

PASADO'S SAFE HAVEN

FINANCIAL REPORT

JUNE 30, 2017

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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 June 30, 2017 and 2016, 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 June 30, 2017 and 2016, 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

September 21, 2017

PASADO'S SAFE HAVEN

STATEMENTS OF FINANCIAL POSITION

June 30, 2017 and 2016

ASSETS	<u>2017</u>	<u>2016</u>
Current Assets		
Cash and cash equivalents	\$ 1,255,290	\$ 1,187,877
Investments	3,384,764	835,829
Receivables	14,176	28,856
Inventory	38,176	59,363
Prepaid expenses	49,716	16,463
	<u>4,742,122</u>	<u>2,128,388</u>
Property and Equipment, net	<u>2,175,454</u>	<u>2,240,364</u>
Total assets	<u>\$ 6,917,576</u>	<u>\$ 4,368,752</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 97,812	\$ 59,148
Accrued salaries and benefits	105,573	139,604
	<u>203,385</u>	<u>198,752</u>
Net Assets		
Unrestricted	6,424,027	3,968,082
Temporarily restricted	290,164	201,918
	<u>6,714,191</u>	<u>4,170,000</u>
Total liabilities and net assets	<u>\$ 6,917,576</u>	<u>\$ 4,368,752</u>

See Notes to Financial Statements

PASADO'S SAFE HAVEN

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue						
Bequests	\$ 3,242,567	\$ -	\$ 3,242,567	\$ 300,312	\$ -	\$ 300,312
Contributions	643,335	76,455	719,790	652,721	35,000	687,721
Grants	73,950	391,212	465,162	42,600	412,000	454,600
Appeals	324,372		324,372	334,225		334,225
Special events	253,277		253,277	83,632		83,632
Program fees	207,114		207,114	155,520		155,520
Investment income	184,516		184,516	2,387		2,387
Noncash contributions	139,104		139,104	73,310		73,310
Sales, net of cost of goods sold	52,499		52,499	78,408		78,408
Gain (loss) on sale of property	(500)		(500)	2,076		2,076
Other income	6,791		6,791			
Net assets released from restrictions	379,421	(379,421)		453,261	(453,261)	-
Total support and revenue	5,506,446	88,246	5,594,692	2,178,452	(6,261)	2,172,191
Expenses						
Program services	2,446,741		2,446,741	2,179,983		2,179,983
Management and general	306,514		306,514	219,647		219,647
Fundraising	297,246		297,246	261,475		261,475
Total expenses	3,050,501		3,050,501	2,661,105		2,661,105
Change in net assets	2,455,945	88,246	2,544,191	(482,653)	(6,261)	(488,914)
Net Assets, beginning of year	3,968,082	201,918	4,170,000	4,450,735	208,179	4,658,914
Net Assets, end of year	<u>\$ 6,424,027</u>	<u>\$ 290,164</u>	<u>\$ 6,714,191</u>	<u>\$ 3,968,082</u>	<u>\$ 201,918</u>	<u>\$ 4,170,000</u>

See Notes to Financial Statements

PASADO'S SAFE HAVEN

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2017 and 2016

	2017				2016			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries, payroll taxes, and benefits	\$ 1,396,991	\$ 172,082	\$ 157,252	\$ 1,726,325	\$ 1,221,533	\$ 124,813	\$ 173,188	\$ 1,519,534
Supplies	440,810	10,125	10,482	461,417	396,169	8,756	546	405,471
Depreciation	140,698			140,698	135,437			135,437
In-kind expenses	121,396		12,964	134,360	52,489		4,009	56,498
Contract services	101,906	416	2,789	105,111	122,013		1,300	123,313
Fundraising and marketing	8,604		76,876	85,480	1,332		59,281	60,613
Repairs and maintenance	70,136	11,242	275	81,653	66,938	7,268		74,206
Professional fees	1,979	72,130	2,528	76,637	7,033	52,427	575	60,035
Taxes, licenses, and fees	33,659	4,176	18,887	56,722	43,494	3,012	13,941	60,447
Travel	40,928	1,095	841	42,864	37,228	1,337	860	39,425
Utilities	25,543	5,857	10,328	41,728	26,014	7,783		33,797
Insurance	36,647			36,647	30,944	8,660		39,604
Investment expense		12,478		12,478				
Rent	5,244	4,389		9,633	2,893	4,314		7,207
Training and education	6,903	150	485	7,538	6,242	500	385	7,127
Postage and shipping	266	732	3,104	4,102	224	724	593	1,541
Advertising	572		260	832	549	53	382	984
Other	14,459	11,642	175	26,276	29,451		6,415	35,866
Total expenses	\$ 2,446,741	\$ 306,514	\$ 297,246	\$ 3,050,501	\$ 2,179,983	\$ 219,647	\$ 261,475	\$ 2,661,105

