

CATSKILL ANIMAL SANCTUARY, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2014

CATSKILL ANIMAL SANCTUARY, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Catskill Animal Sanctuary
316 Old Stage Road
Saugerties, New York 12477

We have audited the accompanying financial statements of Catskill Animal Sanctuary, Inc. (the Organization) which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Catskill Animal Sanctuary, Inc. as of December 31, 2014, and the related statements of activities and changes in its net assets, functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Sickler, Torchia, Allen & Churchill, CPA's, PC
Lake Katrine, NY
August 4, 2015

CATSKILL ANIMAL SANCTUARY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014

ASSETS

Current Assets

Cash and cash equivalents-unrestricted	\$ 265,280
Cash and cash equivalents-restricted	46,251
Investments	649,620
Contributions receivable (net)	740,632
Inventory	24,922
Prepays and other assets	<u>19,296</u>
Total Current Assets	<u>1,746,001</u>

Property and equipment (net)	<u>2,346,390</u>
Total Assets	<u><u>\$ 4,092,391</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 11,997
Accrued expenses	<u>38,052</u>
Total Current Liabilities	<u>50,049</u>

Long Term Liabilities

Total Liabilities	<u>-</u> <u>50,049</u>
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Net Assets

Unrestricted	
Designated	-
Operations restated	1,649,701
Property & equipment	<u>2,346,390</u>
Total Unrestricted Net Assets	<u>3,996,091</u>
Temporarily restricted	46,251
Permanently restricted	<u>-</u>
Total Net Assets	<u>4,042,342</u>
Total Liabilities & Net Assets	<u><u>\$ 4,092,391</u></u>

See accountants report and notes to financial statements.

CATSKILL ANIMAL SANCTUARY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
DECEMBER 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>REVENUES AND SUPPORT</u>				
Contributions	\$ 1,425,202	117,375	-	\$ 1,542,577
Program service revenue	315,889	-	-	315,889
Interest income	1,019	-	-	1,019
Other revenue	2,423	-	-	2,423
	<u>1,744,533</u>	<u>117,375</u>	<u>-</u>	<u>1,861,908</u>
<u>Net assets released from restrictions</u>				
Satisfaction of Program Restriction	<u>71,124</u>	<u>(71,124)</u>	<u>-</u>	<u>-</u>
 Total Revenues and Support	 <u>1,815,657</u>	 <u>46,251</u>	 <u>-</u>	 <u>1,861,908</u>
<u>EXPENSES</u>				
Program service expenses	1,007,355	-	-	1,007,355
General and administrative expenses	180,635	-	-	180,635
Fundraising	85,999	-	-	85,999
Total Expenses	<u>1,273,989</u>	<u>-</u>	<u>-</u>	<u>1,273,989</u>
 Change in net assets	 541,668	 46,251	 -	 587,919
<u>Other changes in net assets</u>				
Unrealized gain (loss) on investments	3,791	-	-	3,791
 Net assets beginning of year	 <u>3,450,632</u>	 <u>-</u>	 <u>-</u>	 <u>3,450,632</u>
Net assets end of year	<u>\$ 3,996,091</u>	<u>46,251</u>	<u>-</u>	<u>\$ 4,042,342</u>

See accountants report and notes to financial statements.

CATSKILL ANIMAL SANCTUARY, INC.
STATEMENT OF CASH FLOWS
DECEMBER 31, 2014

<u>Cash Flows from Operating Activities</u>	
Cash received from contributions and fundraising	\$ 849,120
Cash paid for program service fees	315,889
Cash paid to employees and suppliers	(1,159,926)
Interest income	1,019
Other income	<u>6,992</u>
Net Cash Provided (Used) by Operating Activities	<u>13,094</u>
 <u>Cash Flows from Investing Activities</u>	
Proceeds from sale of assets	3,000
Proceeds from sale of investments	15,405
Purchase of investments	(652,224)
Purchase of land, buildings, and equipment	<u>(147,695)</u>
Net Cash Used by Investing Activities	<u>(781,514)</u>
 Net increase (decrease) in cash and cash equivalents	 (768,420)
Cash and cash equivalents at beginning of year	<u>1,079,951</u>
Cash and cash equivalents at end of year	<u>\$ 311,531</u>
 <u>Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities</u>	
Change in net assets	\$ 587,919
 <u>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities</u>	
Depreciation	80,075
Unrealized gain on investments	3,067
Decrease (Increase) in grants and contracts receivable	(693,457)
(Decrease) Increase in inventory	5,551
Decrease (Increase) in prepaid expenses	(2,994)
(Decrease) Increase in accounts payable	6,952
(Decrease) Increase in accrued expenses	<u>25,981</u>
Total Adjustments	<u>(574,825)</u>
Net Cash Provided by Operating Activities	<u>\$ 13,094</u>

See accountants report and notes to financial statements.

