

**PEACEFUL VALLEY DONKEY RESCUE, INC.**

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FINANCIAL STATEMENTS  
and  
INDEPENDENT AUDITORS' REPORT

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YEARS ENDED DECEMBER 31, 2016 AND 2015

**PEACEFUL VALLEY DONKEY RESCUE, INC.**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Peaceful Valley Donkey Rescue, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, 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, Inc. as of December 31, 2016 and 2015, 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.

### **Report on Supplementary Information**

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 12 and 13 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, P.C.**

Abilene, Texas  
May 3, 2017

## **FINANCIAL STATEMENTS**

PEACEFUL VALLEY DONKEY RESCUE, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

<b>ASSETS</b>	<u>2016</u>	<u>2015</u>
Current assets:		
Cash	\$ 734,240	\$ 513,727
Inventory	8,412	13,382
Investments	14,564	
Total current assets	<u>757,216</u>	<u>527,109</u>
Non-current assets:		
Property and equipment, net of accumulated depreciation	<u>864,688</u>	<u>821,264</u>
Total non-current assets	<u>864,688</u>	<u>821,264</u>
<b>Total Assets</b>	<b>\$ <u>1,621,904</u></b>	<b>\$ <u>1,348,373</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 57,286	\$ 17,584
Other liabilities	2,915	7,532
Notes payable - current	35,969	30,240
Total current liabilities	<u>96,170</u>	<u>55,356</u>
Non-current liabilities:		
Notes payable - non-current	<u>260,976</u>	<u>246,823</u>
	<u>260,976</u>	<u>246,823</u>
Total liabilities	<u>357,146</u>	<u>302,179</u>
Net assets:		
Unrestricted	<u>1,264,758</u>	<u>1,046,194</u>
Total net assets	<u>1,264,758</u>	<u>1,046,194</u>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>1,621,904</u></b>	<b>\$ <u>1,348,373</u></b>

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

**PEACEFUL VALLEY DONKEY RESCUE, INC.**

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Support</b>		
Contributions	\$ 463,288	\$ 287,541
Bequests	138,328	231,017
Merchandise sales	3,286	7,535
Fund raising	<u>2,272,979</u>	<u>2,222,297</u>
Total support	<u>2,877,881</u>	<u>2,748,390</u>
<b>Expenses</b>		
Program Services	1,769,691	1,667,884
Supporting Services:		
Management and general	225,666	204,397
Fund-raising	<u>643,196</u>	<u>857,331</u>
Total Expenses	<u>2,638,553</u>	<u>2,729,612</u>
Net Income from Operations	239,328	18,778
<b>Other Income (Expense)</b>		
Interest expense	(21,470)	(37,604)
Unrealized gain on investments	2,616	
Gain on sale of assets	<u>(1,910)</u>	<u>1,000</u>
Total other income (expense)	<u>(20,764)</u>	<u>(36,604)</u>
<b>Change in Net Assets</b>	218,564	(17,826)
Net Assets, Beginning of Year	<u>1,046,194</u>	<u>1,064,020</u>
<b>Net Assets, End of Year</b>	<u>\$ 1,264,758</u>	<u>\$ 1,046,194</u>

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

**PEACEFUL VALLEY DONKEY RESCUE, INC.**

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2016 and 2015

	2016	2015
<b>Cash flows from operating activities</b>		
Change in net assets from operations	\$ 239,328	\$ 18,778
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	39,908	43,413
Unrealized gain on investments	(2,616)	
(Increase) Decrease in operating assets		
Inventory	4,970	(6,074)
Increase (Decrease) in operating liabilities		
Accounts payable	39,702	(45,044)
Other liabilities	(4,617)	3,192
	<u>316,675</u>	<u>14,265</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(93,374)	(19,128)
Disposal of property and equipment	10,748	
Purchase of investments	(11,948)	
Proceeds from sale of assets		1,000
	<u>(94,574)</u>	<u>(18,128)</u>
<b>Cash flows from financing activities</b>		
Interest expense	(21,470)	(37,604)
Proceeds from note payable	52,377	
Payment on note payable	(32,495)	(127,239)
	<u>(1,588)</u>	<u>(164,843)</u>
<b>Net increase in cash and cash equivalents</b>	220,513	(168,706)
Cash and cash equivalents at beginning of year	<u>513,727</u>	<u>682,433</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 734,240</u>	<u>\$ 513,727</u>
 Supplemental items		
Interest paid	<u>\$ 21,470</u>	<u>\$ 37,604</u>

