

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

**FINANCIAL STATEMENTS
December 31, 2013**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statement 1 - Statement of Financial Position	3
2 - Statement of Activities	4
3 - Statement of Cash Flows	5
4 - Statement of Functional Expenses	6
Notes to Financial Statements	7-11

Scott R. Meyer, CPA, P.C.
1700 E. Ft. Lowell Road, Suite 105
Tucson, AZ 85719
(520) 881-3734 Fax (520) 881-4075

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 statement of financial position as of December 31, 2013 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended.

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, 2013 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.


Tucson, Arizona
June 25, 2014

EQUINE VOICES RESCUE AND SANCTUARY
STATEMENT OF FINANCIAL POSITION
December 31, 2013

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 226,815
Prepaid expenses and deposits	4,516
Investments	145,172
Gift shop inventory	<u>16,131</u>
Total current assets	392,634

PROPERTY AND EQUIPMENT , net of accumulated depreciation of \$88,803	138,605
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TOTAL ASSETS	<u><u>\$ 531,239</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ <u>2,557</u>
Total current liabilities	2,557

NET ASSETS -

Unrestricted	504,072
Temporarily restricted	<u>24,610</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 531,239</u></u>
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These financial statements should be read only in connection
with the accompanying notes to financial statements.

STATEMENT 2

**EQUINE VOICES RESCUE AND SANCTUARY
STATEMENT OF ACTIVITIES
Year Ended December 31, 2013**

UNRESTRICTED NET ASSETS

REVENUES AND SUPPORT

Contributions and grants	\$ 288,143
Fundraising events, net of expenses of \$30,114	156,104
Gift shop sales, net of cost of goods sold of \$8,267	8,197
Equine program income	22,796
Investment income	1,614
Total unrestricted revenues and support	<u>476,854</u>

EXPENSES

Program services	266,226
General and administrative	36,653
Fundraising	30,963
Total unrestricted expenses	<u>333,842</u>

CHANGE IN UNRESTRICTED NET ASSETS	<u>143,012</u>
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TEMPORARILY RESTRICTED NET ASSETS

REVENUES AND SUPPORT

Contributions	<u>19,158</u>
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CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>19,158</u>
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NET INCREASE IN NET ASSETS	162,170
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NET ASSETS, BEGINNING OF YEAR	<u>366,512</u>
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NET ASSETS, END OF YEAR	<u><u>\$ 528,682</u></u>
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These financial statements should be read only in connection
with the accompanying notes.

STATEMENT 3

EQUINE VOICES RESCUE AND SANCTUARY
STATEMENT OF CASH FLOWS
Year Ended December 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	\$ 162,170
Change in net assets	
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	20,707
Changes in operating assets and liabilities:	
Increase in prepaid expenses and deposits	(2,008)
Increase in gift shop inventory	(2,441)
Decrease in accounts payable and accrued expenses	(23,052)
Net cash provided by operating activities	<u>155,376</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(23,866)
Purchases of fixed assets	(33,447)
Net cash used in investing activities	<u>(57,313)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	98,063
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>128,752</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 226,815</u></u>
SUPPLEMENTAL DISCLOSURES	
Interest paid	-
Income taxes paid	-
Noncash transactions- Inkind donations	<u><u>\$171,760</u></u>

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

STATEMENT 4

EQUINE VOICES RESCUE AND SANCTUARY
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2013

	<u>Program</u> <u>Services</u>	<u>General and</u> <u>Administrative</u>	<u>Fundraising</u>	<u>Totals</u>
Payroll, benefits and taxes	\$ 71,460	\$ 19,306	\$ 19,306	\$ 110,072
Advertising and promotion	6,721	960	1,920	9,601
Depreciation	14,805	5,902		20,707
Animal care	116,449			116,449
Professional fees	19,671	3,246	2,958	25,875
Bank and credit card fees	3,648	521	1,042	5,211
Travel	1,641	205	205	2,051
Office expenses	5,356	1,620	1,620	8,596
Occupancy	7,528	941	941	9,410
Insurance	2,225	278	278	2,781
Postage/printing	2,475	919	919	4,313
Volunteer expense	3,047	380	380	3,807
Vehicles operations	6,346	1,813	906	9,065
Website	2,200	275	275	2,750
Miscellaneous	2,654	287	213	3,154
TOTALS	\$ 266,226	\$ 36,653	\$ 30,963	\$ 333,842

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, 2013

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.

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 shop 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.

EQUINE VOICES RESCUE AND SANCTUARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EQUIPMENT AND FURNITURE(Continued)

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 December 31, 2013.

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 restricted by the donor to use in future periods or for specific purposes are reported as

EQUINE VOICES RESCUE AND SANCTUARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCOUNTING FOR CONTRIBUTIONS (Continued)

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 year ended December 31, 2013.

OTHER REVENUE AND EXPENSE RECOGNITION

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

ADVERTISING COSTS

Advertising costs are expensed as incurred and totaled \$9,601 for the year ended December 31, 2013.

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, 2013

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 31, 2013:

4,020.218 shs Calvert Short Duration Income Class A Fund	\$65,369
6,647.888 shares Delaware High Yield Opportunities Fund	28,918
1,985.661 shares Franklin Low Duration Total Return Advisor Class	20,175
2,569.89 shares MFS Diversified Income Class I	<u>30,710</u>
	<u>\$145,172</u>

The composition of the investment return reported in the statement of activities as of December 31, 2013 is as follows:

Dividends and interest	\$ 5,371
Realized gains (losses)	(2,422)
Unrealized gains (losses)	(548)
Advisory fees	<u>(787)</u>
	<u>\$ 1,614</u>

EQUINE VOICES RESCUE AND SANCTUARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2013:

Vehicles	\$ 100,569
Buildings and ranch improvements	105,673
Equipment	<u>21,166</u>
	227,408
Less accumulated depreciation	<u>88,803</u>
	<u>\$ 138,605</u>

Depreciation expense was \$20,707 for the year ended December 31, 2013.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets were restricted for the following purposes:

Horse Training Grant	\$8,385
Nick's Legacy Fund- to provide funding for special animal needs situations	6,725
Greenberg Maintenance Grant- to fund repairs and replacements of ranch property	<u>9,500</u>
	<u>\$24,610</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 requires monthly payments of \$300 to the Executive Director through January 2020, for which she was paid \$3,600 for 2013. The lease agreement with the Board President requires monthly payments of \$200 through December 2016, for which he was paid \$2,400 in 2013.

NOTE 7 – SUBSEQUENT EVENTS; LAND PURCHASE

In December 2013 the Organization made a \$1,000 escrow deposit to purchase an additional 5 acres of land adjacent to the current ranch property for \$66,000. The transaction was completed early in 2014. Subsequent events have been evaluated through June 25, 2014, the last day of fieldwork. 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.