CATSKILL ANIMAL SANCTUARY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
DECEMBER 31, 2014

	Program	General and Administrative	Fundraising	Total
Salaries and payroll expenses	\$ 541,520	97,838	35,386	\$ 674,744
Advertising	15,131	1,360	-	16,491
Animal care and supplies	212,242	-	-	212,242
Farm repairs and maintenance	61,571	-	-	61,571
Utilities	22,016	10,249	-	32,265
Office expense	45,151	29,006	14,203	88,360
Contract services	4,925	34,076	300	39,301
Education	8,921	-	-	8,921
Fundraising events and merchandise	7,931	4,832	16,156	28,919
Insurance and property taxes	7,872	3,274	-	11,146
Depreciation and amortization	80,075	-	-	80,075
Bad debt expense	-	-	19,954	19,954
Total Expenses	<u>\$ 1,007,355</u>	<u>180,635</u>	<u>85,999</u>	<u>\$ 1,273,989</u>

See accountants report and notes to financial statements.

CATSKILL ANIMAL SANCTUARY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1- ORGANIZATION AND NATURE OF ACTIVITIES

Catskill Animal Sanctuary, Inc. is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code. The Organization is incorporated in the State of New York.

Catskill Animal Sanctuary, Inc. was organized to provide a safe haven for abused, abandoned and neglected farm animals, to raise awareness of the treatment of these animals and its impact on the environment, and to serve as an educational resource to schools and other community organizations.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statement Presentation

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

The cost of providing the Organization's various programs, supporting services and fundraising has been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The Organization follows FASB ASC 958-210. Accordingly, the Organization is required to report information regarding its financial position and activities according to the following three classes of net assets:

Unrestricted Net Assets — Unrestricted net assets generally result from assets derived from providing services, receiving unrestricted contributions, realized gains, assets, less expenses incurred in providing services, raising contributions and performing administrative functions.

Temporarily Restricted Net Assets —Temporarily restricted net assets generally result from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently Restricted Net Assets — Permanently restricted net assets consist of endowment fund investments to be held indefinitely, the income of which is expendable to support program and operating activities.

Estimates

The preparation of financial statements in accordance 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.

See accountants report.

CATSKILL ANIMAL SANCTUARY, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Investments

The Organization has adopted FASB ASC 958-320, Not-for-Profit Entities: Investments-Debt and Equity Securities. Under this statement, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

Property and Equipment

Purchased property and equipment is stated at cost, and depreciated on a straight-line basis over the estimated useful lives of the assets. Additions, renewals, and improvements are capitalized.

Inventory

Inventory is recorded at the lower of cost (average cost method) or market, determined by the first-in-first-out (FIFO) method.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is not liable for income taxes if it operates within the confines of its exempt status, though the Organization may be responsible for taxes on unrelated business activities. In the event of an examination of the income tax returns, the tax liability of the Organization could be changed if an adjustment in the tax exempt purpose or income from unrelated business activities is ultimately determined by the taxing authorities. The Organization's income tax filings are subject to audit by various taxing authorities. The Organization's open audit periods are 2011—2013. Management continually evaluates expiring statutes of limitation, audits, proposed settlements, changes in tax law, and new authoritative rulings. The Organization believes their estimates are appropriate based on current facts and circumstances.

Catskill Animal Sanctuary, Inc. had no income tax liabilities for the year 2014, and as such, no provision for income taxes is included in the accompanying financial statements.

Contributed Services

The Organization recognizes revenue for certain services received at the fair value of those services. In the absence of donor-imposed restrictions, those services are recorded as unrestricted support.

See accountants report.

CATSKILL ANIMAL SANCTUARY, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition Revenue

The Organization follows FASB ASC 958-210, Accounting for Contributions Received and Contributions Made. Under this statement, the Organization records revenue as unrestricted, temporarily restricted, or permanently restricted based upon the existence and nature of donor-imposed restrictions. When the conditions relating to the restriction are met, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the contribution as unrestricted.

Grants Receivable

Grant receivables are stated at the amount management expects to collect. Management provides for uncollectible amounts using the valuation method. At December 31, 2014, there were no grants receivables.

Contribution Receivable

Contributions receivable is stated at their estimated collectible amounts. Contributions receivable is periodically evaluated for collectability based on factors such as past history and prior loss experience. At December 31, 2014, net contributions receivable totaled \$740,632. Management expects to collect this amount in full in 2014.

