

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

**FINANCIAL STATEMENTS
Restated December 31, 2019 and 2018**

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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, 2019 and 2018 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.

Emphasis of a Matter

As discussed in Note 2 to the financial statements, the 2019 financial statements have been restated to correct a misstatement. My opinion is not modified with respect to this matter.

Opinion

In my opinion, the restated financial statements referred to above present fairly, in all material respects, the financial position of Equine Voices Rescue and Sanctuary as of December 31, 2019 and 2018 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

July 13, 2020 except as to Note 2, which is as of February 4, 2021

STATEMENT 1

EQUINE VOICES RESCUE AND SANCTUARY
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

ASSETS

CURRENT ASSETS	<u>2019</u>	<u>2018</u>
Cash and cash equivalents- unrestricted	\$ 474,381	\$ 399,522
Cash and cash equivalents- restricted	160,359	147,349
Prepaid expenses and deposits	6,509	15,201
Investments	720,174	602,607
Merchandise inventories	<u>19,105</u>	<u>17,673</u>
Total current assets	1,380,528	1,182,352
PROPERTY AND EQUIPMENT , net of accumulated depreciation of \$229,817 and \$200,196, respectively	516,546	457,867
OTHER ASSETS		
Donated investment land	<u>5,600</u>	<u>5,600</u>
TOTAL ASSETS	<u>\$ 1,902,674</u>	<u>\$ 1,645,819</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ <u>33,093</u>	\$ <u>34,060</u>
Total current liabilities	33,093	34,060
NET ASSETS		
Without donor restrictions	1,709,222	1,464,410
With donor restrictions- purpose restrictions	<u>160,359</u>	<u>147,349</u>
Total net assets	<u>1,869,581</u>	<u>1,611,759</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,902,674</u>	<u>\$ 1,645,819</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, 2019 and 2018**

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS

	Restated	
REVENUES AND SUPPORT	<u>2019</u>	<u>2018</u>
Contributions and grants, net of professional fundraising firm's fees and expenses of \$322,720 and \$535,030, respectively	\$ 671,442	\$ 892,178
In-kind donations	3,813	3,868
Fundraising events, net of expenses of \$21,750 and \$29,999, respectively	87,171	53,986
Gift and resale boutique stores sales, net of cost of goods sold of \$5,499 and \$8,070, respectively and expenses of \$30,172 and \$26,936, respectively	14,219	26,882
Equine program income	5,333	8,973
Investment income (loss)	110,525	(13,589)
Revenues and Support Without Donor Restrictions	<u>892,503</u>	<u>972,298</u>
Net Assets Released From Restrictions- Restrictions Satisfied	26,990	
Total Revenues and Support Without Donor Restrictions	<u>919,493</u>	<u>972,298</u>
EXPENSES		
Program services	577,021	368,209
General and administrative	57,303	47,070
Fundraising	40,357	39,555
Total expenses	<u>674,681</u>	<u>454,834</u>
Increase in Net Assets Without Donor Restrictions	<u>244,812</u>	<u>517,464</u>

CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS

REVENUES AND SUPPORT

Contributions	40,000	55,200
Net assets released from restrictions	(26,990)	
Increase in Net Assets With Donor Restrictions	<u>13,010</u>	<u>55,200</u>
Increase in Total Net Assets	257,822	572,664
NET ASSETS, BEGINNING OF YEAR	<u>1,611,759</u>	<u>1,039,095</u>
NET ASSETS, END OF YEAR	<u>\$ 1,869,581</u>	<u>\$ 1,611,759</u>

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, 2019 and 2018

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2019</u>	<u>2018</u>
Increase in total net assets	\$ 257,822	\$ 572,664
Adjustments to reconcile increase in total net assets to net cash provided by operating activities:		
Depreciation	31,241	31,483
(Increase) decrease in fair market value of investments	(84,676)	21,412
Changes in operating assets and liabilities:		
Decrease (increase) in prepaid expenses and deposits	8,692	(11,158)
(Increase) decrease in merchandise inventories	(1,432)	1,906
(Decrease) increase in accounts payable and accrued expense	(967)	9,452
Net cash provided by operating activities	<u>210,680</u>	<u>625,759</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments		14,000
Purchases of investments	(32,891)	(450,503)
Purchases of fixed assets	(89,920)	(36,050)
Net cash (used in) investing activities	<u>(122,811)</u>	<u>(472,553)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	87,869	153,206
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH BEGINNING OF YEAR	<u>546,871</u>	<u>393,665</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH \$ END OF YEAR	<u><u>634,740</u></u>	<u><u>546,871</u></u>
SUPPLEMENTAL DISCLOSURES		
Interest paid	-	-
Income taxes paid	-	-
Noncash transactions- Inkind donations	<u>\$3,813</u>	<u>\$3,868</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, 2019 and 2018**

<u>2019 Restated</u>	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Totals</u>
Payroll, benefits and taxes \$	135,377	\$ 29,009	\$ 29,009	\$ 193,396
Advertising and promotion			4,858	4,858
Depreciation	27,492	3,124	625	31,241
Animal care	162,786			162,786
Professional fees	19,414	3,640	1,213	24,267
Public awareness	157,074	7,574		164,648
Bank and credit card fees	6,226	1,167	389	7,782
Travel and meals	3,858	723	241	4,822
Office expenses	8,434	1,581	527	10,542
Occupancy	21,068	3,950	1,317	26,335
Insurance	8,674	1,626	542	10,842
Postage/printing	4,569	857	286	5,711
Volunteer expense	2,966	556	185	3,707
Vehicles operations	8,209	1,539	513	10,261
Website	6,439	1,207	402	8,049
Miscellaneous	4,437	748	249	5,434
TOTALS	\$ 577,021	\$ 57,303	\$ 40,357	\$ 674,681

