

**PEACEFUL VALLEY DONKEY RESCUE**

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FINANCIAL STATEMENTS  
and  
INDEPENDENT AUDITORS' REPORT

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YEARS ENDED DECEMBER 31, 2013 AND 2012

**PEACEFUL VALLEY DONKEY RESCUE**

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# Merritt, McLane & Hamby

401 Cypress Street, Suite 303  
Abilene, TX 79601

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
**Peaceful Valley Donkey Rescue**  
Miles, Texas

We have audited the accompanying financial statements of Peaceful Valley Donkey Rescue, which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities 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 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**

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 of America. Those standards require that we plan and perform the audits 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 Peaceful Valley Donkey Rescue as of December 31, 2013 and 2012, 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 of America.

### **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on page 11 and 12 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements

or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

  
MERRITT, MCLANE & HAMBY

Abilene, Texas  
August 11, 2014

## **FINANCIAL STATEMENTS**

**PEACEFUL VALLEY DONKEY RESCUE**

**STATEMENTS OF FINANCIAL POSITION**

December 31, 2013 and 2012

<b>ASSETS</b>	<u>2013</u>	<u>2012</u>
Current assets:		
Cash	\$ 448,013	\$ 413,886
Inventory	8,537	3,546
Total current assets	<u>456,550</u>	<u>417,432</u>
Non-current assets:		
Property and equipment, net of accumulated depreciation	882,061	1,992,186
Total non-current assets	<u>882,061</u>	<u>1,992,186</u>
<b>Total Assets</b>	<b>\$ <u>1,338,611</u></b>	<b>\$ <u>2,409,618</u></b>
 <b>LIABILITIES AND NET ASSETS</b>  		
Current liabilities:		
Accounts payable	\$ 75,993	\$ 36,793
Other liabilities	10,663	3,044
Notes payable - current	52,894	215,320
Total current liabilities	<u>139,550</u>	<u>255,157</u>
Non-current liabilities:		
Notes payable - non-current	430,913	979,178
	<u>430,913</u>	<u>979,178</u>
Total liabilities	<u>570,463</u>	<u>1,234,335</u>
Net assets:		
Unrestricted	768,148	1,175,283
Total net assets	<u>768,148</u>	<u>1,175,283</u>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>1,338,611</u></b>	<b>\$ <u>2,409,618</u></b>

*The accompanying notes are an integral part of the financial statements.*

**PEACEFUL VALLEY DONKEY RESCUE**

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Support</b>		
Contributions	\$ 656,751	\$ 369,874
Bequests	304,252	
Merchandise sales	12,215	6,147
Miscellaneous	15,000	544
Fund raising	1,929,415	2,233,753
Total support	<u>2,917,633</u>	<u>2,610,318</u>
<b>Expenses</b>		
Program Services	1,272,292	1,059,784
Supporting Services:		
Management and general	195,744	124,661
Fund-raising	1,147,920	1,134,421
Total Expenses	<u>2,615,956</u>	<u>2,318,866</u>
Net Income from Operations	301,677	291,452
<b>Other Income (Expense)</b>		
Interest expense	(62,028)	(94,235)
Interest income	2	3
Gain (loss) on sale of assets	(646,786)	47,019
Total other income (expense)	<u>(708,812)</u>	<u>(47,213)</u>
<b>Change in Net Assets</b>	(407,135)	244,239
Net Assets, Beginning of Year	<u>1,175,283</u>	<u>931,044</u>
<b>Net Assets, End of Year</b>	<u>\$ 768,148</u>	<u>\$ 1,175,283</u>

