

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

**FINANCIAL STATEMENTS
December 31, 2017 and 2016**

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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, 2017 and 2016 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

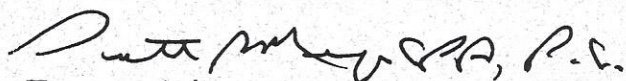
My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether 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, 2017 and 2016 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.

A handwritten signature in dark ink, appearing to read "Dante [unclear] CPA, P.C.", is written over the typed name.

Tucson, Arizona

July 3, 2018

STATEMENT 1

**EQUINE VOICES RESCUE AND SANCTUARY
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016**

ASSETS

CURRENT ASSETS	<u>2017</u>	<u>2016</u>
Cash and cash equivalents- unrestricted	\$ 301,516	\$ 438,723
Cash and cash equivalents- restricted	92,149	71,192
Prepaid expenses and deposits	4,043	5,554
Investments	187,516	14,613
Merchandise inventories	19,579	20,877
Total current assets	604,803	550,959
PROPERTY AND EQUIPMENT , net of accumulated depreciati of \$168,713 and \$159,716, respectively	453,300	268,221
OTHER ASSETS		
Donated investment land	5,600	5,600
TOTAL ASSETS	<u><u>\$ 1,063,703</u></u>	<u><u>\$ 824,780</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 24,608	\$ 23,029
Total current liabilities	24,608	23,029
NET ASSETS		
Without donor restrictions	946,946	730,559
With donor restrictions- purpose restrictions	92,149	71,192
Total net assets	1,039,095	801,751
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,063,703</u></u>	<u><u>\$ 824,780</u></u>

See independent auditor's report. These financial statements
should be read only in connection with the accompanying notes.

STATEMENT 2

EQUINE VOICES RESCUE AND SANCTUARY
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2017 and 2016

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS

REVENUES AND SUPPORT	<u>2017</u>	<u>2016</u>
Contributions and grants, net of professional fundraising firm's fees and expenses of \$495,2236 and \$458,083, respectively	\$ 360,129	\$ 319,356
In-kind donations	186,831	40,086
Fundraising events, net of expenses of \$34,663 and \$23,008, respectively	49,603	75,159
Gift and thrift stores sales, net of cost of goods sold of \$6,826 and \$9,460, respectively and expenses of \$27,770 and \$10,818, respectively	17,559	20,090
Equine program income	6,107	12,875
Investment income	11,139	6,308
Support and Gains Without Donor Restrictions	631,368	473,874
Net Assets Released From Restrictions- Restrictions Satisfied	4,073	15,242
Total Support and Gains Without Donor Restrictions	635,441	489,116
EXPENSES		
Program services	344,594	307,511
General and administrative	41,952	34,527
Fundraising	32,508	36,538
Total expenses	419,054	378,576
Increase in Net Assets Without Donor Restrictions	216,387	110,540

CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS

REVENUES AND SUPPORT		
Contributions	25,030	47,080
Net assets released from restrictions	(4,073)	(15,242)
Increase in Net Assets With Donor Restrictions	20,957	31,838
Increase in Total Net Assets	237,344	142,378
NET ASSETS, BEGINNING OF YEAR	801,751	659,373
NET ASSETS, END OF YEAR	\$ 1,039,095	\$ 801,751

See independent auditor's report. These financial statements
should be read only in connection with the accompanying notes.

EQUINE VOICES RESCUE AND SANCTUARY
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2017</u>	<u>2016</u>
Increase in total net assets	\$ 237,344	\$ 142,378
Adjustments to reconcile increase in total net assets to net cash provided by operating activities:		
Depreciation	27,677	24,685
(Increase) in fair market value of investments	(7,236)	(119)
Donation of land, property and equipment	(185,000)	
Changes in operating assets and liabilities:		
Decrease (increase) in prepaid expenses and deposits	1,511	(1,638)
Decrease (increase) in merchandise inventories	1,298	(5,663)
Increase in accounts payable and accrued expenses	1,579	10,670
Net cash provided by operating activities	<u>77,173</u>	<u>170,313</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	6,564	155,549
Purchases of investments	(172,231)	(14,494)
Purchases of fixed assets	(27,756)	(25,184)
Net cash (used in) provided by investing activities	<u>(193,423)</u>	<u>115,871</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(116,250)	286,184
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>509,915</u>	<u>223,731</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 393,665</u>	<u>\$ 509,915</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid	-	-
Income taxes paid	-	-
Noncash transactions- Inkind donations	<u>\$187,516</u>	<u>\$40,086</u>