<u>2018</u>	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Totals</u>
Payroll, benefits and taxes \$	127,466	\$ 27,314	\$ 27,314	\$ 182,094
Advertising and promotion	4,346	815	5,927	11,088
Depreciation	25,186	4,722	1,574	31,483
Animal care	135,379			135,379
Professional fees	15,034	2,819	940	18,793
Bank and credit card fees	5,920	1,110	370	7,400
Travel and meals	3,878	727	242	4,847
Office expenses	9,442	1,770	590	11,802
Occupancy	16,822	3,154	1,051	21,028
Insurance	5,848	1,097	366	7,310
Postage/printing	1,791	336	112	2,239
Volunteer expense	2,877	539	180	3,596
Vehicles operations	8,890	1,667	556	11,113
Website	2,850	534	178	3,563
Miscellaneous	2,479	465	155	3,099
TOTALS	\$ 368,209	\$ 47,070	\$ 39,555	\$ 454,834

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, 2019 and 2018

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.

The Organization operates a resale boutique store in Tubac, Arizona, generally selling donated items, as well as a small gift shop on its premises.

NOTE 2- CORRECTION OF PREVIOUSLY ISSUED 2019 FINANCIAL STATEMENTS

Subsequent to the issuance of the 2019 financial statements dated July 13, 2020 new information was received regarding the functional allocation of expenses. As a result, reported program expenses were increased by \$157,074, reported general and administrative expenses were increased by \$7,574, and reported contributions and grants revenue, net of professional fundraising firm's expenses were increased by \$164,648, with no overall effect on reported changes in net assets.

NOTE 3-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares its financial statements since January 2018 in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities, in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, "Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities", and other applicable standards. The significant accounting and reporting policies used by the Organization are described subsequently to enhance the usefulness and understandability of the financial statements.

RECENT NEW MAJOR ACCOUNTING PRONOUNCEMENT

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, 2020 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.

EQUINE VOICES RESCUE AND SANCTUARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 both unrestricted and restricted 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 of the donation, if donated. Items purchased or donated under \$1,000 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.

EQUINE VOICES RESCUE AND SANCTUARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET ASSETS (Continued)

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 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, 2019 and 2018.

EQUINE VOICES RESCUE AND SANCTUARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 3- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$4,858 and \$11,088 for the years ended December 31, 2019 and 2018, 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. 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 4- COMPOSITION OF CASH AND CASH EQUIVALENTS

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the combined statement of financial position that sum to the total of the same such amounts shown in the combined statements of cash flows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$474,381	\$399,522
Cash and cash equivalents-restricted	<u>160,359</u>	<u>147,349</u>
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$634,740</u>	<u>\$546,871</u>

Cash and cash equivalents-restricted include restricted cash received with donor-imposed purpose restrictions as detailed in Note 8.

NOTE 5- 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

EQUINE VOICES RESCUE AND SANCTUARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 5- INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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>2019</u>	<u>2018</u>
Various open-end mutual funds (8)	\$510,020	\$444,967
Alternative mutual fund-Russell Commodity Strategy Fund	10,753	9,068
Raymond James cash funds	11,450	9,062
Wells Fargo Advisors certificates of deposit and cash	84,842	81,558
Fidelity Government Portfolio Fund	29,990	29,990
515.31 shs Federated Government Reserves		515
249 and 174 shs Apple, Inc.	<u>73,119</u>	<u>27,447</u>
	<u>\$720,174</u>	<u>\$602,607</u>

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

	<u>2019</u>	<u>2018</u>
Dividends and interest	\$18,836	\$7,823
Capital gains	7,013	
Unrealized gains (losses)	<u>84,676</u>	<u>(21,412)</u>
	<u>\$110,525</u>	<u>\$(13,589)</u>

NOTE 6 – CONCENTRATIONS OF RISK

At times the Organization has cash funds deposited at a single financial institution in excess of the \$250,000 FDIC insured limits. There was such an excess in the amounts of \$94,288 and \$89,163 as of June 30, 2020 and 2019, respectively. The investments are not FDIC insured.

EQUINE VOICES RESCUE AND SANCTUARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 7 – PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Vehicles	\$132,649	\$135,649
Buildings and ranch improvements	292,256	291,156
Land	274,500	192,000
Equipment	<u>46,958</u>	<u>39,258</u>
	746,363	658,063
Less accumulated depreciation	<u>229,817</u>	<u>200,196</u>
	<u>\$ 516,546</u>	<u>\$ 457,867</u>

Depreciation expense was \$31,241 and \$31,483 for the years ended December 31, 2019 and 2018, respectively.

NOTE 8- LEASE AGREEMENTS; RELATED PARTY TRANSACTIONS

The Organization has a month-to-month lease for its thrift shop location in Tubac, Arizona payable \$1,750 monthly.

The Organization entered into a lease agreement with the Board President for a portion of the ranch property. The lease requires monthly payments of \$833.33 to the Executive Director through January 2027. The Board President was paid \$10,000 of rents for both 2019 and 2018.

NOTE 9 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 4, 202, the date the reissued 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 10 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2019</u>	<u>2018</u>
Training/multi-purpose facility	\$158,829	\$118,829
Land purchase		25,000
Nick's Legacy Fund- to provide funding for	<u>1,530</u>	<u>3,520</u>
special animals' need situations	<u>\$160,359</u>	<u>\$147,349</u>

EQUINE VOICES RESCUE AND SANCTUARY
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 11– LIQUIDITY

Financial assets as of 12-31-19	\$ 1,354,914
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>(160,359)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$1,184,555</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 or conduct an appeal.

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