

SAFE HARBOR ANIMAL RESCUE OF THE KEYS, INC.

**Financial Statements with
Independent Auditors' Report Thereon**

December 31, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Safe Harbor Animal Rescue of the Keys, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Safe Harbor Animal Rescue of the Keys, Inc., (the "Company") (a non-profit organization) which comprise the statement of financial position as of December 31, 2013, and the related statements of activities 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.

Auditors' 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 and Government Auditing Standards issued by the Comptroller General of 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 consolidated 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 Safe Harbor Animal Rescue of the Keys, Inc., as of December 31, 2013 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued a report dated September 10, 2015 on our consideration of Safe Harbor Animal Rescue of the Keys, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Smith, Burgin & Associates, LLC.

September 10, 2015

SAFE HARBOR ANIMAL RESCUE OF THE KEYS, INC.

Statement of Financial Position

December 31, 2013

<u>Assets</u>	
Current assets	
Cash	\$ 15,784
Contracts and other receivables	-
Other assets	1,030
Total current assets	<u>16,814</u>
Assets restricted to investment in furniture and equipment	-
Accumulated depreciation	<u>-</u>
Net assets restricted to investment in furniture and equipment	<u>-</u>
 Total assets	 \$ <u>16,814</u>
 <u>Liabilities and Net Assets</u>	
Current liabilities	
Bank overdraft	\$ 24,115
Payroll liabilities	65,043
Accounts payable and accrued expenses	5,638
Total current liabilities	<u>94,796</u>
Net assets	
Unrestricted	(77,982)
Restricted to investment in furniture and equipment	<u>-</u>
Total net assets	<u>(77,982)</u>
 Total liabilities and net assets	 \$ <u>16,814</u>

See accompanying notes to financial statements.

SAFE HARBOR ANIMAL RESCUE OF THE KEYS, INC.

Statement of Activities

For the Year Ended December 31, 2013

Public support and revenue	
Grant revenue	\$ 229,979
Program income	14,581
Contributions	<u>30,967</u>
	<u>275,527</u>
In-kind contributions	<u>-</u>
Total revenue	<u>-</u>
Total public support and revenue	<u>275,527</u>
Expenses	
Salaries and related costs	180,878
Advertising	345
Insurance	18,818
Office and administration	7,154
Professional fees	19,800
Repairs	3,553
Veterinary care	29,137
Medical supplies	26,925
Auto/truck expense	6,248
Animal supplies, food and disposal	17,035
Yard supplies	7,355
Fundraising	1,129
Licenses and permits	1,254
Telephone	4,322
Utilities	8,077
Adoption fees	45
Uniforms	1,166
Education and training	191
Depreciation expense	<u>-</u>
	<u>333,432</u>
Increase in net assets	(57,905)
Net assets, beginning of year	<u>(20,077)</u>
Net assets, end of year	\$ <u>(77,982)</u>

See accompanying notes to financial statements.

SAFE HARBOR ANIMAL RESCUE OF THE KEYS, INC.

Statement of Cash Flows

For the Year Ended December 31, 2013

Cash flows from operating activities:	
Change in net assets	\$ (57,905)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	-
Decrease in contracts, other receivables and other assets, net	-
Increase in accounts payable	<u>53,233</u>
Net cash used by operating activities	<u>(4,672)</u>
Cash flows used by investing activities:	
Acquisition of equipment	<u>-</u>
Cash flows from financing activities:	<u>-</u>
Net decrease in cash and cash equivalents	(4,672)
Cash and cash equivalents, at beginning of year	<u>20,456</u>
Cash and cash equivalents, at end of year	\$ <u><u>15,784</u></u>
Interest paid during the year	\$ <u><u>-</u></u>

See accompanying notes to financial statements.

SAFE HARBOR ANIMAL RESCUE OF THE KEYS, INC.

Notes to Financial Statements

December 31, 2013

1. Summary of Significant Accounting Policies

a) Organization

Safe Harbor Animal Rescue of the Keys, Inc. ("the Company") is a nonprofit organization developed as a provider of animal control and sheltering services. The Company was incorporated on July 19, 2010 and commenced operations on April 26, 2011.

b) Basis of Presentation

The Company's financial statements have been prepared on the accrual basis of accounting and in conformity with the standards promulgated by the American Institute of Certified Public Accountants. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Company and changes therein are classified and reported as follows:

- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, whether by actions of the Company and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Company. Generally, the donors of these assets permit the Company to use all or part of the income earned on any related investments for general or specific purposes.

The primary sources of revenue for the Company consist of grants from governmental agencies which, absent a specific restriction by the grantor, are considered to be available for unrestricted use, and contributions from the community. All grant funds received as of the statement of financial position date which are considered to be applicable to future periods are reflected as deferred revenue on the Statement of Financial Position.

The costs of providing the various programs and other activities have been detailed in the accompanying Statement of Activities.

Salaries and other expenses which are associated with specific program are charged directly to that program. Salaries and other expenses which benefit more than one program are allocated to the various programs based on the relative costs incurred. Administrative and other support expenses are allocated to the various programs based on each program's salary expense.

SAFE HARBOR ANIMAL RESCUE OF THE KEYS, INC.

