

**EQUINE VOICES RESCUE AND SANCTUARY
AMADO, ARIZONA**

**FINANCIAL STATEMENTS
December 31, 2016 and 2015**

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Board of Directors
Equine Voices Rescue and Sanctuary

Independent Auditor's Report

Report on the Financial Statements

I have audited the accompanying financial statements of Equine Voices Rescue and Sanctuary, an Arizona nonprofit corporation, which comprise the statements of financial position as of December 31, 2016 and 2015 and the related statements of activities and changes in net assets, 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 presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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

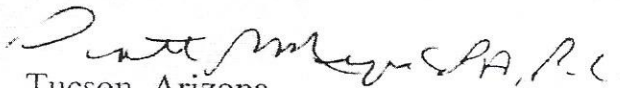
My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes 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 error or fraud. 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 the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Equine Voices Rescue and Sanctuary as of December 31, 2016 and 2015 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.


Tucson, Arizona
May 26, 2017

STATEMENT 1

**EQUINE VOICES RESCUE AND SANCTUARY
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015**

ASSETS

CURRENT ASSETS	<u>2016</u>	<u>2015</u>
Cash and cash equivalents- unrestricted	\$ 438,723	\$ 184,377
Cash and cash equivalents- temporarily restricted	71,192	39,354
Prepaid expenses and deposits	5,554	3,916
Investments	14,613	155,549
Merchandise inventories	<u>20,877</u>	<u>15,214</u>
Total current assets	550,959	398,410
PROPERTY AND EQUIPMENT , net of accumulated depreciation of \$159,716 and \$135,031, respectively	268,221	267,722
OTHER ASSETS		
Donated investment land	<u>5,600</u>	<u>5,600</u>
TOTAL ASSETS	<u>\$ 824,780</u>	<u>\$ 671,732</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ <u>23,029</u>	\$ <u>12,359</u>
Total current liabilities	23,029	12,359
NET ASSETS -		
Unrestricted	730,559	620,019
Temporarily restricted	<u>71,192</u>	<u>39,354</u>
Total net assets	<u>801,751</u>	<u>659,373</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 824,780</u>	<u>\$ 671,732</u>

These financial statements should be read only in connection
with the accompanying notes to financial statements.

STATEMENT 2

**EQUINE VOICES RESCUE AND SANCTUARY
STATEMENTS OF ACTIVITIES**

Years Ended December 31, 2016 and 2015

UNRESTRICTED NET ASSETS

REVENUES AND SUPPORT	<u>2016</u>	<u>2015</u>
Contributions and grants, net of professional fundraising firm's fees and expenses of \$458,083 and \$280,228, respectively	\$ 359,442	\$ 371,530
Fundraising events, net of expenses of \$23,008 and \$32,023, respectively	75,159	37,104
Gift and thrift stores sales, net of cost of goods sold of \$9,460 and \$6,846, respectively and expenses of \$10,818 for 2016	20,090	7,261
Equine program income	12,875	8,450
Investment income (loss)	6,308	(2,739)
Total unrestricted revenues and support	<u>473,874</u>	<u>421,606</u>
Net Assets Released From Restrictions- Restrictions Satisfied	15,242	10,282
Total unrestricted support and reclassifications	<u>489,116</u>	<u>431,888</u>
EXPENSES		
Program services	307,511	312,222
General and administrative	34,527	35,384
Fundraising	36,538	39,481
Total expenses	<u>378,576</u>	<u>387,087</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>110,540</u>	<u>44,801</u>

TEMPORARILY RESTRICTED NET ASSETS

REVENUES AND SUPPORT		
Contributions	47,080	35,975
Net assets released from restrictions	(15,242)	(10,282)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>31,838</u>	<u>25,693</u>
NET INCREASE IN NET ASSETS	142,378	70,494
NET ASSETS, BEGINNING OF YEAR	<u>659,373</u>	<u>588,879</u>
NET ASSETS, END OF YEAR	<u>\$ 801,751</u>	<u>\$ 659,373</u>

These financial statements should be read only in connection
with the accompanying notes.

STATEMENT 3

EQUINE VOICES RESCUE AND SANCTUARY
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2016</u>	<u>2015</u>
Change in net assets	\$ 142,378	\$ 70,494
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	24,685	24,287
(Increase) decrease in fair market value of investments	(119)	9,465
Donation of investment land		(5,600)
Changes in operating assets and liabilities:		
Decrease (increase) in prepaid expenses and deposits	(1,638)	904
Increase in merchandise inventories	(5,663)	(531)
Increase (decrease) in accounts payable and accrued expense	10,670	(8,410)
Net cash provided by operating activities	<u>170,313</u>	<u>90,609</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	155,549	
Purchases of investments	(14,494)	(12,162)
Purchases of fixed assets	(25,184)	(66,580)
Net cash used in investing activities	<u>115,871</u>	<u>(78,742)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	286,184	11,867
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>223,731</u>	<u>211,864</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 509,915</u>	<u>\$ 223,731</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid	-	-
Income taxes paid	-	-
Noncash transactions- Inkind donations	<u>\$40,086</u>	<u>\$31,252</u>

These financial statements should be read only in connection
with the accompanying notes.

