PASADO'S SAFE HAVEN

FINANCIAL REPORT

JUNE 30, 2018

C O N T E N T S

petersonsullivan LLP
Certified Public Accountants
& Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Pasado's Safe Haven
Monroe, Washington

We have audited the accompanying financial statements of Pasado's Safe Haven, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, 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 fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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. Those standards require that we plan and perform the audit 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 Pasado's Safe Haven as of June 30, 2018 and 2017, 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.

Peterson Sullivan L.L.P.

September 26, 2018

601 Union Street
Suite 2300
Seattle, WA 98101

(206) 382-7777 MAIN
(206) 382-7700 FAX

pscpa.com

PASADO'S SAFE HAVEN

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

ASSETS	2018	2017
Current Assets		
Cash and cash equivalents	$ 1,113,945	$ 1,255,290
Investments	5,810,142	3,384,764
Receivables	426,560	14,176
Inventory	48,174	38,176
Prepaid expenses	57,866	49,716
Total current assets	7,456,687	4,742,122
Property and Equipment, net	2,626,405	2,175,454
Total assets	$ 10,083,092	$ 6,917,576

LIABILITIES AND NET ASSETS	2018	2017
Current Liabilities		
Accounts payable	$ 171,788	$ 97,812
Accrued salaries and benefits	113,669	105,573
Total current liabilities	285,457	203,385
Net Assets		
Unrestricted	9,369,032	6,424,027
Temporarily restricted	428,603	290,164
Total net assets	9,797,635	6,714,191
Total liabilities and net assets	$ 10,083,092	$ 6,917,576

See Notes to Financial Statements

PASADO'S SAFE HAVEN

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue						
Bequests	$ 2,995,709	$ -	$ 2,995,709	$ 3,242,567	$ -	$ 3,242,567
Grants	13,425	1,170,575	1,184,000	73,950	391,212	465,162
Contributions	918,503		918,503	643,335	76,455	719,790
Special events	333,346		333,346	253,277		253,277
Appeals	328,945		328,945	324,372		324,372
Investment income	259,577		259,577	184,516		184,516
Noncash contributions	235,054		235,054	139,104		139,104
Program fees	190,457		190,457	207,114		207,114
Sales, net of cost of goods sold	29,088		29,088	52,499		52,499
Loss on sale of property				(500)		(500)
Other income	6,582		6,582	6,791		6,791
Net assets released from restrictions	1,032,136	(1,032,136)		379,421	(379,421)	
Total support and revenue	6,342,822	138,439	6,481,261	5,506,446	88,246	5,594,692
Expenses						
Program services	2,743,080		2,743,080	2,446,741		2,446,741
Management and general	335,045		335,045	306,514		306,514
Fundraising	319,692		319,692	297,246		297,246
Total expenses	3,397,817		3,397,817	3,050,501		3,050,501
Change in net assets	**2,945,005**	**138,439**	**3,083,444**	**2,455,945**	**88,246**	**2,544,191**
Net Assets, beginning of year	6,424,027	290,164	6,714,191	3,968,082	201,918	4,170,000
Net Assets, end of year	$ 9,369,032	$ 428,603	$ 9,797,635	$ 6,424,027	$ 290,164	$ 6,714,191

See Notes to Financial Statements

PASADO'S SAFE HAVEN

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2018 and 2017

	2018				2017			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries, payroll taxes, and benefits	$ 1,529,289	$ 188,271	$ 166,790	$ 1,884,350	$ 1,396,991	$ 172,082	$ 157,252	$ 1,726,325
Supplies	410,786	6,529	7,142	424,457	440,810	10,125	10,482	461,417
In-kind expenses	188,610	37,539		226,149	121,396		12,964	134,360
Depreciation	159,540			159,540	140,698			140,698
Fundraising and marketing	41,445	52	93,836	135,333	8,604		76,876	85,480
Professional fees	61,979	40,502	29,018	131,499	1,979	72,130	2,528	76,637
Contract services	96,384	1,568		97,952	101,906	416	2,789	105,111
Repairs and maintenance	86,485	4,580	1,197	92,262	70,136	11,242	275	81,653
Taxes, licenses, and fees	17,568	17,409	14,672	49,649	33,659	4,176	18,887	56,722
Utilities	41,243	3,373	3,899	48,515	25,543	5,857	10,328	41,728
Travel	39,509	885	805	41,199	40,928	1,095	841	42,864
Insurance	37,065			37,065	36,647			36,647
Investment expense		27,169		27,169		12,478		12,478
Rent	8,237	4,388		12,625	5,244	4,389		9,633
Training and education	3,498	1,545	475	5,518	6,903	150	485	7,538
Advertising	2,710			2,710	572		260	832
Postage and shipping	220	923	1,098	2,241	266	732	3,104	4,102
Other	18,512	312	760	19,584	14,459	11,642	175	26,276
Total expenses	$ 2,743,080	$ 335,045	$ 319,692	$ 3,397,817	$ 2,446,741	$ 306,514	$ 297,246	$ 3,050,501