*The accompanying notes are an integral part of the financial statements.*

**PEACEFUL VALLEY DONKEY RESCUE**

STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2013 and 2012

	2013	2012
<b>Cash flows from operating activities</b>		
Change in net assets from operations	\$ 301,677	\$ 291,452
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	58,408	75,756
Increase (Decrease) in operating assets		
Inventory	(4,991)	19,759
Increase (Decrease) in operating liabilities		
Accounts payable	39,200	(28,499)
Other liabilities	7,619	2,382
	401,913	360,850
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(25,933)	(74,143)
Interest income	2	3
Proceeds from sale of assets	430,864	47,019
	404,933	(27,121)
<b>Cash flows from financing activities</b>		
Interest expense	(62,028)	(94,235)
Proceeds from note payable		74,542
Payment on note payable	(710,691)	(121,535)
	(772,719)	(141,228)
<b>Net increase in cash and cash equivalents</b>	34,127	192,501
Cash and cash equivalents at beginning of year	413,886	221,385
<b>Cash and cash equivalents at end of year</b>	\$ 448,013	\$ 413,886
 Supplemental items		
Interest paid	\$ 62,028	\$ 94,235

*The accompanying notes are an integral part of the financial statements.*

## PEACEFUL VALLEY DONKEY RESCUE

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 1: ORGANIZATION AND PURPOSE**

Peaceful Valley Donkey Rescue (the Organization) is a not-for-profit organization with its primary office location in Miles, Texas as well as volunteer operated facilities in Oregon, Arizona, Oklahoma, Iowa, Illinois, Virginia, North Carolina, South Carolina, Florida, Tennessee, and Kentucky. The Organization provides rescue services and/or seeks out and obtains unwanted and abused donkeys. Once the donkeys are rescued, they are given medical treatment and training. When the donkeys are deemed ready, they are made available for adoption.

#### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Peaceful Valley Donkey Rescue have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

##### Financial Statement Presentation

Financial statement presentation follows the recommendations of Financial Accounting Standards Board, *FASB ASC 958-205, Financial Statements of Not-for-profit Organizations*. The Organization is required to report 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. In addition, the Organization is required to present a statement of cash flows.

##### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost when purchased or at fair market value when contributed. Depreciation and amortization are computed by the straight-line method over the estimated useful life of the asset as follows:

	<u>Years</u>
Office Equipment	5-7
Machinery and Equipment	5-7
Improvements	15-40

The Organization has not formally adopted a capitalization policy; however the Organization generally capitalizes individual items with a useful life of more than one year.

Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Absent donor stipulation regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

## PEACEFUL VALLEY DONKEY RESCUE

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 2: *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued***

##### Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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. There were no restricted contributions in 2013 or 2012.

##### Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the State of California Revenue and Taxation Code. The Organization has no income from unrelated business; therefore, no amounts are recorded in the financial statements. The Organization is not considered a private foundation.

The Organization files the Federal Form 990 with the Internal Revenue Service and the State Form 199 in the State of California. The Organization filed a final State of California return in 2013 as it no longer has operations in the state. The Federal Form 990 is generally no longer open for review by the Internal Revenue Service before 2010.

##### Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

##### Inventory

Inventory is valued at the lower of cost or market, cost is being determined on the first-in, first-out basis.

##### Functional Expenses/Joint Costs

Expenses are charged to each program based on direct expenses incurred. The Organization has no significant costs that should be jointly allocated between fundraising and a program activity.

##### Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

**PEACEFUL VALLEY DONKEY RESCUE**

NOTES TO FINANCIAL STATEMENTS

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Source of Revenue

The Organization receives its revenue from public donation, grants and fundraising. The grants have no spending stipulations.

Fundraising

During 2013 and 2012 the Organization used the services of an external fundraiser, Fund Raising Strategies, Inc. The annual cost expended was \$1,123,806 and \$1,117,638, while the gross revenue raised was \$1,929,415 and \$2,233,753 for the years ended December 31, 2013 and 2012, respectively.

Reclassifications

Certain items have been reclassified in the 2012 financial statements for consistency with 2013 presentation.