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



**PEACEFUL VALLEY DONKEY RESCUE, INC.**

NOTES TO FINANCIAL STATEMENTS

**NOTE 1: ORGANIZATION AND PURPOSE**

Peaceful Valley Donkey Rescue, Inc. (the Organization) is a not-for-profit organization with its primary office location in San Angelo, Texas as well as volunteer operated facilities in California, Oregon, Arizona, Oklahoma, Iowa, Virginia, North Carolina, South Carolina, Florida, Tennessee, and Washington. 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, Inc. 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 five years.

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, INC.**

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 2016 or 2015.

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 Federal Form 990 is generally no longer open for review by the Internal Revenue Service for years prior to 2013.

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 market. The difference between cost and market is not considered material.

Functional Expenses/Joint Costs

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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, INC.

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 2016 and 2015 the Organization used the services of a direct mail organization, Eberle Communications Group, formerly Fund Raising Strategies, Inc. The annual cost expended was \$917,992 and \$1,012,725, while the gross revenue raised was \$2,272,979 and \$2,222,297 for the years ended December 31, 2016 and 2015, respectively.

**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, 2016, the Organization had deposits which exceeded the FDIC limit by a total of \$65,147 at First Financial Bank and \$210,597 at United Bank, but the Organization feels the risk of loss is minimal. As of December 31, 2015, the Organization had deposits which exceeded the FDIC limit by a total of \$61,893 at United Bank.

**NOTE 4: INVESTMENTS**

The Organization has adopted SFAS ASC 958-320-50 *Accounting for Certain Investments held by Not-for-Profit Organizations*. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assts.

The Organization received stock during the year ended December 31, 2016. Below shows the cost and market value of the stock.

	Cost	Market Value
<b>2016</b>		
Investments	<u>          </u>	<u>          </u>
Stock	\$ 11,948	\$ 14,564

**PEACEFUL VALLEY DONKEY RESCUE, INC.**

NOTES TO FINANCIAL STATEMENTS

**NOTE 5: LAND, BUILDINGS AND EQUIPMENT**

Property and equipment consisted of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 700,000	\$ 700,000
Buildings	44,815	44,815
Leasehold improvements	14,500	14,500
Automotive equipment	126,288	154,396
Machinery and equipment	201,593	169,622
Furniture and equipment	1,488	1,488
Office equipment	1,691	1,691
	<u>1,090,375</u>	<u>1,086,512</u>
Less: Accumulated Depreciation	<u>225,687</u>	<u>265,248</u>
Net Property and equipment	<u>\$ 864,688</u>	<u>\$ 821,264</u>

Depreciation expense for the year ended December 31, 2016 and 2015 was \$39,908 and \$43,413, respectively.

**NOTE 6: DEBT**

	<u>2016</u>	<u>2015</u>
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.	6,358	16,696
Note payable to John Deere Credit, secured by a John Deere mower, payable at \$122 per month including interest at 4.9%. The note matures in May 2017.	4,164	9,220
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 matures in December 2026.	236,299	251,147
Note payable to Ford Motor Credit, secured by a 2016 Ford F-350, payable at \$1,025 per month including interest at 6.39%. The note matures in September 2021.	<u>50,124</u>	<u>-</u>
	296,945	277,063
Less current payable	35,969	59,391
Long-term payable	<u>\$ 260,976</u>	<u>\$ 217,672</u>

**PEACEFUL VALLEY DONKEY RESCUE, INC.**

NOTES TO FINANCIAL STATEMENTS

**NOTE 6: DEBT - continued**

The following is a schedule of maturities as of December 31, 2016:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 35,969	\$ 21,438	\$ 57,407
2018	27,398	19,303	46,701
2019	29,501	17,201	46,702
2020	31,763	14,938	46,701
2021	31,059	12,513	43,572
2022-2026	<u>141,255</u>	<u>30,623</u>	<u>171,878</u>
	<u>\$ 296,945</u>	<u>\$ 116,016</u>	<u>\$ 412,961</u>

**NOTE 7: RETIREMENT**

The Organization contributed \$7,136 and \$5,903 to the simple IRA defined contribution retirement account for employees. The Organization matches up to 3% of employee's salary toward this plan each year for all employees who are reasonably expected to receive at least \$5,000 in compensation for the year.

