

**PEACEFUL VALLEY DONKEY RESCUE, INC.**

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FINANCIAL STATEMENTS  
and  
INDEPENDENT AUDITORS' REPORT

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YEARS ENDED DECEMBER 31, 2018 AND 2017

**PEACEFUL VALLEY DONKEY RESCUE, INC.**

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# Merritt, McLane & Hamby, P.C.

401 Cypress Street, Suite 303  
Abilene, TX 79601

## 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, 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 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, 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 of America.

*Merritt, McLane & Hamby, P.C.*

**MERRITT, MCLANE & HAMBY, P.C.**

Abilene, Texas  
March 15, 2019

## **FINANCIAL STATEMENTS**

**PEACEFUL VALLEY DONKEY RESCUE, INC.**

**STATEMENTS OF FINANCIAL POSITION**

December 31, 2018 and 2017

<b>ASSETS</b>	<u>2018</u>	<u>2017</u>
Current assets:		
Cash	\$ 2,936,286	\$ 1,104,742
Accounts receivable	17,782	17,954
Prepaid assets	8,733	10,036
Inventory	19,933	11,679
Investments	194,528	168,714
Other assets	85	
Total current assets	<u>3,177,347</u>	<u>1,313,125</u>
Non-current assets:		
Property and equipment, net of accumulated depreciation	<u>1,484,766</u>	<u>1,207,716</u>
Total non-current assets	<u>1,484,766</u>	<u>1,207,716</u>
<b>Total Assets</b>	<b><u>\$ 4,662,113</u></b>	<b><u>\$ 2,520,841</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 210,147	\$ 115,704
Other liabilities	10,653	8,886
Notes payable - current	61,509	46,166
Total current liabilities	<u>282,309</u>	<u>170,756</u>
Non-current liabilities:		
Notes payable - non-current	<u>278,243</u>	<u>314,804</u>
	<u>278,243</u>	<u>314,804</u>
Total liabilities	<u>560,552</u>	<u>485,560</u>
Net assets:		
Without donor restrictions	<u>4,101,561</u>	<u>2,035,281</u>
Total net assets	<u>4,101,561</u>	<u>2,035,281</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 4,662,113</u></b>	<b><u>\$ 2,520,841</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Support</b>		
Contributions	\$ 750,855	\$ 559,967
Bequests	2,041,847	391,095
Merchandise sales	15,116	3,434
Fund raising	4,191,279	3,258,671
Total support	<u>6,999,097</u>	<u>4,213,167</u>
<b>Expenses</b>		
Program Services	3,532,106	2,208,552
Supporting Services:		
Management and general	275,805	255,526
Fund-raising	1,109,750	982,717
Total Expenses	<u>4,917,661</u>	<u>3,446,795</u>
Net Income from Operations	2,081,436	766,372
<b>Other Income (Expense)</b>		
Interest expense	(26,989)	(23,984)
Unrealized gain on investments	11,833	23,314
Gain on sale of assets		4,821
Total other income (expense)	<u>(15,156)</u>	<u>4,151</u>
<b>Change in Net Assets</b>	2,066,280	770,523
Net Assets, Beginning of Year	<u>2,035,281</u>	<u>1,264,758</u>
<b>Net Assets, End of Year</b>	<u>\$ 4,101,561</u>	<u>\$ 2,035,281</u>

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

**PEACEFUL VALLEY DONKEY RESCUE**

**STATEMENTS OF FUNCTIONAL EXPENSES**

For the Years Ended December 31, 2018 and 2017

	2018				
	<u>Supporting Services</u>				
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Supporting Services</u>	<u>Combined Total</u>
Salaries and wages	\$ 425,675	\$ 99,894	\$ 17,716	\$ 117,610	\$ 543,285
Payroll taxes	33,651	7,897	1,400	9,297	42,948
Employee benefits	113,903	26,730	4,740	31,470	145,373
Total payroll expenses	<u>573,229</u>	<u>134,521</u>	<u>23,856</u>	<u>158,377</u>	<u>731,606</u>
Animal care	1,480,059				1,480,059
Bank fees	20,980	1,554	19,860	21,414	42,394
Depreciation	108,040				108,040
Direct mail	1,085,222	36,466	1,065,929	1,102,395	2,187,617
Gift shop		3,221		3,221	3,221
Insurance		41,671		41,671	41,671
Miscellaneous	2,507	588	105	693	3,200
Office expense		17,907		17,907	17,907
Permits, fees, and taxes		902		902	902
Postage and printing		7,290		7,290	7,290
Professional fees		31,685		31,685	31,685
Public awareness	57,102				57,102
Repair and maintenance	163,787				163,787
Utilities	41,180				41,180
Total Expenses	<u>\$ 3,532,106</u>	<u>\$ 275,805</u>	<u>\$ 1,109,750</u>	<u>\$ 1,385,555</u>	<u>\$ 4,917,661</u>