See Notes to Financial Statements

PASADO'S SAFE HAVEN

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	$ 3,083,444	$ 2,544,191
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Realized and unrealized gains on investments	(259,521)	(184,462)
Loss on the sale of property		500
Depreciation	159,540	140,698
Changes in operating assets and liabilities		
Receivables	(412,384)	14,680
Inventory	(9,998)	21,187
Prepaid expenses	(8,150)	(33,253)
Accounts payable	73,976	38,664
Accrued salaries and benefits	8,096	(34,031)
Cash flows from operating activities	2,635,003	2,508,174
Cash Flows from Investing Activities		
Purchase of investments	(2,165,857)	(2,364,473)
Purchase of property and equipment	(610,491)	(86,288)
Proceeds from sale of property		10,000
Cash flows from investing activities	(2,776,348)	(2,440,761)
Net change in cash and cash equivalents	**(141,345)**	**67,413**
Cash and Cash Equivalents, beginning of year	1,255,290	1,187,877
Cash and Cash Equivalents, end of year	$ 1,113,945	$ 1,255,290

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Significant Accounting Policies

Organization

Founded in 1993, Pasado's Safe Haven ("PSH") is a nonprofit animal welfare organization dedicated to ending animal cruelty. PSH's vision is a world where every animal is recognized as an individual who is free from abuse, abandonment, neglect, and exploitation.

PSH offers an integrated approach to ending suffering for companion and farmed animals. PSH's comprehensive programs include:

- Sanctuary: The 85-acre sanctuary is home to over 250 dogs, cats, and farmed animals, most of whom arrived from cases of cruelty or neglect.
- Cruelty Investigations and Rescue: PSH is improving the response to crimes against animals through investigations, rescue, and training programs.
- Outreach: PSH engages tens of thousands of people every year with online and sanctuary-based education and advocacy to help end animal suffering and grow compassion for animals.
- Homelessness Prevention: PSH is preventing shelter overpopulation and unnecessary euthanasia through spay and neuter, and food bank programs.

PSH strives to make a significant difference in the lives of animals and the people who love them. The following is a summary of PSH's general impact in 2018 (unaudited):

Sanctuary
- 250+ animals continued to live in peace and safety at our 85-acre sanctuary
- 188 animals were adopted into loving homes

Animal Cruelty Investigations and Rescue
- 436+ cases of cruelty and neglect investigated or resourced in counties across Washington state
- 5 highly specialized trainings held in Washoe County, Nevada, reaching law enforcement, prosecutors, and veterinarians, as well as two law enforcement youth academies.

Outreach
- 1,100+ students learned about compassion through PSH's C.A.R.E. education program
- 750+ volunteers logged more than 10,000 hours
- 5M+ people engaged through online and sanctuary-based education and advocacy opportunities

Homelessness Prevention
- 4,467 dogs and cats were spayed/neutered for income-qualified families
- 56.3 tons of pet food were distributed to families with pets in need

Animal cruelty is a complex issue, and we know that we have to have a thoughtful, coordinated response to work toward ending it. We believe our unique combination of programs fight the issue from every angle. We work not only to get laws changed; we also provide law enforcement and animal control with the training they need to enforce these laws effectively. We not only investigate animal cruelty and rescue animals from dire situations, but also provide sanctuary and medical treatment for these animals to heal while we work to place them in loving homes. We continue to work to educate the public about all the many ways they can help end animal cruelty, from reporting suspected abuse/neglect to spaying/neutering their animals, to eating plant-based diets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

Financial Statement Presentation

PSH reports 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. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor restrictions. As PSH had no permanently restricted net assets at June 30, 2018 or 2017, this class of net assets is not presented.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of unexpended contributions restricted for particular purposes or time periods. Temporarily restricted net assets are transferred to unrestricted net assets as expenditures are incurred for the restricted purpose or as time restrictions are met. Temporarily restricted net assets consist of the following at June 30:

	2018	2017
Capital campaign	$ 166,270	$ 50,000
Spay station - Pierce County	102,820	187,746
Development	57,110	
Spay station - Snohomish County	54,730	
Education and training	33,922	7,222
Outreach	7,000	
Food bank - Pierce County	6,751	35,806
Maintenance		7,890
Other purpose restrictions		1,500
	$ 428,603	$ 290,164

Fair Value Measurements

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

PSH reports its investments (discussed in Note 2) at fair value using Level 1 inputs (quoted prices on national exchanges).

Cash and Cash Equivalents

PSH considers highly liquid investments with an original maturity of three months or less to be cash equivalents (unless comingled with investments, see Note 2). PSH has amounts deposited with a financial institution in excess of federally insured limits.