See Notes to Financial Statements

PASADO'S SAFE HAVEN

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	\$ 2,544,191	\$ (488,914)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Unrealized (gains) losses on investments	(183,462)	2,991
Loss (gain) on the sale of property	500	(2,076)
Depreciation	140,698	135,437
Changes in operating assets and liabilities		
Receivables	14,680	(23,173)
Inventory	21,187	20,026
Prepaid expenses	(33,253)	262
Accounts payable	38,664	(37,873)
Accrued salaries and benefits	(34,031)	77,496
	2,509,174	(315,824)
Cash flows from operating activities	2,509,174	(315,824)
Cash Flows from Investing Activities		
Purchase of investments	(2,365,473)	(3,376)
Purchase of property and equipment	(86,288)	(63,637)
Proceeds from sale of property	10,000	317,076
	(2,441,761)	250,063
Cash flows from investing activities	(2,441,761)	250,063
Net change in cash	67,413	(65,761)
Cash and Cash Equivalents, beginning of year	1,187,877	1,253,638
Cash and Cash Equivalents, end of year	\$ 1,255,290	\$ 1,187,877

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 250 dogs, cats, and farmed animals, most of whom arrived from cases of cruelty or neglect.
- **Cruelty Investigations and Rescue:** PSH is improving the response to crimes against animals through investigations, rescue, and training programs.
- **Outreach:** PSH engages tens of thousands of people every year with online and sanctuary-based education and advocacy to help end animal suffering and grow compassion for animals.
- **Homelessness Prevention:** PSH is preventing shelter overpopulation and unnecessary euthanasia 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 2017 (unaudited):

Sanctuary

- 250+ animals continued to live in peace and safety at our 85-acre sanctuary
- 132 animals were adopted into loving homes

Animal Cruelty Investigations and Rescue

- 500+ cases of cruelty and neglect investigated or resourced in counties across Washington state
- 3 highly specialized trainings held, reaching animal control officers, vets, prosecutors, Humane Society agents, and police officers from Washington, Oregon, Idaho, California, Nevada, and Indiana

Outreach

- 700+ students learned about compassion through PSH's C.A.R.E. education program
- 850+ volunteers logged more than 10,000 hours
- 5M+ people engaged through online and sanctuary-based education and advocacy opportunities

Homelessness Prevention

- 5,341 dogs and cats were spayed/neutered for income-qualified families
- 33.5 tons of pet food were distributed to families with pets in need

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, 2017 or 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:

	<u>2017</u>	<u>2016</u>
Spay station - Pierce County	\$ 187,746	\$ 151,632
Dog Towne improvements	50,000	24,327
Food bank - Pierce County	35,806	14,911
Maintenance	7,890	
Education and training	7,222	6,048
Other purpose restrictions	1,500	5,000
	<u>\$ 290,164</u>	<u>\$ 201,918</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 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, 2017 or 2016.

Receivables presented on the statements of financial position at June 30, 2017 and 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. No similar concentrations existed in 2017.

Bequest Revenue Recognition

PSH records bequests as revenue after (1) the death of the donor, (2) PSH is notified by the executor as to the amount of the bequest to be received, and (3) the estate has passed through probate. During the year ended June 30, 2017, bequests from one donor comprised 47% of total bequest revenue. No similar concentrations existed in 2016.

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.

Noncash Contributions

Noncash 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 September 21, 2017.

Reclassification of Prior Year Presentation

Certain prior year balances have been reclassified to conform to the current year presentation.

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 June 30:

	2017	2016
Cash and money market	\$ 18,056	\$ 10,009
Certificates of deposit	1,383,317	
Exchange traded funds		
Small blend	185,825	58,534
Large blend	180,979	58,045
Intermediate-term bond	134,938	76,292
Large value	134,670	59,383
Mid-cap blend	120,144	33,256
World bond	95,076	42,611
Foreign large blend		63,118
Mutual funds		
Large growth	388,247	107,980
World allocation	351,555	134,458
World large equity	162,089	49,206
Diversified emerging markets	132,859	41,583
Multisector bond	97,009	50,585
Intermediate bonds		50,769
	<u>\$ 3,384,764</u>	<u>\$ 835,829</u>

Investment income consists of the following for the years ended June 30:

	2017	2016
Unrealized gains (losses)	\$ 183,462	\$ (2,991)
Realized gains	1,000	
Interest and dividends	54	5,378
	<u>\$ 184,516</u>	<u>\$ 2,387</u>

Note 3. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2017</u>	<u>2016</u>
Buildings and improvements	\$ 1,479,627	\$ 1,479,627
Temporary structures and improvements	141,398	592,471
Mobile clinics (spay stations)	353,422	351,134
Machinery and equipment	249,890	240,538
Vehicles	154,884	169,884
Furniture and fixtures	26,774	26,774
	<u>2,405,995</u>	<u>2,860,428</u>
Less: accumulated depreciation	<u>(1,588,938)</u>	<u>(1,453,742)</u>
	817,057	1,406,686
Land	1,298,492	822,367
Construction in progress	<u>59,905</u>	<u>11,311</u>
	<u>\$ 2,175,454</u>	<u>\$ 2,240,364</u>

As of June 30, 2017, construction in progress relates to the development phase of upgrades to the sanctuary. This project is planned to be completed in several phases over the next several years. 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. During 2017, these projects were completed and placed in service.