Notes to Financial Statements

December 31, 2013

1. Summary of Significant Accounting Policies - (Cont.)

c) Assets Restricted to Investment in Furniture and Equipment

Assets restricted to Investment in Furniture and Equipment are stated at cost and include expenditures for improvements and betterment which substantially increase the useful lives of the assets.

Donated furniture and equipment with values in excess of \$1,000 represent "in-kind" donations to the Company from private organizations and are recognized as support when received.

Depreciation is computed on the straight-line method over the estimated useful life of the assets, which is principally five (5) years. Maintenance and repairs are charged to operation as incurred.

d) Contributions

Contributions are considered unrestricted unless otherwise stated by donor. Restricted donations are initially recorded as temporarily restricted net assets. When a donor restriction expires or purpose of 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.

e) Restricted Revenues Received, Related Program Expense and Deferred Support

Contract revenues presented in the statement of activities are stated at amounts equivalent to the program expenses incurred. Related program expenses incurred in excess of contract revenue received on cost reimbursement contracts are reflected as receivables from governments, to the extent realizable, on the statement of financial position. Contract receipts in excess of related program expenses are deferred and recognized as revenue in the period in which the matching program expenses is incurred.

SAFE HARBOR ANIMAL RESCUE OF THE KEYS, INC.

Notes to Financial Statements

December 31, 2013

1. Summary of Significant Accounting Policies - (Cont.)

e) Restricted Revenues Received, Related Program Expense and Deferred Support - (Cont.)

The Company records revenue when earned. All expenses are recorded on the accrual basis and are charged against operations when incurred. Donated materials are recorded at fair value on the date of donation as unrestricted support. Donated services have not been reflected in the financial statements. The impact of those services upon the financial statements is unknown as there is no objective basis available to measure the value of such services. However, because recognition of donated services as revenue would also involve recognition of corresponding expenses, there would be no effect on the net assets.

f) Income Taxes

The Company was organized as a non-profit organization and has received exemption under the provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is provided for in the accompanying financial statements.

g) Allocation of Common Expenses

Certain common expenses which benefit more than one program are allocated based on estimates of time of employees involved and on percentages of assets utilized, and to the extent permitted in the funding source contracts.

h) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

i) 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.

SAFE HARBOR ANIMAL RESCUE OF THE KEYS, INC.

Notes to Financial Statements

December 31, 2013

1. Summary of Significant Accounting Policies - (Cont.)

j) Long-Lived Assets

The Company reviews the carrying value of its long lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. No adjustment has been provided for in the financial statements.

2. Summary of Funding, Accounts Receivable and Deferred Support.

The Company is funded through grants and contracts from various funding sources. The following summarizes major grant activity for the year ended December 31, 2013.

	<u>Support</u>
Monroe County	\$ 229,979
Donations	30,967

Grant and contributions for the year ending December 31, 2013 amounted to \$260,946. At December 31, 2013 grant receivables amounted to \$-0-.

3. Facilities Cost

The Company's premises are located in Marathon, Florida. Rent expense for the year amounts to \$0 as the facilities and upkeep of the premises are provided by the Monroe County. The County does not provide an in-kind value for the facilities.

4. Commitments and Contingencies

The costs and unexpended funds reflected in the accompanying financial statements relating to government funded programs are subject to audit by the respective governmental agencies (funding sources). The possible disallowance by the related governmental agencies of any item charged to the program or request for the return of any unexpended funds cannot be determined at this time. No provision, for any liability that may result, has been made in the financial statements.

SAFE HARBOR ANIMAL RESCUE OF THE KEYS, INC.

Notes to Financial Statements

December 31, 2013

5. Assets Restricted to Investment in Furniture and Equipment

At December 31, 2013, furniture and equipment consists of the following:

Equipment	\$	-
Less accumulated depreciation		<u>-</u>
	\$	<u>-</u>

Depreciation expense for 2013 amounted to \$0.

6. Payroll Liabilities

At December 31, 2013 payroll liabilities, which amount to \$65,043, primarily consist of unpaid payroll taxes. Unpaid payroll taxes, primarily for social security and Medicare, amounted to \$39,564 at December 31, 2012. The increase for 2013 of approximately \$25,500 was paid to the IRS in September of 2015. Balances due for 2014 are substantially paid and management states they will be liquidated before year end. 2015 obligations are current. Meetings with the IRS are scheduled in September 2015 to address 2012 and prior balances. Per management, the IRS has not provided the Company with any correspondence relating to this matter nor do these accruals reflect penalties and interest that may be charged on these balances.

7. Liquidity Issues

The Company has endured liquidity issues that have precluded it from making timely payments for its payroll tax obligations. Subsequent to year end the Company has been able to pay down portions of the balances outstanding.

8. Subsequent Events

The Company has evaluated subsequent events for disclosure and recognition through September 10, 2015, the date on which these financial statements were available to be issued.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Safe Harbor Animal Rescue of the Keys, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Safe Harbor Animal Rescue of the Keys, Inc. (the "Company"), which comprise the statement of financial position as of December 31, 2013 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 10, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended for the information of the Company's Board of Directors, management, and officials of applicable federal and state agencies. However, if this report is a matter of public record, its distribution is not limited.

Smith, Burgin & Associates, LLC.

September 10, 2015