**NOTE 8: HEALTH INSURANCE**

The Organization spent \$50,455 and \$47,413 toward health insurance for employees for the year ended December 31, 2016 and 2015, respectively.

**NOTE 9: 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 continued 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. This loan was paid in full during the year ended December 31, 2015.

**NOTE 10: 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, 2016 and 2015, 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 except for investments in stock. Financial instruments consist of cash and cash equivalents, investments, accounts payable and payroll-related accruals.

**PEACEFUL VALLEY DONKEY RESCUE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

***NOTE 11: SUBSEQUENT EVENTS***

The Organization entered into a note agreement with Ford Motor Credit for the purchase of a 2017 Ford F-350 on January 13, 2017. Payments of \$1,148 are due monthly including interest of 6.39%. The note is secured by the vehicle and matures in February 2022.

***NOTE 12: DATE OF MANAGEMENT'S REVIEW***

Subsequent events were evaluated through May 3, 2017, the financial statements issuance date.

**SUPPLEMENTARY INFORMATION**

**PEACEFUL VALLEY DONKEY RESCUE**

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended December 31, 2016

	Supporting Services				
	Program Services	Management and General	Fund Raising	Total Supporting Services	Combined Total
Salaries and wages	\$ 260,904	\$ 92,179	\$ 16,614	\$ 108,793	\$ 369,697
Payroll taxes	20,403	7,208	1,299	8,507	28,910
Employee benefits	63,546	22,451	4,047	26,498	90,044
Total payroll expenses	344,853	121,838	21,960	143,798	488,651
Animal care	922,833				922,833
Bank fees	3,852	17,328	7,324	24,652	28,504
Depreciation	39,908				39,908
Direct mail	328,190	11,132	613,813	624,945	953,135
Gift shop		13,095		13,095	13,095
Insurance		17,578		17,578	17,578
Miscellaneous	1,546	544	99	643	2,189
Office expense		14,768		14,768	14,768
Permits, fees, and taxes		20		20	20
Postage and printing		6,392		6,392	6,392
Professional fees		22,971		22,971	22,971
Public awareness	13,447				13,447
Repair and maintenance	82,145				82,145
Utilities	32,917				32,917
Total Expenses	\$ 1,769,691	\$ 225,666	\$ 643,196	\$ 868,862	\$ 2,638,553



**PEACEFUL VALLEY DONKEY RESCUE**

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended December 31, 2015

	Supporting Services				
	Program Services	Management and General	Fund Raising	Total Supporting Services	Combined Total
Salaries and wages	\$ 207,458	\$ 88,640	\$ 15,701	\$ 104,341	\$ 311,799
Payroll taxes	14,537	6,211	1,101	7,312	21,849
Employee benefits	59,291	25,333	4,487	29,820	89,111
Total payroll expenses	281,286	120,184	21,289	141,473	422,759
Animal care	1,012,957				1,012,957
Bank fees	1,856	16,729	9,044	25,773	27,629
Depreciation	43,413				43,413
Direct mail	169,743	11,455	826,891	838,346	1,008,089
Gift shop		212		212	212
Insurance		15,350		15,350	15,350
Miscellaneous	1,421	607	107	714	2,135
Office expense		10,318		10,318	10,318
Permits, fees, and taxes		60		60	60
Postage and printing		5,425		5,425	5,425
Professional fees		24,057		24,057	24,057
Public awareness	28,948				28,948
Repair and maintenance	99,961				99,961
Utilities	28,299				28,299
Total Expenses	\$ 1,667,884	\$ 204,397	\$ 857,331	\$ 1,061,728	\$ 2,729,612