u>(866,819)</u>	<u>(172,587)</u>
Cash flows from investing activities	(866,819)	(172,587)
<b>Net change in cash</b>	<b>(872,574)</b>	<b>(448,647)</b>
Cash, beginning of year	<u>2,574,700</u>	<u>3,023,347</u>
Cash, end of year	<u>\$ 1,702,126</u>	<u>\$ 2,574,700</u>

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. Our vision is a world where every animal is recognized as an individual who is free from abuse, abandonment, neglect, and exploitation.

Pasado's Safe Haven offers the most integrated approach to ending suffering for companion and farmed animals. Our comprehensive programs include:

- Sanctuary: Providing sanctuary and medical rehabilitation to dogs, cats, and farmed animals who have suffered from abuse or neglect
- Animal Cruelty Investigations and Rescue: Investigating and exposing cases of animal cruelty, while serving as a resource to law enforcement and animal control
- Advocacy: Advocating for stronger laws to protect animals and promote the enforcement of existing laws
- Education: Educating the public about animal cruelty and what they can do to help end animal suffering
- Homelessness Prevention: Ending companion animal homelessness through targeted spay/neuter, foster, adoption, pet food bank, and education programs

Our work is making a significant difference in the lives of animals and the people who love them. The following is a summary of our general impact in 2013 (unaudited):

#### **Sanctuary**

- 150+ animals continue to live in peace and safety, receiving love and medical care at our 85-acre sanctuary outside Seattle, Washington.
- A new state-of-the-art rescue intake and medical facility – "Ruth's Healing Barn" – officially opened its doors at our sanctuary thanks to a generous family foundation grant. This facility has 10 small animal isolation rooms, 2 large animal isolation rooms, and a medical facility to ensure efficient care for our sanctuary residents and animals that come to us from cruelty/neglect.

#### **Animal Cruelty Investigations and Rescue**

- 415 cases of animal cruelty investigated or resourced in 25 counties
- 131 animals rescued from cruelty/neglect and given a second chance at life
- 133 animals adopted into loving homes from our sanctuary

#### **Education**

- 1,000+ children and adults reached via events aimed at promoting compassion towards animals
- 270+ volunteers supported our sanctuary with nearly 10,000 volunteer hours

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.

During 2013 and 2012, PSH leased office space in Pierce County for the purpose of animal cruelty investigations and educational purposes. Also during 2012, PSH leased a building on Whidbey Island for the purpose of dog and cat adoptions (see Note 3).

### **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, 2013 or 2012.

### **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:

	<u>2013</u>	<u>2012</u>
Spay station - Pierce County	\$ 267,524	\$ -
Spay station - South King County	69,846	
Chicken barn	65,000	
Mini excavator	58,688	
Food bank - Pierce County	53,500	
Water fowl area	43,679	
Other purpose restrictions	5,000	
Cruelty investigations		5,590
Re-Hab barn		279,857
Re-Hab animal care		16,532
	<u>\$ 563,237</u>	<u>\$ 301,979</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 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 their 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. No allowance was considered necessary at December 31, 2013 or 2012.

There were no contributions receivable at December 31, 2013. At December 31, 2012, 99% of the receivable balance was due from one donor and one bequest.

## **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 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. There were no contributions from any one entity comprising more than 10% of contribution revenue for 2013 or 2012. During the year ended December 31, 2013, 90% of grants awarded were from one foundation. During the year ended December 31, 2012, all grants awarded were from one foundation.

## **Bequest Revenue Recognition**

PSH records bequests as revenue after the death of the donor and they are notified by the executor as to the amount of the bequest to be received. During the year ended December 31, 2013, 65% of bequests were received from two estates. During the year ended December 31, 2012, 62% of bequests were received from three 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. 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 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. PSH's federal tax returns are open to examination for the past three years.

## **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:

	2013	2012
Cash and money market	\$ 2,728	\$ -
Common stock	164,522	139,265
Municipal bonds	29,253	30,512
Mutual funds		
Large growth	130,424	
World allocation	100,981	
Aggressive allocation	61,179	
Mid-cap growth	41,738	
World stock	40,963	
Multisector bond	34,943	
High yield bond	34,875	
World bond	34,725	
Diversified emerging markets	30,224	
Large blend	8,023	6,063
	<u>\$ 714,578</u>	<u>\$ 175,840</u>

Investments in common stocks include a variety of companies, but investments in three companies represent 62% and 66% of the total amount at December 31, 2013 and 2012, respectively.

Investments in mutual funds include a variety of funds, but investments in two funds represent 23% of the total amount at December 31, 2013, and investments in one fund represent all mutual funds at December 31, 2012.

Investment income consists of the following:

	2013	2012
Interest and dividends	\$ 6,207	\$ 6,250
Unrealized gains	39,195	14,735
	<u>\$ 45,402</u>	<u>\$ 20,985</u>

### Note 3. Lease Obligations

As discussed in Note 1, during 2013 and 2012, PSH leased an office space in Pierce County for the purpose of animal cruelty investigations and educational purposes. The lease term ended during September 2012 at which time the lease term became month to month. Also, during 2012, PSH leased a building on Whidbey Island for the purpose of dog and cat adoptions. Rent expense under these leases was \$3,600 and \$42,145 in 2013 and 2012, respectively, and is included in rent on the statements of functional expenses. During the year ended December 31, 2013, PSH terminated its lease on Whidbey Island and was released from the agreement with no further obligation to the lessor. As such, there are no future minimum payments under these leases subsequent to the year ending December 31, 2013.

### Note 4. Property and Equipment

Property and equipment consists of the following at December 31:

	2013	2012
Buildings and improvements	\$ 1,583,225	\$ 1,311,855
Temporary structures and improvements	494,204	473,258
Mobile clinics (Spay stations)	351,134	351,134
Machinery and equipment	154,505	124,340
Vehicles	131,307	131,307
Furniture and fixtures	26,774	26,699
	<u>2,741,149</u>	<u>2,418,593</u>
Less: accumulated depreciation	<u>(1,158,074)</u>	<u>(1,052,309)</u>
	1,583,075	1,366,284
Land	971,287	1,443,287
Construction in progress	2,482	7,762
	<u>\$ 2,556,844</u>	<u>\$ 2,817,333</u>

During 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. This impairment has been presented separately on the statements of activities.