STATEMENT 4

**EQUINE VOICES RESCUE AND SANCTUARY
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2016 and 2015**

<u>2016</u>	<u>Program</u> <u>Services</u>	<u>General and</u> <u>Administrative</u>	<u>Fundraising</u>	<u>Totals</u>
Payroll, benefits and taxes \$	94,147	\$ 20,174	\$ 20,174	\$ 134,495
Advertising and promotion	2,794	399	4,368	7,561
Depreciation	19,748	3,703	1,234	24,685
Animal care	121,071			121,071
Professional fees	17,294	3,459	2,306	23,059
Bank and credit card fees	3,802	543	1,086	5,431
Travel and meals	4,956	619	619	6,194
Office expenses	5,502	1,834	1,834	9,170
Occupancy	16,101	895	895	17,891
Insurance	3,853	481	481	4,815
Postage/printing	4,883	697	1,395	6,975
Volunteer expense	3,114	389	389	3,892
Vehicles operations	6,010	751	751	7,512
Website	2,959	423	846	4,228
Miscellaneous	1,277	160	160	1,597
TOTALS	\$ 307,511	\$ 34,527	\$ 36,538	\$ 378,576

<u>2015</u>	<u>Program</u> <u>Services</u>	<u>General and</u> <u>Administrative</u>	<u>Fundraising</u>	<u>Totals</u>
Payroll, benefits and taxes \$	92,469	\$ 19,815	\$ 19,815	\$ 132,099
Advertising and promotion	2,667	381	5,338	8,386
Depreciation	19,430	3,643	1,214	24,287
Animal care	122,791			122,791
Professional fees	15,877	3,176	2,117	21,170
Bank and credit card fees	3,706	530	1,060	5,296
Travel and meals	6,277	785	785	7,847
Office expenses	7,759	2,586	2,586	12,931
Occupancy	13,631	757	757	15,145
Insurance	2,603	325	325	3,253
Postage/printing	12,924	1,846	3,692	18,462
Volunteer expense	2,429	303	303	3,035
Vehicles operations	5,749	718	719	7,186
Website	1,751	250	500	2,501
Miscellaneous	2,158	270	270	2,698
TOTALS	\$ 312,222	\$ 35,384	\$ 39,481	\$ 387,087

These financial statements should be read only in connection
with the accompanying notes to the financial statements.

EQUINE VOICES RESCUE AND SANCTUARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1- NATURE OF OPERATIONS

Equine Voices Rescue and Sanctuary (the Organization) is a nonprofit corporation located near Amado, Arizona and was incorporated August 8, 2004 under the laws of the State of Arizona. The Organization's purpose is to rescue and save mainly mares and foals from neglect, abuse and slaughter and operates a large ranch facility to care for these animals. The Organization accomplishes this purpose mainly through solicitation of grants and donations as well as the conduct of fundraising events.

In August of 2016 the Organization opened a thrift store in Tumacacori, Arizona, generally selling donated items.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the Organization are described subsequently to enhance the usefulness and understandability of the financial statements.

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances, however, the actual results could differ from those estimates.

CASH EQUIVALENTS

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

INVESTMENTS

Investments are carried at fair market value, as determined by market quotations.

INVENTORIES

Inventories of purchased merchandise for the gift and thrift shops for resale are carried at the lower of cost or market, based on a first-in, first-out basis.

EQUIPMENT AND FURNITURE

Equipment and furniture are reported at cost, if purchased, and at their fair value at the date

EQUINE VOICES RESCUE AND SANCTUARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EQUIPMENT AND FURNITURE(Continued)

of the donation, if donated. Items purchased or donated under \$500 are expensed. Maintenance and repairs that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. Useful lives are generally 5 years for office equipment, 7 years for program equipment, 5-8 years for vehicles, 10-15 years for improvements, and 20 years for ranch buildings.

NET ASSETS

Net assets are classified into one of three classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted Net Assets

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from agreements with grantor agencies and others entered into in the course of its operations.

Temporarily Restricted

Temporarily restricted net assets include contributed net assets for which donors have imposed future time and particular purpose restrictions. The Organization's unspent contributions are classified in this class if the donor limited their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted

Permanently restricted net assets are resources whose use by the Organization is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The portion of the Organization's donor-restricted endowment funds that must be maintained in perpetuity are classified in this net asset class. The Organization had no permanently restricted net assets as of either December 31, 2016 and 2015.