**NOTE 3: CASH AND CASH EQUIVALENTS**

All material cash and certificates of deposit, when applicable, are deposited into institutions that are insured or collateralized by the Federal Deposit Insurance Corporation (FDIC). Under FDIC guidelines, each depositor's accounts are insured to an aggregate of \$250,000 per financial institution. As of December 31, 2013, the Organization had deposits which exceeded the FDIC limit at one of these institutions, but the Organization feels the risk of loss is minimal.

**NOTE 4: LAND, BUILDINGS AND EQUIPMENT**

Property and equipment consisted of the following at December 31, 2013:

	2013	2012
Land	\$ 700,000	\$ 1,044,700
Buildings	16,809	872,552
Leasehold improvements	48,954	31,956
Automotive equipment	152,265	206,359
Machinery and equipment	199,090	194,955
Furniture and equipment	1,488	1,488
Office equipment	9,793	9,793
	<u>1,128,399</u>	<u>2,361,803</u>
Less: Accumulated Depreciation	<u>246,338</u>	<u>369,617</u>
Net Property and equipment	<u>\$ 882,061</u>	<u>\$ 1,992,186</u>

Depreciation expense for the year ended December 31, 2013 and 2012 was \$58,408 and \$75,756, respectively.

**PEACEFUL VALLEY DONKEY RESCUE**

NOTES TO FINANCIAL STATEMENTS

**NOTE 5: DEBT**

	2013	2012
Note payable to Ford Motor Credit, secured by a 2011 Ford F-350, payable at \$950 per month including interest at 6.49%. The note matures in March 2016. \$	23,817	\$ 33,338
Note payable to Ford Motor Credit, secured by a 2012 Ford F-350, payable at \$931 per month including interest at 6.89%. The note matures July 2017.	35,360	43,773
Note payable to John Deere Credit, secured by a John Deere tractor, payable at \$443 per month including interest at 4.9%. The note matures in June 2017.	18,621	21,447
Note payable to John Deere Credit, secured by a John Deere mower, payable at \$122 per month including interest at 4.9%. The note was paid off in 2013.	-	3,298
Note payable to Art Schaefer Trust, secured by real property located in Tehachapi, California, payable at \$5,338 per month including interest at 8.0%. The note was paid off in 2013.	-	318,387
Note payable to Art Schaefer Trust, secured by real property located in Kern County, California, payable at \$1,911 per month including interest at 8.0%. The note was paid off in 2013.	-	192,804
Note payable to Ernest Schaefer Trust, secured by real property located in Tom Green County, Texas, payable in full in April 2013 including interest at 8.0%.	-	140,000
Note payable to Art Schaefer Trust, secured by real property located in Tom Green County, Texas, payable at \$2,867 per month including interest at 8.0%. The note	277,517	289,207
Note payable to Mark Meyers. Unsecured loan payable at \$1,984.62 per month including interest at 6.0%. The note matures in July 2020.	128,492	152,244
	483,807	1,194,498
Less current payable	52,894	215,320
Long-term payable	\$ 430,913	\$ 979,178

**PEACEFUL VALLEY DONKEY RESCUE**

NOTES TO FINANCIAL STATEMENTS

**NOTE 5: DEBT – continued**

The following is a schedule of maturities as of December 31, 2013:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 52,894	\$ 33,217	\$ 86,111
2015	56,510	29,598	86,108
2016	51,638	25,920	77,558
2017	46,662	22,545	69,207
2018	38,450	19,769	58,219
2019-2023	146,163	62,423	208,586
2024-2026	91,490	11,721	103,211
	<u>\$ 483,807</u>	<u>\$ 205,193</u>	<u>\$ 689,000</u>

**NOTE 6: RELATED PARTY TRANSACTIONS**

On June 1, 2005 the Organization entered into a loan agreement with the Executive Director; Mark Meyers in the amount of \$200,000 paid by Mr. Meyers to the Organization to aid in the construction of the new donkey habitat. The note is to be paid back with interest at 6.00%. The loan was deferred due to continue growth of the Organization and an interest only payment of \$12,000 was paid in 2006, with an additional interest only payment of \$6,000 paid in 2007. In the following years, the interest will be rolled into payments. The loan was re-amortized in January 2011. The final loan payment will be in 2020. See Note 5 for repayment terms.