Receivables

Receivables are stated at the outstanding principal balances and consist primarily of amounts due from bequests and pledges that are expected to be collected within one year. Management reviews the collectibility of contributions receivable (and all other receivables) on a periodic basis and determines the appropriate amount of any allowance. PSH charges off receivables to the allowance when management determines that a receivable is not collectible. At June 30, 2018, an amount receivable from one donor comprised 98% of total receivables.

Inventory

Inventory is stated at the lower of average cost or net realizable value, and consists of merchandise to be sold through PSH's gift shop, dog and cat food stored in the food bank, and veterinary supplies used by PSH's in-house veterinarian.

Property and Equipment

Property and equipment are recorded at cost if purchased, or at fair value at the date of receipt if donated (unless the estimated future undiscounted cash flows expected to result from either the use of an asset or its eventual disposition is less than the carrying amount, in which case an impairment loss is recognized based on the fair value of the asset). PSH's policy is to capitalize assets with a cost greater than $2,500 and a useful life greater than three years. Depreciation of property and equipment is computed by the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	7 - 39 years
Land improvements	15 - 20 years
Machinery and equipment	5 - 10 years
Vehicles	3 - 6 years
Temporary structures and improvements	3 - 7 years
Furniture and fixtures	5 - 10 years

Contribution and Grant Revenue Recognition

Contributions and grants are recorded when unconditionally pledged as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. During the year ended June 30, 2018, contributions from one donor comprised 13% of total revenue. No similar concentrations existed in 2017.

Bequest Revenue Recognition

PSH records bequests as revenue after (1) the death of the donor, (2) PSH is notified by the executor as to the amount of the bequest to be received, and (3) the estate has passed through probate. During the year ended June 30, 2018, bequests from two donors comprised 29% of total revenue. During the year ended June 30, 2017, bequests from one donor comprised 47% of total revenue.

Program Fee Revenue Recognition

Program fees are earned primarily through adoption fees and spay station services. Program fee revenue is recognized when the adoption or service takes place.

Noncash Contributions

Noncash contributions consist of donated legal services as well as donated vehicles and food for animals. Revenue for vehicle donations is recognized upon sale of the vehicles. PSH waits to recognize the revenue for vehicle donations because it is otherwise difficult to determine an appropriate value. Revenue for donated animal food is recognized at fair value on the donation date.

A substantial number of unpaid volunteers have made significant contributions of their time to develop PSH's programs, principally in assisting operations and fundraising events. The value of this contributed time is not reflected in these statements, as it does not meet accounting requirements for recognition.

Functional Allocation of Expenses

The costs of providing the various program services and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated between the program and supporting services benefited.

Income Taxes

PSH is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Subsequent Events

PSH has evaluated subsequent events through the date these financial statements were available to be issued, which was September 26, 2018.

Reclassifications

Certain items from the June 30, 2017, financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no impact on net assets or changes in net assets as previously reported.

Note 2. Investments

Investments are reported at fair value in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Investments consist of the following at June 30:

	2018	2017
Cash and money market funds	$ -	$ 18,056
Certificates of deposit	492,434	1,383,317
Exchange-traded funds		
Small blend	409,568	185,825
Large blend	389,984	180,979
Large value	303,548	134,670
Intermediate-term bond	297,121	134,938
Mid-cap blend	285,328	120,144
World bond	231,369	95,076
Mutual funds		
Large growth	1,373,752	388,247
World allocation	745,924	351,555
World large stock	338,802	162,089
Diversified emerging markets	298,011	132,859
Small growth	255,203	
Multisector bonds	208,523	97,009
Mid growth	180,575	
	$ 5,810,142	$ 3,384,764

Investment income consists of the following for the years ended June 30:

	2018	2017
Unrealized gains	$ 259,730	$ 183,462
Realized gains (losses)	(209)	1,000
Interest and dividends	56	54
	$ 259,577	$ 184,516

Note 3. Property and Equipment

Property and equipment consists of the following at June 30:

	2018	2017
Buildings and improvements	$ 1,489,316	$ 1,479,627
Machinery and equipment	384,555	249,890
Mobile clinics (spay stations)	364,364	353,422
Vehicles	164,438	154,884
Temporary structures and improvements	141,398	141,398
Furniture and fixtures	33,430	26,774
	2,577,501	2,405,995
Less: accumulated depreciation	(1,748,478)	(1,588,938)
	829,023	817,057
Land	1,298,492	1,298,492
Construction in progress	498,890	59,905
	$ 2,626,405	$ 2,175,454

As of June 30, 2018, construction in progress is for a new cow barn being constructed at PSH's sanctuary as well as additional upgrades to the sanctuary planned to be completed in several phases over the next several years. As of June 30, 2017, construction in progress related to the development of upgrades to the sanctuary.