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

2017

Supporting Services				
Program Services	Management and General	Fund Raising	Total Supporting Services	Combined Total
\$ 326,035	\$ 95,759	\$ 17,158	\$ 112,917	\$ 438,952
25,868	7,598	1,361	8,959	34,827
73,497	21,587	3,867	25,454	98,951
<u>425,400</u>	<u>124,944</u>	<u>22,386</u>	<u>147,330</u>	<u>572,730</u>
1,055,395				1,055,395
6,108	8,054	11,617	19,671	25,779
56,919				56,919
498,093	15,351	948,534	963,885	1,461,978
	5,219		5,219	5,219
	25,479		25,479	25,479
3,413	1,002	180	1,182	4,595
	13,468		13,468	13,468
	177		177	177
	4,674		4,674	4,674
	57,158		57,158	57,158
5,421				5,421
116,781				116,781
41,022				41,022
<u>\$ 2,208,552</u>	<u>\$ 255,526</u>	<u>\$ 982,717</u>	<u>\$ 1,238,243</u>	<u>\$ 3,446,795</u>

**PEACEFUL VALLEY DONKEY RESCUE, INC.**

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Change in net assets from operations	\$ 2,081,436	\$ 766,372
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	108,040	56,919
(Increase) Decrease in operating assets		
Inventory	(8,254)	(3,267)
Accounts receivable	172	(17,954)
Other assets	1,218	(10,036)
Increase (Decrease) in operating liabilities		
Accounts payable	94,443	58,418
Other liabilities	1,767	5,971
	<u>2,278,822</u>	<u>856,423</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(385,090)	(444,355)
Disposal of property and equipment		72,543
Purchase of investments	(13,981)	(154,150)
	<u>(399,071)</u>	<u>(525,962)</u>
<b>Cash flows from financing activities</b>		
Interest expense	(26,989)	(23,984)
Proceeds from note payable	39,542	151,791
Payment on note payable	(60,760)	(87,766)
	<u>(48,207)</u>	<u>40,041</u>
<b>Net increase in cash and cash equivalents</b>	1,831,544	370,502
Cash and cash equivalents at beginning of year	<u>1,104,742</u>	<u>734,240</u>
<b>Cash and cash equivalents at end of year</b>	\$ <u><u>2,936,286</u></u>	\$ <u><u>1,104,742</u></u>
 Supplemental items		
Interest paid	\$ <u><u>26,989</u></u>	\$ <u><u>23,984</u></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 two classes of net assets: with donor restrictions and without donor restrictions. 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 support with donor restrictions. 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 support with donor restrictions or without donor restrictions, 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 contributions without donor restrictions.

All donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a 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. There were no contributions with donor restrictions in 2018 or 2017.

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 informational 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 2015.

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 2018 and 2017 the Organization used the services of a direct mail organization, Eberle Communications Group, formerly Fund Raising Strategies, Inc. The annual cost expended was \$2,187,617 and \$1,461,978, which was allocated between program services, administration and fundraising as shown on the statements of functional expenses. Gross revenue raised was \$4,191,279 and \$3,258,671 for the years ended December 31, 2018 and 2017, respectively.

**NOTE 3: LIQUIDITY**

The Organization has \$3,168,614 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures, consisting of cash of \$2,936,286, investments of \$194,528, accounts receivable of \$17,782, inventory of \$19,933, and other assets of \$85. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The accounts receivable are subject to implied time restrictions with the majority expected to be collected within 30 days. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**NOTE 4: 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, 2018, the Organization had deposits which exceeded the FDIC limit by a total of \$2,080,447 at First Financial Bank and \$459,508 at United Bank, but the Organization feels the risk of loss is minimal. As of December 31, 2017, the Organization had deposits which exceeded the FDIC limit by a total of \$281,230 at First Financial Bank and \$339,230 at United Bank.

**NOTE 5: 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 assets. The following shows the cost and market value of the investments.