**NOTE 7: FINANCIAL INSTRUMENTS**

Fair Value

The Organization has estimated that the fair value of all financial instruments (none of which is held for trading purposes) at December 31, 2013 and 2012, does not differ materially from their aggregate carrying values recorded in the accompanying statement of financial position. The estimate is based on the assumption that fair value approximates carrying values due to short initial maturities. Financial instruments consist of cash and cash equivalents, accounts payable and payroll-related accruals.

**NOTE 8: DATE OF MANAGEMENT'S REVIEW**

Subsequent events were evaluated through August 11, 2014, the financial statements issuance date.

**SUPPLEMENTARY INFORMATION**

**PEACEFUL VALLEY DONKEY RESCUE**

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended December 31, 2013

	Supporting Services				
	Program Services	Management and General	Fund Raising	Total Supporting Services	Combined Total
Salaries and wages	\$ 122,512	\$ 71,862	\$ 13,039	\$ 84,901	\$ 207,413
Payroll taxes	11,083	6,501	1,179	7,680	18,763
Employee benefits	40,817	23,942	4,344	28,286	69,103
Total payroll expenses	<u>174,412</u>	<u>102,305</u>	<u>18,562</u>	<u>120,867</u>	<u>295,279</u>
Animal care	928,247				928,247
Bank fees		15,975		15,975	15,975
Depreciation	58,408				58,408
Fundraising			1,123,806	1,123,806	1,123,806
Gift shop		7,066		7,066	7,066
Insurance		8,837		8,837	8,837
Miscellaneous	7,214	4,231	768	4,999	12,213
Office expense		11,030		11,030	11,030
Permits, fees, and taxes		8,130		8,130	8,130
Postage and printing		11,565		11,565	11,565
Professional fees		21,822		21,822	21,822
Public awareness	250				250
Repair and maintenance	74,607				74,607
Utilities	29,154				29,154
Website		4,783	4,784	9,567	9,567
Total Expenses	\$ <u>1,272,292</u>	\$ <u>195,744</u>	\$ <u>1,147,920</u>	\$ <u>1,343,664</u>	\$ <u>2,615,956</u>

**PEACEFUL VALLEY DONKEY RESCUE**

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended December 31, 2012

	Supporting Services				Combined Total
	Program Services	Management and General	Fund Raising	Total Supporting Services	
Salaries and wages	\$ 129,850	\$ 64,434	\$ 10,500	\$ 74,934	\$ 204,784
Payroll taxes	9,934	4,929	802	5,731	15,665
Employee benefits	13,961	6,928	1,129	8,057	22,018
Total payroll expenses	<u>153,745</u>	<u>76,291</u>	<u>12,431</u>	<u>88,722</u>	<u>242,467</u>
Animal care	742,904				742,904
Bank fees		6,485		6,485	6,485
Depreciation	75,756				75,756
Fundraising			1,117,638	1,117,638	1,117,638
Gift shop		2,984		2,984	2,984
Insurance		8,548		8,548	8,548
Miscellaneous	921	4,254	98	4,352	5,273
Office expense		6,891		6,891	6,891
Permits, fees, and taxes		1,988		1,988	1,988
Postage and printing		3,992		3,992	3,992
Professional fees		8,974		8,974	8,974
Public awareness	9,064				9,064
Repair and maintenance	45,286				45,286
Utilities	32,108				32,108
Website		4,254	4,254	8,508	8,508
Total Expenses	\$ <u>1,059,784</u>	\$ <u>124,661</u>	\$ <u>1,134,421</u>	\$ <u>1,259,082</u>	\$ <u>2,318,866</u>