

**PASADO'S SAFE HAVEN**

FINANCIAL REPORT

JUNE 30, 2016

## C O N T E N T S

	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT .....</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
STATEMENT OF FINANCIAL POSITION.....	2
STATEMENT OF ACTIVITIES .....	3
STATEMENT OF FUNCTIONAL EXPENSES .....	4
STATEMENT 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 statement of financial position as of June 30, 2016, 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; 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. 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 June 30, 2016, 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.

*Peterson Sullivan LLP.*

March 21, 2017

601 Union Street  
Suite 2300  
Seattle, WA 98101

(206) 382-7777 **MAIN**  
(206) 382-7700 **FAX**

psepa.com

**PASADO'S SAFE HAVEN**

STATEMENT OF FINANCIAL POSITION

June 30, 2016

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,187,877
Investments	835,829
Receivables	28,856
Inventory	59,363
Prepaid expenses	16,463
	<hr/>
Total current assets	2,128,388
Property and Equipment, net	<hr/> 2,240,364
	<hr/>
Total assets	<u><u>\$ 4,368,752</u></u>
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	\$ 59,148
Accrued salaries and benefits	139,604
	<hr/>
Total current liabilities	198,752
Net Assets	
Unrestricted	3,968,082
Temporarily restricted	201,918
	<hr/>
Total net assets	<hr/> 4,170,000
	<hr/>
Total liabilities and net assets	<u><u>\$ 4,368,752</u></u>

See Notes to Financial Statements

**PASADO'S SAFE HAVEN**

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 1,070,578	\$ 35,000	\$ 1,105,578
Grants	42,600	412,000	454,600
Bequests	300,312		300,312
Program fees	155,520		155,520
Sales, net of cost of goods sold of \$7,873	78,408		78,408
Non-cash contributions	73,310		73,310
Investment income	2,387		2,387
Gain on sale of property	2,076		2,076
Net assets released from restrictions	453,261	(453,261)	
Total support and revenue	2,178,452	(6,261)	2,172,191
Expenses			
Program services	2,179,983		2,179,983
Management and general	219,647		219,647
Fundraising	261,475		261,475
Total expenses	2,661,105		2,661,105
Change in Net Assets	(482,653)	(6,261)	(488,914)
Net Assets, beginning of year	4,450,735	208,179	4,658,914
Net Assets, end of year	<u>\$ 3,968,082</u>	<u>\$ 201,918</u>	<u>\$ 4,170,000</u>

See Notes to Financial Statements

**PASADO'S SAFE HAVEN**

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2016

	Program Services	Management and General	Fundraising	Total
Salaries, payroll taxes, and benefits	\$ 1,221,533	\$ 124,813	\$ 173,188	\$ 1,519,534
Supplies	396,169	8,756	546	405,471
Depreciation	135,437			135,437
Contract services	122,013		1,300	123,313
Repairs and maintenance	66,938	7,268		74,206
Fundraising and marketing	1,332		59,281	60,613
Taxes, licenses, and fees	43,494	3,012	13,941	60,447
Professional fees	7,033	52,427	575	60,035
In-kind expenses	52,489		4,009	56,498
Insurance	30,944	8,660		39,604
Travel	37,228	1,337	860	39,425
Utilities	26,014	7,783		33,797
Rent	2,893	4,314		7,207
Training and education	6,242	500	385	7,127
Postage and shipping	224	724	593	1,541
Advertising	549	53	382	984
Other	29,451		6,415	35,866
Total expenses	<u>\$ 2,179,983</u>	<u>\$ 219,647</u>	<u>\$ 261,475</u>	<u>\$ 2,661,105</u>