December 31, 2018		
Investments	Cost	Market Value
Equities and cash	\$ 156,766	\$ 194,528
December 31, 2017		
Equities and cash	142,785	168,714

**PEACEFUL VALLEY DONKEY RESCUE, INC.**

NOTES TO FINANCIAL STATEMENTS

**NOTE 6: LAND, BUILDINGS AND EQUIPMENT**

Property and equipment consisted of the following at December 31, 2018 and 2017:

	2018	2017
Land	\$ 700,000	\$ 700,000
Buildings	289,928	289,928
Leasehold improvements	99,626	14,500
Automotive equipment	380,694	229,471
Machinery and equipment	392,016	243,275
Furniture and equipment	1,488	1,488
Office equipment	1,691	1,691
	1,865,443	1,480,353
Less: Accumulated Depreciation	380,677	272,637
Net Property and equipment	\$ 1,484,766	\$ 1,207,716

Depreciation expense for the year ended December 31, 2018 and 2017 was \$108,040 and \$56,919, respectively.

**NOTE 7: DEBT**

	2018	2017
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.	\$ 200,289	\$ 221,607
Note payable to John Deere Financial, secured by a 314 G Skid Steer Loader, payable at \$1,098 per month. The note is a 0% interest note. The note matures in January 2021.	27,460	
Note payable to Ford Motor Credit, secured by a 2017 Ford F-350, payable at \$1,148 per month including interest at 6.39%. The note matures in January 2022.	38,445	49,380
Note payable to Ford Motor Credit, secured by a 2017 Ford F-350, payable at \$1,083 per month including interest at 6.89%. The note matures in September 2022.	42,774	52,416
Note payable to Ford Motor Credit, secured by a 2017 Ford F-250, payable at \$763 per month including interest at 6.89%. The note matures in October 2022.	30,784	37,567
	339,752	360,970
Less current payable	61,509	46,166
Long-term payable	\$ 278,243	\$ 314,804

**PEACEFUL VALLEY DONKEY RESCUE, INC.**

NOTES TO FINANCIAL STATEMENTS

**NOTE 7: DEBT - continued**

The following is a schedule of maturities as of December 31, 2018:

	Principal	Interest	Total
2019	\$ 61,509	\$ 22,009	\$ 83,518
2020	65,106	18,412	83,518
2021	56,924	14,512	71,436
2022	42,234	10,696	52,930
2023	26,233	8,170	34,403
2024-2026	87,746	10,721	98,467
	<u>\$ 339,752</u>	<u>\$ 84,520</u>	<u>\$ 424,272</u>

**NOTE 8: RETIREMENT**

During the years ended December 31, 2018 and 2017, the Organization contributed \$7,734 and \$7,021, respectively, 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 9: HEALTH INSURANCE**

The Organization spent \$116,170 and \$71,546 toward health insurance for employees for the year ended December 31, 2018 and 2017, respectively.

**NOTE 10: FINANCIAL INSTRUMENTS**

Fair Value Measurements

Accounting principles generally accepted in the United States of America require the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A fair value hierarchy exists for valuation inputs that give the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

**PEACEFUL VALLEY DONKEY RESCUE, INC.**

NOTES TO FINANCIAL STATEMENTS

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

**NOTE 10: FINANCIAL INSTRUMENTS - continued**

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (for example: interest rates, volatilities, prepayment speeds, loss severities, credit risks and default rates) or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Significant unobservable inputs that reflect an entity’s own assumptions that market participants would use in pricing the assets or liabilities.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below:

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally-developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value.

While management believes the Corporation’s valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Cash and cash equivalents – The carrying amount reported in the statement of financial position approximates fair value because of the short maturity of those instruments.

Investments – The fair value of investments in equities approximates fair value because of the active market for the equities. Investments are reported at fair value utilizing Level I inputs (market value) as reported by Edward Jones.

Inventory – The carrying amount reported in the statement of financial position approximates fair value due to the short-term nature of the inventory.

Accounts payable – The carrying amount reported in the statement of financial position approximates fair value due to the short-term nature of the liability.

The estimated fair values of the Corporation’s financial instruments are as follows:

December 31, 2018	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 2,936,286	\$ 2,936,286
Investments	194,528	194,528
Accounts receivable	17,782	17,782
Other assets	8,818	8,818
Inventory	19,933	19,933
Accounts payable	210,147	210,147

**PEACEFUL VALLEY DONKEY RESCUE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

***NOTE 10: FINANCIAL INSTRUMENTS - continued***

December 31, 2017	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 1,104,742	\$ 1,104,742
Investments	168,714	168,714
Accounts receivable	17,954	17,954
Other assets	10,036	10,036
Inventory	11,679	11,679
Accounts payable	115,704	115,704

***NOTE 11: DATE OF MANAGEMENT'S REVIEW***

Subsequent events were evaluated through March 15, 2019, the financial statements issuance date.