Functional Allocation Expenses

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

NOTE 3 – CONTRIBUTION RECEIVABLE

Contribution receivables as of December 31, 2014, are as followed:

Gross contribution receivables	\$ 771,853
Less: Unamortized discounts	<u>(31,221)</u>
Net contribution receivables	<u>\$ 740,632</u>

Amounts due in:	
Less than one year	\$ 573,269
One to five years	<u>198,584</u>
	<u>\$ 771,853</u>

Contribution receivables due in more than one year are recognized at fair value, using net present value techniques. The Organization discounts their pledges using U.S. Treasury interest rates adjusted for risk. As of December 31, 2014, multi year pledges totaled \$698,667.

See accountants report.

CATSKILL ANIMAL SANCTUARY, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 4 - INVESTMENTS

Investments are stated at fair value and consist primarily of publically traded mutual funds. Investments at December 31, 2014, are as followed:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Readily Marketable Securities	\$ 649,620	\$ 645,829	\$ (3,791)

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2014:

		Estimated Life
Buildings and improvements	\$ 1,739,885	39 years
Equipment	138,927	7 years
Vehicles	56,888	5 years
Work in process	14,200	
Land	771,906	
	2,721,806	
Less: accumulated depreciation	(375,416)	
Fixed Assets, Net	\$ 2,346,390	

NOTE 6 - CONCENTRATIONS OF CREDIT RISK / MAJOR CONTRIBUTORS

The Organization maintains cash and money market deposit accounts at four financial institutions. As part of the Federal Deposit Insurance Corporation both noninterest and interest bearing accounts will be insured up to a combined balance of \$250,000 per bank. Also, the Organization is covered through the National Credit Union Share Insurance Fund. The maximum share insurance amount is \$250,000 per institution. At December 31, 2014, the Organization's bank balances totaled \$235,571 and its uninsured cash and money market deposit balances totaled \$0.

The Organization is economically dependent upon contributions from the general public to finance its activities. For the year ended December 31, 2014, the Organization had many single individual contributors from the general public. No one contributor made up a significant amount of the contributions. Contributions from individuals totaled \$424,550 in 2014. In addition, the Organization had one grantor foundation whose grants represented more than 97% of all foundation and trust grants received. Total contributions from this foundation were \$1,060,000 in 2014.

See accountants report.

CATSKILL ANIMAL SANCTUARY, INC.
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 7 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments are recorded at fair value in the consolidated balance sheet. A comparison of the carrying value of the Organization’s financial instruments is as followed:

Carrying Amount of Readily Marketable Securities	<u>\$ 649,620</u>
Fair Value	<u>\$ 649,620</u>

NOTE 8 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Standards require nonfinancial assets and liabilities to be evaluated for fair value and provide guidance when determining the fair value of financial assets when the market for that asset is not active. Standards also permit an entity to choose to measure eligible financial instruments and other items as fair value. As of December 31, 2014, the Organization has not elected to apply the fair value option to any financial assets or liabilities other than those situations where other accounting pronouncements require fair value measurements.

The definition of fair value is clarified to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Standards establish a three-level hierarchy for fair value measurements based upon the inputs to the valuation of an asset or liability. An item’s level within the fair value hierarch is based on the lowest level of input that is significant to the fair value measurement, the three levels of the fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities,

Level 2 - Quoted prices for similar assets or liabilities in active markets, quoted prices, in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability,

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported by little or no market activity).

The following table presents the assets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fell at December 31, 2014:

	Fair Value Measurements at Reporting Date Using:			
Fair Value	Quoted Prices in Active Markets for Identical Assets / Liabilities (Level 1)	Signified Other Observable Units (Level 2)	Significant Unobservable Inputs (Level 3)	
December 31, 2014				
Readily Marketable Securities	<u>\$ 649,620</u>	<u>649,620</u>	<u>-</u>	<u>-</u>

See accountants report.

CATSKILL ANIMAL SANCTUARY, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

NOTE 9 - RELATED PARTY TRANSACTIONS

The Organization provides housing to be used by the acting director or whoever is on call in his or her absence. The purpose of this residence is to ensure that someone is present at the Sanctuary at all times to cover emergencies.

NOTE 10 - TEMPORARILY RESTRICTED ASSETS

Total temporarily restricted assets totaled \$46,251 at December 31, 2014. They consisted of restricted grants for the purpose of improving the Route 32 property and providing hay to animals.

NOTE 11 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 4, 2015, the date the financial statements were available to be issued.

NOTE 12 – FUNDRAISING/JOINT COSTS

The Organization incurred fundraising costs in 2014 for the amount of \$85,999. A portion of the amount consisted of joint costs that included salaries, advertisement, office expense, insurance, property taxes, and depreciation.