See Notes to Financial Statements

**PASADO'S SAFE HAVEN**

STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2016

Cash Flows from Operating Activities	
Change in net assets	\$ (488,914)
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Unrealized losses on investments	2,991
Gain on the sale of property	(2,076)
Depreciation	135,437
Change in operating assets and liabilities	
Receivables	(23,173)
Inventory	20,026
Prepaid expenses	262
Accounts payable	(37,873)
Accrued salaries and benefits	77,496
	<hr/>
Cash flows from operating activities	(315,824)
Cash Flows from Investing Activities	
Purchase of investments	(3,376)
Purchase of property and equipment	(63,637)
Sale of property	317,076
	<hr/>
Cash flows from investing activities	250,063
	<hr/>
<b>Net change in cash</b>	<b>(65,761)</b>
Cash and Cash Equivalents, beginning of year	1,253,638
	<hr/>
Cash and Cash Equivalents, end of year	<u><u>\$ 1,187,877</u></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 nonprofit 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 2016 (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 work not only to get laws changed; we also provide law enforcement and animal control with the training they need to enforce these laws effectively. 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 June 30, 2016, so this class of net assets is not presented.

**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 June 30, 2016:

Spay station - Pierce County	\$ 151,632
Food bank - Pierce County	24,327
Dog towne improvements	14,911
Education and training	6,048
Other purpose restrictions	5,000
	<hr/>
	\$ 201,918
	<hr/> <hr/>

## **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 that 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.

## **Receivables**

Contributions receivable are stated at the outstanding principal balances and consist of amounts due from bequests and pledges that are expected to be collected within one year. Management reviews the collectibility of contributions receivable (and all other 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 June 30, 2016.

Receivables presented on the statement of financial position at June 30, 2016, represent program fees incurred but not yet collected, and tax refunds. No allowance was considered necessary by management.

## **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
Temporary structures	3-7 years
Vehicles	3-6 years
Equipment	5-10 years
Furniture and fixtures	5-10 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 June 30, 2016, contributions from one donor comprised 35% of total contributions revenue.

## **Bequest Revenue Recognition**

PSH records bequests as revenue after the death of the donor, PSH is notified by the executor as to the amount of the bequest to be received, and the estate has passed through probate.

## **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. PSH waits to recognize the revenue for vehicle donations because it is otherwise difficult to determine an appropriate value. 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 March 21, 2017.

See Note 4 for discussion of a bequest received after year-end.

## **Note 2. Investments**

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

Investments consist of the following at June 30, 2016:

Cash and money market	\$	10,009
Exchange traded funds		
Foreign large blend		63,118
Large value		59,383
Large blend		58,045
Mid-cap blend		33,256
Small blend		58,534
Intermediate term bond		76,292
World bond		42,611
Mutual funds		
Large growth		107,980
World allocation		134,458
Intermediate bonds		50,769
Multisector bond		50,585
World stock		49,207
Diversified emerging markets		41,583
		<u>          </u>
	\$	<u>835,829</u>

Investments in exchange-traded funds include a variety of investment types and objectives, but investments in six funds represent 91% of the total amount at June 30, 2016.

Investments in mutual funds include a variety of funds, but investments in seven funds represent 90% of the total amount at June 30, 2016.

Investment income consists of the following for the year ended June 30, 2016:

Interest and dividends	\$	5,378
Unrealized losses		<u>(2,991)</u>
	\$	<u>2,387</u>

**Note 3. Property and Equipment**

Property and equipment consists of the following at June 30, 2016:

Buildings and improvements	\$	1,479,627
Temporary structures and improvements		592,471
Mobile clinics (spay stations)		351,134
Machinery and equipment		240,538
Vehicles		169,884
Furniture and fixtures		<u>26,774</u>
		2,860,428
Less: accumulated depreciation		<u>(1,453,742)</u>
		1,406,686
Land		822,367
Construction in progress		<u>11,311</u>
	\$	<u><u>2,240,364</u></u>

As of June 30, 2016, construction in progress is for an off-leash dog park and special needs cabin being constructed at PSH's sanctuary.

**Note 4. Subsequent Events**

Subsequent to year-end, PSH was notified that they are beneficiaries to an estate. PSH expects to receive approximately \$3,000,000. The revenue will be recognized when the estate passes through probate.