EQUINE VOICES RESCUE AND SANCTUARY
AMADO, ARIZONA

FINANCIAL STATEMENTS
December 31, 2018 and 2017

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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, 2018 and 2017 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, 2018 and 2017 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.

Scott McKay CPA, P.C.

Tucson, Arizona
July 27, 2019

EQUINE VOICES RESCUE AND SANCTUARY
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents- unrestricted	$ 399,522	$ 301,516
Cash and cash equivalents- restricted	147,349	92,149
Prepaid expenses and deposits	15,201	4,043
Investments	602,607	187,516
Merchandise inventories	17,673	19,579
Total current assets	1,182,352	604,803
PROPERTY AND EQUIPMENT, net of accumulated depreciation of $200,196 and $168,713, respectively	457,867	453,300
OTHER ASSETS		
Donated investment land	5,600	5,600
TOTAL ASSETS	$ 1,645,819	$ 1,063,703

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 34,060	$ 24,608
Total current liabilities	34,060	24,608
NET ASSETS		
Without donor restrictions	1,464,410	946,946
With donor restrictions- purpose restrictions	147,349	92,149
Total net assets	1,611,759	1,039,095
TOTAL LIABILITIES AND NET ASSETS	$ 1,645,819	$ 1,063,703

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 ACTIVITIES
Years Ended December 31, 2018 and 2017

	2018	2017
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES AND SUPPORT		
Contributions and grants, net of professional fundraising firm's fees and expenses of $535,030 and $495,226, respectively	$ 892,178	$ 360,129
In-kind donations	3,868	186,831
Fundraising events, net of expenses of $29,999 and $34,663, respectively	53,986	49,603
Gift and resale boutique stores sales, net of cost of goods sold of $8,070 and $6,826, respectively and expenses of $26,936 and $27,770, respectively	26,882	17,559
Equine program income	8,973	6,107
Investment income (loss)	(13,589)	11,139
Revenues and Support Without Donor Restrictions	972,298	631,368
Net Assets Released From Restrictions- Restrictions Satisfied		4,073
Total Revenues and Support Without Donor Restrictions	972,298	635,441
EXPENSES		
Program services	368,209	344,594
General and administrative	47,070	41,952
Fundraising	39,555	32,508
Total expenses	454,834	419,054
Increase in Net Assets Without Donor Restrictions	517,464	216,387
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
REVENUES AND SUPPORT		
Contributions	55,200	25,030
Net assets released from restrictions		(4,073)
Increase in Net Assets With Donor Restrictions	55,200	20,957
Increase in Total Net Assets	572,664	237,344
NET ASSETS, BEGINNING OF YEAR	1,039,095	801,751
NET ASSETS, END OF YEAR	$ 1,611,759	$ 1,039,095

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, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in total net assets	$ 572,664	$ 237,344
Adjustments to reconcile increase in total net assets to net cash provided by operating activities:		
Depreciation	31,483	27,677
(Increase) decrease in fair market value of investments	21,412	(7,236)
Donation of land, property and equipment		(185,000)
Changes in operating assets and liabilities:		
Decrease (increase) in prepaid expenses and deposits	(11,158)	1,511
Decrease in merchandise inventories	1,906	1,298
Increase in accounts payable and accrued expenses	9,452	1,579
Net cash provided by operating activities	625,759	77,173
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	14,000	6,564
Purchases of investments	(450,503)	(172,231)
Purchases of fixed assets	(36,050)	(27,756)
Net cashed (used in) provided by investing activities	(472,553)	(193,423)
NET INCREASE IN CASH AND CASH EQUIVALENTS	153,206	(116,250)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	393,665	509,915
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 546,871	$ 393,665
SUPPLEMENTAL DISCLOSURES		
Interest paid	-	-
Income taxes paid	-	-
Noncash transactions- Inkind donations	$3,868	$187,516

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 FUNCTIONAL EXPENSES
Years Ended December 31, 2018 and 2017

2018	Program Services	General and Administrative	Fundraising	Totals
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

2017	Program Services	General and Administrative	Fundraising	Totals
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	7,578	1,421	474	9,473
Occupancy	20,822	3,904	1,301	26,028
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

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

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. The Organization has adopted 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

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

OTHER RECENT NEW MAJOR ACCOUNTING PRONOUNCEMENTS (Continued)

revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard provides a five-step analysis of transactions to determine 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 anticipates the adoption will have little impact on its 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.

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 $00 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

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, 2018 and 2017.

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 $11,088 and $5,536 for the years ended December 31, 2018 and 2017, 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

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TAX STATUS (Continued)

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 assts 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 1inputs 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:

	2018	2017
Various open-end mutual funds	$444,967	$53,640
Alternative mutual fund-Russell Commodity Strategy Fund	9,068	1,007
Raymond James cash funds	9,062	523
Wells Fargo Advisors certificates of deposit and cash	81,558	80,059
Fidelity Money Market	29,990	29,990
515.31 and 371.871 shs Federated Government Reserves	515	372
41 shs CSX Corp		2,255
375shs Fifth Third Bancorp		11,377
174 and 49 shs Apple, Inc.	27,447	8,293
	$602,607	$187,516

NOTE 3- INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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

	2018	2017
Dividends and interest	$7,823	$3,903
Unrealized gains (losses)	(21,412)	7,236
	$(13,589)	$11,139

NOTE 4 – PROPERTY AND EQUIPMENT

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

	2018	2017
Vehicles	$135,649	$128,849
Buildings and ranch improvements	291,156	289,056
Land	192,000	166,000
Equipment	39,258	38,108
	658,063	622,013
Less accumulated depreciation	200,196	168,713
	$ 457,867	$ 453,300

Depreciation expense was $31,483 and $27,677 for the years ended December 31, 2018 and 2017, respectively.

NOTE 5- 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 requires monthly payments of $833.33 to the Executive Director through January 2020. The Executive Director was paid $10,000 of rents for both 2018 and 2017. The lease agreement with the former Board President required monthly payments of $200 through December 2026, for which he was paid $1,400 through July 2017 at which time the former Board President terminated the lease and donated the property to the Organization.

NOTE 6 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 27, 2019, 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 7 – NET ASSETS WITH DONOR RESTRICTIONS

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

	2018	2017
Training/multi-purpose facility	$118,829	$88,629
Land purchase	25,000	
Nick's Legacy Fund- to provide funding for special animals' need situations	3,520	3,520
	$147,349	$92,149

NOTE 8– LIQUIDITY

Financial assets as of 12-31-18	$ 1,182,352
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	(147,349)
Financial assets available to meet cash needs for general expenditures within one year	$1,025,003

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.