See independent auditor's report. 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, 2017 and 2016**

<u>2017</u>	<u>Program</u>	<u>General and</u>		
	<u>Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Totals</u>
Payroll, benefits and taxes	\$ 105,414	\$ 22,589	\$ 22,589	\$ 150,592
Advertising and promotion	1,775	222	3,539	5,536
Depreciation	22,142	4,152	1,384	27,677
Animal care	135,318			135,318
Professional fees	16,182	3,034	1,011	20,228
Bank and credit card fees	5,866	1,100	367	7,332
Travel and meals	2,527	474	158	3,159
Office expenses	5,426	1,017	339	6,783
Occupancy	22,974	4,308	1,436	28,718
Insurance	4,381	821	274	5,476
Postage/printing	4,629	868	289	5,786
Volunteer expense	3,805	713	238	4,756
Vehicles operations	10,334	1,938	646	12,918
Website	1,993	374	125	2,491
Miscellaneous	1,827	343	114	2,284
TOTALS	\$ 344,594	\$ 41,952	\$ 32,508	\$ 419,054

<u>2016</u>	<u>Program</u>	<u>General and</u>		
	<u>Services</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

See independent auditor's report. These financial statements
should be read only in connection with the accompanying notes.

EQUINE VOICES RESCUE AND SANCTUARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1- NATURE OF OPERATIONS

Equine Voices Rescue and Sanctuary (the Organization) is a nonprofit corporation located in Amado, Arizona and was incorporated August 8, 2004 under the laws of the State of Arizona. The Organization is dedicated to saving Premarin mares and foals from neglect, abuse and slaughter, as well as serving as a voice for all equines to end abuse, suffering and slaughter. The Organization conducts education and community awareness activities to enlighten the public about the horrors of the Premarin and horse slaughter industries. The Organization operates a ranch facility to care for these equines and accomplishes its purpose mainly through solicitation of grants and donations as well as the conduct of fundraising events.

In August of 2016 the Organization opened a resale boutique store in Tumacacori, Arizona, generally selling donated items. In August of 2017 the resale boutique store was relocated to Tubac, Arizona.

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.

IMPLEMENTATION OF RECENT NEW MAJOR ACCOUNTING PRONOUNCEMENT

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, "Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities", which require potentially significant changes in the presentation of the financial statements and related footnote disclosures in seven areas: net asset classes, liquidity and availability of resources, classification and disclosure of underwater endowment funds, expense reporting, statement of cash flows, investment return, and release of restrictions on capital assets. The guidance is required to be effective for fiscal years beginning after December 15, 2017 and early adoption is permitted. The Organization has elected to early adopt this standard and accordingly the accompanying financial statements reflect the implementation.

OTHER RECENT NEW MAJOR ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers" (Topic 606), that will supersede most current revenue recognition guidance, including industry-specific guidance. The core principle of the new guidance is that an entity will recognize

EQUINE VOICES RESCUE AND SANCTUARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

OTHER RECENT NEW MAJOR ACCOUNTING PRONOUNCEMENTS

(Continued)

when and how revenue is recognized. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. Additionally, the guidance requires disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized. The amendments are required to be adopted for the Organization's fiscal years beginning after December 15, 2018. Early adoption is permitted. Transition to the new guidance may be done using either a full or modified retrospective method. The Organization is currently evaluating the full effect that the adoption of this standard will have on the financial statements but does not anticipate the adoption will have a material impact on the financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases" (topic 842), requiring lessees to recognize most leases on their balance sheets as lease liabilities with corresponding right-of-use assets and to disclose key information about lease agreements. The guidance is effective for companies' fiscal years beginning after December 15, 2019 and early adoption is permitted. The Organization is currently evaluating the impact of the pronouncement but does not anticipate the adoption will have a material impact on 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.