ACCOUNTING FOR CONTRIBUTIONS

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless they are received with donor stipulations that limit the use of the donated assets. Amounts received that are

EQUINE VOICES RESCUE AND SANCTUARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCOUNTING FOR CONTRIBUTIONS (Continued)

restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as temporarily restricted until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

ACCOUNTING FOR GIFTS-IN-KIND CONTRIBUTIONS

The Organization periodically receives contributions in a form other than cash or investments. If the Organization receives a contribution of property or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of the gift, provided that the value of the asset and its estimated useful life meets the Organization's capitalization policy. Donated supplies are recorded as contributions at the date of the gift and as expenses when the donated items are placed into service or distributed.

The Organization benefits from personal services provided by a substantial number of volunteers that have donated significant amounts of time and services in the Organization's program operations and its fund-raising events. However, the majority of the contributed services do not meet the criteria for recognition in the financial statements. GAAP allows recognition of contributed services only if the donated services create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations. There were no such services recorded during the years ended December 31, 2016 and 2015.

OTHER REVENUE AND EXPENSE RECOGNITION

Revenues from grants and special events are recognized as received. Expenses are recognized as incurred rather than paid.

ADVERTISING and PROMOTION COSTS

Advertising and promotion costs are expensed as incurred and totaled \$7,561 and \$8,386 for the years ended December 31, 2016 and 2015, respectively.

TAX STATUS

The Organization is incorporated exempt from federal and state income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and is not classified as a private foundation. Contributions to the Organization are tax deductible to donors under Section 170 of the IRC.

EQUINE VOICES RESCUE AND SANCTUARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TAX STATUS (Continued)

The Organization is incorporated exempt from federal and state income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and is not classified as a private foundation. Contributions to the Organization are tax deductible to donors under Section 170 of the IRC. Management believes that all tax positions the Organization has taken would be sustainable under audit by any taxing jurisdiction. The statute of limitations for tax examinations is three years for federal, four years for Arizona.

NOTE 3- INVESTMENTS AND FAIR VALUE MEASUREMENTS

GAAP requires that entities use a three-level hierarchy to prioritize the inputs used to measure fair value, and maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Level 1 of the hierarchy utilizes quoted prices for identical assets in active markets to which the Organization had access at the measurement date. Level 2 would utilize quoted prices for similar assets in active markets or identical assets in inactive markets. Level 3 utilizes unobservable inputs for an asset's fair value measurement. Since the Organization has ready access to quoted prices from an active market for its endowment investments, it utilizes level 1 inputs to measure their fair value.

Investments, all recorded at fair market value at level 1 fair value hierarchy, were as follows as of December 31st:

	<u>2016</u>	<u>2015</u>
3,797.848 shs Calvert Short Duration Income Class A Fund		\$59,997
7,560,933 shares Delaware High Yield Opportunities Fund		26,841
2,072.452 shares Franklin Low Duration Total Return Advisor Class		20,269
3,762.354 shares MFS Diversified Income Class		43,079
Corporate stocks	<u>14,613</u>	<u>3,812</u>
	\$ <u>14,613</u>	\$ <u>155,549</u>

The composition of the investment return reported in the statement of activities were as follows as of December 31st:

	<u>2016</u>	<u>2015</u>
Dividends and interest	\$1,428	\$ 7,517
Unrealized gains (losses)	5,073	(9,465)
Advisory fees	(193)	(791)
	<u>\$6,308</u>	<u>\$(2,739)</u>

EQUINE VOICES RESCUE AND SANCTUARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31st:

	<u>2016</u>	<u>2015</u>
Vehicles	\$116,369	\$107,969
Buildings and ranch improvements	219,056	206,078
Land	66,000	66,000
Equipment	<u>26,512</u>	<u>22,706</u>
	427,937	402,753
Less accumulated depreciation	<u>159,716</u>	<u>135,031</u>
	<u>\$ 268,221</u>	<u>\$ 267,722</u>

Depreciation expense was \$24,685 and \$24,287 for the years ended December 31, 2016 and 2015, respectively.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets were restricted for the following purposes as of December 31st:

	<u>2016</u>	<u>2015</u>
Horse Training Grant	\$	\$ 574
Training/multi-purpose facility	67,702	35,450
Nick's Legacy Fund- to provide funding for	<u>3,490</u>	<u>3,330</u>
special animal needs situations	<u>\$71,192</u>	<u>\$39,354</u>

NOTE 6- LEASE AGREEMENTS; RELATED PARTY TRANSACTIONS

The Organization has entered into lease agreements with the Board President and the Executive Director separately for different portions of the ranch property. The one lease required monthly payments of \$300 to the Executive Director through January 2020, for which she was paid \$3,600 for each of 2016 and 2015. However, the lease was amended effective January 2017 to require monthly payments of \$833.33 instead. The lease agreement with the Board President requires monthly payments of \$200 through December 2026, for which he was paid \$2,400 in each of 2016 and 2015.

NOTE 7 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 23, 2017, the date the report was made available for issuance. Events occurring after that date have not been evaluated to determine whether a change to the financial statements would be required.

These notes are an integral part of the accompanying financial statements.