EQUINE VOICES RESCUE AND SANCTUARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 two classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions 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.

Net Assets With Donor Restrictions

Net assets with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

ACCOUNTING FOR CONTRIBUTIONS

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless they are received with donor stipulations that limit the use of the donated assets. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported

EQUINE VOICES RESCUE AND SANCTUARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCOUNTING FOR CONTRIBUTIONS (Continued)

as increases in net assets with donor restrictions, 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 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, 2017 and 2016.

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 \$5,536 and \$7,561 \$8,386 for the years ended December 31, 2017 and 2016, 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, 2017 and 2016

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TAX STATUS (Continued)

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.

FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the programs and other activities are summarized on a functional basis. Accordingly, costs are allocated among programs and supporting services benefited. Management's estimate of the functional allocation of expenditures is based on actual expenditures and management's estimate of levels of service.

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 except certificates of deposit which are level 2, were as follows as of December 31st:

	<u>2017</u>	<u>2016</u>
Various open-end mutual funds (12)	\$53,640	
Alternative mutual fund-Russell Commodity Strategy Fund	1,007	
Raymond James Bank cash	523	
Wells Fargo Advisors certificates of deposit (4) and cash	80,059	
29,990 shares Fidelity Money Market	29,990	
Various corporate stocks (3)	<u>22,297</u>	<u>14,613</u>
	<u>\$ 187,516</u>	<u>\$ 14,613</u>

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

	<u>2017</u>	<u>2016</u>
Dividends and interest	\$3,903	\$1,428
Unrealized gains (losses)	<u>7,236</u>	<u>5,073</u>
	<u>\$11,139</u>	<u>\$6,308</u>

EQUINE VOICES RESCUE AND SANCTUARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 4 – PROPERTY AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>
Vehicles	\$128,849	\$116,369
Buildings and ranch improvements	289,056	219,056
Land	166,000	66,000
Equipment	<u>38,108</u>	<u>26,512</u>
	622,013	427,937
Less accumulated depreciation	<u>168,713</u>	<u>159,716</u>
	<u>\$ 453,300</u>	<u>\$ 268,221</u>

Depreciation expense was \$27,677 and \$24,685 for the years ended December 31, 2017 and 2016, respectively.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

The net assets with donor restrictions were restricted for the following purposes as of December 31st:

	<u>2017</u>	<u>2016</u>
Training/multi-purpose facility	\$88,629	\$67,702
Nick's Legacy Fund- to provide funding for special animal needs situations	<u>3,520</u> <u>\$92,149</u>	<u>3,490</u> <u>\$71,192</u>

NOTE 6- LEASE AGREEMENTS; RELATED PARTY TRANSACTIONS

Effective August 2017 the Organization commenced a month-to-month lease for its new thrift shop location in Tubac, Arizona payable \$1,750 monthly.

The Organization entered into lease agreements with the former 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 2016. However, the lease was amended effective January 2017 to require monthly payments of \$833.33 instead. Therefore the Executive Director was paid \$10,000 of rents for 2017. The lease agreement with the former Board President required monthly payments of \$200 through December 2026, for which he was paid \$2,400 in 2016 and \$1,400 through July 2017 at which time the former Board President terminated the lease and donated the property to the Organization.

EQUINE VOICES RESCUE AND SANCTUARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 7 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 3, 2018, 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.

NOTE 8– LIQUIDITY

Financial assets as of 12-31-17	\$ 604,803
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Property lease commitment	(10,000)
Subject to appropriation and satisfaction of donor restrictions	<u>(92,149)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$502,654</u>

The Organization is partially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Organization invests cash in excess of immediate and very short-term projected requirements in short-term investments. These short-term, liquid investments may be used to fulfil needs resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. In the event of an unanticipated liquidity need, the Organization also could draw upon its investments.

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